

## OPPORTUNITIES FOR FINANCING BUSINESS THROUGH ACCESSING EUROPEAN GRANTS

*Maria Loredana POPESCU*<sup>a\*</sup>, *Radu Alexandru CHIOTAN*<sup>b</sup>, *Florin DOBRE*<sup>a</sup>,  
*Carol Cristina GOMBOS*<sup>a</sup>

<sup>a</sup> Bucharest University of Economic Studies, Romania,

<sup>b</sup> Carol Davila University of Medicine and Pharmacy, Bucharest, Romania

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### ABSTRACT

*The general concept of European funds refers to the grant instruments allocated to the Member States of the European Union (EU), to reduce the economic and social development gaps between them. This article is based on the analysis of how to obtain European funds for different categories of entrepreneurs over a certain period. It also aims to inform about the significance of European funds and the ways in which farmers, researchers, NGOs, businesses, or young people can access non-reimbursable European funds. The aim was to develop the notion of European funds, the way in which these funds can be obtained, what are the stages of the process of accessing European funds, but also Romania's priorities financed by European funds, as well as their circuit from the beginning to the point where our country reaches the development process.*

**KEYWORDS:** *economy, European Union, grants, human resources*

**DOI:** 10.24818/IMC/2022/03.08

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### 1. INTRODUCTION

All Europeans and many people in other parts of the world benefit directly or indirectly from the EU budget (Bostan & Moroşan, 2022; Bodislav et al., 2021). It helps thousands of researchers and many cities, regions, and non-profit organizations (Profiroiu et al., 2020; Belostecinic et al., 2022). The term European funds is in fact the non-reimbursable financing instrument to reduce the gap in economic and social development, distributed to the Member States of the European Union (Nicolescu, et al., 2020). The adoption of partnership agreements and programs for the European Structural and Investment Funds (ESI) is an important step forward for the European Union's support for smart, sustainable growth strategy (Negescu Oancea, et al., 2020; Bodislav et al., 2020; Radulescu et al., 2020).

There is currently a single set of rules governing the five EU Structural and Investment Funds (ESI Funds) (Radulescu et al., 2021; Balu et al., 2021). These rules aim to establish a clear link with the European strategy for stimulating smart, sustainable and inclusive growth in the EU, to improve coordination, ensure consistency of implementation and make it as easy as possible for potential beneficiaries to access ESI funds (Mohl & Hagen, 2010; Bodislav et al., 2021.). The new framework offers several tools that allow the combination of support from different ESI funds for a better adaptation to the needs of each territory, at national, regional, local, or cross-border level (Santamarta et al., 2021; Burlacu et al., 2021). Therefore, managing authorities are encouraged to

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\* Corresponding author. E-mail address: [popesculrldn@yahoo.com](mailto:popesculrldn@yahoo.com)

use these tools to the greatest extent possible for purposes such as integrated territorial investments (Jianu et al., 2019; Ladaru et al., 2022; Popescu et al. 2021).

Specific implementing provisions have been put in place to ensure that the various authorities responsible for implementing ESI Funds work together to maximize the impact of Union support, while strengthening sound financial management and the correctness of expenditure (Mikuš & Rogelj, 2019).

In the case of Romania, the European Structural and Investment Funds (ESI funds) are the main source of financing for Operational Programs aimed at implementing the Economic and Social Cohesion Policy at national level (Dornean, 2016).

