

ROMANIA COHESION POLICY

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Abstract:

As established in the National Strategic Reference Framework for Romania the EU funding will be invested in order to reduce the economic and social development disparities between Romania and the EU Member States, by generating 15-20% additional growth of the GDP by 2015. For the 2007-2013 period, Romania has been allocated approximately €19.2 billion under the Convergence objective and € 455 million under the Territorial Co-operation objective. Romania's contribution (including private sources) to complement the EU investments will reach at least € 5.5 billion bringing the total investments in structural and cohesion policy to approximately € 25.2 billion over the next seven years.

Key words: Structural fund, cohesion, strategy, financial perspective, European standards

1. INTRODUCTION

This, the Fourth cohesion report, provides, firstly, an update on the situation and outlook with regard to economic, social and territorial cohesion and, secondly, an analysis of the impact of policy at national and Community level on cohesion in the Union. Particular emphasis is given to: 1) the preliminary assessment of the impact of European cohesion policy in the 2000–2006 programming period and 2) to a first assessment of the preparation for the new period 2007–2013, based on the national strategies and draft operational programmes submitted to the Commission by Member States up to the end of April 2007. There are a range of factors which influence the effectiveness and the impact of European cohesion policy. An economic context characterised by price stability and sound budget balances will benefit from lower interest rates. This, in turn, stimulates investment and capital accumulation, increasing both productivity and employment. It also helps to increase the rate and diffusion of innovation and reduces the cost of capital. [3]

The efficiency and effectiveness of public administrations on national, regional and local level is another critical factor. Finally it is often external factors, notably globalisation, that are the main driving factors of structural changes at all levels and which have a large impact on economic development and job creation. However, as a result of a rigorous approach, cohesion policy has succeeded in making a difference to standards of living and levels of opportunity across the Union.

As a group the major financial beneficiaries of European cohesion policy programmes during the period 2000–2006 have continued to exhibit impressive growth rates. At the regional level, strong economic performance in regions with low GDP per capita over the past decade has meant that, across the EU, regions have been in a process of convergence measured in terms of GDP per capita.[3]

2. THE STRATEGIC OBJECTIVES

The Social and Economic Cohesion Policy of the European Union has as its purpose, on one hand, the decrease of advancement dissimilarities between various regions, and, on the other hand, to put an end to the economic decline of those regions who are very disadvantaged, including the rural ones. Therefore, for the planning period 2007-2013, at the European level, have been established three targets: "Convergence" target; "Regional competitiveness and the occupancy of manpower" target; "Territorial cooperation" target.

The financial instruments of these policies are generic called "Structural and Cohesion Funds" (SCF).

The entire Romanian territory is eligible regarding "Convergence" target, fulfilling, according to the E.U. rules, the financial criteria of the European Regional Development Fund (ERDF), Social European Fund (SEF) and the Cohesion Fund (CF). In order to reflect the significant needs of the new State Members regarding the transport and environment infrastructure, the share of financial from the Cohesion Fund represents almost a third from the total financial assignment for the new state members during 2007-2013. At the same time, Romania will obtain finance from the E.R.D.F., and in "European Territorial Cooperation" framework, for regional, national and international cooperation.

In Romania, the institutional system of programming and implementation of Structural and Cohesion Funds is in a full process of consolidation, starting from the stipulation of the Complementary Positions Document in chapter 21 "Regional policy and the coordination of structural instruments" and those of Community rules which regulates the Social and Economic Cohesion policy of the E.U. The role of national coordinator of SCF's management is provided by the Ministry of Public Finance, through the Management Authority for the Community Support Framework.

Government's decision no. 497/2007 with its further changes and supplements, names the institutions designed as Management Authorities (public organisms which ensure the management of financial assistance from SCF), Intermediary Organisms (institutions designed by the management authorities who, by task delegations from these and / or from the payment authorities, introduces the actions from the operational programmes) a Payment Authority, as well as programming documents through which SCF is introduced.

Regarding the National Development Plan Strategy, taking into consideration the global objective of reducing development gaps compared to the E.U., and starting from a broad analysis of the social and economical present situations, six national development priorities have been established which gather a multitude of primary domains and subdomains: [5]

- The growth of economic competitiveness and development of economy based on knowledge;
- The development and the modernisation of transport infrastructure;
- The protection and the improvement of environment's quality;
- The development of human resources, the promotion of occupancy and of social inclusion, and the strengthening of administrative ability;
- The development of rural economy and the productivity growth in the agricultural area;
- The diminishing of development dissimilarities between the country's regions.

