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June 2013

Online at <https://mpra.ub.uni-muenchen.de/50251/>

MPRA Paper No. 50251, posted 28 Jan 2014 13:18 UTC

Sustainable Development of Romania through the Structural Funds

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Abstract:

The degree of EU funds absorption in Romania is not satisfactory. Nevertheless, there are two important aspects to be underlined. In the first place, the projects implemented generate results that are responsive to the objectives of the sustainable development. Then, every project, regardless of the programme, has also horizontal objectives, such as: sustainable development, equality of sexes etc. Thus, every project aims the respect for the environment and the social and economic development of the Romanian society. This paper presents a quantitative analysis of the national and operational programs that contributed to this goal.

Introduction

Taking into account the objectives of the Cohesion Policy of the European Union (EU) for 2007 – 2013:

1. Convergence objective – aims at accelerating the economic development for the regions remained behind by investments in the human capital and basic infrastructure, which means diminishing the disparities for the economic and social development between the EU regions;
2. Regional Competitiveness and Employment objective is meant to consolidate the competitiveness and attractiveness of the regions, as well as to increase the capacity for employment through a double approach (employers and employees);
3. European Territorial Cooperation objective, aims at strengthening the cross-border, transnational and interregional cooperation; in Romania there has been created and continuously improved the legal and institutional framework to realise and implement projects.

Between 2007-2013 Romania got 19,667 by EUR from the EU Structural Funds. About 98% of this amount was allocated for seven Operational Programs (OP) within the objective “Convergence”. The amounts allocated to Romania by the Operational Programs are according to Table 1, in which the responsive institutions are also mentioned – Managing Authority of the Operational Programme (MAOP) at the national level and the Intermediary Authorities (IA) at regional level.

Table 1 Amounts allocated to the Operational Programs (%) and the Managing and Intermediary Authorities

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(OP)	Percentage amounts allocated out of the overall budget	(MAOP) (IA)
1. OP Transport	23%	Ministry of Transport and Infrastructure
2. OP Environment	23%	Ministry of Environment
3. OP Regional (POR)	19%	Ministry of Regional Development and Housing IA: Agencies of Regional Development
4. OP Human Resources Development	18%	Ministry of Labour, Family and Social Protection IA: Regional Units SOP HRD National Centers of Development of a SOP HRD Labour Force Employment Agency
5. OP Increase of Economic Competitiveness	13%	Ministry of Economy IA: Ministry of SME, Trade and Business Environment Ministry of Education, Research and Innovation Ministry of Communication and Information Technology Ministry of Economy (GD energy policy)
6. OP Development of Administrative Capacity	1%	Ministry of Administration and Internal Affairs
7. OP Technical Assistance	1%	Ministry of Public Finance

Structural Funds

OP are financed through three instruments called Structural Funds. The structural funds are post accession instruments financed by the EU aiming at supporting the member states by investments in education, research, agriculture, infrastructure, development of SMEs and measures for development of the rural areas. A special attention is given to the less developed regions in order to consolidate the economic and social cohesion within the EU.

The instruments are:

The European Regional Development Fund (ERDF) was created in 1975 and is meant to reduce the disequilibrium between different regions of the EU. It has the most important resources and supports the investments in transport, new jobs, projects for local development, entrepreneurship.

The European Social Fund (ESF) promotes the integration of the unemployed and the disadvantaged groups on the labour market by financing training measures and systems for recruitment and assistance.

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The Cohesion Fund assists the less developed member states of the EU, which have a gross national product (GNP) less than 90% of the EU average.

In Romania, the **National Strategic Reference Framework (NSRF)** represents the national strategic document that establishes the priorities of intervention for the Structural Instruments (European Regional Development Fund, European Social Fund and Cohesion Fund).

NSRF connects the national priorities for development stated in the National Development Plan 2007-2013 to the European level priorities – the Strategic Community Orientations regarding the Cohesion 2007-2013 and the revised Lisbon Strategy.

Starting from the present social and economic situation and the needs for development in the long run for Romania, NSRF's general objective is to use the Structural Instruments in order to reduce the disparities of economic and social development between Romania and the member states of the EU, by generating a supplementary 15-20% increase of the GDP by the year 2015.

Therefore four thematic priorities and a territorial priority have been identified:

- Development of basic infrastructure to European standards
- Increase of the competitiveness of the Romanian economy in the long run
- Development and efficient use of the human capital of Romania
- Consolidation of an efficient administrative capacity
- Promoting a balanced territorial development.