## 2. OPPORTUNITIES FOR FINANCING BUSINESS WITH GRANTS

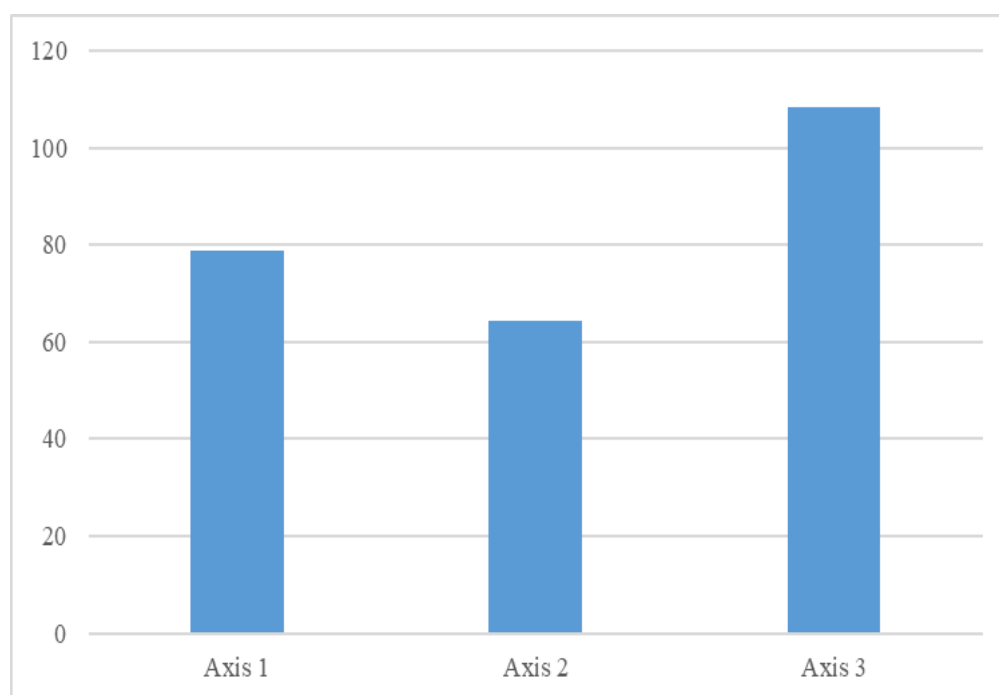
According to the expressed priorities, Romania divides the European funds in 8 main directions: human resources, regional development, infrastructure, rural development, competitiveness, fisheries, administrative capacity, and technical assistance (Hilliard & Dat Le, 2022).

### 2.1. Technical Assistance Operational Program

The Technical Assistance Operational Program (OPTA) supports the institutions implicated in the management of European funds and the potential beneficiaries of infrastructure projects (Fratesi & Wislade, 2017). Under this program, 297 million euros have been allocated, of which 252 million from the European Regional Development Fund and 45 million from national co-financing.

This program is structured on 3 priority axes:

- Priority Axis 1- Strengthening the capacity of beneficiaries to prepare and implement FESI-funded projects and disseminating information on these funds.
- Priority Axis 2- Support for FESI coordination, management and control.
- Priority axis 3- Increasing the efficiency of human resources involved in the coordination, management and control system of FESI in Romania.



**Figure 1. POAT allocation (EUR million)**

Source: data processing [www.fonduri-ue.ro](http://www.fonduri-ue.ro)

According to the diagram above, most of the funds were directed to priority axis number 3, respectively 108.33 million euros, and for priority axis number 178.65 million euros and only 64.34 million were allocated. euro to axis number 2.

## 2.2. Competitiveness Operational Program

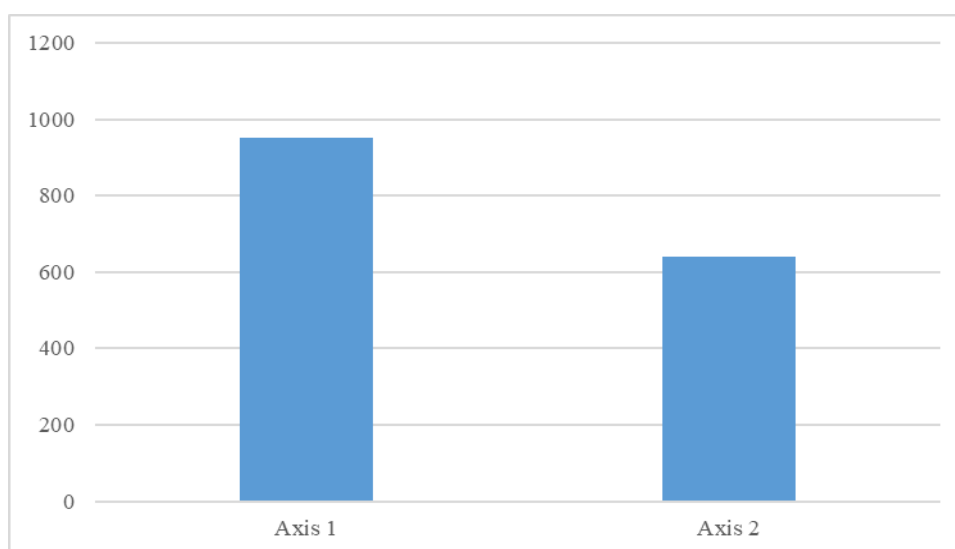
This program contributes to Romania's economic competitiveness, investing in projects aimed at research development and innovation (Neagu, 2019).

