Implementation of Cohesion and Structural Funds in Romania

Author: **Camelia POPA**, Academy of Economics Study, Bucharest, Romania, popa_c20@yahoo.com

The paper is aimed to analyze the structures involve in implementation of structural and cohesion fund and identifies main issues related on financial management. The proper function of management and control system of structures in charge with the management of structural instruments is one of the main conditions for a good absorption capacity. Financial crisis has an main impact on implementation, therefore in order to speed up the implementation of cohesion policy programmers to ensure that resources are mobilized to support recovery efforts new measures have been proposed to simplify the financial management of the cohesion policy programmers and reduce the administrative burden

Keywords: *structural instruments, implementation, management, structures*

Introduction

Structural and Cohesion Funds represent an important complement to national policies, both directly and through leverage effect, are the main instruments of the European Union to promote economic and social cohesion and solidarity. Through them, the European Commission aimes reduction of levels of development between different regions and the least developed countries.

These funds are structures as follows:

- European Regional Development Fund (ERDF) support less developed regions, by financing investment in productive sectors, infrastructure, education, health, local development, SME;
- European Social Fund (ESF) is the structural fund for EU social policy, employment measures to support employment and human resources development.

Cohesion Fund (CF) is a financial instrument to support investment in transport infrastructure and environment.

European funds complementary to structural and cohesion fund:

- European Agricultural Fund for Rural Development (EAFRD) financing investments to increase competitiveness in agriculture and forestry, environmental protection, improving quality of life and diversification of economic activities in rural areas;
- European Fund for Fisheries (EFP), support sustainable development of fisheries sector and coastal areas where the sector is predominantly

For 2007-2013, it aims to achieve three objectives which the EU intends to contribute to reducing disparities between Member States and between different parts of it. [3] (Figure 1).

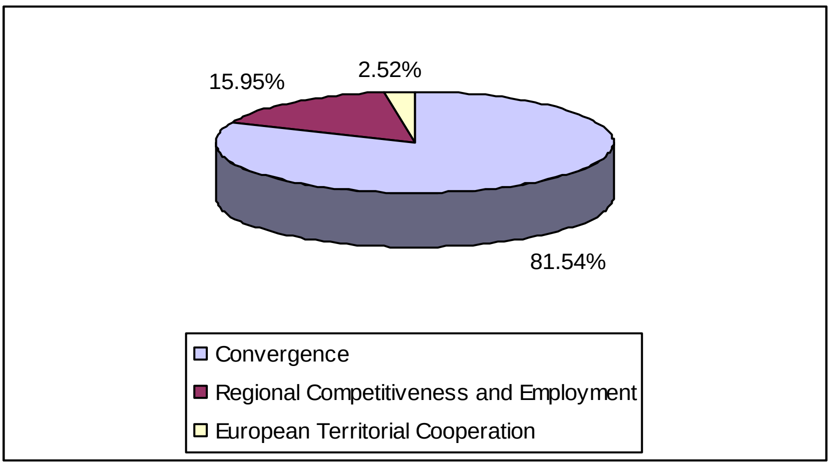

Figure 1: Objectives of cohesion policy

Source: http://ec.europa.eu/regional_policy/policy/fonds/index_en.htm

- Convergence. Aims to Member States and less developed regions, Treaty, in Article 158, proposes reduction of levels of development between different regions, the most favored regions, including rural areas. This objective concerns, first of all, those regions whose GDP is less than 75% of the community. Commission also can provide temporary support to those regions that have a GDP per capita less than 75% of EU 15 member states.
- Regional competitiveness and employment objective, aims to regions not eligible under the Convergence objective. For cohesion policy outside the Member States and less developed regions, the Commission proposes an approach on two levels: First, through programs funded by the European Regional Development Fund, Cohesion Policy supports the regional to anticipate and promote economic change in industrial and rural areas by strengthening their competitiveness and attractiveness. Under the program financed by the European Regional Development Commission proposes strict intervention and focus on 3 priorities: innovation and knowledge based economy, environment and risk prevention, accessibility and services of public interest.
- European territorial cooperation objective refers to: transnational cooperation; Cross-border cooperation; Interregional cooperation.