The National Development Plan has **six national priorities for development**:

- increase of the economic competitiveness and development of the economy based on knowledge
- development and modernization of the infrastructure for transportation
- protection and improving the quality of the environment
- development of the human resources, occupational promoting and social inclusion and enforcing the administrative capacity
- development of rural economy and increasing the agriculture productivity
- reducing the development differences between different regions of the country.

Sectoral Operational Programme Increase of Economic Competitiveness (SOP-IEC) represents the main instrument to realise the first thematic priority of the Development National Plan 2007-2013, the increase of economic competitiveness and development of an economy based on knowledge; this programme also contributes to the implementation of the five priorities of the National Strategic Reference Framework.

The general objective of SOP-IEC is the increase of the productivity of the Romanian enterprises, ensure the principles of sustainable development and reduce the disparities to the productivity in the European Union, so that Romania can get to about 55% of the average EU productivity by the year 2015.

The specific objectives considered are:

- Consolidation and sustainable development of the productive sector;
- Generate an appropriate environment for the sustainable development of the enterprises;
- Increase of the capacity for research and development (R&D), stimulation of the cooperation between research, development and innovation institutions (RDI) and enterprises, as well as increase of the access of the enterprises to RDI;

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- Increase of the capacity for research and development (R&D), stimulation of the cooperation between research institutions (administration) and the private sector (enterprises, citizens);
- Increase of the energetic efficiency and sustainable development of the energetic system by promoting the renewable sources of energy.

The priority axes of SOP-IEC are:

- Priority Axis 1 – Innovative and efficient production systems
- Priority Axis 2 – Research, technological development and innovation for competitiveness
- Priority Axis 3 – Information and communication technology for private and public sectors
- Priority Axis 4 – Increase of the energetic efficiency and the security of supply in the context of preventing the climatic changes
- Priority Axis 5 – Technical assistance.

PROGRAMS FOR SUSTAINING THE SMEs FINANCED BY THE NATIONAL BUDGET

At national level significant funds are allocated each year in order to support the SME sector by the mean of multiannual national programs.

The Government of Romania encourages the stimulation of creation and development of small and medium enterprises by implementing special projects and programs; the policy of the Government to stimulate and encourage the SMEs is realised by the Ministry for Small and Medium Enterprises, Cooperation and Business Environment.

These programs are elaborated and implemented by the Agency for Implementation of Projects and Programs for Small and Medium Enterprises, Trade and Business Environment (MIMMCMA).

There are 8 national multiannual designed to the SME sector:

1. The Programme for development and modernisation of the commercialization of the market products and services
2. The Programme for support of the development of the small and medium enterprises through funds that do not exceed the amounts paid for the reinvested gross profit
3. The National multiannual programme for the period 2002 – 2012 for supporting the trade and handicraft
4. The National multiannual programme for the period 2005 – 2012 for developing the entrepreneurial culture among the women-managers
5. The National multiannual programme for the period 2006 – 2011 for supporting the access of the SMEs to services of training and consultancy
6. The Programme for organisation of the Fair of the Small and Medium Enterprises
7. The Programme for supporting the business transfer
8. The Programme for developing the entrepreneurial abilities among the young people and facilitating their access to funding - START.

THE ANALYSIS OF THE PROGRAMMES FINANCED BY THE STATE BUDGET AND OF THE OPERATIONAL ONES

a. Analysis of the national programs

The national programs are meant to support the SME sector in Romania and include all three types of SME: micro, small and medium; they also can be commercial companies,

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co-operative companies and also authorized individuals, family associations and in some cases individuals who wish to start a business.

The seven programs financed by the state budget in 2009, launched by the Agency for Implementation of Projects and Programs for Small and Medium Enterprises comprise a large variety of fields, such as: trade, services, manufacturing and have been allocated 19955 000 RON.

Until present, 2535 companies have accessed the programme, out of which:

- 1035 to the Programme for Support of Access to the Training and Consultancy Services;
- 978 to the Programme for development and modernisation of the commercialization of the market products and services;
- 822 to the Programme for women-managers: 642 to the workshops “Days of the Entrepreneur Women” and 180 to the courses of entrepreneurial training;
- 146 to the Programme for supporting the trade and handicraft;
- 376 to the Programme for support of the development of the small and medium enterprises through funds that do not exceed the amounts paid for the reinvested gross profit.

b. The analysis of the operational programs 2007-2012

In order to perform the analysis of the Operational Programs 2007-2012 it is necessary to draw up the Annex 1 regarding “The situation at December 31st, 2012 of submission and approval of projects, signing financing contracts and payments to the beneficiaries”.

