

# Structural Instruments – the New Challenge for Romania. Investment Fields and the Beneficiaries for the Operational Programs 2007-2013

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**Abstract.** *One of the most discussed subjects after Romania entered the family of EU is about the absorption and allocation of the European Funds allocated using the Structural Instruments. The forecasts show that the maximum level of absorption of EEU's funds is about 3.7893% from GDP.*

*In Romania case the European Funds will be allocated for convergence, for cohesion fund and for territorial cooperation, the largest amount being allocated for the convergence criterion. From this amount dedicated to this criterion (19.668 billion Euro) a share will be cofinanced by the national funds, both private and public (total amount for national cofinance is about 5.07 billion Euro).*

*Other criterion of grouping the European funds is that of Operational Programs for the following domains: the increase of economical competition, transportation, environment, regional, human resources development and technical assistance.*

*We expect to see if the forecasted level for absorption of European Funds was well done.*

**Key words:** convergence; cohesion; Operational Program; allocation; contribution; co-finance.

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Considering the financial perspectives 2007- 2013 which were approved in December 2005, the Member States which have a medium gross domestic income/ inhabitant in 2001- 2003(PPS) under 40% from the average of EU – 25 are justified to receive Structural Instrument transfers with a maximum value about 3.7893% from their GDP.

Taking into consideration the European Council decision and the financial package for 2007- 2009 which accompanies the Romanian Adhesion at EU Treaty, the European Committee communicated to Romanian authorities, in August 2006, the allocation of Structural funds and of cohesion for Romania, for each objective and for each year, for the period 2007- 2013, such in the next table:

## Structural and Cohesion Funds allocated to Romania for objectives and years, 2007- 2013

Table 1

- Euro. Current prices -

	2007	2008	2009	2010	2011	2012	2013	Total
Convergence	830.134.320	1.215.884.555	1.654.845.782	1.997.008.836	2.154.259.932	2.319.190.285	2.489.289.974	12.660.613.684
Cohesoin Fund	444.944.443	638.417.107	858.507.216	1.030.210.429	1.109.470.097	1.192.582.076	1.278.291.660	6.552.423.028
Territorial cooperation	59.945.093	61.338.333	62.961.549	64.827.348	66.742.596	68.498.164	70.297.257	454.610.340
<b>TOTAL</b>	<b>1.335.023.856</b>	<b>1.915.638.995</b>	<b>2.576.314.547</b>	<b>3.092.046.613</b>	<b>3.330.472.625</b>	<b>3.580.270.525</b>	<b>3.837.878.891</b>	<b>19.667.647.052</b>

The total sum of structural and cohesion funds which were allocated to Romania is about 19.668 billion Euro, from which 12.661 bilion Euro will be allocated through the Structural Funds as part of Convergence objective; 6.552 bilion Euro were allocated through Cohesion Fund, and 0.455 bilion Euro will be allocated for the European territorial cooperation objectiv (inclusive the transfers to IPA and ENPI).

The separation of the cohesion finances on thematically priorities in subsidiary on Operational Programs and Funds was established based on several items:

- The development stage of Romanian economy;
- The general and regional disparities in comparison with the EU levels;
- The integration of Lisbon Strategy, revised in the Romania development model;
- The huge value of the investments necessary for the basical substructure;
- The necessity to increase the economy competitiveness;
- The correlation for the competitiveness growth with the development of some human resources sufficient and well qualified;
- Adherent costs according with communitarian acquis after the adhesion (the environment pledges, especially, involves a high costs level, distributed on transition periods established within the adhesion negotiations);

- Models of structural instruments allocation in EU, especially in the new Member States, whose development level is closer to the Romanian situation;
- The 1/3 allocation of Cohesion Fund from the financial tyre.

Thus, the following allocation of EU funds on thematically priorities of National Strategic Environment of Reference has been made:

- The basical substructure development at EU standards: ~60%;
- The improvement of competitiveness, on the long term, of Romanian economy: ~15%;
- The development and the utilization more efficient of Human Capital from Romania: ~ 20%;
- The consolidation of an efficient administrative capacity: ~ 5%.

The simulation of macroeconomic impact revealed that this distribution of Structural and Cohesion Funds with the national co- financing will result in the realization of global objective of CSNR, namely a supplementary growth about 10% of gross domestic product till in 2015, in consequence with the Structural and Cohesion Funds allocation.

Based on thematically distribution of financing and using the same substantiation described below, the Funds were allocated on the Operational Programs on which Romania prepared for the period 2007- 2013. The next table presents the EU resources distribution on Operational Programs within CSNR.

