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Analysis of Access to European Funds for Agriculture and Rural Development

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Abstract

The European Union finances the increase in the competitiveness of the agri-food sector, the improvement of the quality of the environment in rural areas, as well as the diversification of the rural economy through the European Agricultural Fund for Rural Development. The financial allocations for FEADR, in the period 2014 - 2020, were about 198 billion Euros at the level of the European Union, of which 136 billion Euros representing non-reimbursable European funds and about 62 billion Euros representing funds allocated by the governments of each member state. The work represents a detailed analysis of the degree of access to the non-reimbursable European funds for agriculture and rural development in the EU member states, for the period 2014-2020.

Keywords: European Funds, competitiveness, rural development policy
Jel codes: Q14, Q18.

1. Introduction

Rural development is the second pillar of the Common Agricultural Policy since 2000, with the development and implementation of the strategic document entitled Agenda 2000 (Istudor N., 2006). The objectives of the rural development policy are to increase the competitiveness of the agri-food sector, improve the environment and diversify the rural economy (European Commission, 2020). The challenges of land abandonment and rural depopulation are proposed to be managed through a more competitive rural development policy as formulated in the European Agricultural Fund for Rural Development (EAFRD) (Derek B. van Berkel, Peter H. Verburg, 2011). These CAP reforms progressively decouple subsidies away from agricultural production levels towards land stewardship incentives (Lowe et al., 2002).

The main financing instrument of this policy, at the level of the European Union, is the European Agricultural Fund for Rural Development (EAFRD), which supports a multitude of projects, from those aimed at the modernization of agricultural holdings, ecological agriculture, the promotion of agritourism and renewable energy (Dwyer et al. 2007). The European Union, with integrated agricultural policies and high-quality products, plays a significant role in the global context of agri-food trade (Lădaru G.R. et. al, 2024).

2. Literature Review

The Strategy Europe 2020 created the premises for the definition of the rural development policy for the period 2014-2020, thus establishing ambitious objectives for sustainable, smart and inclusive growth. The main objectives of the rural development policy for this period were the following (European Commission):

1. Increasing competitiveness and forestry.

2. Promoting the sustainable use of natural resources and combating climate change.

3. Economic and social development in rural areas and employment growth.

4. The LEADER initiative.

The policy for rural development through the European Union initiative LEADR has been one of several parts of the territorial instrument of rural development of the European Union since 1990 (Dax and Oedl-Wieser, 2016). LEADER was initiated in 1991 as a Commission initiative and over time, the program evolved and expanded in various stages (Johansson J. and Holmquist M., 2024). According to Matthews A. (2021), rural development policy is in a continuous process of reinvention, and in the future, the focus will be increasingly on sustainability and innovation.

For the current period, namely the period 2021 – 2027, the European Union finances projects aimed at improving the environment in rural areas in a much higher proportion, reaching over 30% of the total financial allocations. Also, the European Union emphasizes projects aimed at digitization in agriculture.

3. Data & Methodology

In order to analyze the access to European Fund for Agriculture and Rural Development, we calculated absorption rate as ratio between net interim payments and total allocations from funds from the EU, without considering the funds provided by the governments of each member state. The data used for the indicators total allocations and net payments of European Fund for agriculture and Rural Development was Cohesion open data platform of European Commission.

4. Results

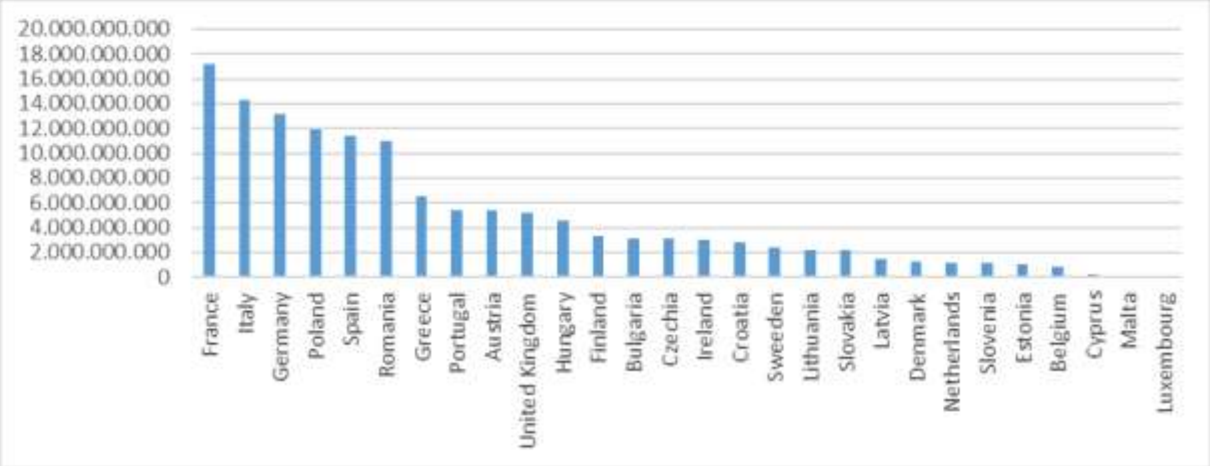
The rural development policy was implemented through the National Rural Development Programs, which were developed by each member state of the European Union, adapted to local needs and priorities. Among the main measures implemented at the level of each member state, we mention (European Commission):