For the period 2007-2012, the OP have a budget of 5 642 733 423 EUR, representing 23633 460 396 RON.

The number of projects submitted to all seven operational programs is 8221, out of which only 1867 were approved, representing about 22 % of all the submitted projects. The value of the projects is 13 340 296 129 RON. The funds representing European contribution for the approved projects are of 8 859 588 941 RON representing 37.49% of the funds offered by the EU for the mentioned period, 4.67% of the amount was used to effectively pay the beneficiaries.

The largest number of submitted projects was for Sectorial Operational Programme – IEC (3069 projects), followed by SOP HRD (2954 projects) (fig. 1).

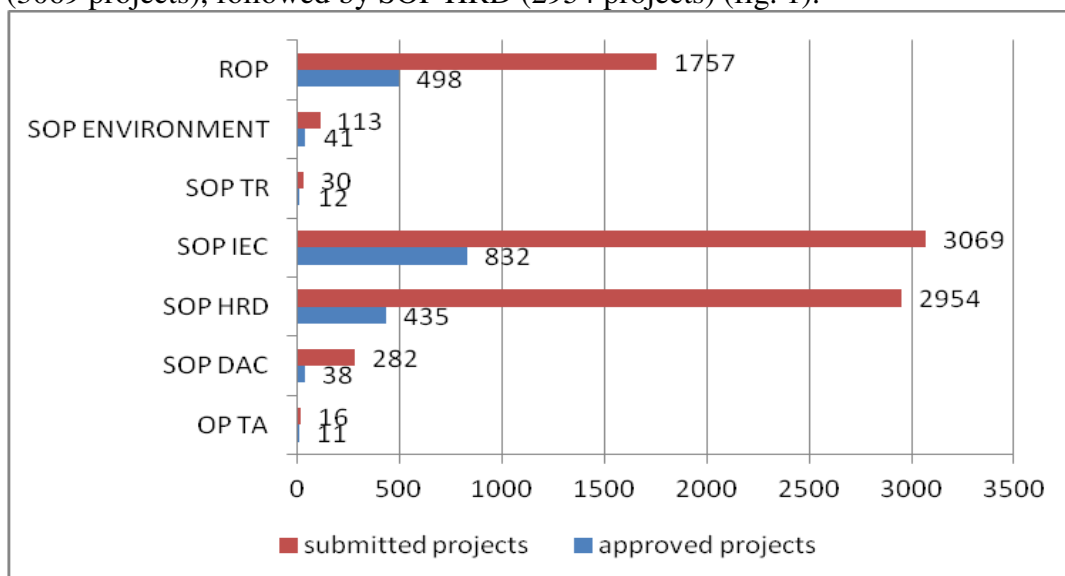


Figure 1 Situation of the projects within the operational programs

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The value of the approved and contracted projects is presented in figure 2 and figure 3, respectively.

