

ASSESSMENT OF STRUCTURAL INSTRUMENTS IMPACT UPON SUSTAINABLE DEVELOPMENT

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ABSTRACT

In assessing the impact of pooling structural funds, macroeconomic models have great advantages in testing versions of financial resources allocation and in the opportunity of analyzing the trends that the economy follows and domains of interest.

The models offer perspective of estimation on long time horizons to justify political, economic or social decisions allowing the quantification of pertinent macro-economic impacts, from the analysis of a functional economic model, is simulated through projections the functioning of national economies.

Keywords: *cash flow, funding sources, impact.*

1. INTRODUCTION

For the period 2007-2013 there were three financial instruments known as Structural Funds including:

- The European Regional Development Fund (ERDF): support for SMEs, transport, environment, energy, education, health, tourism, research and development, territorial cooperation - aims at removing regional disparities on the principle of sustainable development.
- European Social Fund (ESF): aims to achieve the strategic objectives of employment in education and training, adaptability of workers and enterprises, social inclusion, increasing administrative efficiency.
- Cohesion Fund (CF): large infrastructure of transport and environment.

Regionalization is a solution to reducing development disparities while ensuring facilitating a better absorption of EU funds, it involves determining the number, profile, surfaces and residences of development regions.

Every seven years regional policy is reviewed by the EU institutions. Theories, concepts, models used, field specialists, procedures, participants, involved agencies, authorities, the degree of involvement in promoting programs, insufficient access to funds have created confusions leading to a decreased level regarding absorption of structural funds. Through accomplished studies, through reports, statistics, samples, case studies, questionnaires, the conclusion was - low absorption in terms of attracting structural funds in Romania.

2. MACROECONOMIC MODELS

Methods and techniques for assessing the impact of Structural Instruments:

- At the macro level: macroeconomic models
- At the micro level
 - Impact assessment based on the program theory
 - Cost-benefit analysis - calculates performance indicators of the project, and is based on a cost-profit method, forecast structured on a limited

number of indicators, taking into account the influence of the time factor.

Net present value (NPV) – has to be positive and is calculated as follows:

$$VAN = \sum_{i=1}^5 \frac{FN_i}{(1+r)^i} + \sum_{i=6}^{12} \frac{FN_i \text{ explt}}{(1+r)^i} - VI \quad (1)$$

Unde:

FN_i = net cash flow from the first year;

$FN_i \text{ explt}$ - operating cash flow in year i

VI = value of the investment;

The benefit / cost report is an additional indicator of VAN, comparing the present value of future benefits with that of future costs, including the value of the investment:

$$B/C = VP(I)0/VP(A)0(2)$$

Where:

$VP (I) 0$ = present value of financial inflows generated by the project in the analysed period

$VP (O) 0$ = present value of financial outflows generated by the project in the analysed period.

2.1 Macroeconomic models of assessing the impact of Structural Instruments

- The HERMIN model
- The HEROM model
- The QUEST model
- The Ecomod model

2.2 The HERMIN model

This multisectorial and dynamic model which is used by the majority of member states to assess the impact of structural funds upon national economies and to analyse comparative trends regarding financial transfers.

HERMIN model is annual and allows an overview of the current situation regarding current situation and for a time horizon, based on information retained, a forecast in two versions: with funds and without funds.

HERMIN includes four sectors: manufacturing, services, agriculture, governmental services and is structured on three main elements: offer for each sector, absorption and distribution of income.

2.3 The HEROM model

The HEROM model represents the Romanian version of the HERMIN model. This model has been adapted taking into account macroeconomic indicators during the transition and pre-accession process, and from the need to align the economic policies of Romania to those of the European Union, at the same time facilitating the achievement of long time horizons forecasts.

2.4 The QUEST model

The QUEST model is a neoclassic one - global macroeconomic Keynesist, being able to analyze the impact of cohesion policy over the European Union. This model is based on the same principles as the HERMIN model: financial management and appropriate investment plans. This model takes into account the assumption that public investments are as productive as private ones.

2.5 The ECOMOD model

The ECOMODE computerized general equilibrium model is a multi-sectorial model. Using this model led to the conclusion that Member States which access higher community funding benefit of significant socio-economic positive effects.

3. THE ABSORPTION RATE OF STRUCTURAL FUNDS

The absorption measured is the external one, meaning the amount of payment requests submitted by Romania to the European Commission.

The absorption rate is calculated taking into account the EU contribution payments in relation to the 2007-2013 financial allocation, representing actual payments regarding projects with money given by the European Commission, excluding national contribution, and the amount of sums reimbursed from the European Commission in relation to the 2007-2013 U.E. allocation (amounts reimbursed by the Romanian state through the Ministry of Finance in each program).

One of the causes that explain the low absorption rate of a system is the lack of a motivation system for the officials involved, this leading to congestions and delays in the cycle of the project.

One solution would be motivating officials through an adequate salary system, attracting a body of field experts, outsourcing processes to private organizations to assess projects and requests for reimbursement.

Another issue might be the non-unitary interpretation of institutions, changing the rules during the game, changes, blurry procedures, generating delays and a negative impact upon projects.