Starting from the main objective the six national development priorities and the three Priorities from the Community Strategic Orientations regarding Cohesion, have been established five Thematic Priorities: [4]

a) Development of Basic Infrastructure to European Standards – Infrastructure investment will improve road and rail networks, and navigation on the River Danube (TEN-T priority axes no. 7, 18 and 22) and support business growth and job creation. Investments will also improve accessibility and the inter-connectivity of the national, county and local roads, railways, airports and river services including improved links to TEN-T routes. Investment will increase access to wider markets and all actions will reduce travel time and transport costs. The environment infrastructure support will improve drinking water and waste management to meet EU standards. Improved energy efficiency in the entire energy chain – production, transportation, distribution and end-use – will enhance economic competitiveness, improve air quality and support sustainable development. Efforts will focus on improved management of the natural environment and more sustainable use of natural resources.

b) Increasing Long-term Competitiveness of the Romanian Economy – The strategy will help build a dynamic entrepreneurial and productive business base, support business start up and growth – particularly, through investment in higher added value products and services. Innovation will be encouraged as well as the application of R&D to market opportunities; access to finance and ICT connectivity will be improved. SMEs will benefit of investment aid and will be supported with

quality business advice and the services they require to expand and create jobs. Tourism will also be encouraged as an important driver of development. [5]

c) ***Development and More Efficient Use of Romania's Human Capital*** – The strategy aims at supporting the education and training systems to provide flexible and better education and skills to individuals, at increasing access and participation to education and training and at ensuring that education and training deliver the knowledge and skills needed by Romania's modern and expanding economy. Increased adaptability, entrepreneurship and life long learning will be at the heart of the policies and business will be encouraged to invest in their human capital. The modernisation of the education and CVT infrastructure, including the provision of school equipment and ICT will be required to provide quality education and training systems. Actions will be supported to tackle social exclusion and promote social inclusion of vulnerable groups (women, ethnic minorities, disabled persons) who are at disadvantage in the labour market, so they can benefit from the new jobs being created. Improved health care and related services will assist economic regeneration by reducing costs and the number of lost days from work.

d) ***Building an Effective Administrative Capacity*** – The strategy will improve governance in the public sector. Investment will help to improve policy formulation and public management decision making processes, to develop a modern, flexible and responsive civil service system and to improve the quality and efficiency standards in the delivery of public services. Actions will be targeted to the sectors of the administration where the greatest impact can be achieved to aid economic and social development, support business growth and to fight deficiencies of the Romanian economy.

e) ***Promoting Balanced Territorial Development*** – The aim is to stop and hopefully reverse the widening trend of regional development disparities by supporting and promoting a balanced economic and social development of the Regions. The actions will support Regions' development by creating the necessary conditions to stimulate economic growth in the lagging behind regions and restructure the urban and rural areas. Investments will be targeted at improving infrastructure and ensuring local connections to the national, European and intercontinental networks connecting Romania to European and wider markets. Actions will target existing or emerging development corridors or centres and create the conditions for integrated development, with connections to regional, national and trans-European networks. Support will help to consolidate the local and regional business environment and enhance the natural and cultural heritage to support tourism and urban development. The achievement of territorial cohesion will benefit from the long-term framework of the Strategic Concept of Spatial Development and Integration into the European Spatial Structures 2007-2025. [5]

For the programming period 2007-2013, Romania elaborates 7 Operational Programmes inside "Convergence" Objective (The growth of economic Competitiveness, Environment, Transport, Regional development, the Development of human resources, the Development of administrative ability and Technique Assistance) and cooperates with the neighbour countries and other E.U. members to develop other 7 Operational Programmes under the objective "European Territorial Cooperation".[4]

The list of these programmes, the institutions designed as Management and the funds they are financed are presented in the next chart.

3. THE FINANCIAL PERSPECTIVE

According to the Financial Perspective 2007-2013 established at the European Council in December 2005, the state Members whose medium PNB per person during 2001-2003 has been under 40% from the E.U. media - 25 will get transfers from the Structural and Cohesion Funds of maximum 3,8% from the value of the national PIB. As a consequence, the indicative allocation of SCF given by E.U. to Romania after adhering, corresponding each objective of the Cohesion policy for the programming period 2007-2013 is:[5]

Table no 1. The allocation of structural and cohesion funds for cohesion objectives
mil. Euro -

	2007	2008	2009	2010	2011	2012	2013	Total
Convergen a	782	1,123	1,499	1,773	1,875	1,979	2,083	11,115
Fondul de Coeziune	419	590	778	915	966	1,018	1,070	5,755
Cooperare Teritorial	56	56	56	56	56	56	56	394
TOTAL	1,258	1,769	2,333	2,744	2,898	3,054	3,209	17,264

Source: The Ministry of Public Finance

According to the new acquis on the Cohesion Policy of the EU, each Member State prepares a National Strategic Reference Framework (NSRF), as reference document for the programming of the Structural and Cohesion Funds.