## The annual estimative allocation on funds and operational programs for Romania, on objectives and years, 2007- 2013

Table 2

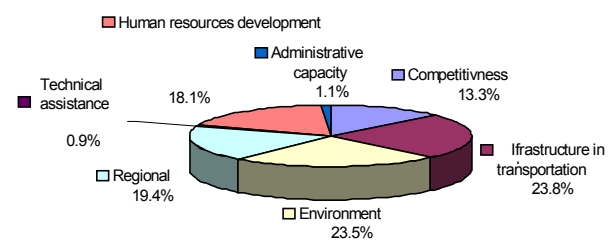
- Euro. Current prices -

Convergence			Comunitary participation						
Operational Program	Fund	Total	2007	2008	2009	2010	2011	2012	2013
<b>EFARD și CF</b>									
Economic competitiveness	EFARD	2,554,222,109	74,709,043	194,837,789	386,097,057	506,773,089	528,395,407	456,947,159	406,462,565
	EFARD+CF	4,565,937,295	308,090,115	441,348,842	603,105,515	718,406,119	774,298,450	830,470,875	890,217,379
Transport	EFARD	1,289,332,210	84,938,144	122,249,222	174,085,731	202,851,916	219,643,530	234,263,424	251,300,243
	CF	3,276,605,085	223,151,971	319,099,620	429,019,784	515,554,203	554,654,920	596,207,451	638,917,136

Convergence			Comunitary participation						
Operational Program	Fund	Total	2007	2008	2009	2010	2011	2012	2013
<b>EFARD și CF</b>									
Environment	EFARD+CF	4,512,470,138	311,995,152	437,302,592	568,601,613	673,445,127	751,240,426	838,908,117	930,977,111
	EFARD	1,236,652,195	90,202,680	117,985,105	139,114,181	158,788,901	196,425,249	242,533,492	291,602,587
	CF	3,275,817,943	221,792,472	319,317,487	429,487,432	514,656,226	554,815,177	596,374,625	639,374,524
Regional development	EFARD	3,726,021,762	330,168,339	404,126,047	441,135,485	523,721,833	556,767,943	663,832,914	806,269,201
Tehchnical assistance	EFARD	170,237,790	16,979,328	18,401,347	20,977,535	24,775,573	27,568,456	30,463,144	31,072,407
<b>ESF</b>									
Human resources development	ESF	3,476,144,996	212,973,834	330,141,809	452,584,803	538,429,514	595,593,519	666,545,305	679,876,212
Administrative capacity	ESF	208,002,622	20,162,952	28,143,236	40,850,990	41,668,010	29,865,828	24,604,847	22,706,759
TOTAL CSNR Funds 2007- 2013		19,213,036,712	1,275,078,763	1,854,301,662	2,513,352,998	3,027,219,265	3,263,730,029	3,511,772,361	3,767,581,634
Total EFDR		8,976,466,066	596,997,534	857,599,510	1,161,409,989	1,416,911,312	1,528,800,585	1,628,040,133	1,786,707,003
Total CF		6,552,423,028	444,944,443	638,417,107	858,507,216	1,030,210,429	1,109,470,097	1,192,582,076	1,278,291,660
Total ESF		3,684,147,618	233,136,786	358,285,045	493,435,793	580,097,524	625,459,347	691,150,152	702,582,971
EFARD		7,100,000,000	611,000,000	824,000,000	1,040,000,000	1,108,000,000	1,139,000,000	1,172,000,000	1,206,000,000
EPF		209,000,000	14,000,000	20,000,000	27,000,000	34,000,000	36,000,000	38,000,000	40,000,000

The annual allocations from The European Fund for Agriculture and Rural Development for Fishing were included for informational purpose regarding the demands of Council Rules nr. 1083/2006.

The next diagram presents the procentual distribution of Romanian National Strategic Environment of Reference allocations on Operational Programs.



**Figure 1.** The RNSER Allocations on operational programs

The new rules about The Structural and Cohesion Funds forecast that the EU funds could be co-financed by the Member States. The maxim level of EU contribution is established by the Council Rules nr. 1083/2006, according the EU financial perspectives for 2007- 2013.

Romania can benefit by a financial communitarian maximum installment at the level of OP 85% for all three funds: EFARD, ESF, and Cohesion Fund.

The RNSER allocation within the “Convergence” and Cohesion Fund objective needs a national co-finance estimated at 5.07 billion Euro, proceeded from public sources (2/3 from the total of co finance) and from private sources(1/3).

The public co-financing will be assured from the budget by the Romanian Government and by the local budgets from the public authorities which will apply structural instruments for financing.

Considering the lowest financial capacity of many local authorities to assure this co-financing, the Romanian Government decided to reduce as far as possible the local budget contribution.

Thus, the principle which will be applied in the operational programs tell us that the personal co-financing which the local authority need to assure for a project will be in general 2% from the eligible value, a major exception being the projects which generates incomes.