The Competitiveness Operational Program supports communication technology for business conducted through the Internet and improves electronic public services in Romania in the fields of education, culture, health and contributes to the development of high-speed Internet services (Lupu, 2015).

1.58 billion euros have been allocated for this program, of which 1.35 billion have been allocated from the European Regional Development Fund, and the remaining 252.8 million euros are from national co-financing.

The Operational Competitiveness Program (COP) is based on 2 priority axes:

- Priority Axis 1- Research and innovation in support of economic competitiveness and business development
- Priority Axis 2- Communication Technology for a competitive digital economy.



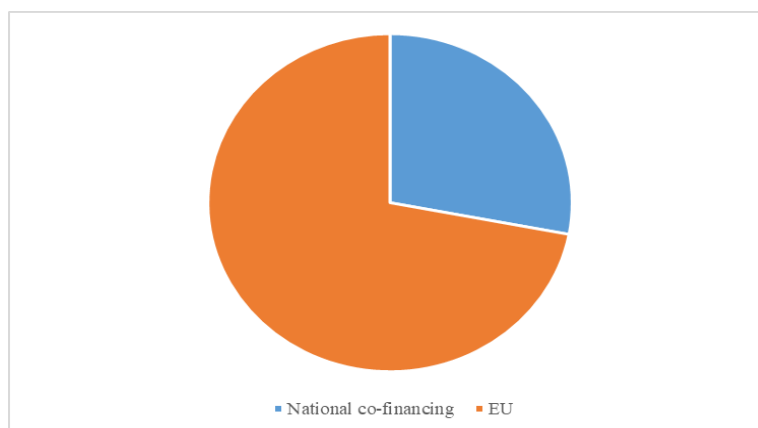
**Figure 2. POC allocation (EUR million)**

Source: data processing [www.fonduri-ue.ro](http://www.fonduri-ue.ro)

In the chart above, priority axis number 1 received EUR 952.57 million from the funds allocated to this program which takes into account technological development and business development in particular. Axis number 2 received EUR 639.2 million to achieve the objectives set out in this program.

## 3. EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

For the period 2014-2020, the total budget was 642,793,243,941 euros. Of the total amount, the European Union funding was 460,968,902,698 euro, and the remaining 181,823,341,261 euros are from national co-financing. Following the percentage chart, most of the money allocated to these funds comes from the European Union in 72%, and the rest of the total budget, only 28% is allocated from national co-financing (Eirini & Cunico, 2020).



**Figure 3. Total budget**

*Source:* data processing <https://cohesiondata.ec.europa.eu>

Following the analysis made with the diagram, 45% of the total allocated amount is allocated to the ERDF, followed by the amount allocated to the EAFRD with a percentage of 24%, at the top of the list with the most financial resources in the budget. 19% of the total amount was allocated to the ESF, while the Cohesion Fund received 12% of the total budget. Instead, the least financial resources were distributed to the European Fisheries and Maritime Fund (EMFF), a percentage of only 1%, followed by the amount allocated for the Youth Jobs Initiative (YEI) of only 2%. The reporting of financial data is expressed in total costs, which means that they are not broken down by European Union or national share (Burlacu et al., 2022).

The planned budget is slightly increasing, so that in 2015 it was 637,169 billion euros and by 2019 it increased to 642,964 billion euros. If the financial resources allocated to the selected projects were only 56,143 billion euros in 2015, by the end of 2019 they increased almost 10 times and reached a total of 547,094 billion euros. Regarding the reported expenses for the selected projects, they increased enormously from one year to another, so that if at the beginning of the analyzed period, 2015, they were 11,228 billion lei, in 2016 they reached the value of 42,395 billion lei. At the end of the period, in 2019 they reached the amount of 254,114 billion lei.

### **3.1. European Union overview of implementation by country**

An important example is Finland, which has a total planned budget, until 31 December 2019, of EUR 8,435,156 million, the financial resources allocated to the selected projects was EUR 9,085,271 million, and the reported expenditure for the selected projects they were worth 5,853,735 million euros.

Ireland had a total planned budget of 6,139,651 million euros, the financial resources allocated to the selected projects amounted to 6,014,275 million euros, and the reported expenditure for the selected projects was 3,834,948 million euros.

In the case of Romania, the total planned budget was 36,742,061 million euros, the financial resources allocated to the selected projects amounted to 35,482,964 million euros, and the reported expenses for the selected projects were 12,603,411 million euros.