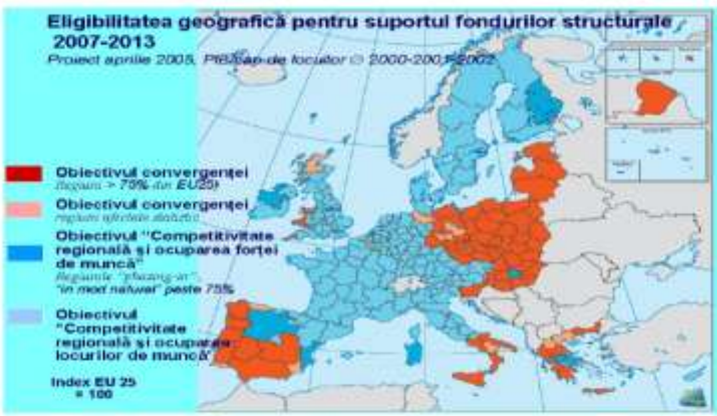

Figure 2: Geographical eligibility (*Source: EC, 2010*)

For the programming period 2007-2013, all the regions in Romania are eligible for non reimbursable financial assistance within the Convergence and Territorial Cooperation Objective.

Accessing EU funds was conditioned by the preparation of programming documents, which indicate areas to be targeted for EU financial assistance. The main programming documents are: National Development Plan 2007-2013, National Strategic Reference Framework, Operational Programs / Regional Operational Programmers. [1]

In order to implement regional priorities of National Development Plan have been developed Operational Programs, based on documents is made operational planning and effective implementation of structural and cohesion funds. Operational programs are structured functions of objectives (table 1).

Financial allocation is one third of the EU budget, a total of EUR 336.1 billion, the allocation for Romania is 19.668 billion

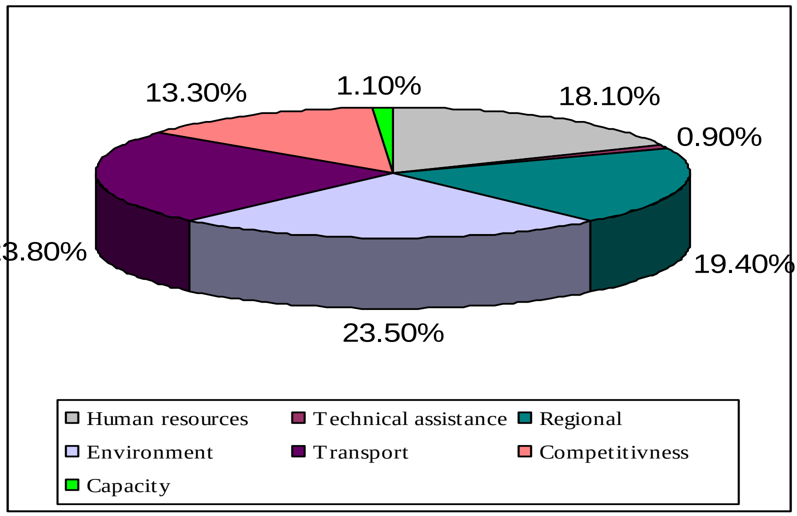

Figure 3: Financial allocation for Operational Programms
Source: Ministry of Public Finance, 2010

Table 1: Operational Programs and related funds

Operational Program	Structural instrument
SOP Increase of Economic Competitiveness	European Regional Development Fund
Regional OP	European Regional Development Fund
SOP Transport	Cohesion Fund and European Regional Development Fund
SOP Environment	Cohesion Fund and European Regional Development Fund
SOP Human Resources Development	European Social Fund
OP Administrative Capacity Development	European Social Fund
OP Technical Assistance	European Regional Development Fund
OPs Territorial Cooperation	European Regional Development Fund

Source: Ministry of Public Finance

For each operational programs at the level of ministries have been created Management Authority responsible for management and implementation of programs. Depending on specific operational program, in the relationship between the managing authority and beneficiary are involved central or regional intermediary bodies.

Managing authority is responsible that adequate controls are performed at lower level; risk analysis-submits certified payment application to based on the spot checks, submits certified payment application, confirmation on regular content of expenditures of claims. On the other hand intermediate body submits of certified payment applications to Managing Authority and carry out on the spot checks at lower levels.[4] Managing Authority must also ensure that beneficiaries are informed of the specific conditions concerning their projects, the financing plan, the time limit for execution and the financial and other information to be kept and communicated.