Consequently, the approved contribution of the local authorities is under 5% from the total of national co finance. Although we must mention that the introduction of the tax unique quota of 16% from January 2005 generates supplementary incomes for the local authorities, which should improve their capacity for financing development projects.

On the other hand, a major rule was approved in 2006 to facilitate the access to the financing of that local authorities which haven't enough personal resources for projects co-financing.

The law of local public finance nr. 273/2006, in force from 1 January 2007, raised the contribution level of local authorities from 20% at 30% from personal resources.

More than that, it was an increased share in order to equilibrate transfers from the budget to the local budgets of the allocated funds for the co-financing of the project with foreign financing.

Concerning the NGO's, there were taken into account the limited financial instruments, in the light of the major support which the NGO should give in the implementation of Structural Instruments, especially for the human resources. So, it was established that the same principle of a personal co-financing, around 2% from the eligible value of the project would be applied for the NGO, too.

The private co-financing will be necessary for the projects applied to the private beneficiaries, such as the enterprises.

For the operations implying state grants, the maximum intensity of the public support (EU funds + the contribution of the state/local budgets) will be respected.

The intense promoting of the financing opportunities appeared as the result of the structural programs contributes already at the preparation of a substantial portfolio with private projects and will give time to the private beneficiaries to plan the financial resources, so that they can assure the necessary co-financing.

*During the 2007- 2009, Romania will get like pre-financing 7% from EFARD and ESF allocations for 2007-2013 and 10.5% from the allocation of the Cohesion Fund, according to the Council Rules nr.1083/2006.*

The others experience from the new Member States showed that, often, the projects promoters couldn't find the necessary financial resources to assure the projects cash flows.

This aspect resulted according to either in the impossibility of starting the programs or in their delay.

So, Romania intends to use a part of pre-financing funds from the European Committee after the pre-financing, the programs approval potential beneficiaries being the central and local public authorities and the NGO.

In case that the EU pre-financing will not be enough to cover the necessary for the pre-financing for a year, there will be allocated supplementary resources from the state budget.

The Council Rules nr.1083/2006 allows the Member states to assure the constitution of a National Performance Reserve (3% from the Structural and Cohesion Funds which will be allocated in 2011 to the most performant programs).

The allocation of this reserve during programming period could generate major and non necessary difficulties.

Therefore, Romania will not exercise this operation during programming period 2007- 2013.

In the present context the implementation of the Operational Programs will be difficult without taking into consideration other factors.

The Council Rules nr.1083/2006 provide a National Reserve for unknown situations (an allocation about 1% from the structural funds which will be used just in case of emergency situations).

Because this type of reserve is new, it doesn't exist experience about the criteria of using it, so that it is quite difficult now to make anticipations now. It's not provided that Romania will constitute a reserve for the unknown situations.

### Investments areas and the beneficiary of Operational Programs (2007- 2013)

Table 3

Operational program	Types of pre financing project	Eligible beneficiary
OP The growing of economic competitiveness (EFARD) The Ministry of Economy and Commerce	<ul style="list-style-type: none"> <li>- improving the development of SME and the support modalities.</li> <li>- financial assistance for the investments in SME considering the productivity growing, setting up new jobs, obtaining quality standards.</li> <li>- recommendations and consultancy for SME (marketing, exports, innovations, networks).</li> <li>- tourism promotion.</li> <li>- technologic transfer facilities and special connected services.</li> <li>- risk capital for SME with technological transfer.</li> <li>- improving the research facilities, concerning the economic development R&amp;D/initiatives of industrial networks.</li> <li>- support for supplying services for communications substructure and information technology (IT), in the aim of solving the market failures.</li> <li>- initiatives for growing the utilization by the SME's of CTI.</li> <li>- initiatives of e- governance, e- education, e- health, e- commerce.</li> <li>- initiatives for growing the energy efficiency and connecting at the European networks of energy supply.</li> </ul>	<ul style="list-style-type: none"> <li>- local authorities.</li> <li>- other public authorities which organizes courses at local level, sanitary and social assistance units.</li> <li>- companies supplying the municipally services (transport, water, gas).</li> <li>- transport services suppliers.</li> <li>- business environments and tourism agencies including the Chamber of Commerce.</li> <li>- other active NGO (in environment protection, social protection, education).</li> <li>- partners from the private field (in some conditions).</li> <li>- local communities groups.</li> <li>- Romanian Society of Radio- communications.</li> <li>- The National Company "Poșta Română" SA.</li> </ul>