This document will not serve as a management tool, but as a strategic document that sets the intervention priorities for the Structural and Cohesion Funds during the reference period. The NSRF creates the links between the national development priorities, as set out in the National Development Plan 2007-2013 and the priorities at European level – the Community Strategic Guidelines (CSG) on Cohesion 2007-2013 and the Integrated Guidelines for Growth and Jobs 2005-2008.

The CSNR strategy takes over the Strategic Vision from NDP 2007-2013, establishing as main target the reduction of development dissimilarities between Romania and E.U's state members.. For 2007-2013, NDP aims at increasing PIB per inhabitant from 31% of E.U. average - 25% in the present to approximately 41% in 2013.

The overall Structural and Cohesion Funds allocation for Romania is **19.668 bn Euro** of which 12.661 bn Euro represent Structural Funds under the Convergence Objective, 6.552 bn Euro are allocated under the Cohesion Fund and 0.455 bn Euro under the European Territorial Cooperation Objective (including transfers to the Instrument for Pre-accession Assistance – IPA, and to the European Neighbourhood and Partnership Instrument - ENPI).

The financial table presents the Indicative annual allocation by Fund 2007-2013 which amount to the total of 19.213 bn Euro. [5]

Table no 2. Indicative annual allocation by Fund 2007-2013

- euro-

	2007	2008	2009	2010	2011	2012	2013
TOTAL all Funds 2007-2013	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 ERDF	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	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	233,136,786	358,285,045	493,435,793	580,097,524	625,459,347	691,150,152	702,582,971
EAFRD	741,659,914	1,023,077,697	1,319,261,544	1,236,160,665	1,234,244,648	1,235,537,011	1,232,563,266
EFF	15,127,527	22,157,050	30,156,234	36,391,468	39,257,052	42,262,575	45,362,301

Source: Adapted after the National Development Plan

4. THE EXPECTED IMPACT OF THE NEW COHESION POLICY

Isolating the precise impact of the Structural Funds is difficult in a situation such as this where the country and economy are already in rapid transition, but macroeconomic and other impact studies have produced the following indicators, among others. These will be monitored and verified over the lifetime of the interventions, and also once all the money has been spent. [6]

- GDP should increase by 15-20% more than would otherwise have been the case ;
- Gross Capital Formation should grow by 28% more than the baseline scenario ;

- GDP per employee should increase by 5.5% annually ;
- Employment in the tradable sector should rise by 23% ;
- Jobs created and maintained – at least 150,000 – 200,000 In addition, specific indicators have been identified for each of the thematic priorities, including the following:
 - Basic infrastructure – 1,400 km of new or rehabilitated roads; increase from 52 to 70 percentage of population linked to water services; reduction of primary energy intensity by 40-50% compared with 2001.
 - Competitiveness of economy – R&D expenditures to rise from 0.41% of GDP to 2.0%; broadband penetration to increase from 3.5% to 40% of the population.
 - Human capital – employment rate from 57.4 to 64% of population (15- 64); activity rate to rise from 62.4% to 68.5%; proportion of age-group with upper secondary education to rise from 70.5 to 80%.
 - Administrative capacity – increase in trust in public administration to reach 33% (central) and 60% (local) of the public.

5. CONCLUSIONS

The reform of cohesion policy should also provide an opportunity to bring greater efficiency, transparency and political accountability. This requires, first and foremost, the definition of a strategic approach for the policy spelling out its priorities, ensuring coordination with the system of economic and social governance and allowing for a regular, open review of progress made. [1]

The corollary of the above is the need to reinforce institutional capacities at all levels of government throughout the Union, building on one of the key strengths of cohesion policy.

In the public debate on the future of cohesion policy referred to above, a general conclusion was that there are a number of matters which are important for cohesion in the Union as a whole.

These elements are key to understanding the proposal below on future priorities. In effect, the Commission proposes that actions supported by cohesion policy should focus on investment in a limited number of Community priorities, reflecting the Lisbon and Gothenburg agendas, where Community intervention can be expected to bring about a leverage effect and significant added value.

These priority themes would be valid for the Union in general, but they would need to be completed and expanded to take account of the specific needs of the less developed regions and Member States, where additional needs persist, for example, in relation to the provision of infrastructure and to institutional capacity building. These aspects are dealt with below (see also first Box at the end of this section for details). [2]

The pursuit of the priority themes would be organized around a simplified and more transparent framework with the future generation of programmes grouped under three headings : convergence, regional competitiveness and employment; territorial cooperation.

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