- support for investments in fixed assets within agricultural holdings, with an emphasis on the modernization of infrastructure and equipment;

- agri-environment and climate measures, which promoted sustainable agricultural practices and environmental protection;

- diversification of the rural economy and support for the development of SMEs in the rural area, with an emphasis on the promotion of tourism and non-agricultural activities;

- the LEADER initiative, through which projects aimed at local development, through rural communities, were financed.



Graph 1. Total EU allocation for European Agriculture and Rural Development Fund, by country, period 2014 - 2020

Source: European Commission data processing, Cohesion open data platform, [Open Data Portal for the European Structural Investment Funds - European Commission | Data | European Structural and Investment Funds (europa.eu)]

Table1. Absorption rate for European Agriculture and Rural Development Fund, by country, period 2014 – 2020, in august 2024

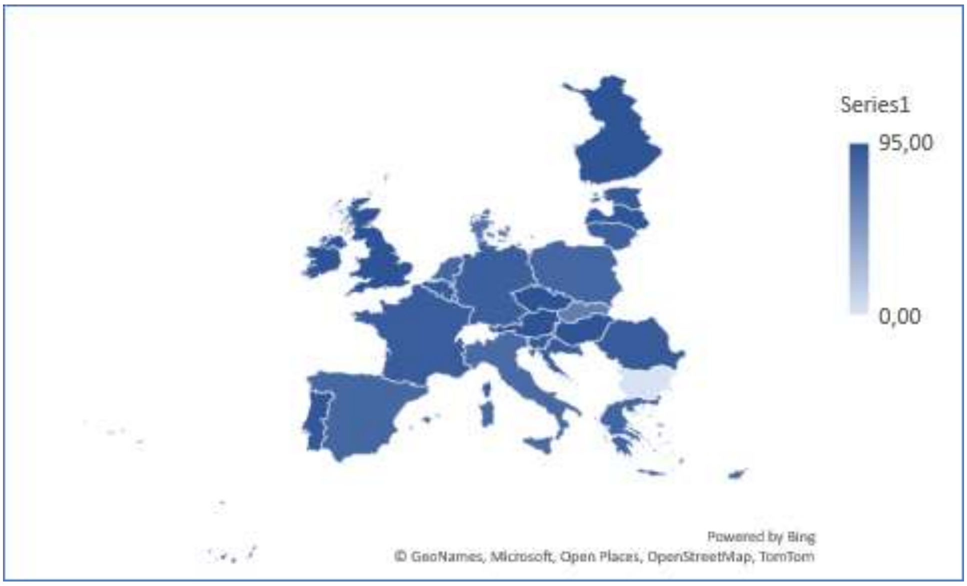
Country	**Total EU allocation (Euro)**	**Net payments (Euro)**	**Absorption rate (%)**
Austria	5.437.064.684	5.152.392.543	94,76
Czechia	3.075.728.199	2.921.941.789	95,00
Finland	3.377.282.563	3.207.307.259	94,97
Hungary	4.590.416.862	4.360.896.019	95,00
Ireland	3.072.543.385	2.918.916.216	95,00
Luxembourg	134.202.007	127.491.907	95,00
United Kingdom	5.195.417.491	4.935.646.616	95,00
Latvia	1.446.177.995	1.342.362.148	92,82
Portugal	5.442.834.003	5.018.208.969	92,20
Sweeden	2.385.869.991	2.201.151.960	92,26
Estonia	1.081.864.629	978.826.498	90,48
Slovenia	1.155.859.177	1.043.744.628	90,30
Belgium	879.873.688	782.646.736	88,95
Croatia	2.825.458.409	2.504.880.474	88,65

