



EU FAR - Addressing territorial disparities in EU funds absorption

Policy Brief

Key findings

- EU FAR (EU Funds by Area Results) provides granular FAIR data on all EU funds absorbed by all Romanian municipalities for the entire programming period of 2014-2020 based on data availability.
- The EU FAR database can be replicated in other European countries for the same programming period.
- EU FAR project deliverables are openly accessible using Research Data Alliance (RDA) recommendations and European Open Science Cloud (EOSC) services and products.
- EU funds absorption of Romanian municipalities is marked by significant territorial discrepancies.
- The EU FAR database can serve as both a research tool and a policy instrument at multiple levels: municipality (LAU), county (NUTS 3), regional (NUTS 2), national (NUTS 0) or European.

Introduction

The project tackles the issue of place-based EU funding, with a special focus on rural regions. The project fills a gap in the FAIR¹ data available on EU funds absorption at a granular level, that of LAU 2 units. In Romania, as well as in other places in Europe, rural units have to face multiple level disadvantages compared to urban areas. The analyzed topic is particularly relevant for EU Cohesion policy and its area-based impact results. Locality's spatial attributes are systematically analyzed throughout the project deliverables.

What's at stake? Problem(s) definition

The EU FAR project tackles two interconnected problems: (1) increasing the FAIR degree of open granular data on EU funds absorption and (2) spatial analysis of funds distribution. The proposed solutions are derived from the fusion of policy recommendations to contribute to evidence-based policy making in the field of EU funds in Romania.

Official open data on this topic do not fully comply with the FAIR principles. The files officially published by the Ministry of Development, Public Works and Administration still include some errors on the key aggregator, namely, LAU or SIRUTA code. The project team identified several errors in the past, but their number decreased recently. Nevertheless, an accurate database with all the localities should be based on the correct LAU codes as published by the National Institute of Statistics. Otherwise, data are difficult to merge to other databases and between years of budgetary execution.

In the current format of budget execution, this information is not disaggregated by type of expenditure/operational program. It would be useful to further disaggregate the data by type of accessed operational program, as budgetary coding allows this refinement of data. The format for budgetary reporting includes separate codes for funds originating from the European Regional Development Fund, European Social Fund, Cohesion Fund, European Agricultural Fund for Rural Development, European Fund for Fisheries and those funds corresponding to the European and Economic Space, as well as to other programs.

Aggregate analyses of EU fund absorption at the national, operational program or development region levels are not sufficient to analyze territorial disparities in depth. The objective of reducing regional inequalities is an intrinsic part of the EU's goals of promoting economic, social and territorial cooperation (Article 174 of the Treaty on the Functioning of the European Union). The same article mentions particular attention given to rural areas and regions that have been affected by "severe and permanent natural or demographic handicaps."² Analysis at the locality level, such as EU FAR, has enabled and directly addressed this objective.

¹ Findability, Accessibility, Interoperability, and Reusability.

² OECD definition on Eurostat, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12008E174&from=EN>.

Methods

The findings and policy implications presented in this policy brief are based on the methodology developed within the EU FAR project. The cumulative EU funds for the period of 2014-2020 are based on financial data from local budget execution, as published by the Ministry of Development, Public Works and Administration, Directorate for Local Fiscal and Budgetary Policies.³ The data management process involved merging all the information for all the localities in Romania by assigning correct unique identification codes (SIRSUP, LAU codes) for all municipalities for each of the analyzed years. The entire process of data aggregation is presented in the technical description of the EU FAR open database.⁴

Results

EU funds absorption in Romanian municipalities is marked by territorial disparities. Analyses conducted for the rural area of Romania highlight that the spatial attributes of a commune (rural⁵ municipalities in Romania), such as development region and county affiliation, differentiate levels of EU funds absorption. Financial capacity, affiliation with a functional urban area, demographic decline, population size, and state budget fund or EU fund absorption in the previous programming period can also be used to account for statistically significant differences in the capacity of rural municipalities to attract EU funds during the 2014-2020 programming period.

Communes with increased levels of absorbed EU funding are to a statistically higher extent in the Central, Northwest, Southwest and Western development regions, in communes with no change or even an increase in population between 2011 and 2014, in the highest quartile of fiscal capacity, and possessing previous experience on EU funding from the prior programming period. They are also likely to be in the counties of Bistrița-Năsăud, Cluj, Harghita, Hunedoara, Mureș and Tulcea. Furthermore, communes from the medium upper quartile of EU funding tend to be more developed communes, part of a functional urban area and in the Central and Northeastern development regions. As all the data from the analyzed programming period (2014-2020) will become available from the same information source (local budget execution reports), it is possible that these characteristics/groupings might yield different results. Moreover, it would be good to have a finer picture on the different allocations of EU funding, based mainly on the NUTS 2 dimension, to provide an improved contextualization of results. This criterion might become more pronounced for the programming period of 2021-2027, as part of the EU funds are allocated in Romania through individual regional operational programs.

Policy Implications

EU FAR will continue to update the database on EU funds at the locality level and publish it in open access. However, there is a strong need to use the EU FAR database and its future updates at several policy levels: (1) locality, (2) county, (3) regional, (4) national and (5) EU level.

³ http://www.dpfbf.mdrap.ro/sit_ven_si_chelt_uat.html.

⁴ <https://doi.org/10.5281/zenodo.7460011>.

⁵ In this article, we use the term 'rural' to refer to the territorial organization of the country land. The detailed classification is openly available from the National Institute of Statistics - Tempo online database, indicator code [ADM101A]. <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>.

At the locality level, mayors should seek further opportunities for locality development and increased quality of life for their citizens. The current database can be used to identify cases of maximum levels of EU fund absorption across Romania, both in absolute volumes and in shares per inhabitant. A high volume of absorbed EU funds both in absolute terms and in per inhabitant ratios can serve as examples for similar local communities in the same county/development region or even at the national level.

At the county level, county- and locality-level authorities can use the EU FAR database to plan for balanced territorial development and enable further collaborations with neighboring counties and/or countries.⁶ The development planning process should be correlated with an accurate estimation of needs, matched with available state budgets and EU funds. Rural localities in the county should be one of the focuses to ensure balanced territorial development. The database can be a working instrument for the Regional Development Agencies in Romania.

At the regional level, there is a need to take a step further and disaggregate disparities at the locality or even at the village level (based on the recently conducted census data). An aggregate regional development level can hide numerous intraregional disparities. The new programming period (2021-2027) has distinct EU-funded programs at the regional level, but the key territorial disparities rest at the local level.

At the national level, the monitoring and evaluation capacities can be significantly enhanced by using an aggregated database with granular data on EU funds at the locality level for the past programming period. Its potential use is intended not only for the Ministry of Investments and European Projects but also for the Ministry of Development, Public Works and Administration, Ministry of Agriculture and Rural Development, Ministry of Finance and Ministry of Labor and Social Solidarity.⁷

At the EU level, the EU FAR database can work as a showcase example, and based on the same methodology, it can be extended to other countries. The granular data at the locality level can prove to be a meaningful policy tool, valuable to the design of integrated place-based strategies for EU policies with an ultimate goal of improving the quality of life for citizens living in rural areas.

Notwithstanding, researchers can use and further enlarge the EU FAR database both at the national and EU levels. Representatives from the academic fields of sociology, economics, geography and public management can freely reuse and enhance the database's potential use and provide a meaningful cross-disciplinary perspective alongside multiple perspectives.

⁶ For between countries cooperation, for instance submitting projects through the European Territorial Cooperation Programs.

⁷ For instance, for the marginalized communities.

About the project

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