FINANCIAL INSTRUMENTS USED BY EUROPEAN UNION IN ORDER TO REDUCE DEVELOPMENT IMBALANCES BETWEEN ROMANIA AND OTHER MEMBER STATES

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Abstract:
In this study, based on current economic issues and financial, as the national economy and the European ones, have been analyzed and detailed modern financial instruments for non-reimbursable EU funds and national and sectoral operational programs that contribute to access investment grants.
According to tests carried out, the main financial instruments used to reduce disparities and strengthening economic and social structural funds and Cohesion Fund. However, currently, to support projects in priority sectors (education, research, community development, etc.), the European Union has created and other financial instruments, but on a smaller scale. Based on decisions of the European Union, each Member State establishes strategic objectives for development in cooperation with local business and social fields, developing a national plan for development.

Key words: *Grants, Structural Funds, Cohesion Fund*

JEL classification: *G2*

Currently the main financial instruments used to reduce disparities and strengthening economic and social cohesion are the Structural Funds and Cohesion Fund, which consumes a large part of the Community budget.

Option to use these instruments to the despite of credit is based on following arguments:

- the transfer of funds is made without requesting payment, their title is non-refundable;
- mandatory conditions is accompanied by much more diverse than the credit market (economic and financial commitments, political);
- can not easily calculate the opportunity cost of co-financing resources;
- negotiations involving limited compared to what is reimbursable funds pass on the cost-benefits ratio.

However the grant is not purely free as co-financing usually involves giving up to alternative uses of financial resources, when the decision to accept the project is taken.

Structural Funds

The main financial instrument that the EU uses to promote regional development policy is the Structural Funds, which in fact are the financial contributions of member countries in proportion to their level of development, being redistributed under a complex framework of rules and procedures, by those EU countries or regions that are lagging behind, the level of economic and social development.

Structural financial instruments used to reduce development disparities between EU Member States are: Structural funds, Cohesion fund, additional Funds, namely the European Agricultural Fund for Rural Development and European Fisheries Fund.

As schedule, structural financial instruments used to reduce regional disparities may be presented as follows:

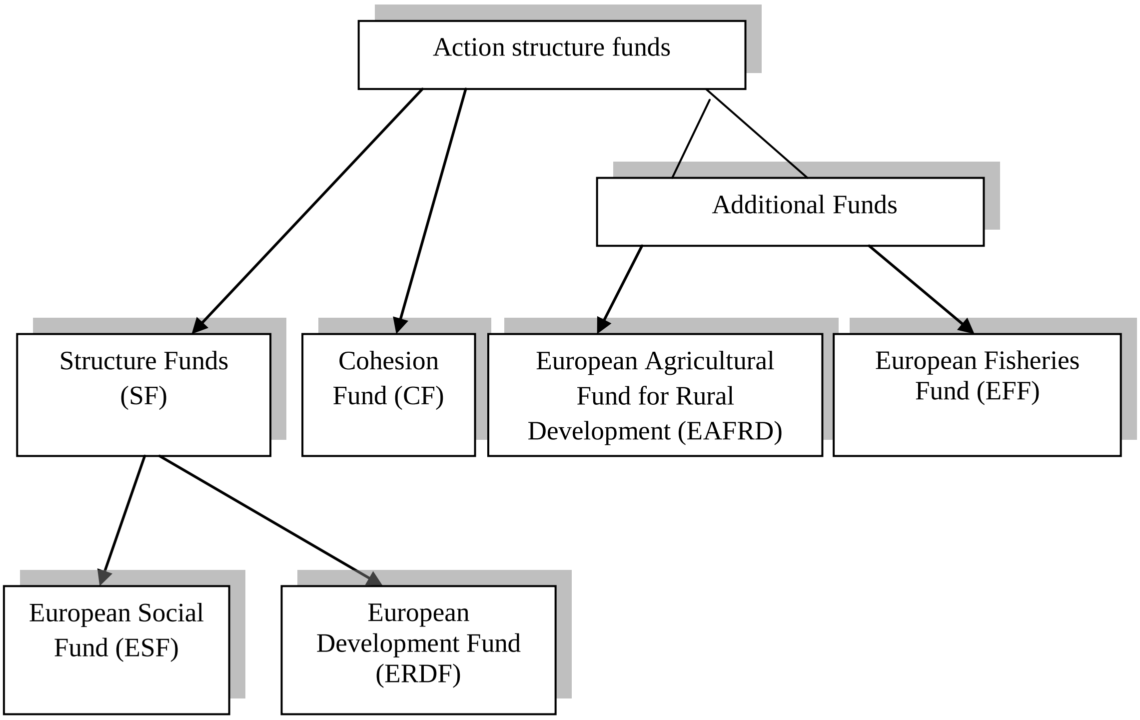

Figure no.1 Financial instruments by structural type used in order to reduce region imbalances

Structural Funds that are characterized by the fact that represent the form of grant financing and work on the principle of co-operate. The projects are financed from public funds of Member State, and at the same time can be attracted private funds.

European Social Fund helps to promote the reintegration into work area of unemployed and the disadvantaged groups by funding intense training activities and assistance in recruitment process.

European Agricultural Fund for Rural Development has replaced the European Agricultural Guidance and Guarantee which was in force until 2006. The fund contributes to the goals of increasing the competitiveness of farming and forestry, agriculture and environmental management, improve quality of life and diversification of economic activities within the perimeters ranging from rural areas with low population to rural areas under pressure from declining urban centers.

European Region Development Fund provides financing of infrastructure investments generating employment, local development projects and aid for small businesses.

Common fisheries policy manage fisheries and aqua-culture in the European Union, the exploitation of aquatic resources in conditions which ensure sustainable development in economic, environmental and social areas. In other words allow the protection and conservation of aquatic resources and reduce the impact of fishing activities on marine eco-systems. Another objective of fisheries policy is effective fisheries and ensuring a fair standard of living for those who depend on this activity.

European Fisheries Fund replaced the Financial Instrument for Fisheries Guidance (FIFG) which operated in 2000-2006. In addition to measures to ensure continuous fisherie actions with rational exploitation and protection of fishery resources was considered and sustainable development of fisheries sector development and improving quality of life in areas dependent on fisheries.

Cohesion Fund (CF) is a financial structure instrument, which occurs throughout the national territory of Member States whose GDP per capita is below the European average of 90% to co-finance no programs, but large projects in the fields of environment and transport (Trans-European transport networks and areas of sustainable development as environmental benefits - energy efficiency and renewable eneregie, various manner of transport, urban transport and public transport green). Cohesion Fund supports Member States to comply with European standards in areas mentioned. The stated objective of the fund is the strengthening of economic and social cohesion through the aid poorer states (whose GDP is below 90% of the Community average) to participate in economic and monetary union.

Instruments of analysis for inside-region imbalances

National Development Plan– NDP 2007 -2013

NDP Development Strategy 2007 - 2013 is a reflection of Romania's development needs in order to reduce the gaps as rapidly towards the EU, it is, in fact, the overall objective of the NDP 2007-2013.

In order to achieve the overall objective, but also the specific objectives (long-term competitiveness of the Romanian economy, developing the economy based on European standards, improvement and better use of local human capital) were made six national development priorities for the period 2007-2013, as follows:

- Increased competitiveness and development of knowledge economy
- Development and modernization of transport infrastructure
- Protection and improvement of the environment
-Human resource development, promoting employment and social inclusion and strengthening administrative capacity
- Development of rural economy and increase competitiveness in agriculture
- Reducing development disparities between regions of the country.

National Development Program (NDP) 2007 -2013 is in fact a multiple yearly financial planning document approved by the Government, and developed a broad partnership, which direct socio-economic development of Rumania under the EU Cohesion Policy European.