Table 1. Ţinte cumulative

Program OperaŃ	Fond	Ţinte cumulative				
		2011	2012	2013	2014	2015
POS T	Total	403	1.781	3.054	3.768	4.566
	FC	291	1.316	2.235	2.685	3.277
	FEDR	112	465	819	1.083	1.289
Mediu	Total	355	836	2.202	3.317	4.513
	FC	330	664	1.659	2.357	3.276
	FEDR	25	172	543	960	1.237
POR	FEDR	678	1.275	2.164	3.078	3.726
POS CCE	FEDR	372	982	1.739	2.185	2.427
POS DRU	FSE	122	671	2.071	2.812	3.476
PODCA	FSE	21	80	154	182	208
POAT	FEDR	18	47	77	112	146
Total		1.979	5.672	11.461	15.454	19.062
Total net/an		1.979	3.693	5.789	3.993	3.608

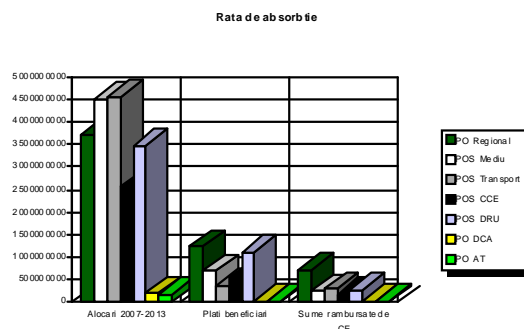


Figure 1 Stadiul absorbŃiei fondurilor structurale

4. EUROPE 2020

Europe is going through a period of transformation. The crisis has wiped out years of economic and social progress and highlighted structural weaknesses in Europe's economy. Meanwhile, the world rapidly evolves and long-term challenges, (globalization, pressure on resources, aging) is increasing.

The EU must now handle its own future. The next round of programs will be launched in 2014.

An important challenge is drafting documents for the 2014-2020 programming horizon. MAEUR will manage the scheduling for all funds regarding the following horizon, including those for agriculture and fisheries. There is danger here: choked by immediate priorities, given the poor absorption with undersized institutional capacity, this formal developed programming might have disastrous long-term effects.

Europe 2020 puts forward three mutually reinforcing priorities:

- smart growth: developing an economy based on knowledge and innovation;
- sustainable growth: promoting a more efficient in terms of resource use, greener and more competitive;
- favourable inclusive growth: promoting an economy with a high rate of employment, being able to ensure social and territorial cohesion.

Regarding the implementation of the Commission's budget for 2014-2020, the Government's objective is to attract as many European funds amounting to over 21 billion euros available to Romania. The intention being

that of launching a unique computer system (to provide transparency regarding European funds), whereby taxpayers know the situation of each project is taken separately.

For the 2014-2020 period, the emphasis is put on a more limited number of investment priorities in line with these objectives will be the centerpiece of the new partnership contracts, which member states will conclude with the European Commission. They will establish clear targets and will provide a financial performance reserve to reward regions that best meet their goals.

To ensure that EU investment impact on growth and employment is not undermined by unsound macro-economic policies or by weak administrative capacity, the Commission may ask to review programs or may suspend the funding if remedial measures are not taken.

The impact of funds will also be strengthened by simplifying and harmonizing the rules of different funds, including those related to rural development and maritime affairs and fisheries, making regulations and information transparent. A single set of rules will apply for five different funds. Also, a more integrated approach will ensure that various funds meet certain coherent objectives and mutually reinforce their effects.

The areas covered by the new strategy are: transport and infrastructure, environment and climate changes, energetic field, competitiveness and economic growth, education, employment and social inclusion, tourism, culture/cultural heritage, health and social services, regional development, rural development and agriculture, administration, territorial dimension (the role of cities, areas with specific geographical and demographic problems, border areas, EU macro-regional strategies).

The European Commission has adopted a draft legislative package which will provide a framework for the EU cohesion policy for 2014-2020.

The new proposals are designed to reinforce the strategic dimension of the policy and to ensure that EU investments are focused on long-term objectives regarding Europe's economical growth and jobs. ("Europe 2020"). Through the partnership contracts agreed with the Commission, member states will commit to reduce their range of investment priorities in line with these objectives.

There are 23 million unemployed and 113 million at the point of and below the poverty line in EU. The EU needs to define its evolvement direction by 2020. For this purpose, the commission proposes the following main aims for EU:

- 75% of the population aged between 20 and 64 should have a job;
- 3% of the EU's GDP should be invested in research and development (R & D);
- the "20/20/20" climate / energy targets should be met (including a reduction of emissions increased to 30% if the conditions are right to do so);
- the rate of early school leavers should be under 10% and min. 40% of the younger generation should have a tertiary degree

- the number of persons at risk of poverty would be reduced by 20 million.

Solutions, proposals and actions to achieve proposed goals, that ensure Romania's evolution from a social and economic point of view:

- Expertizing certain specialists in the regional development field, providing information channels
- Encouraging cooperation between institutions, universities, public administrations and economic agents
- Regular training of persons seeking access to European funds
- Removing bureaucracy
- Facilitating access to information for all business actors, of institutions
- Ensuring an updated database at a regional level to make real and concrete analyses

5. CONCLUSIONS

The low degree of absorption capacity is justified by poor information regarding the economic actors, poor management, corruption, bureaucracy, changes in necessary documentation along the way, of submission data "Failing to the Applicant Guides", lack of motivation of the personnel involved in performing structural funds, lack of standardized documents and uniform procedures for various management authorities (MA), public procurement procedures and the long period of evaluation of projects, which lead to delays.

Although these aspects have been identified and reported to the central decisional level, through the adoption of the National Strategy for Fighting Fraud to Protect the EU financial Interests in Romania, the obtained results are far below expectations.

The main challenge in the development of programming documents is that Romania has to have a coherent, real, that can be funded and enforceable strategy. In November 2010, the European Commission published its first ideas on the future of EU cohesion policy after the current programming period which ends in 2013.

6. REFERENCES

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