Authority for Coordination of Structural Instruments coordinates the preparation and development of legal, institutional, procedural framework for management of structural instruments; also monitor the use of financial assistance. [7]

Certification and Payment Authority receives funds from the European Commission make interim payments, final payment, certifies statements of expenditure and payment requests to transfer funds from the Commission, made transfers of amounts unduly paid and also payments for eligible expenditures.

According to the provision of law institutions involved to verify the legality of the procurement process are National Authority for the Regulation and Monitoring of Public Procurement and Unit for Coordination and Verification of Public Procurement. [7]
Unit for Coordination and Verification of Public Procurement verify ex - ante procedural terms for all contracts financed from European funds according to the Order of Ministry of Public Finances no175/2007.

National Authority for the Regulation and Monitoring of Public Procurement made ex-post control of public procurement according to the Order of the President of the National Authority for Regulating and Monitoring of Public Procurement no. 11/2007.

Monitoring Committee is the body that ensures coordination of structural instruments and monitoring effectiveness and quality implementation of Community assistance, use and impact, in compliance with Community provisions. [8]

Romania has established an Audit Authority that represent an associated body to the Court of Accounts, without legal capacity, operationally independent from the Court of Accounts and at the same time independent from all the Managing Authorities and Certifying and Paying Authority. [9] The Audit Authority has the following responsibilities:

- system audit, sample checks and final audit;
- checks and external audit for the structural funds;
- annual checks of the management and control systems;

- checks of the statements of expenditure, on the basis of an appropriate sample;
- carries out appropriate checks in order to issue winding-up declarations at the closure of measures and programs;
- checks the existence and correctness of the national co-financing.

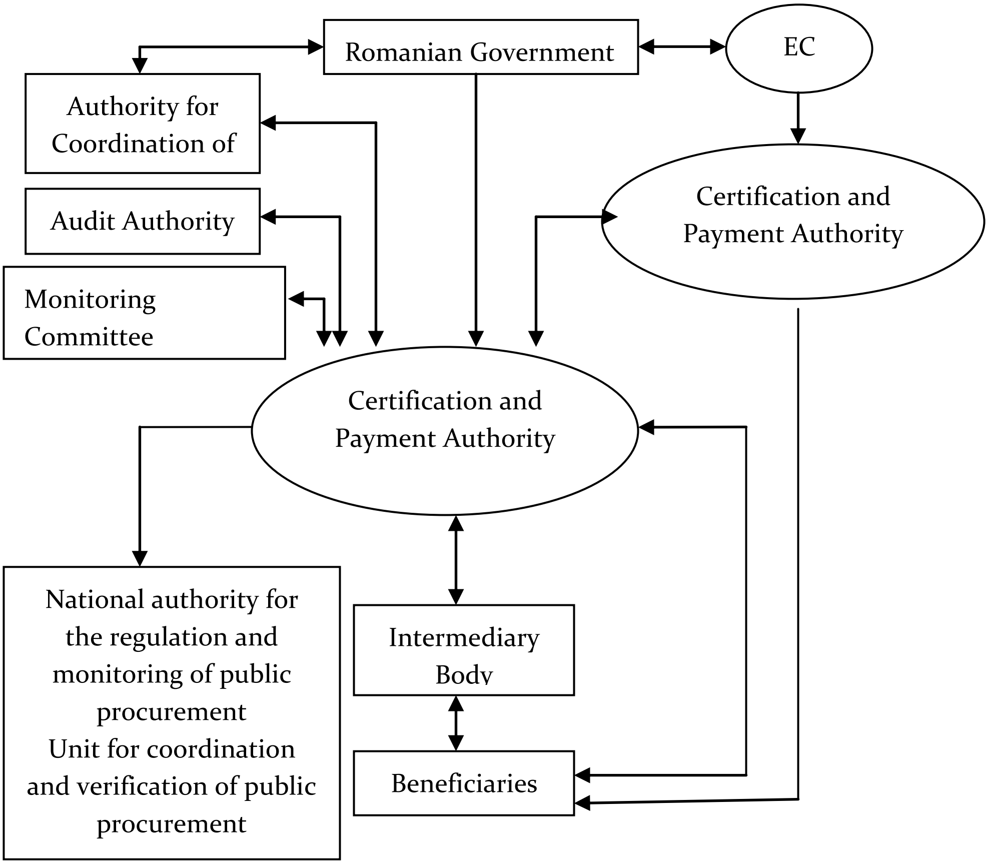

Figure 4: Implementation scheme of Structural Instruments

In order to ensure effectiveness, efficiency and efficacy of the operations concerning these funds, each state member has to establish a sound financial management system, that shall provide: the definition of the functions of the bodies concerned in management and control and the allocation of functions within each body; compliance with the principle of separation of functions between and within such bodies; procedures for ensuring the correctness and regularity of expenditure declared under the operational programs; reliable accounting, monitoring and financial reporting systems in computerized form; a system of reporting and monitoring where the responsible body entrusts the execution of tasks to another body; arrangements for auditing the functioning of the systems; systems and procedures to ensure an adequate audit trail; reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.[2]

One of the most important requests is detecting and reporting irregularities defined as “any infringement of a provision of community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget”.