Financial programming for the six national priority ways for development is shown in Table. No.1

Table no. 1

PND financial programming in 2007-2013

− Thousands euro -

PND priorities	2007	2008	2009	2010	2011	2012	2013	Total
P1. Competitiveness	651,48	620,72	793,14	882,76	842,95	761,25	682,12	**5.234,43**
P2. Transport infrastructure	2.094,99	2.517,48	2.465,25	2.071,29	1.819,84	1.832,20	1.853,75	**14.654,79**
P3. Environment	753,18	898,70	1.099,11	1.160,45	1.069,54	810,78	806,23	**6.597,98**
P4. Human resources	711,65	912,51	1.297,08	1.317,59	1.313,22	1.115,85	940,72	**7.608,60**
P5. Country development	1.585,56	1.757,72	2.200,96	2.335,49	2.395,08	2.445,15	2.517,37	**15.237,32**
P6. Region	1.294,79	1.280,99	1.397,96	1.336,37	1.342,35	1.344,55	1.342,97	**9.339,98**

development								
Total	**7.091,65**	**7.988,12**	**9.253,50**	**9.103,95**	**8.782,98**	**8.309,78**	**8.143,16**	**58.673,10**

Following negotiations with the European Commission in 2006, for 2007-2013, the structure of the sources of funding for NDP was established as:

- Community funds - 43%, indicating that the definitive division of their six priorities of development was determined by NPD, but following negotiations with the European Commission during 2006.

- National public sources (central and local government, including loans IFI) - 48%;

- Private sources (private co-financing related to EU funds) - 9%.

In absolute terms these sources of funding are presented in the following table:

Table no. 2

PND financing sources structure for 2007-2013

	EU funds	**National public sources**	**Private sources**	**TOTAL**
Financing volume (mil. euro)	25.287,23	25.287,23	51.09,85	58.673,11
Share in total amount PND (%)	43%	48%	9%	100%

The most important issue of funding resources, is in addition to limiting their art to allocate them on priority. Studies have shown that financial resources allocated to Romania for the period 2007 - 2013 are distributed to:

- development of rural economy and increase agricultural productivity 26%;

- development and modernization of transport 25%;

-reducing development disparities between regions of the country 16%;

-human resources development 13%;

-protection and improvement of environmental quality 11%;

- increased economic competitiveness and development of knowledge-based economy 9%;

This distribution of resources shows that target agriculture and infrastructure at the expense of priorities relating to economic competitiveness and environmental protection.

Operational Programs (OPs) are the policy documents that reflect the shared commitment of the European Union and Romania to address issues of development priority sectors and development of priority sectors and territorial development, identified in national and regional development plans.

The overall objective of the Regional Operational Program is to support economic, social, balanced and sustainable Romanian territory regions, corresponding to their needs and specific resources by focusing on urban growth poles, by improving the business environment infrastructure and to make Romania's regions, particularly those lagging behind, more attractive places for allocated target them, to invest and work.

How Operational Programs can be implemented can plot the following:

