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A analysis of agricultural financing mechanisms in
Romania from 2008 to 2023

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Abstract: The importance of the agricultural sector in a country's economy cannot be overstated. Supporting the agricultural sector through financing can be in two forms: through non-reimbursable grants (from national or European funds) and through bank loans. This study aims to show the forms of support for the agricultural sector in Romania for the period 2008-2023.

Introduction

- Romania's economy still depends heavily on agriculture, which creates jobs and fosters rural development. The nation's agricultural financing system has changed from being a state-subsidized model to one that is becoming more integrated with the Common Agricultural Policy (CAP) since EU accession in 2007. Direct subsidies have given way to diversified instruments that combine private credit, EU grants, and public support between 2008 and 2023. Organizations like AFIR and APIA have been crucial in allocating funds and promoting modernization.
- Notwithstanding advancements, bureaucracy, inadequate insurance coverage, and unequal fund absorption continue to be problems, and small and medium farms still have limited access to credit. This study examines the development, efficacy, and influence on rural development of Romania's primary agricultural financing mechanisms from 2008 to 2023. It also identifies areas for improvement in terms of a more resilient and inclusive financial institution.

Material and method

- To understand the typs of agriculture funings in Romania, a mixed-methods approach was employed, which includes:
- analysis of academic articles, governmental reports, and bank articels to understand historical context and current trends;

Results and discussions

- Agricultural Financing in Romania (2008–2023): Evolution and Structural ObstaclesI.
- OBJECTIVE AND CONTEXT
- Objective: To analyze the transformation of the Romanian agricultural financing system post-EU accession, focusing on subsidies (EU) and bank credit.
- Context:The system has changed from state subsidies to the Common Agricultural Policy (CAP).
- The period 2008-2023 was marked by a decline in population and Utilized Agricultural Area (UAA) of approximately 10-11%.
- II. KEY RESULTS: INCREASE IN FUNDING. The system has seen a significant increase in the volume of funds, demonstrating the integration of EU mechanisms and the adaptation of the banking sector.

Source of Funding	Key Measure	2008	2023	Creștere %
Non-reimbursable funds	APIA payments (Pillar I - Stability)	1.023 Mil. €	2.135 Mil. €	+108.7%
	AFIR payments (Pillar II - Investments)	290 Mil. €	925 Mil. €	+219.0%
Bank Loan	Volume of New Loans Granted	1.757 Mil. Lei	7.665 Mil. Lei	+336.1%

Key Mechanism: APIA credit (pre-financing of subsidies) has become a vital tool for liquidity management.

- III. STRUCTURAL OBSTACLES
- Increased funding has not solved structural problems, particularly unequal access to resources.

Barrier	Description	Quantitative Evidence (2015 vs. 2023)
Unequal Access	Small and medium-sized farms (SMEs) face a lack of collateral and credit history.	The share of loans to micro-enterprises fell from 12.0% to 7.9%.
Concentrare	Bank lending is increasingly concentrated.	The share of loans to large enterprises increased from 47.5% to 51.6%.
Bureaucracy	Complex procedures at APIA and AFIR are barriers for small farmers.	
Risk	Agricultural insurance is insufficient, offering little protection against climate and market risks.	

Conclusions

The perception of investments in Romania is characterized by optimism and potential, tempered by challenges that need to be addressed. The country's economic growth, strategic location, and skilled workforce position it as an attractive destination for investors. However, to further enhance the investment climate, Romania must tackle issues related to bureaucracy, corruption, and political stability.

In conclusion, we can say that:

- Romania's investment climate is improving, with significant growth in the technology sector.
- challenges such as bureaucracy and corruption need to be addressed to attract more investments.
- continuous support from the government and EU can enhance investor confidence and economic stability.

As Romania continues to evolve and integrate into the European economy, it has the potential to solidify its status as a key player in attracting both domestic and foreign investments.

With the right strategies and support, the perception of Romania as an investment destination can continue to grow positively, paving the way for a prosperous economic future.