

**STRUCTURAL INSTRUMENTS FOR ROMANIA DURING  
2007-2013**

**University Lecturer, Ph.D. in Progress Gabriela Marchis<sup>10</sup>  
Danubius University of Galati, Romania**

**Abstract**

*The paper deals with the importance and the impact of structural instruments during present financial period.*

*For the beginning, we describd and present the components of financial instruments and their evolution.*

*A distinct part of the paper deals with the regulation, effects and importance of every European Fund for all Member States. We are concerned with ERDF, the Cohesion Fund and the European Social Fund as well.*

*The last part of the paper deals with the impact of the structural instruments on Romania.*

**Key words:** financial regulation, structural funds impact, sustainability.

**JEL Classification:** R58, R59

The greatest enlargement of the E.U.'s history carried out in the actual programming period represents a great challenge for the regional policy implementation in order to prove the efficiency of structural instruments.

E.U. has to face more challenges like the following: efficiency, sustainability and socio-economic restructuring of the less developed regions; continuing convergence process in regions outside Objective 1 as a result of statistic effect of GDP/capita average; social-economic cohesion across the E.U.

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<sup>10</sup> Marchis Gabriela, Tel. +40 744 540 993, [www.univ-danubius.ro](http://www.univ-danubius.ro), E-mail: [gabriela.marchis@yahoo.com](mailto:gabriela.marchis@yahoo.com), member of Romanian Regional Science Association, member of European Regional Science Association and member of Regional Science Association International.

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Ist Year, No. 1 – 2008

Galati University Press, ISSN 2065 -569X

All these challenges are effects of the growth of population by about 100 million inhabitants, of interregional disparities under the pressure of achieving Lisbon and Goteborg's objectives.

Recalibration of legislative framework and simplification of the regulations connected with cohesion policy supported creation of a single regulation of the European Commission which replaces other 10 regulations which operated during 2000-2006 and compatibility between the European Cohesion Fund and the Structural Funds, too. As a result, the management of these funds become easier and less expensive.

The Structural Funds are the most important financial instruments of the E.U. which support the European regional policy's implementation.

During 2007-2013, an important part of the European budget (about 350 billion Euros) will be devoted to the regional policy: 285 billion Euros under objective Convergence; 56 billion Euros under objective Regional efficiency and 9 billion Euros under objective Territorial cooperation. The distribution of these sums is presented in figure no. 1.

Actual legislation (COM (2004)492 final) presents the way in which structural instruments support financing priority objectives of 2007-2013 programming period.

In the last three years, those NUTS II regions and their GDP/capita lower than 75% of the communitarian average have been governed by Objective 1. They will receive 67.34% of the whole budget of Objective 1.

The regions which have a GDP/capita greater than 75% from communitarian average as a result of the latest two enlargements will benefit by a transition period and 22.1 millions Euros (8.38% from the budget of Objective 1).

The European Cohesion Fund finances those regions having a GDP/capita less than 90% of the communitarian average and which are programmed to achieve economic convergence criteria as in Article no.104 of the Treaty (we talk about 63 million Euros, which mean 23.86% from Objective 1's budget).

Moreover, peripheral regions will be assisted by the European Regional Development Fund in order to integrate into the Single Market by 1.1 million Euros which represents 0.42% of the budget of Objective 1.

NUTS I and II regions which are outside Objective 1 will be registered under Objective 2 and will receive financing from ERDF and the European Social Fund. The list of these regions is established by every Member State according to the European Commission and it is available during 1<sup>st</sup> of January 2007-31<sup>st</sup> of December 2013. This objective will receive

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57.9 million Euros which are going to be divided into: 83.44% for financing eligible regions and another 16.56% for transition regions.

The third objective is focused on NUTS III border regions, on NUTS III maritime regions placed less than 150 km and on transnational areas (35.61% from the budget of Objective 1).

The whole European Union will be financed by ERDF in order to create cooperation and good practices networks (4.54%).