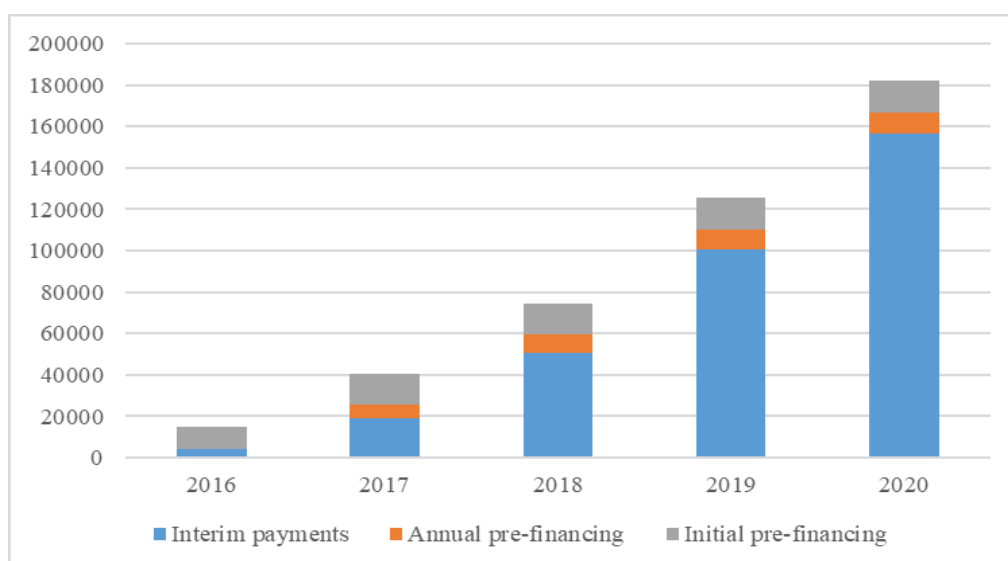
Spain had a total planned budget of 56,367,312 million euros, the financial resources allocated to the selected projects amounted to 40,249,063 million euros, and the reported expenses for the selected projects were 18,707,137 million euros.

Luxembourg had a lower total planned budget than other countries, reaching 456,419 million euros, the financial resources allocated to the selected projects amounted to 314,539 million euros, and the reported expenditures for the selected projects were 267,761 million euros.

Denmark had a total planned budget of 2,316,556 million euros, the financial resources allocated to the selected projects amounted to 1,811,796 million euros, and the reported expenditures for the selected projects were 896,710 million euros.

### 3.2. Total payments at the end of each year

At the beginning of the program period in 2015, the initial pre-financing was EUR 10,913 billion, the annual pre-financing was 0 and the interim payments were EUR 4,076 billion. In 2016, an increase was observed, so that the initial pre-financing was 15 billion euros, the annual pre-financing was 6,692 billion euros, and the interim payments were 18,762 billion euros.



**Figure 4. Total payment**

Source: data processing <https://cohesiondata.ec.europa.eu>

In 2018, the figures reached 15,306 billion euros in the case of the initial pre-financing, the annual pre-financing was 9,363 billion euros, and the provisional payments increased very much compared to those in 2015 and reached 100,817 billion euros.

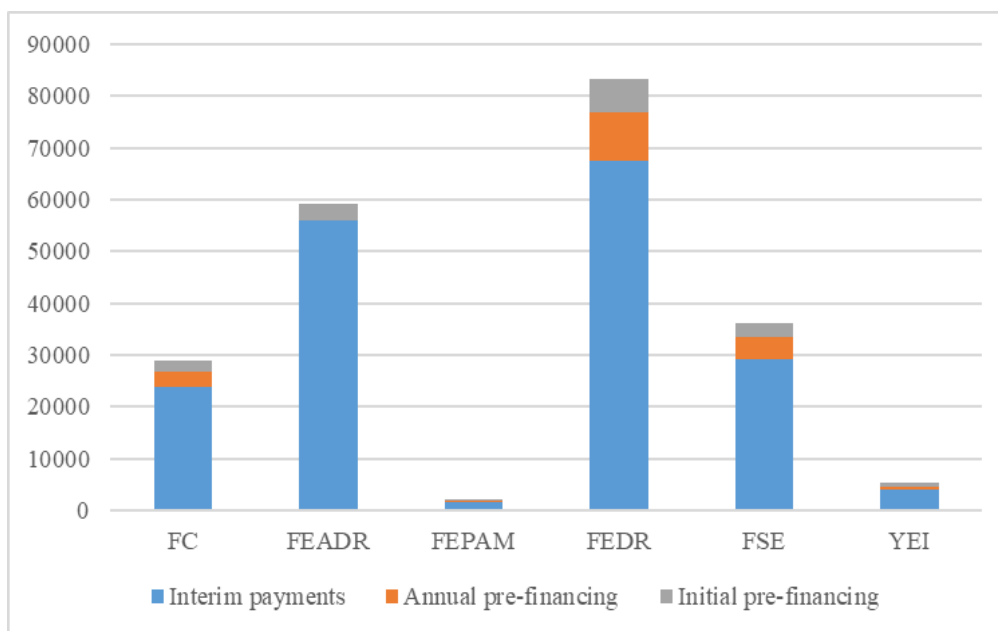
The most recent report, updated in June 2020, shows that the initial pre-financing is EUR 15,308 billion, the annual pre-financing is EUR 10,099 billion and the interim payments are EUR 156,764 billion.

