

Projects from the Centre Region financed from Structural Funds

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Abstract

The policy of Social and Economical Cohesion represents the fundamental policy of the European Union, of reducing the social and economical disparities between member states. The Regional Operational Program is a strategic document of the regional development of Romania, within which there have been earmarked 483, 62 millions of euro to the Center Region. After more than 2 years from the implementation of the Operational Program, the degree of earmarking the Structural Funds is situated below 28%, and Romania is situated on the last place in this classification. In order to eliminate the difficulties found in accessing and absorbing European funds, it is recommended the government involvement in finding additional sources of financing, in creating a body of experts to sit on the assessment, design and audit of European funds, establishing a single source of information concerning the launch, approval and execution of projects.

1. Introduction

The politics of Economic and Social Cohesion (PCES) represents the fundamental politics of European Union, being assigned 1/3 from its budget and mainly seeks: reducing the disparities of economical and social development between the partner states; improving the functioning of Exclusive Market and promoting the stable and long term development in the European Union.

In accordance with the National Strategic Framework of Reference 2007-2013, Romania is assigned by the Europea Union, Structural and Cohesion Funds valuable at 19,66 billion euros, from which 12,66 billion euros for the objective „Convergence”, 6,55 billion euros for „Regional

Competition and occupying the workforce” and 0,45 billion for „European Territory Collaboration”

The strategy of Romanian regional development, during 2007-2013, is established by the Regional Operational Programme (POR) and is carried out by a different grant of european funds on regions, in accordance with the development degree and in a close correlation with the actions performed for the Sectorial Operational Programmes.

For measuring the degree of regions development we used the Gross Domestic Product (GDP) on citizen, adjusted at a factor of the population density. Therefore, the regions with low GDP level benefitted of a higher weight from the assigned funds, and in the regions that are more developed the weight of financial grants was lower.

In percentages the financial grants were between 8,86% - Region Bucharest-Ilfov and 16,32% in North-East Region.

The implementation of the Regional Operational Programme is based on the developping strategies in areas and seeks for supporting the economic and social growing, in accordance with the needs and the existing resources, by centralizing on the infrastructural conditions and the business environment.

The **Centre Region** had been granted by the Regional Operational Programme 463,48 million euros, representing 10,90% of the total funds unrolled through this programme, and the distribution was realized on 6 foreground axes available to the projects financing that are drafted by local authorities, nonprofit organizations, IMMs, cultural units, etc..

2. Projects Situation from Centre Region that are financed from Structural Funds

Projects evolution in Centre Region, financed from european funds, in different stages of evaluation, are presented as following:

Table 1

		CENTRE REGION						milioane euro		
Budget granted	UNTIL 31 MARCH 2009				Main domain of intervening	UNTIL 29 SEPTEMBER 2009				
	Projects filed		Contracting projects			Projects filed		Contracting projects		
	number	value	number	value		number	value	number	value	
2007-2013	151,64	0	0	0	0	Urban development	4	73,16	0	0
	95,56	29	228,90	5	46,40	Road infrastructure	29	228,90	8	81,74
	18,54	3	2,70	0	0	Hospitals/ Ambulatories	5	3,91	0	0
	10,63	4	2,20	0	0	Social centres	11	4,52	2	1,16
	10,63	1	9,90	1	9,90	Emergency situation	1	9,90	1	9,90
	26,04	16	21,50	0	0	Education	34	49,83	2	5,22
	33,26	9	85,90	0	0	Business structures	9	85,90	1	11,13
	25,14	0	0	0	0	Industrial sites	0	0	0	0
	21,81	169	23,40	13	1,10	Microenterprises	169	23,40	76	5,86
	25,15	13	59,30	1	11,10	Cultural Patrimony	33	83,10	2	13,34
	25,18	37	91,30	0	0	Lodging and recreation	37	91,30	3	3,04
	16,90	14	2,80	0	0	Tourism promotion	14	2,80	0	0
	2	1	1,15	1	1,29	Management POR	1	1,15	1	1,29
	1	1	0,23	1	0,27	Publicity and information	1	0,23	1	0,27
	463,48	297	529,28	22	70,06	TOTAL	348	658,1	97	132,95

The analysis presented marks out the fact that at 2 years from launching the Regional Operational Programme, on some major domains of intervening – urban development, hospitals/ambulatories, industrial sites, tourism promotion – interests of local and regional communities is relatively small, existing an insignificant number of projects filed and no contracting projects, and on other major domains of intervening – road infrastructure, education, microenterprises, cultural patrimony and tourism development, the number and the projects value filed exceeds the fund granted to the respective domains. Relating September 2009 to March 2009, we observe a numeric growing, but also in means of value for the projects presented, and for the contracting ones. Therefore, during this interval the number of filed projects grew from 297 to 348, and the number of contracting projects from 22 (as it was registered at 31 March 2009) to 97, in September 2009. But what we have to keep in mind is that from a number of 348

projects filed, only 97 were contracted for financing, and the degree of uptake for the granted funds reached only 28%. What we have to mention is the fact that a part of projects is still in the evaluation stage, or of precontracting, and their solving will lead to the growing of the degree of absorption for the granted funds of the Centre Region.

Although, the big number of rejected projects in different stages of evaluation, over 50% marks out the lack of an efficient training for the beneficiaries, materialized in financial nonrealistic projection, the weak quality of technical documents, the lack of an expertise for determining the technical factors and economic efficiency, etc..

Another cause for economic drop determined by the world crisis, whose negative effects are seen also in this domain. The market credits freeze and the decline of budgetary incomes, reduce drastically the capacity of all entities to have access and assimilate the european funds.

But we have to find solutions, budgetary and monetary instruments in order to diminish the crisis effects and to lead to a bigger factor of assimilating the european funds.

