

# EUROPEAN FUNDS - A SOLUTION OR A CHIMERA OF REGIONAL DEVELOPMENT

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## **Abstract:**

*European funds are, especially in times of economic crisis, one of the key resources of financing local and regional development.*

*The paper examines specific aspects of using these funds in 2010, highlighting issues that should be taken into account in planning future operational programs.*

*It also emphasizes the need for partnership and social cohesion in each local community.*

*The authors insist on achieving regional convergence of European funding.*

**Key words:** *European funds, regional development, local communities, programming, financial resources*

**JEL classification:** *R58*

Local and regional sustainable development is a constant concern of the policy makers at EU level.

In this respect, it was established and is operating one of the most substantial financial resources available to member countries - the European funds.

EU financial aid to these countries include, in this respect, among other things, the existence and operation in Romania of Regional Operational Programme (ROP).

This program is, theoretically, the only financial aid managed at regional level, based on the decisions of the administrative bodies created specifically for this purpose.

From this perspective, there are major expectations about the efficient use of those funds and, especially, of the effects they produce in the direction of sustainable development.

To see to what extent this goal was reached in the early years of accessing the funds for regional development, we analyzed the progress of ROP in the West Economic Region (which includes the counties of Arad, Caras-Severin, Timis and Hunedoara ).

This assessment is based on the data from the Regional Development Agency, in connection with the progress of this program in our country.

It starts with the observation that the Romanian law does not define the region - as a form of organization - rather than an economic, not administrative entity,.

Even from this point of view, the concept of region is, however, based on appropriate legislation or on the existence of the defining / representative institutions.

In fact, regional development is rather seen as a constant amount of positive, bottom of developments, of most socio-economic sectors or administrative-territorial entities in that area.

In this approach, the mere existence of economic growth, welfare or some favorable statistics may be certain indicators of sustainable development.

Conclusion perfectly justified up to a point...

It gives no indication, however, if the change in the community has a solid foundation, a "construction" at the bottom, or it is the result of favorable present circumstances.

Because, from our point of view, sustainable development in Romania does not benefit from the political support, the appropriate legislative and institutional framework and not even the citizens' support, yet tributary – including in mentality – to the dependence on centralized management.

It is precisely in these circumstances, it is interesting to watch how funds allocated through the Regional Operational Programme were used, especially by those who were its beneficiaries.

To do this, we started from the analyze of the evolution of ROP in 2010, that was performed at the level of the specialized ministry.

We know, for instance, that the program is structured along several axis - supporting sustainable development of the cities (urban growth poles), improving regional and local transport infrastructure, improving social infrastructure, supporting the development of regional and local business environment, sustainable development and tourism promotion and technical assistance.

The total amount of the financial assistance is 4.4 billion euro, of which 3.7 billion euro come from the European Regional Development Fund, and the remainder represents the national contribution.

To access them, they have already submitted 7551 projects - a total amount of 11.162 million euro - of which 998 were contracted projects, summing more than 3020 million euro (239 finalized, with a value of 129 million ).

By the end of 2010, the percent of use - on areas of intervention – registered in our country, several different percentage points, from extremely positive numbers, to some concerning ones.

Thus, for school infrastructure projects, those for micro-enterprises, cultural heritage or road infrastructure, the use - in relation to the amount allocated for the 2007-2013 financial year - has more than 200% percent of usage.

In contrast, for industrial sites, tourism promoting, emergency equipment and urban development, the percentages are below 100%, which for the time of analysis, may be warning signs.

We find, on this occasion, that the West region - from a financial allocation of 1814,7 million lei and a value of submitted projects of 3006,6 million lei - contracted a financial support of 1000,5 million lei.

Which means - in any case - a placement at the bottom of the hierarchy to access this kind of European funds.

On the other hand, however, in a ranking of regions linked to the value of projects (552 in total), at various stages of development (evaluation, selection and contracting), reported to the financial allocation for 2007-2013, West Region is still in first place with a 183.7% percentage of use.