The transnational cooperation between the Member States is supported by 6.3 billion Euros which means 47.73%. 1.6 billion Euros (12.12%) are give to be used for neighbourhood policy and pre-adhering instrument which supports cooperation between E.U. and neighbour countries.

The domains of action for the Structural and Cohesion Funds were established in Annex no.2 of the Implementation Regulation for the Structural and Cohesion Funds made by the European Commission. As a result, information was grouped using specific dimensions like the following: priority theme, financing form, territory type, economic activity and location.

During the programing period of 2007-2013, the Structural and Cohesion Funds are focused on:  research and technological development;  innovation and entrepreneurship;  transport;  energy;  environment protection and risks' prevent;  tourism;  culture;  urban and rural regeneration;  growth of labour , companies and entrepreneurs' adaptability;  growth of access to jobs and sustainability of labour market;  better social inclosing of disfavoured persons;  improvement of human capital;  social infrastructure investments;  reform mobilization for jobs and inclosing;  a greater national, regional and local institutional capacity;  decreasing of additional costs which affect extreme regions;  technical assistance.

This classification represents a solid basis for establishing periodic evaluations (ex-ante and ex-post).

The European Social Fund represents the main instrument of the European Social Policy and it has as main objective improvement of labour market mechanisms of every Member State and unemployment's integration on labour market, as well.

Particularly, the European Social Fund is the implementation instrument of the European Labour Strategy and it finances three kinds of actions: professional training, professional reconversion and decisions which enhance creation of new jobs.

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According to the European Parliament and the European Council's Regulation no. 1081/2006, the aggregate objective of the European Social Fund is to support the Member States to anticipate and to manage, into an efficient manner, socio-economic changes.

In order to achieve this objective, 76 billion Euros will be shared by the Member States and regions which have to encounter labour difficulties during 2007-2013. This sum represents 10% of the budget of the European Union.

The European Social Fund functions on co-financing principle. This co-financing strategy varies between 50% and 85% of eligible costs.

The priorities of the European Social Fund and the financed objectives are stipulated in the Operational Programs. As a result, the beneficiaries of this fund are: public administrations, NGOs, active social partners in social inclosing and labour, firms and other relevant socio-economic actors.

The thematic priorities during 2007-2013 are the following:

- ☑ improvement of the quality and reaction speed of labour administrations, learning and training systems and social and health services;
- ☑ growth of investments in human capital using higher qualification and fair and guaranteed access on the labour market;
- ☑ adaptation of public administration to restructuration process by growing administrative capacities.

Comparing it to the past programming period, the European Social Fund is used into a strategical manner according to E.U.'s socio-economic policy, including Lisbon Agenda and European Labour Strategy.

The new generation of the European Social Fund has to concentrate resources in those areas bearing maximum impact on objectives' achieving.

Moreover, the rules which governed the European Social Fund's management were simplified. As a result, the Member States benefit by a greater flexibility in choosing financing priorities and in orienting resources according to real demands from the territory.

During 2007-2013, Romania will benefit by 3684 million Euros, which means a rate of 19.2% of the budget of the Structural and Cohesion Funds.

The European Social Fund will finance two Sector Operational Programs (SOPs):

- ☑ SOP Human Resources Development: will benefit by 3476 million Euros, which means 18.1% of the Structural and Cohesion Funds. This program is focused on human capital development and efficiency growing

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using connection between long life learning and education and on the other hand, labour market in order to ensure greater opportunities on a flexible, modern and inclusive labour market of 1650000 persons;

☑ SOP Administrative Capacity Development: by 208 million Euros, which mean 1.1% of the budget of the Structural and Cohesion Funds. The program has as main objective the creation of an efficient public administration in order to support the Romanian socio-economic environment. It is focused on decentralization and modernization of central and local public administration connected with: health, education and social services, in order to raise administrative efficiency and to improve legislative and decisional acts, as well.

The distribution of the European Social Fund in Romania is presented in figure no.2.