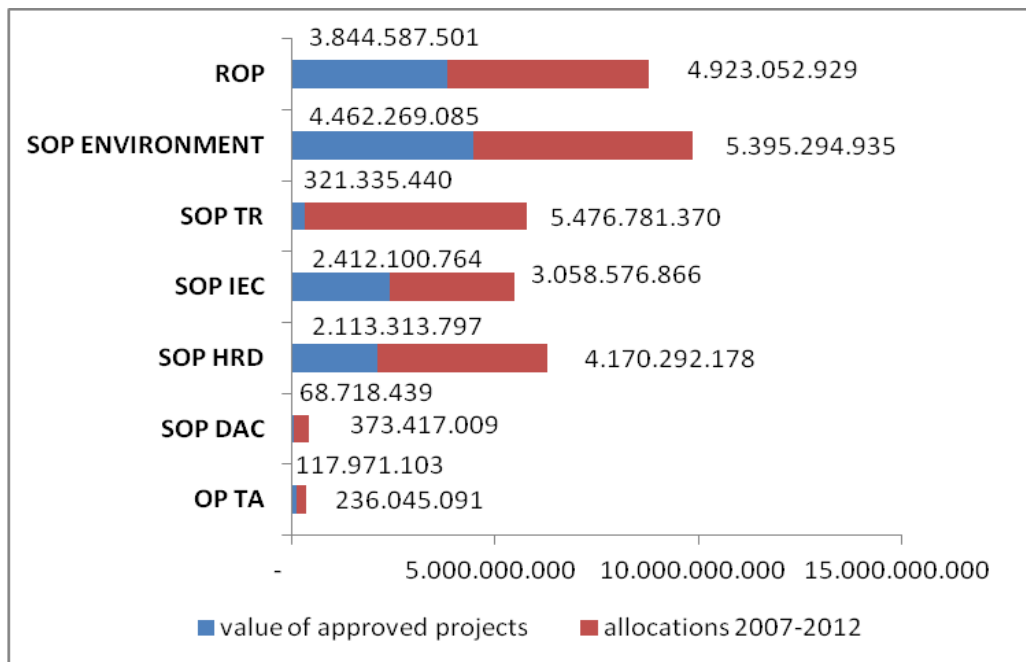


Figure 2 Value of the projects approved between 2007-2012

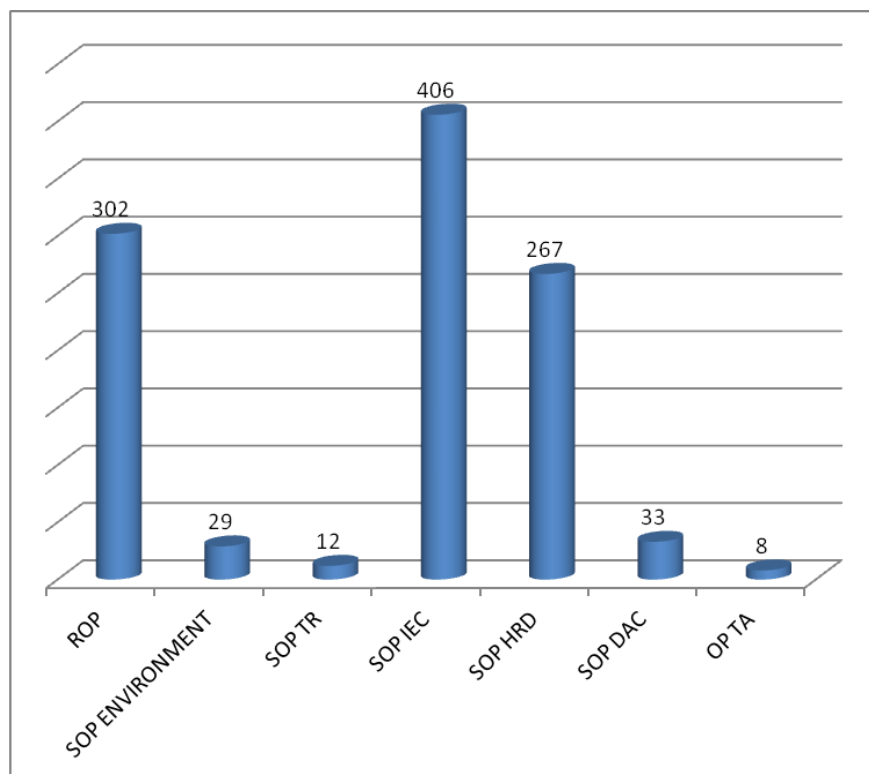


Figure 3 Situation of the contracted projects

c. The analysis of the Sectoral Operational Programme Increase of Economic Competitiveness (SOP-IEC) 2007-2013

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The programme has a budget of 730 266 902 EUR.

3069 projects were submitted, 832 projects were approved 473 are in the evaluation process. The approved projects have a value of 2 412 100 764 RON, the European contribution is of around 1 353 657 950 RON, representing 44.26% from the EU allocation.

There are 406 approved projects and they have a value of 1 539 734 979 RON, representing 35.09% from the EU contribution assigned for the years 2007-2012. Payments to the beneficiaries in amount of 402 020 000 RON were made (figure 4).