We appreciate, however, that this kind of statistics have no meaning and importance from the perspective of the analysis of structural funds contribution to the sustainable development in a region.

We will find, in the following, the very fact that such a statistical approach can not generate largely significant conclusions, even within a region itself.

In this regard, we will radiography – based on the balance sheet submitted by the Regional Development Agency - the situation of submitted projects for the access of the 416, 52 million euro allocated to the West Region. It is indicated a submission of projects whose total value is double compared to the initial allocation ( 839,07 million euro), and contracted approximately more than a half of the allocated value ( 248,05 million euro).

If we analyze the distribution of those projects on POR axes, we will find some interesting things in terms of their contribution to regional development.

For example, Axis 1 - Urban Development, has in portfolio submitted projects of 112.11 million euro, representing 110,26%, from the financial allocation of 140.97 million euro, while the contracted value is approaching only 30% of the allocated one – 41,85 million euro.

Oriented towards urban infrastructure, to the social one and to business structures, projects submitted on this axis in the West Region, have among objectives, the construction of 100.65 km of urban roads, 10 video surveillance systems, 11 parks / public spaces, 3 cultural/ social centers and one business structure.

Directed, in particular, to realize growth poles, these funds should, in our opinion, prove their utility, especially by achieving sustainable development models, which are subsequently stimulating, and whose development should be a key influence the neighborhood areas.

For example, for Timisoara Growth Pole (which was allocated with 43.33 million euros) it is provided financial support for projects for, among other things, building a children's day care center, rehabilitation and modernization of tram lines streets, planning a complex road and a technology park for alternative energy, the County Multifunctional Supporting Business Centre Timisoara, regional infrastructure for business innovation in the IT & C and a Regional Centre of competences and development of the suppliers in the automotive area, for video surveillance equipment, or for public transport station modernization or rehabilitation of intermodal social establishments.

We observe a variety of topics of the projects, but certainly we have not sufficiently convincing arguments to allow us to say that they will generate, with certainty, a clear economic growth and, especially, a broad sustainable development.

The same can be said, however, about the road infrastructure, which has been allocated the full amount available, and that is to be achieved 187.41 km of county roads, 15.12 km of urban streets and 10.11 km of ring roads .

Projects that will not solve, of course, the far too complex problem of weak infrastructure of the entire region ...

On the other hand, although health (more clearly the health of the population) is part of the factors that can contribute to the sustainable community development, efficiency - and, especially, the opportunity of the moment - the over 27 million euro earmarked for social infrastructure are unconvincing against pressing economic needs of the area.

We accept, however, that these issues should have been addressed - as well as to the emergency equipment.

We believe, however, that in the process of transition of schools under the authority of local government and their restructuring, the nearly 30 million euros that have been invested in this direction does not fully prove their usefulness and timeliness.

Undoubtedly, the Axis 4 - Business - which includes projects to support business structures, polluted sites and providing microenterprises with resources - can be assessed as having a significant contribution to the sustainable development.

We find, in fact, the maximum interest for this type of financial aid, because - compared to the 27.81 million euros allocated – there have been submitted projects, equivalent to 44.80 million euro.

Unfortunately, cumbersome procedures applied in this case have slowed the rhythm of contracting, so that very few users (covering only 31.61% of the amount) are already implementing the activities proposed in the projects.

Even in this case, if we analyze the specific effects of the financial support for the contracted projects, we will not see dramatic results obtained.

For example, DMI 4.1 operation. - business structures finances 8 such entities designed to create conditions conducive to economic development, especially for SMEs, structures designed to provide nearly 1,600 jobs, relatively a small number, compared to the number of the unemployed (especially in the counties of Hunedoara and Caras-Severin).

There have already been signed, in this sense, the contracts for "Business park Simeria" and "City Business Development Center - support structure for innovative business Timisoara (both benefiting from important values).

We observe, however, that these structures are placed in not really disadvantaged areas and not really solve specific problems of the major development (eventhough, for example, innovative business are top priority).