The implementation of the European Social Fund is supported by: Labour, Family and Chances Equity Minister (using SOP Management Authority) and Internal and Administrative Reforms Minister (using its SOP Management Authority).

The European Regional Fund has the greatest percentage of the Structural Funds and it supports European interregional disparities decreasing according to Article no.160 of the European Treaty. The action directions of this fund are presented in the European Parliament and in the European Council's regulation no. 1083/2006.

Under Objective 1, ERDF supports the following actions:

↳ modernization and diversification of the Member States' economic structure and of specific regions using: financing for innovation and entrepreneurial initiatives; promoting access and using new informational and communication technologies; new conditions for R&D activity; better access to capital and promoting new enterprises;

↳ environment protection using: development of ecological industries; financing infrastructure investments under Nature 2000; promoting ecological transports and development of innovative energies;

↳ basic transport, energy, environment, water and telecommunications infrastructure modernization;

↳ development of central and regional public administrations' institutional capacities and support for structural and cohesion interventions.

Under Objective 2, ERDF focuses on three main aspects:

↳ innovation and knowledge economy (consolidation of regional R&D capacities, incentives for innovation, entrepreneurial spirit and

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development of financial engineering especially for those firms which are connected with knowledge economy);

↳ environment and risks prevent ( rehabilitation of contaminated lands, improvement the energetic efficiency and public ecological transports, plans for preventing and managing natural and technological risks);

↳ access to transport and telecommunication services of public interest.

Under Objective 3, ERDF support actions which are grouped into three axes: ↳ trans-border socio-economic activities' development; ↳ establish and elaboration of transnational cooperation, including bilateral cooperation between maritime regions; improvement of regional policy efficiency using interregional promoting and cooperation, activities of connecting to the network and good practices changes between regional and local authorities.

ERDF finances 8976 million Euros (46.8% of the budget of the Structural and Cohesion Funds) for Romania during 2007-2013. The distribution of these Euros is presented in figure no.3.

ERDF will finance five Sector Operational Programs:

↳ SOP Growth of Economic Efficiency: 2554 million Euros (16.7% of the Structural and Cohesion Funds). This program is focused on the growth of Romanian firms' efficiency in order to decrease the disparity of E.U.'s average efficiency. We are concerned with an average efficiency growth/year by 5.5%. As a result, Romania will achieve 55% of E.U.'s average efficiency only in 2015;

↳ SOP Transport: 4565 million Euros (23.8% of the Structural and Cohesion Funds). ERDF has 1289 million Euros. The program tries to develop transport infrastructure in order to grow economic efficiency, to facilitate economic integration into the E.U., to develop internal market and to generate economic growth. Moreover, the program stimulates investments, sustainable transports and territorial cohesion. SOP Transport supports environment policy in Romania in order to decrease air pollution, phonic pollution in great cities and those high traffic areas by improving public transport, rail and naval transports, too;

↳ SOP Environment: benefits by 4512 million Euros (23.5% of the budget of the Structural and Cohesion Funds). ERDF's contribution represents 1236 million Euros. The global objective of this program is the creation of a protection system in order to improve environment quality and life standards;

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↳ SOP Regional benefits by 3726 million Euros (19.4% of the Structural and Cohesion Funds). It tries to support a steady growth of all Romanian regions in order to obtain a minimal level of business and social infrastructure and human capital which may enhance economic growth. SOP allows economic development starting from a down-up approach which is complementary to the national up-down approach;

↳ SOP Technical assistance: has 170 million Euros (0.8% of the Structural and Cohesion Funds). This program is financed by ERDF and has as main objective facility of coordination and implementation for structural instruments in Romania. As a result, a good system of management and monitoring was created for dissemination information about the European Funds for population.

In order to implement ERDF, the Management Authority consists of: the Economy and Finance Minister, the Transports Minister, the Environment and Sustainable Development Minister and the Public Works and Houses Minister.