### 3.3. Total cumulative EU payments on the fund

According to data updated to June 2020, the total EU accumulated payments on the fund are illustrated in the chart below. As can be seen in the chart above, the European Regional Development Fund has the highest values, so that: the initial pre-financing is 6,415,267 million euros, the annual pre-financing is 9,319,605 million euros, and the interim payments has a total of 6,7452,494 million euros.

The European Agricultural Fund for Rural Development follows with the following values: the initial pre-financing is 3,193,046 million euros, and the provisional payments are a total of 56,067,315 million euros.

A short distance from the FEPAM values is the fund for the Youth Jobs Initiative with values such as: the initial pre-financing is 719,869 million euros, the annual pre-financing is 517,151 million euros, and the provisional payments are a total of 4,099,571 million euros.

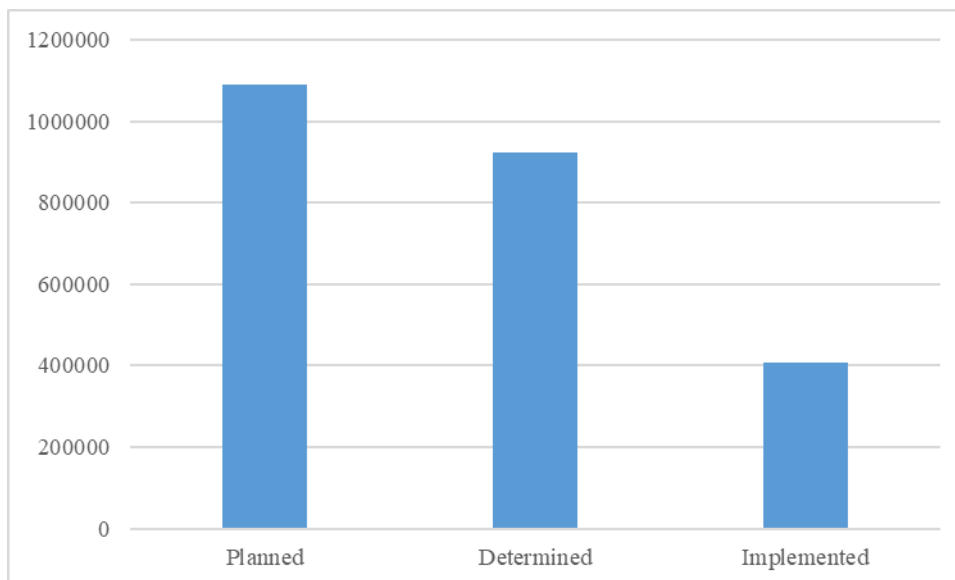


**Figure 5. Total payments on the fund**

Source: data processing <https://cohesiondata.ec.europa.eu>

### 3.4. Achievements through the European Structural and Investment Funds

The graphs below will exemplify some of the achievements from 2014-2020. The example below shows graphically all the companies that receive financial support.