On the other hand, nobody can "provide" the financial support is not required ...

But equally, if local and county government - involved in accessing the structural funds - would have had clear and present development strategies adapted to the crisis period, and, especially, if they have had an active attitude towards this process of attracting financial resources, then those areas should have been prepared to have the necessary projects ...

As expected, the small amount of support for industrial sites, made the need for resources to be well below the demand, so the funding was for 3 projects - covering 82.25 hectares depolluted surface - and bringing the creation of 385 jobs.

ROP is the funding bid, however, for the micro-enterprise development, considered as an important source of development and a real alternative to economic progress.

We appreciate that in connection to the interest manifested, and compared to real needs, financial allocation, however, was extremely low (17.37 million euros, 4.08 million euro respectively, for the first call).

We find, therefore, that only after two calls, the entire amount was covered by 151 selected projects that will generate 660 jobs.

Of course, a detailed analysis, of the areas of activity funded could reveal us a solid orientation to the services or the niche economies, but even in these circumstances, we consider that the financial support enjoyed by small firms was essential for a period of crisis.

In addition, firms that have signed the financing contracts did not give up to implement the projects and have proven with certainty, a real potential and a commitment to move forward in spite of the economic difficulties.

But linked to the efficient and fully consistent use in accordance with the urgent needs of developing the structural funds, we notice with surprise that DMI 5.1 - Heritage has received a financial allocation of 23.85 million euros.

It is covered, of course, by the specific needs of the area, but we find that is greater amount than that for microenterprises.

Or, to respond to specific needs related to cultural heritage, you must have, first, a strong economy, with a dynamic and positive development.

Selected projects - among which the Rehabilitation of the old historic city centre of Arad, Rehabilitation of the urban area "Deva Citadel Hill 'or the Restoration refunctionalizing of Hunyadi Castle of the Banat Museum Timisoara - will provide favorable conditions for reviving tourism in the area, but the effects of using those amounts were in our opinion, much more pronounced if destination of the support would have been the productive investments ...

On the other hand, however, combined with other projects funded in tourism (including 2 spas, 4 recreational structures, a structure of accommodation), they could lead to a revival of an area with real potential in the West Region.. .

We note, however, that in this case, the funding needs were clear, but the selection was oriented also on some questionable projects in terms of urgency and priority.

As is the case of a recreation base with golf, sports and swimming facilities in Fantanele, Arad county, that was financed, while other important areas and with better tourist potential, particularly in the counties of Hunedoara and Caras-Severin, had higher needs to solve.

Analysis, even a brief one, of the use of structural funds for sustainable development in the West Region reveals, therefore, some aspect worthy of note for the future.

A first finding is that as long as the purpose of this kind of operational programs is the regional development, financial planning must take into account the areas that can generate this, and that, in fact, differs from one area to another and obviously from one country to another.

In these circumstances, the decision regarding the financed operations must be taken at the level where these funds will operate and only after strategic thinking and careful planning.

At the national level (and hence the EU level) will be decided only the values of financial allocations, using, in this sense, objective, universally accepted criteria.

In addition, at this level, policymakers must ensure regional strategies to be confined to development plans at national level, so that there is the needed convergence and complementarity, and also a multiplier in the effects of financing.

We should not miss any other consideration - sustainable development is the result of joint action and of other areas of activity, that from the beginning, do not cover the grants of ROP.

Therefore, we consider that the funding provided by various operational programs should be linked to the regional level, in order to amplify the effects on development.

Ideally, all these programs should have allocations by regions and should be managed at this level.

But there are sufficient reasons, at least in the current period, that this goal is not possible.

First, some Operational Programms (SOP-T, PO-ACD, certain segments of the SOP-IEC) are administered only at national level and there are no "intermediate bodies" to act regionally.

If, however, such bodies exist (for SOP Environment and SOP HRD, and obviously RDNP), they do not have a financial allocation to manage at regional level, but they are only operating entities in relation to beneficiaries of European funds.