The concept of socio-economic cohesion was thought up as European policy by the European Single Act (1986). As a result, the Cohesion Fund was created by the Maastricht Treaty (1992) in order to finance projects for environment and transports infrastructures in those Member States which have a GDP/capita less of than 90% of the European average.

The European Cohesion Fund offered financial assistance in order to elaborate preliminary studies for the future projects, comparative studies, impact studies, monitoring studies, advertising studies and for the informing campaign. The eligible countries for this fund were cohesion countries as Ireland, Greece, Spain and Portugal and the latest 12 new Member States. During 2004-2006, for example, 1/3 of the Cohesion Fund was used for the newest Member States.

The European Commission suggested a new amount of money of 336.1 billion Euros for the cohesion policy which will be shared for:

↳ the poorest regions of the Member States: 264 billion Euros (79%);  
↳ promoting efficiency and labour: 57.9 billion Euros (17%);  
↳ improving interregional cooperation across the E.U.: 13.2 billion Euros (4%).

The development of trans-European transport network (TEN-T) represents a priority of the cohesion policy. As a result, half of the financial amount devoted to transport infrastructure will be granted to TEN-T (38 billion Euros).

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The budget of the Cohesion Fund (70 billion Euros) is focused on improving socio-economic cohesion in order to promote sustainable development, especially on trans-European transport network development and environment protection.

About 167.2 million European citizens (34.4% of the whole E.U.27 population) live in regions which benefit by the European Cohesion Fund.

Nowadays, the eligible countries for the Cohesion Fund are: Bulgaria, the Czech Republic, Cyprus, Estonia, Greece, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Spain and Hungary (see figure no.4) (Comunitades Europeas, 2007).

The distribution of the financial shares on countries is presented in figure no.5. The latest news for this programming period is that the Cohesion Fund finances objectives of regional development policy together with ERDF and the European Social Fund and its function is based on the same programming, management and control rules as those for the Structural Funds.

Bureaucracy decreases because only major projects established by Article no.39 in the General Regulation have to be approved by the European Commission. For the other projects, the Member States bear the whole responsibility.

Other characteristic element of this programming period is the enlargement of the financing domains. So, the Cohesion Fund finances: sustainable development, regenerate energy, inter-modal transport systems, speedway, maritime and airway management, public transport and so on (Article no.2 from Regulation 1084/1996).

The Cohesion Fund has a macroeconomic clause which allows the European Council to suspend financial support from the Cohesion Fund (Article no. 4 of the Regulation 1084/2006). This clause is connected to a higher budgetary deficit of a Member State. Moreover, a possible suspend affects all program not only a specific project.

Romania will benefit in advance being financed by the Structural and Cohesion Funds according to the European Council Regulation no. 1083/2006. These sums are: 7% of the total 2007-2013 financial allocation from ERDF and the European Social Fund and 10.5% of the Cohesion Fund.

During 2007-2013, the Cohesion Fund will finance two SOPs in Romania: environment and transport (6.552 million Euros, as in figure no.6).

Under environment objective, Cohesion Fund finances: ➡ conservation, protection and quality improvement of environment; ➡



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human health protection; ➔ a cautions and resasonable use of natural resources.

As a result, those projects are eligible which are focused on: water reserves, water reconversion, growth of the forests, land erosion and nature preservation.

Under transport infrastructure objective, those projects are eligible which support associate trans-European networks and those which create access connections to this network.

Some official institutes are involved in the Cohesion Fund's implementation. These institutes are the Transport Minister and the Environment and Sustainable Development Minister with their specific departments.

On the other hand, there are structures which make the payments for regions like the Certify and Payment Authority of the Economy and Finance Minister.

The main message of the actual programming period is that the most important thing is a longer term sustainable development. That means leaving the traditional approach about old Member States versus New Member States.