France	17.221.622.830	15.335.160.754	89,05
Romania	10.968.146.956	9.806.712.409	89,41
Germany	13.177.966.709	11.470.869.303	87,05
Lithuania	2.237.680.374	1.936.795.362	86,55
Greece	6.511.852.705	5.390.673.674	82,78
Poland	11.944.796.992	9.885.037.143	82,76
Netherlands	1.168.188.879	961.962.186	82,35
Spain	11.406.396.049	9.381.760.355	82,25
Cyprus	196.504.594	157.974.920	80,39
Italy	14.349.751.162	11.506.042.194	80,18
Denmark	1.251.074.481	928.088.069	74,18
Malta	149.263.879	110.544.548	74,06
Bulgaria	3.129.044.775	2.295.638.817	73,37
Slovakia	2.229.554.344	1.491.870.522	66,91
TOTAL	**136.042.437.812**	**118.155.544.018**	**86,85**

Source: European Commission data processing, Cohesion open data platform, Open Data Portal for the European Structural Investment Funds - European Commission | Data | European Structural and Investment Funds (europa.eu)

From the analysis of table 1, it can be seen that the total financial allocations from the European Union, for the rural development policy, for the period 2014-2020, were about 136 billion Euros. The states that benefited from the largest financial allocations are the following: France, Italy, Germany, Poland, Spain and Romania.

The distribution of European funds was based on several criteria, among which the agricultural area used, the number of rural population, GDP/inhabitant. An important criterion in the distribution of European funds was represented by the level of development, so that, in order to ensure social and economic cohesion in the European Union, states with a lower level of development benefited from larger amounts. Countries with a higher level of development, such as France, Germany and Italy, benefited from larger amounts due to their large agricultural areas and large rural populations. Countries such as Poland, Romania, Hungary and Bulgaria benefited from larger amounts as a result of the relatively low economic level and the needs faced by the rural population.



Graph 2. Absorption rate for European Agriculture and Rural Development Fund, by country, period 2014 – 2020, in august 2024 (%)

Source: European Commission data processing, Cohesion open data platform, [Open Data Portal for the European Structural Investment Funds - European Commission | Data | European Structural and Investment Funds (europa.eu)]

The degree of access was calculated as the ratio between net interim payments and total allocations from funds from the EU, without taking into account the funds provided by the governments of each member state. The average degree of access to non-refundable European funds for agriculture and rural development, in the European Union, is 86.85%. Of the 28 states that benefited from these funds, including Great Britain, 17 states exceed the European average for this indicator and 11 are below the average.

The highest degree of access is around 95% and is registered in 7 member states, respectively: Austria, Czech Republic, Finland, Hungary, Ireland, Luxembourg and Great Britain. All these states have financial allocations that do not exceed 5.5 billion Euros, and the level of socio-economic development is high in most states, thus being able to ensure the part of national co-financing.

An impediment in accessing non-reimbursable European funds for farmers, especially for small farmers, is represented by excessive bureaucracy (Hubbard C. and Gorton M., 2011), as well as the diversity of problems faced by rural areas in each member state (Ray C ., 2000), these varying even within the same state.

The states that register the lowest degree of access to non-reimbursable European funds for rural development, below 80%, are the following: Denmark, Malta, Bulgaria and Slovakia. Thus it is found that the degree of access varies in the member states of the European Union. Some states have greater administrative and institutional capacity to implement national rural development programs. Also, some member states developed and implemented the programs at the level of development regions, and the complexity of the procedures could be greater. One of the biggest problems faced by the Member States was to ensure national co-financing, as the European grants for rural development require co-financing from the governments of the Member States.

5. Conclusions

A result of the rural development policy for the period 2014-2020 is represented by increasing the degree of innovation in agriculture, supporting the transition to practices that do not harm the environment, and increasing the area dedicated to ecological agriculture. Another result is the increase in rural employment, especially in non-agricultural businesses.

The challenges of the 2014-2020 period were related to the difficulty for farmers to secure the co-financing necessary to implement projects, the bureaucratic complexity, the crisis generated by the COVID 19 pandemic, as well as the difficulty of member states to adapt their national rural development programs to the specific needs of the regions, there are large gaps between regions within all member states, thus generating uneven results within them.

For the period 2021 – 2027, the challenges for rural development policy in all EU member states are aimed at the depopulation of rural areas, together with the aging of the population and unequal access to resources and services. In this sense, the European Union encourages coordination between the rural development policy and the cohesion policy promoted in the member states. Also, the new period implies a more integrated and flexible approach to the member states, thus allowing faster adaptation to the needs faced by each region.

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