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**SUMMARY**

**ANALYSIS METHODS OF THE ALLOCATION AND USE OF**  
**EUROPEAN FUNDS**  
**IN THE ROMANIAN ECONOMY**

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## **Keywords**

Structural Funds, absorption rate, financial diagnosis, competitiveness index, impact of European funds, macroeconomic models, cohesion policy, linear regression

## **Introduction**

Romania's entry into the European Union, on January 1, 2007, allowed our country to adhere to the values of a community made up of solid countries with stable principles and legislation. Accession to the European Union was a well-defined goal of Romania and was not imposed from outside. The principle according to which Romania has decided to join the European Union is that there is no richer or poorer country, a stronger or weaker state. This rule has been the basis for accepting the principles of the European Union, even though within a decade of accession some countries have felt this equality differently.

The role of the Structural and Cohesion Funds is to eliminate development disparities between the Member States of the European Union. The main objective of these funds is to harmonize the development of all Member States.

The absorption of structural and cohesion funds by each country has positive implications for economic development. It is well known that European countries that have absorbed a large volume of funds also have an increased pace of economic development.

Significantly, European funds are not intended for beneficiaries without money. Co-financing from the beneficiary is required to carry out the proposed projects. At the same time, European funds refer to medium and long-term development and are not an emergency. European funds are based on public funds and are intended for the development of countries that have joined the European Union.

At a brief analysis of the use of European funds in the period 2007-2013, extended until 2016, we find that our country did not fully exploit the use of these funds, significant amounts remained unused. Among the causes of non-use of these funds we mention:

- the faulty way of drawing up the financing applications;
- excessive bureaucracy in evaluating and analyzing funding applications;
- experience in training consultants in the elaboration of projects financed from European funds.

Barriers were found in the development of projects financed from non-reimbursable funds. These refer to the unjustifiably long duration of the project evaluation period as well as to the request of some documents that are not implicitly necessary for the development of the project. Most of the time these barriers are artificial and they can be removed.

Regarding the current programming period, 2014-2020, based on the preliminary analyzes, we can state that a large part of the difficulties encountered in the previous period regarding the management of non-reimbursable financial resources we frequently find the same problems.

The unjustifiably prolonged period in which the amounts requested by the project beneficiaries were reimbursed led in many cases to the inability to continue the projects. The beneficiaries did not have the own financial resources necessary to carry out the projects in compensation for the amounts not reimbursed at maturity.

In the conduct of any economic process, including projects financed by European funds, a decisive role is played by the observance of a flow of receipts and payments. Thus, the delay in receipts causes significant deviations from the normal development of the economic process. This situation has manifested itself in many cases in European funding when the beneficiaries have actually felt a financial deadlock. This blockage led, in some cases, to the non-completion of the project.

The analysis of the impact of the use of European funds on the profit made by the beneficiaries is difficult to perform. The effect of using these funds cannot be accurately quantified due to the fact that they are used throughout the economic process of the beneficiaries. The positive effect of investments financed by non-reimbursable funds may be diminished by other factors, such as the human factor, legislation or inflation. The general objective of the research topic is to evaluate the impact of the non-reimbursable financing of the projects on the economic development of Romania. The purpose of the research is to identify the usefulness of European funds on the development of the Romanian economy and to develop recommendations in order to increase the degree of absorption of these funds.

The specific objectives of the research are:

- identifying the specifics of cohesion policy;
- applicability of cohesion policy;
- identifying the role of economic agents in the sustainability of projects financed from non-reimbursable funds;
- analysis of the degree of attracting non-reimbursable financial resources of the EU in our country;
- identifying the impact of using European non-reimbursable funds on economic development.

This paper is structured in six chapters that are completed with the introduction, conclusions and bibliography.

The first chapter deals with Cohesion Policy, the regulatory framework of the European Commission. In this chapter we have presented the evolution of cohesion policy and its necessity. At the same time, we reviewed the most important reforms on the legal framework underlying cohesion policy, together with the vision on changes in terms of Monetary Union, the expansion of the borders of the European Union and the financial crisis.

The second chapter presents the Structural Funds in Romania. In this regard, we mentioned the structure of operational programs from 2007-2013 and 2014-2020. We also performed a general and comparative analysis on their performance. At the end of this chapter we presented a case study on the impact of European funding on the gross domestic product of the Member States.

Chapter three, Financial Analysis, a method in assessing the use of structural funds, proposes theoretical and practical aspects on how the methodology of financial analysis can be applied in assessing the use of European funds. In this chapter, we present two case studies that reflect the influence of structural funds in the context of the financial crisis and on social contributions.



Chapter four presents the Cost-Benefit Analysis as a method of evaluating the use of structural funds. The topics in this chapter emphasize the principles of cost-benefit analysis. At the same time, the European Union's perspective on this method of analysis is mentioned. The case study presented reflects the classification of Romania's development regions within the regional competitiveness index.

In chapter five we presented Other methods of evaluating the structural funds. Among these methods it proposes: opinion poll, case study, macroeconomic models, input and output analysis, cost-effectiveness analysis, multicriteria analysis, meta-evaluation and panel of experts.