**Figure 6. All firms**

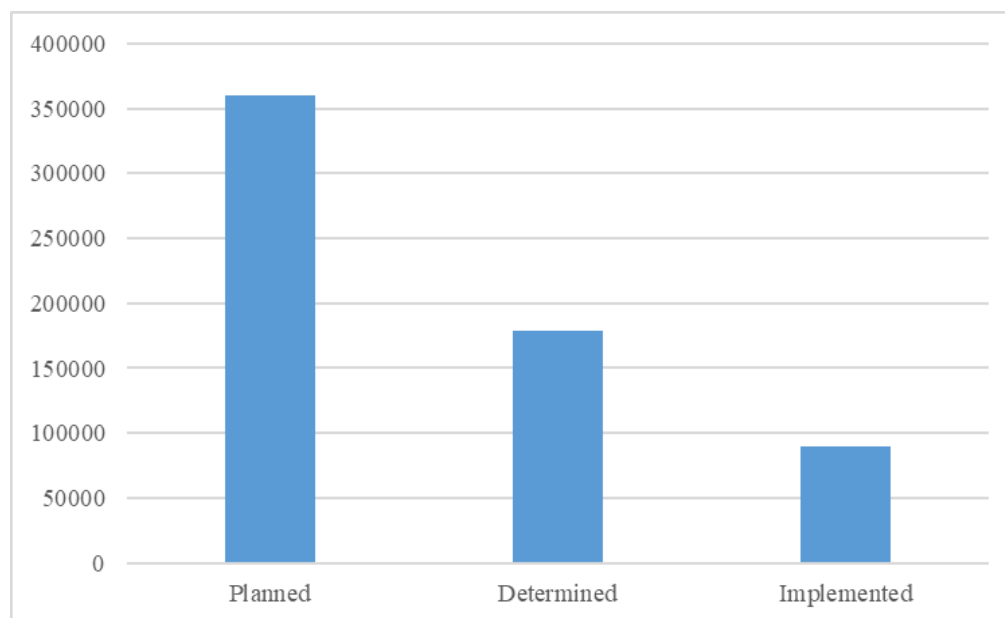
Source: processing data <https://cohesiondata.ec.europa.eu>

According to the schedule, 1,090,148 companies were planned to receive financial support, then their number decreased to 924,527 companies that reached the decision phase, but only 407,801 companies reached the implementation stage (Marin, 2020).

In the general presentation of the program targets, Romania appears with 12,588 enterprises, and is in 15th place. On the 14th place is the Czech Republic with 11,114 companies, and on the 16th, place is Slovakia with 13,946 companies. Greece has 31,653 companies; Austria is among the

countries with the lowest number of companies 1,392 along with Malta with 1,650 and Cyprus with 1,871.

The following graph shows the companies that receive subsidies in all 3 phases: the planning phase, the decision phase and the implementation phase.



**Figure 7. Companies that receive subsidies**

Source: data processing <https://cohesiondata.ec.europa.eu>

According to the chart above, in the planning phase there were 360,460 companies to receive grants, then their number decreased to 179,218 companies that reached the decision phase, but only 89,699 companies reached the implementation stage, implementation.

In the ranking of the general presentation of the program targets, the countries with the lowest number of companies receiving subsidies are Malta with 480 companies, Estonia with 550 companies and Sweden with 1090 companies, Belgium with 1,157 and Austria with 1,382. Romania ranks 11th, if the ranking starts with the countries with the lowest number of subsidized enterprises, with 2,566 companies. Along with our country are Slovenia with 2,500 companies and Ireland with 2,595 companies.

#### 4. CONCLUSIONS

Following the analysis made throughout this article, we can conclude some important aspects, discussed below.

Romania has been a member of the European Union since 2007, which means that it should have aligned itself with EU requirements, but this has not led to full compliance with the requirements. At the level of the European Union, any investment should also reflect on the social, in the case of our country it is seen more from an economic point of view.

Compared to other European countries, in the overall presentation of the program's targets for achievements from grants, Romania is 12,588 enterprises at a huge distance from the United Kingdom with 204,010 enterprises or from France with a total number of 160,040 enterprises.

In the ranking of the number of enterprises that aims to identify those who receive subsidies, Romania has a relatively small number, 2,566 companies, compared to countries such as the United Kingdom with 83,580 enterprises, Spain with 80,752 enterprises or Italy with 42,750 enterprises, the data being updated until June 2020.

Romania is not very good in terms of setting up new enterprises either, as it ranks last in the ranking with only 100 new companies set up through non-reimbursable European funds. The difference between our country and the first places in the ranking is huge, so that the United Kingdom ranks 1st with 62,024 newly established companies, on the 2nd place is France with 48,168 newly established companies and on the 3rd is Spain with 10,612 companies.

In conclusion, if each investor implements a project profitable from European funds, it will generate a series of economic and social benefits. From an economic point of view, it will help to improve the economy in the area where the company is located, and from a social point of view, it will help reduce unemployment and improve the quality of life by creating new jobs.

## ACKNOWLEDGMENT

Thank you to the team who contributed to the writing of this article. We appreciate Eurostat's assistance with the statistics utilized in this report. We would like to express our sincere appreciation to my colleagues for their continued support, insightful analysis of this article, and direction.

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