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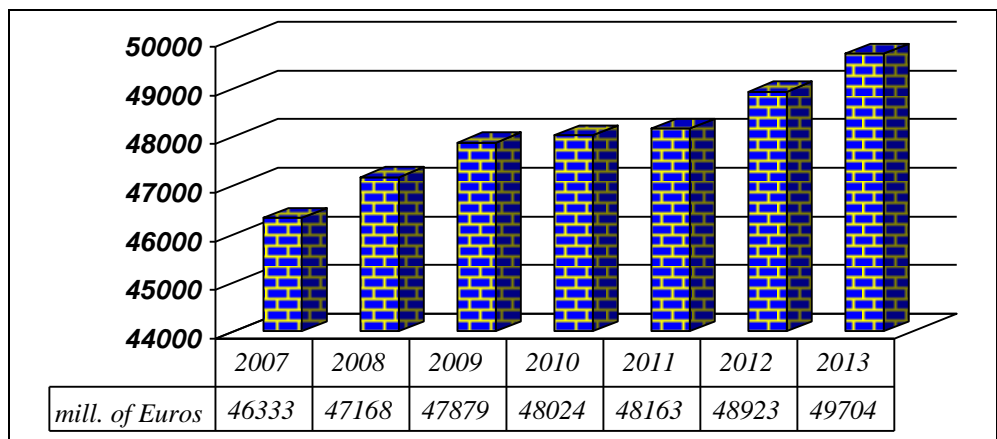