Chapter six, Analysis of the impact of structural and cohesion funds on the Romanian economy, presents research based on a survey among consulting firms in the field of financing with European funds in order to highlight the characteristics and relationship of programming periods with economic development Romania.

At the end of the paper we formulated conclusions, proposals and perspectives of the research, which resulted from the research.

The bibliography contains a list of books that are significant in the field of research. Also mentioned are some articles that deal with the issues contained in the paper. To these are added scientific papers that we considered useful in the elaboration of the paper. We mentioned a number of sites that provided the information needed to substantiate the paper.

## **SUMMARY CHAP. 1. COHESION POLICY - THE REGULATORY FRAMEWORK OF THE EUROPEAN COMMISSION**

The first chapter reviews the key points in the history of the evolution of Cohesion Policy that regulates the Structural and Cohesion Funds at the level of the European Union.

Starting from the specialized literature, we highlight, in the first subchapter, the fact that the need to elaborate a cohesion policy has been felt since the first years since the establishment of the European Union. The differences between the regions of the continent in political, economic and social terms were large and with a significant impact. As proof that we are still trying to fix them today.

The process of rebuilding European countries has been defined as a long-term process, through planned, clearly structured actions and joint efforts, "Europe will not be built all at once or as a result of a single plan, but through concrete achievements that it creates first and foremost a de facto solidarity "(Schuman Declaration, 1950). The vision of this union between the European states foresees from the beginning a fusion of natural resources, economic-financial and above all of interests. Objectives such as the free movement of coal and steel, improving the living standards of employees in industry, implementing a common investment plan, developing production and exports are the foundations of the agreement that will lead to the union of European states.

Along with the union of European states, the imbalances between the regions are also highlighted. Economic-financial, social, political and legislative differences generate the need to involve joint efforts to reduce and ultimately eliminate disparities between states. The general objectives initially defined evolve with the integration of other European states into the Union, becoming more and more specific, in order to respond to current needs.

Cohesion policy is the formal framework that addresses these objectives over well-defined periods and after analyzing the results obtained from actions taken previously. Although the issue of imbalance between states has been identified and discussed since

the 1950s, Cohesion Policy only materialized in the 1980s, continuously redefining itself according to its aims and available resources. In addition to the official purpose, Cohesion Policy has often been used informally as a lever for further integration or to deepen its competencies (Baun and Marek 2014: 5).

In order to reduce these gaps, the first structural instruments were set up: the European Social Fund (ESF), which focused on creating employment opportunities, retraining, and the European Agricultural Guidance and Guarantee Fund (EAGGF), which was used to guaranteeing the purchase and storage of surplus products, but also to encourage agricultural exports. We also mention the establishment of the European Investment Bank (EIB), which aimed to finance projects for the development of the regions.

In the second subchapter we considered it essential to mention the elaboration of the Single European Act which is the basic document in the development of Cohesion Policy. Here, too, we highlight another important step in the history of politics, namely the Delors I Package, which had the mission of guaranteeing the distribution of funds in the regions that really need them. Moreover, this package also introduces the principle of partnership that emphasizes multi-level governance, which involves collaboration between collective actors such as communities and stakeholders such as non-governmental organizations. The "partnership principle" establishes as its main objective collaboration and the correlation of the efforts of all partners for the common good. Conceptually, this idea is easy to imagine, but practice has shown the opposite in some situations. Centralization driven by European Commission regulations has hit on the individuality of national regulations. A closer communication and collaboration link between the regions and the European Commission has been used to support the attraction and coordination of the Structural Funds. Promoting good practice cases and innovative ideas have improved the implementation rate of funds and financial management.

I further mentioned the importance of setting up the European Monetary Union, whose mission is to support the continuation of the process of economic unification of the peoples of Europe. It is joined by the Cohesion Fund, which is intended for Member States with a national average per capita income at national level below 90 percent of

the European Union average. The European Commission states in official publications that the purpose of Community initiatives is to:

- supports cross-border, transnational and interregional cooperation and networks;
- supports rural development;
- provides assistance for the outermost regions;
- promote employment and human resource development;
- provides support in managing industrial change.

In the last subchapters we have highlighted the initiatives supported by Cohesion Policy in the context of the enlargement of the European Union since the late 1990s, namely Interreg III, which promotes cross-border cooperation, Leader 1, which aims to promote rural development, Equal, focused on combating all forms of discrimination and inequalities, Urban II, which promotes the social and economic regeneration of cities.

At the end of the chapter, we mention the 2020 Strategy which has effects today and which mainly targets the following areas: labor, research and development, energy and environment, education, social inclusion, poverty reduction.

Although Cohesion Policy has evolved over the last decades, no major changes have taken place as a basic principle. It has been and remains the basic instrument of the European Union aimed at reducing disparities and supporting the sustainable and sustainable development of Member States in all respects. For 2020, the legal framework has set a more results-oriented Cohesion Policy by efficiently channeling resources, efforts and spending.