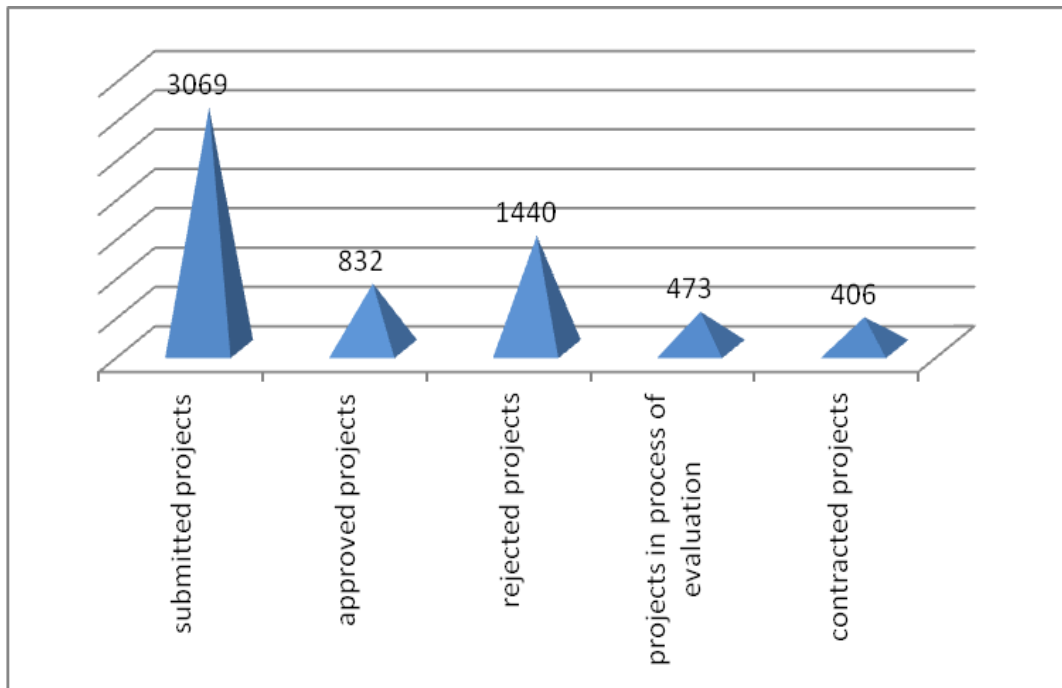


Figure 4 Situation of projects of SOP IEC

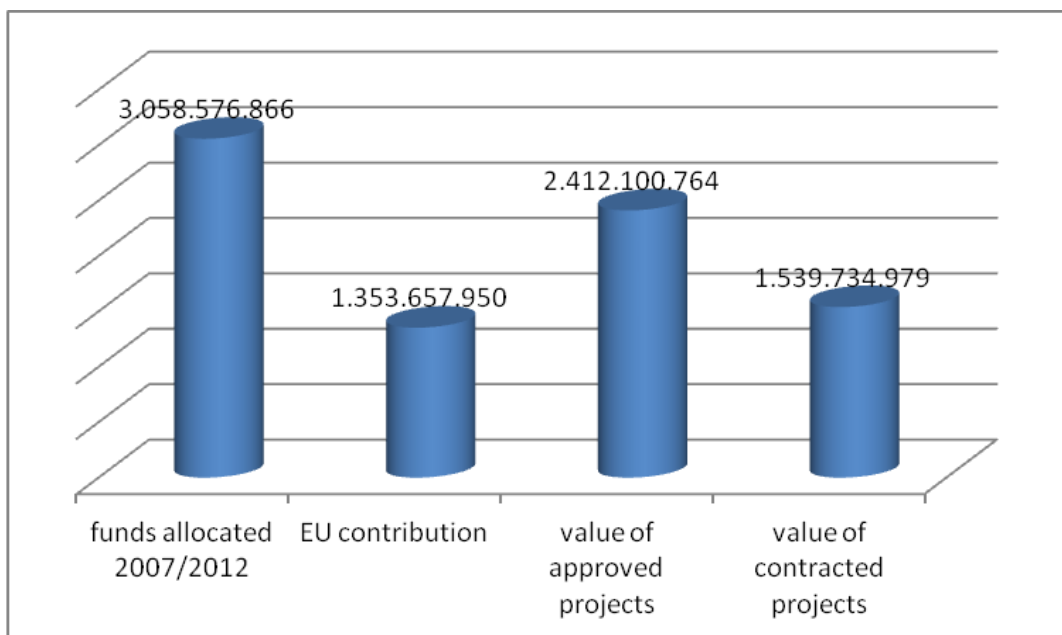


Figure 5 Situation of the projects of SOP IEC

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Table 2 Situation of the SOP IEC programme