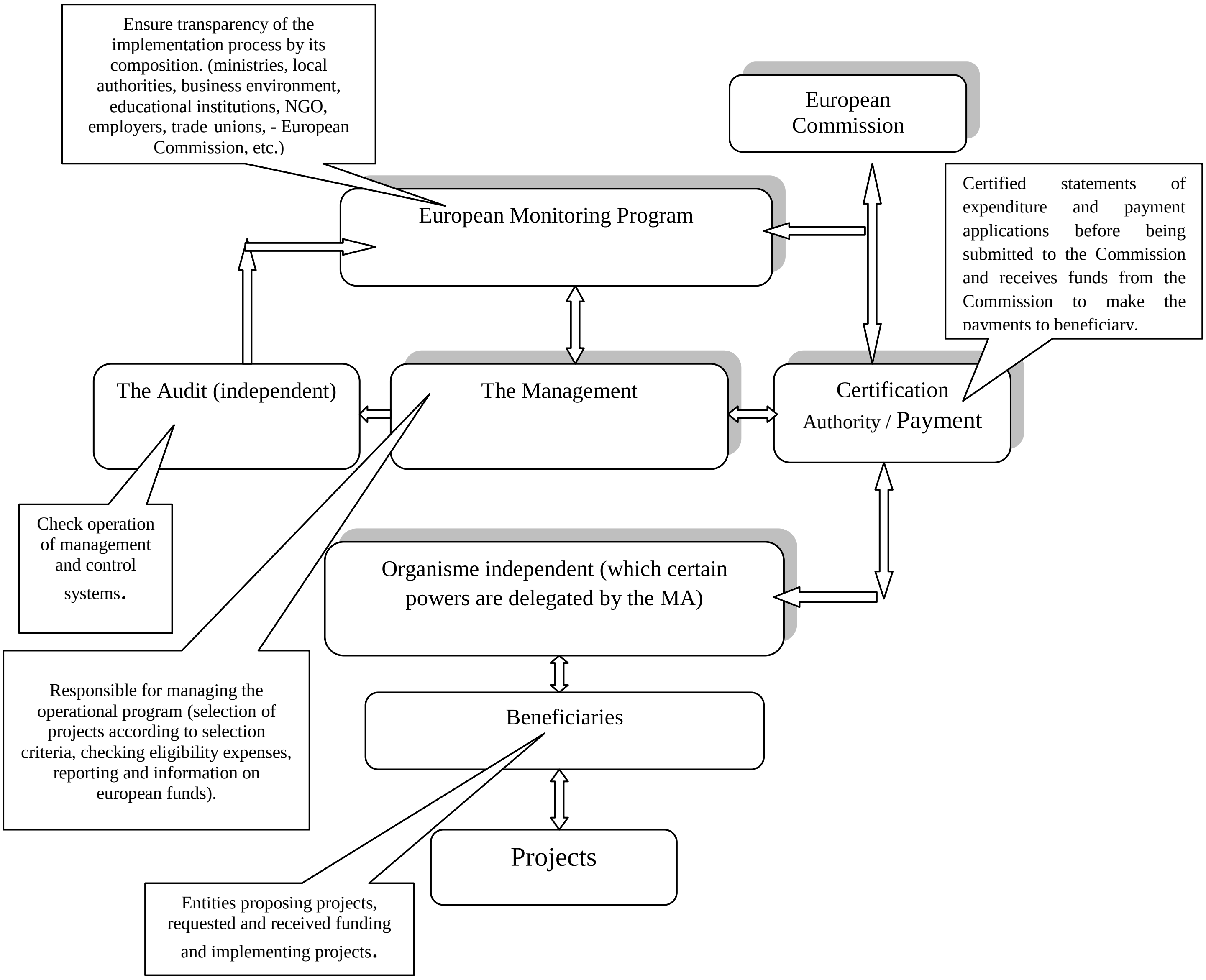

Figure no. 2 Operational programme application

Regional Operational Program funding in period 2007 - 2013 is made from the state budget and local budgets and private sources, is co-financed by European Regional Development Fund (ERDF) - one of the EU structural funds. Under this program the European Union's financial contribution may reach 85% of total national spending (public and private).

Conclusions

In Romania, the institutional system programming and implementation of Structural and Cohesion Funds is in the full process of constructions, from the provisions of the complementary document position in Chapter 21"Regional Policy and Coordination of the structure instruments". Finance Public Ministry, the Managing Authority for Community Support Framework, acts as national coordinator of the institutional system, legislative and procedural programming and implementation of financial instruments.

For Romania, these financial instruments are the first, as membership state and budget is set by the European Union, since it establishes for each state the amounts allocated and basic rules that apply to their use. In the EU each Member State shall determine the strategic objectives of development by developing the National Development Plan, in collaboration with local stakeholders, businesses and relevant social agents/partners.

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