3. Comparative situation of projects filed on the 8 Regions, with financing from Structural Funds

Regional Operational Programme, at 31 March 2009

Table 2

Region	Budget granted	Projects filed		Contracting projects		Degree contracting %	
		number	value (mil euro)	number	value (mil euro)	Numeric	Value
North-East	693,94	302	807,65	18	124,89	5,96	15,46
South- East	563,39	191	435,41	12	65,10	6,28	14,95
South	605,07	120	486,40	6	77,66	5,00	15,97
South - West	595,71	170	597,35	14	119,48	8,24	20,00
West	439,67	130	255,88	34	63,72	26,15	24,90
North- West	514,08	223	432,71	15	55,65	6,73	12,86
Centre	463,48	297	529,28	22	70,06	7,41	13,24
Bucharest - Ilfov	376,73	83	89,53	10	2,67	12,05	2,98
TOTAL	4252,07	1516	3634,21	131	579,23	8,64	15,94

The West Region with a smaller number of projects filed (130), registers the higher degree of acceptance and projects contracting (24,9 %), with the mention that an average value on project situates at the lowest level (1,87 million euros), which denotes that here there the small projects of local interest predominate.

The Centre Region is situated on the second place as projects number filed and as number of contracting projects, but as value weight of the degree of projects acceptance, it is on the 5th place. The average project value is of 3,18 million euros. We have to mention that the Centre Region is the only one that filed and contracted a project for subsidy with equipments for emergency situations, assimilating almost all the granted fund for this domain and has the most projects on two major domains – Infrastructure of tourism recreation and supporting the microenterprises.

This situation can be interpreted as a reflection of the development degree for enterprise spirit in the region.

The analysis marks out that The South-East Region with a relative reduced number of projects filed (170), with a small number of projects accepted (14), from which 12 on road infrastructure, but with the higher average value on project of 8,53 million euros.

The management authority for the Regional Operational Programme signed two letters of commitment for participating along with 10 cities from Romania to experience exchanges on problems of urban development, implementing the initiative „Regions-actors of the economic change”

The comparative analysis of the situation of implementation for Regional Operational Programmes on the 8 Regions of Development, at 31 March 2009, from the point of view of the number of projects filed, their value as also the projects rejected or contracted, present as following:

From the 10 selected towns, 3 from Centre Region – Alba Iulia, Sighișoara and Săcele – representing thematical poles to “Social Inclusion and Administration” and to “Solid integrated development”.

4. Analysis of causes for the low level of absorption of the Structural Funds

The analysis of causes for the elimination of a large number of applications and low level of contracting Structural Funds highlights several problems: difficulties in financing, namely the absence of preliminary funding sources necessary to approve applications and grant funds, difficulties in programming, respectively substantive issues - failure or inability of beneficiaries to make the link between development needs and funding opportunities, inability to overcome the barrier "they" and "us", where "they" are the bodies of management and mediation, and "we" are the beneficiaries still unprepared to assume the recipients of such responsibilities. In what concerns the difficulties of organizing and training - management authorities have made their own procedures, missing the harmonization of common procedures. In respect of the applicants, they develop their projects without having available all the procedural information.

Very common are the applicants difficulties (their skills in accessing funds), found in the lack of experience in promoting projects, respectively the

difficulty to highlight important issues, the difficulty of giving the information required in the clear, concise formulations, the lack of a logical structure, or misunderstanding of the programming.

There are also conceptual difficulties in terms of equality between women and men, sustainability (environmental, institutional and financial), innovation and dissemination, partnership, or difficulty to grasp the real needs of stakeholders to identify the correct group target.

With regard to the financial management, issues may arise, both during the implementation phase and long before that stage. That is why we should not overlook experience which other countries have lived. For example, in Czech Republic, Ministry of Regional Development has been designated the central management of structural instruments. This decision generated an additional cash flow required and imposed by the Ministry of Finance.

Greece has adopted a policy of opening the structural instruments to as many applicants and to the private, many projects of low value being financed and then big money has been returned due to mismanagement of funds.

Ireland, however, granted European funds especially for public organizations that propose major interventions, but also Ireland returned funds for incorrect projects.

5. Measures proposed to resolve the issues of absorption of structural funds

- One of the most important steps that we deem imperative relates to providing additional sources of financing the existing funds in banks operating in Romania and to supplement them with EBRD sources, sources from the World Bank or other financial institutions. We appreciate as opportune the introduction of a system of guarantee from the Government for the co-financing part provided by banks;

- In order to involve banks in financing, it is compulsory a joint analysis of the Authority for Coordination of Structural Instruments (ACSI), Ministry of Finance, with commercial banks and National Bank of Romania, to find viable solutions and to establish procedures to provide financing eligible projects;

- Another important measure is to create a database of evaluators, experts and statutory financial auditors, to ensure a selection, an instrumentation and a professional evaluation of the projects promoted, because practice has shown that for projects rejected, or for arrangement of funds reimbursement, the rules in

force have not been known or they were not correctly applied ;

- At the regional level it is necessary the opportunity of ensuring a single source of information on timing of release, preparation, endorsement and implementation of projects on the 7 Management Authorities;

- The insurance of budgetary funding to support effective projects falling in strategy development, but beyond the level of EU funds allocated to these areas;

- It is necessary to analyze the causes and motives for the elimination of massive projects on specific operational programs and to layout punctual measures on those areas;

- Very important would be the simplification of procedures for European funds absorption and the use of budgetary and monetary tools to curb the effects of currency and economic crisis and to facilitate the Structural Funds.

In the context in which we can speak of a high absorption coefficient, Structural and Cohesion Funds could reach 4 to 5% of GDP and a new policy of the European Union could give them a new mission, a new destination, for example to establish financial institutions to support specific priority areas or projects of regional importance.

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