Irregularities include:

- Unintentional irregularity
- Intentional irregularity
- Irregularity without financial impact
- Irregularity with financial impact
- Once-off irregularity
- Systemic irregularity

Intentional irregularity means any action of an operator of involved institutions in order to enrich himself or any other person.

Intentional irregularity can be:

- Invoices made out for undelivered services, goods and works
- Invoices made up by a fictitious firm - falsifications
- Invoices made up in duplicate
- Invoices made up for excessive, incorrect amounts – inflation of invoices
- Non-charging quantity, price and other discount in the invoices
- Fraudulent transfer of funds to a wrong account
- Manipulating findings of documentary checks

- Manipulating findings arising from checks on the spot
- Falsifying and modifying accounting and/or other records and justifying documents

Unintentional irregularity means any action of an operator of involved institutions caused by negligence and resulting, in most cases, from infringement of approved procedures

Unintentional irregularity can be such as:

- Faults and errors caused by negligence
- Unintentional infringement of operating procedures
- Insufficiently defined control environment and financial management system

An irregularity with financial impact is an irregularity in which a payment of funds has been made and this payment represents unjustified expenditure within a project. An irregularity without financial impact is an irregularity that has been identified before payment has been made to the Beneficiary. Systemic irregularity refers to faults in Operation Program management systems which can call into question the accuracy and correctness of expenditure declarations.[2]

On 2008, the Commission has proposed a series of measures to speed up the implementation of cohesion policy programs for the 2007-2013 periods to ensure that all cohesion policy resources are fully mobilized to support state and regional recovery efforts.

These measures are based on recommendations and specific legislative a non-legislative measures designed to accelerate investment and simplify the implementation of European cohesion policy programs. [1] The idea is to introduce greater flexibility, give regions a head start and target cohesion policy programs on smart investment.

Moreover was proposed several measures to simplify the financial management of the cohesion policy programs to reduce the administrative burden. These measures include:

- Introduce lump sum or flat-rate payments for reimbursement
- to further facilitate contracting with the European Investment Bank (EIB) and the European Investment Fund (EIF), direct contracts can be awarded to the EIB or EIF

- to simplify the management of certain projects generating revenue: those co-financed by the ESF or co-financed by the ERDF or Cohesion Fund where the total cost is less than €1 000000 [5]

Conclusions

A definite role in making projects is held by the financing sources which include the main Structural Instruments (Cohesion Fund, European Social Fund, European Fund for Reconstruction and Development) for which there have been drawn up operational programmes according to the specific of each sector and based on which funds can be accessed. Financing through the Structural Instruments implies that proper mechanisms of financial control are put in place. In this respect, the proper function of this mechanism is a prerequisite for increasing the capacity absorption of European funds.

References

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[3] Council Regulation No 1083/2006 *laying down general provisions on the ERDF, the ESF and the Cohesion Fund*
[4] Commission Regulation No 1828/2006 *setting out rules for the implementation of Council Regulation (EC) No 1083/2006*
[5] COM 2008 (76) Commission Communication "*From financial crisis to recovery: a European framework for action*"
[6] H.G. nr.457/2008 *privind cadrul instituţional de coordonare şi gestionare a instrumentelor structurale*
[7] Ordonanta Guvernului nr. 29/2007 *privind modul de alocare a instrumentelor structurale, a prefinantarii si a cofinantarii alocate de*

la bugetul de stat, inclusiv din Fondul national de dezvoltare, in bugetul institutiilor implicate in gestionarea instrumentelor structurale si utilizarea acestora pentru obiectivul convergenta

[8] Legea 200/2005 *privind aprobarea Ordonantei de urgenta a Guvernului nr. 22/2005 pentru completarea Legii nr. 94/1992 privind organizarea si functionarea Curtii de Conturi.*