It is however possible in the future, such a management option for the European funds?

Sure, but several conditions must be met for this, that are extremely difficult to achieve.

First of all, it is needed that regional development - in particular the sustainable one - to be politically and mentally assumed as being the most appropriate approach for the development of the Romanian society, in accordance with trends already manifested at European and even worldwide level.

Then, it is very important to have a clear legislation, a covering one - and, especially, one that is favoring the imposition of regional development as a strategy of action - a real independence and a broad and generous financial decentralization.

Certainly, it is a necessity to have appropriate and effective institutions, well-defined, depoliticized and "equipped" with valuable specialists.

All these should be integrated to a realistic planning, made the bottom up way and convergent / complementary to all strategic documents it comes in connection .

And last but not least, we need financial and material resources, created or attracted, available on the basis of procedures and clear and stable criteria, with efficient control and self-control filters, to stimulate the accountability in an efficient and effective way of each used fund.

We appreciate that only in those circumstances the justified fears of the EU, primarily related to the acceptance of such a system of accessing the EU funds would not cover the reality ...

Until then, we must see what to do and how to act in this direction.

We consider, for instance, that a regional allocation of EU funds can not be started without the existence of a careful planning, which clearly tell us which direction they want to develop, short and medium term, for each community, planning responsibility assumed also by all the political forces.

This planning – harmonized at national and regional levels - must be reconciled also with funding priorities at EU level, and with main destinations of European funds.

In other way, even under the current specific institutional framework of development, it is imperative to define the existence and operation of its own regional funds, used to support co-financing of projects on European funds, with local and regional action and also of those made on their own forces (but on a certain scale and significance).

But the most important thing in such circumstances, is who and how decides on the grant funding.

There was, in this respect, the initiative of operation - in the framework of ROP – of the Regional Council for Strategic Assessment and Correlation (RCSAC)- whose initial tasks corresponded, in a large part, to these requirements.

Revitalization and rethinking of their duties, especially professionalizing their structures can be a first step towards approaching the desiderate of a regional management of EU funds.

What would require the establishment of closer links between the representatives of the intermediary bodies and the structures that manage the European funds at territorial level, including their participation in decisions concerning the region.

Finally, in project evaluation decisions should increase the weight given its connection with the interference projects, own or third-party, managed from other funds, but acting in the same area, so that their effects are cumulative or to multiply, by such convergence / complementarity.

In such an approach it can be avoided including the extremely damaging duplications (or even double funding) and increase the number of the beneficiaries of funds, so that everyone can be argued for what he knows and can do better and more efficiently.

Relatedness with other sectoral operational programs, it seems relevant - as it lies in an analysis of the North-East Region (42%) – the percentage of local governments that had submitted projects also on other operational programs (environment, increase of economic competitiveness, human resource development, administrative capacity development).

This percentage reflects the locally existing involvement to find optimal solutions for various categories of needs (other than those financed under the ROP).

Unfortunately, such thinking may seem simple and logical for an outside observer, not involved in the system, that is not yet assimilated by our decision makers, caught between personal and group interests, unable to think for the general use, which attempt "to build" full advantage of being close to the selection decision (or only to influence it).

The worst thing would be, in our view, that by the end of financial exercise 2007 - 2013 to find (even in the happy case of full access of the resources allocated through the ROP), that sustainable regional development has not recorded the rhythm from the European level, and the gap of progress - explicit target of this kind of funding – has not diminished, but even amplified ...

The above considerations are even more alarming since our analysis is performed for an economic region considered among the most developed in the country, with a possible corresponding growth rate, with significant resources, and with a mentality closer to the Western one.

A region in which appeared the first regional development strategies, the first agencies or development micro-regions, the first specialists in writing project at the level of public administration (local promoters) and even the very first Euroregion ...

So, with all the optimism about the future of the crisis, and the accumulation and effects of the first projects financed from European funds, we tend to believe that these funds will remain for a long time from now, rather an illusion of sustainable regional development, rather than a definite solution to achieve it.

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