Operational program	Types of pre financing project	Eligible beneficiary
<p><b>OP</b> <b>Transportation</b></p> <p>(EFARD/CF)</p> <p>The Ministry of Transport</p>	<ul style="list-style-type: none"> <li>- the rehabilitation and the modernization of network system, including the lay out of passages and initiatives for pedestrians for a safety traffic.</li> <li>- the lay out of highways bounded at trans - European network systems</li> <li>- the modernization of national railway networks, including the improvement of tickets issue and information services.</li> <li>- rehabilitation and modernization of ports and airports, including better facilities for the travelers.</li> <li>- the improvement of navigation conditions in Romania.</li> <li>- urban transport.</li> </ul>	<ul style="list-style-type: none"> <li>- governmental institutions from the transport.</li> <li>- the National Railways Company.</li> <li>- The National Company "Highways and National Roads from Romania".</li> <li>- other partners from private field (in some conditions).</li> <li>- the ports, waters and airports administration.</li> </ul>
<p><b>OP</b> <b>Environment</b></p> <p>(EFARD/CF)</p> <p>Environmental Waters Ministry and</p>	<ul style="list-style-type: none"> <li>- the rehabilitation and the lay out of the substructure for:</li> <li>- supplying the drinking water;</li> <li>- the treatment of worn - out waters.</li> <li>- the collection of waste, including integrated systems of waste management.</li> <li>- air quality protection.</li> <li>- environment projects and initiatives for promoting:</li> <li>- the prevention of floods risk, gliding earth, earthquakes.</li> <li>- the nature conservation.</li> </ul>	<ul style="list-style-type: none"> <li>- public authorities active in protection environment field.</li> <li>- non- governmental suppliers in environmental substructure.</li> <li>- other partners from the private fields.</li> <li>- specialized research and development institutes in environmental field.</li> <li>- the NGO for environmental protection.</li> </ul>
<p><b>PO</b> <b>Regional</b></p> <p>(EFARD/CF)</p> <p>European Ministry Integration</p>	<p>In the context of regional development strategy</p> <ul style="list-style-type: none"> <li>- the improvement of polluted ground and of polluted water flows and other improvements for the protection of the environment al the local level.</li> <li>- the development of the emplacements for new businesses and tourism activities including the utilities supplying.</li> <li>- building and renovation the spaces for business and tourism.</li> <li>- modernization actions in undeveloped urban zones through local strategies, including the development of businesses at the community level.</li> <li>- local and regional transport substructure and the improvement of public transports.</li> <li>- renovation of health and social assistance units, in connection with the economic development.</li> <li>- building and renovation of the educational units, in relation with the economic development.</li> </ul>	<ul style="list-style-type: none"> <li>- local authorities.</li> <li>- other public authorities which organize courses at local level, sanitary units, social assistance units.</li> <li>- companies which supplying the municipally services (transport, water, gas).</li> <li>- transports services suppliers.</li> <li>- business environments and tourism agencies including the Chamber of Commerce.</li> <li>- other active NGO (in environment protection, social protection, education).</li> <li>- partners from the private sector (in some condition).</li> <li>- local community groups.</li> </ul>
<p><b>PO</b></p> <p>The development of human resources</p> <p>(FSE)</p> <p>Labour and Family Ministry</p>	<ul style="list-style-type: none"> <li>- preparation, guidance, consulting and staff list for unemployment.</li> <li>- preparation and consulting for the knowledge and productivity improvement of the staff.</li> <li>- special initiatives having as purpose the facilitation of women access to the jobs.</li> <li>- improvement actions for the access at work for the people from disfavored groups (like gipsy, peoples with handicap, or from rural fields).</li> <li>- the improvement of education systems</li> <li>- the development of educational curriculum and trainings for teachers.</li> <li>- actions for the improvement of the access at education for the people from disfavor groups (like gipsy, peoples with handicap ,or from rural environment).</li> <li>- the promotion of the continuous learning concept.</li> </ul>	<ul style="list-style-type: none"> <li>- county Agencies of Labour.</li> <li>- education institutes.</li> <li>- other participants from the private field (in some conditions).</li> <li>- national institutes about labour, social protection, training.</li> <li>- institutions implicated in promoting of equal rights.</li> <li>- The Association of Business men.</li> <li>- other NGO.</li> <li>- universities.</li> <li>- school inspectorates.</li> <li>- national education institutes.</li> </ul>
<p><b>PO</b> <b>Technic Assistance</b></p> <p>(FEDR)</p> <p>Public Finace Ministry</p>	<ul style="list-style-type: none"> <li>- socio- economic research in a close touch with the PND development.</li> <li>- programs evaluation.</li> <li>- improvement actions for experience change between different institutions which are implicated in the administration of Structural Funds.</li> <li>- preparation and institutional construction.</li> <li>- support for the Operational Program administration.</li> <li>- information and publicity concerning the Structural Instruments.</li> </ul>	<ul style="list-style-type: none"> <li>- all institutes implicated in the administration of EU structural instruments.</li> <li>- the partners organizations in the implementation of Operational Program.</li> </ul>

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