Figure no.1. The budget of the Structural and Cohesion Funds during 2007-2013

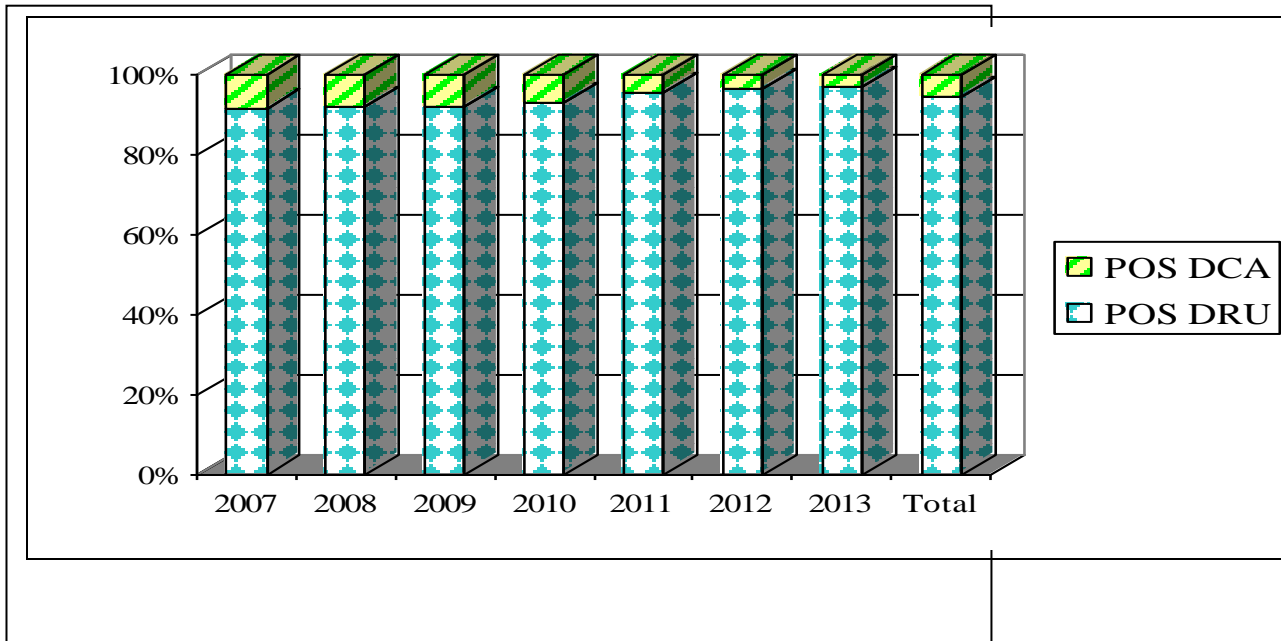


Figure no.2. Structure of the European Social Fund in Romania during 2007-2013

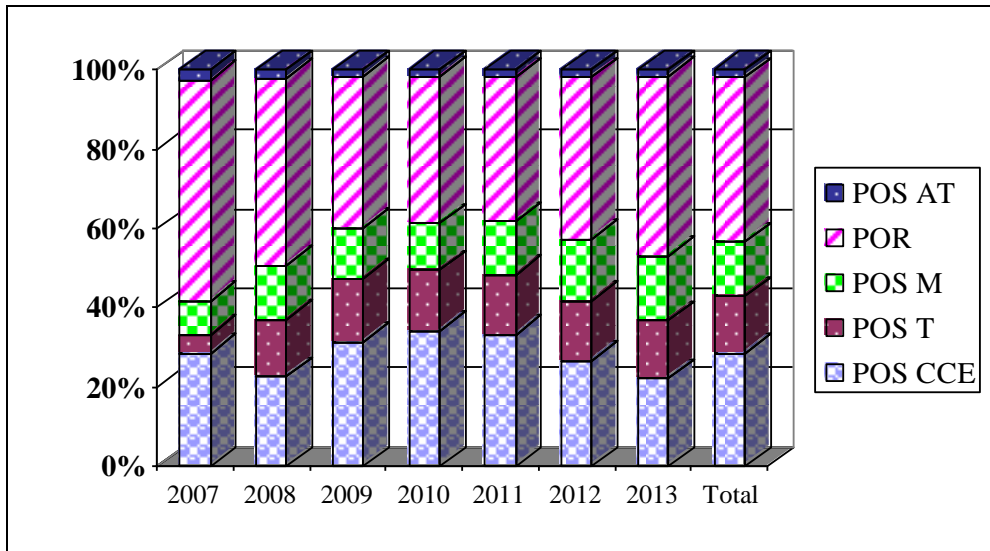


Figure no.3. Distribution of ERFD for Romania during 2007-2013