Indicator SOP IEC	Value <RON>	Value <EUR> (1EUR=4,4287RON)
Funds allocated 2007/2012	3 058 576 866	690 626 339
EU contribution	1 353 657 950	305 655 825
Value of approved projects	2 412 100 764	544 652 102
Value of contracted projects	1 539 734 979	347 671 998
Contribution of the beneficiary	147 018 368	33 196 732
National budget	175 340 239	39 591 808
EU contribution	1 073 220 480	242 333 073
Non-eligible expenses	144 155 892	32 550 385

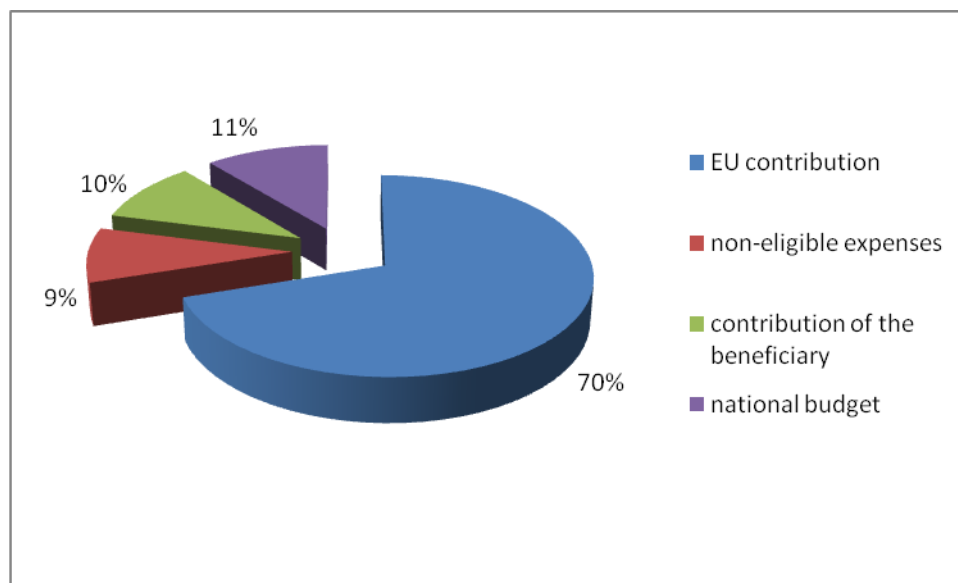


Figure 6 Situation of the allocation of funds

CONCLUSIONS

The accession of Romania to the European Union in 2007 implied a significant effort in order to develop the Romanian enterprises to be able to access the European unique market. There are more financing sources to help them consolidate their position on the market and develop them. Each of these financing sources covers almost all the sectors of the national economy.

They are complementary, a beneficiary can be financed for different activities of a project by accessing more programs.

The promotion of national and European funds and programs is done by all the means of mass-media: TV, newspapers, special magazines, internet, etc.. The information is disseminated by a large number of public institutions, thus the beneficiaries are well informed, the documentation required can be got very easily and also the application in the first stage is very easy, by the mean of internet.

The experience from the former successful projects increases the interest for other projects and thus the degree of absorption of the European funds will increase and consequently the efficiency and productivity of the Romanian enterprises and public institutions will increase, providing sustainable development.

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The European funds allocated to Romania for 2007-2012 have a value of 23 633 460 396 RON, out of which 37.49% have been used by the 1867 eligible projects approved out of the 8221 projects submitted.

We also wish to stress the positive evolution of the number of approved projects. During the last analysed month, the number of the signed contracts increased by about 46%, from 722 to 1057. SOP IEC and ROP are the programs under which most of the contracts were signed during the last analysed month, representing 170, respectively 138 projects; the number of the contracted projects within SOP IEC increased by 72%, and within ROP by 84.15%.

One of the most spectacular evolutions from the point of view of the approved projects is within SOP IEC; the number increased by 33%, from 627 to 832.

The procedures of the programs have been constantly improved, thus reducing the time for evaluation of the submitted projects and offering the possibility to the eligible beneficiaries to get the co-financing in due time, thus reducing the risks generated by the change of the investment costs.

ACKNOWLEDGMENT

“This work was partially supported by the strategic grant POSDRU 107/1.5/S/77265 (2010) of the Ministry of Labor, Family and Social Protection, Romania, co-financed by the European Social Fund – Investing in people.”

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14. *** Operational Programme Administrative Capacity Development Guide
15. *** Operational Programme Technical Assistance Guide.