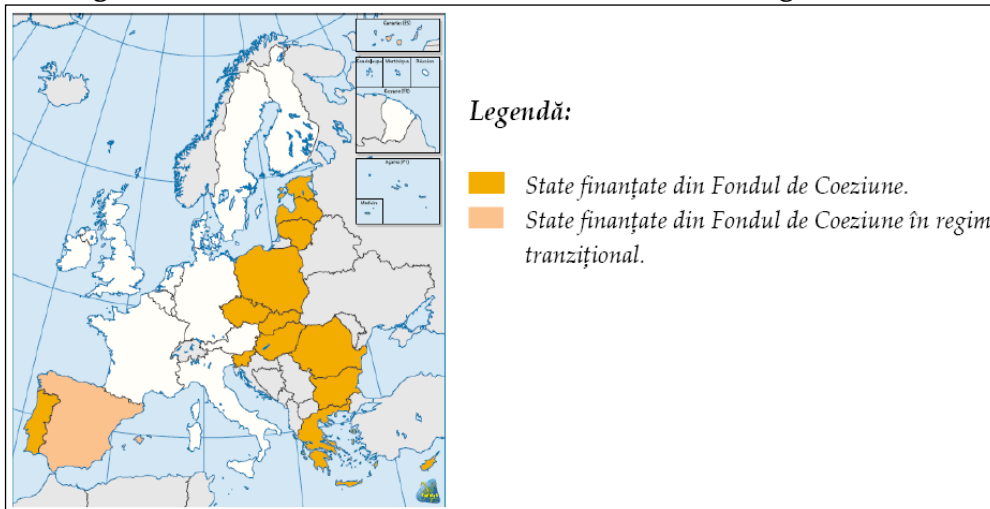


Figure no.4. Eligible countries for the Cohesion Fund during 2007-2013

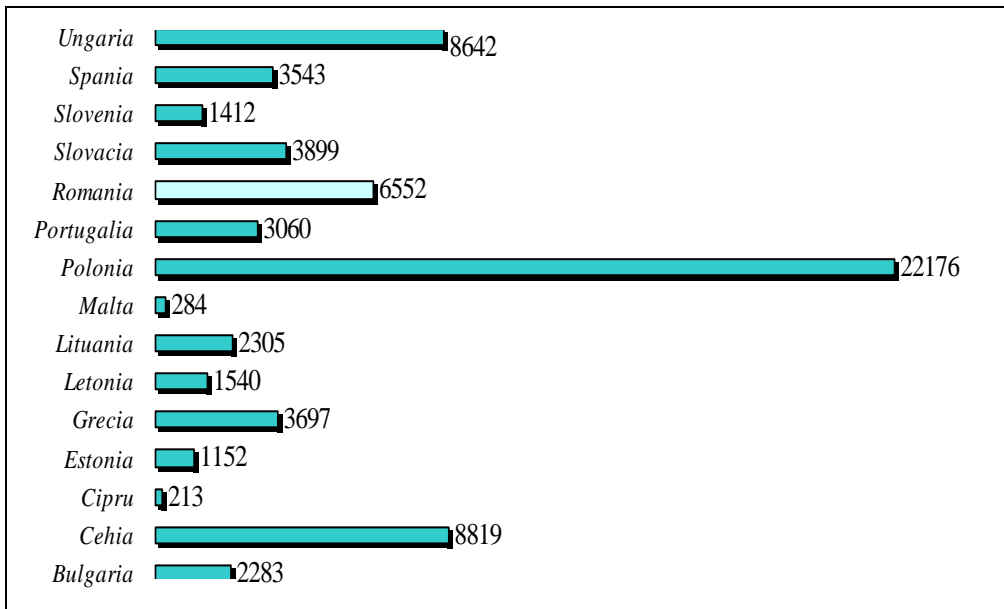


Figure no.5 European Cohesion Fund - financial allocations during 2007-2013

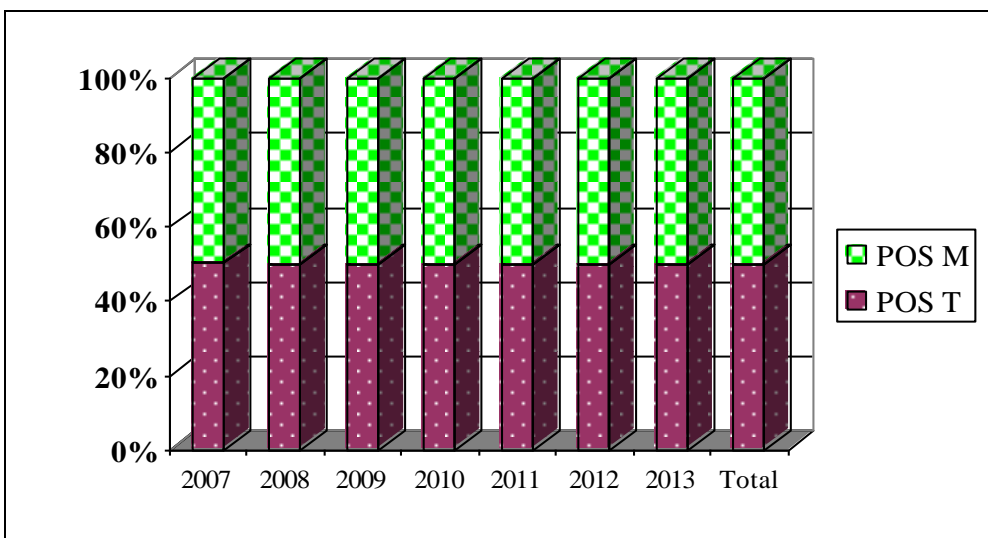


Figure no.6. Cohesion Fund for Romania during 2007-2013