## **SUMMARY CHAP.2. STRUCTURAL FUNDS IN ROMANIA**

This chapter analyzes the structure and organization of the use of Structural and Cohesion Funds in Romania. To notice the evolution from one programming period to another, we first considered the operational programs developed in the first programming period 2007-2013.

The year 2007 marked a new stage in the economic and social development of Romania, namely the accession to the European Union. At the end of this process, Romania allocated funds from the EU for the period 2007-2013. This first stage of financing represents an important opportunity for infusion of non-reimbursable capital. At the same time, it tests the level of skills and competences at national level in terms of public authorities, consulting firms, financial institutions and entrepreneurs. This first programming period is essential both as financial support and as setting the direction for the 2014-2020 programming period.

The main directions of the operational programs are:

- providing support for the coordination and implementation of regional funds in Romania;
- creating a more efficient public administration;
- providing an adequately developed, modern and sustainable infrastructure;
- improving living standards and the environment;
- developing human capital and increasing competitiveness;
- increasing the productivity of Romanian companies;
- promoting the economic, social and territorial balance in the regions of Romania;
- supporting sustainable and aquaculture activities that take into account environmental conservation;
- providing support in the application of the common agricultural policy by the states of the European Union.

For the period 2014-2020, the same missions of the operational programs were identified in the largest proportion, in order to continue the steps initiated in the first programming period.

The 2014-2020 programming period does not change the purpose of the structural funds, but is directed towards the continuation of the steps taken in the previous programming period. Unfortunately, the 2007-2013 programming period had a low result in terms of the absorption rate of non-reimbursable funds and highlighted the weaknesses of the organization at national level. Excessive bureaucracy, poor information for entrepreneurs, non-performing skills and abilities of the authorities in the field have left their mark on the start of attracting European funding. In order to improve the absorption rate index, the initial programming period is extended by another two years, until 2015. Thus, the operational programs for the period 2014-2020 were launched late. We note a greater interest in research and development, information and communication technology, space and security.

We performed an analysis on the evolution of operational programs in Romania and concluded that although the amounts allocated are not large, we observe significant increases, respectively 2.5 times for administrative capacity and 50% for technical assistance in 2014 compared to 2013. At the same time, both programming periods recorded a rather low absorption rate during the interval, ranking Romania on the last places among the Union countries.

### **The main differences between the two stages of financing**

<b>2007-2013</b>	<b>2014-2020</b>
National Strategic Reference Framework (FEDR, FC, FSE)	Partnership Agreement (FEDR, FC, FSE, FEADR, FEPAM)
Strategic and programming orientation - EC guidelines on economic, social and territorial cohesion, taking into account relevant Community policies	Europe 2020 Strategy EC services position paper Country specific recommendations
Performance reserve, 3% at MS latitude	Performance reserve, 6%, mandatory

Output and output indicators established on the basis of EC guidelines (communicated during implementation)	Common indicators established by regulations background: - output (ERDF, ESF, FC, EAFRD) - result (ESF)
Thematic concentration - no	11 Thematic Objectives - financial allocations conditioned by specific ERDF / ESF fund regulations
Priorities / background	Investment priorities / fund / thematic objective
Without predefined territorial development tools	ITI CLLD
No conditional funding	Ex-ante conditionalities

Source: Ministry of European Funds

In the last subchapter we performed an analysis on the impact of European funding on the GDP of the Member States. From the review of specialized studies we concluded that the results on this topic are diverse and sometimes contradictory. This is due to the use of multiple source data in research and the application of various tests. For the presented study we chose linear regression as a research method. The conclusion of the test is that the impact is not statistically significant, because the probability is above the 10% threshold (sample = 0.8933). The coefficient of EU funds is 0.02014, which means that for a unit of growth of EU funds, GDP will increase by 0.02014 units.

### **SUMMARY CHAP.3. FINANCIAL ANALYSIS - METHOD IN EVALUATING THE USE OF STRUCTURAL FUNDS**

In this chapter, we emphasize the importance of using financial analysis in the entrepreneurial field. This valuation method aims to identify the state of a business at some point in its life cycle. From a structural funds point of view, it is very important to identify and monitor potential problems or risks that may jeopardize the success of the business.

As part of the economic-financial analysis, the financial analysis is included in the special purpose research group, which has been developed and generated especially in the last 20 years and continues to grow. Among the factors that imposed and promoted the growth and advancement of fundamental reporting we mention: the growth of companies with shares; an increase in the economic position of banks and financial institutions.

Regardless of financial condition, the key criteria for lending remained the company's assets, the initial financial analyzes performed by the holders of publicly listed companies that were limited to verifying the appropriate financial balances to ensure repayment of loans issued by banks.

If revenue maximization is an issue, the accounting benefits were not pursued, as economic and accounting concepts had somewhat different approaches to profitability, and accounting led to variable results depending on the valuation or depreciation techniques used.

Over time, this approach has proven to be limited. Thus, it was necessary to extend the scope by integrating not only financial data, but also the results of the analysis of accounting records and stock exchange information. All this was complemented by the development of forecasting models meant to support the decision-making process at management level.

There have been many reasons for the evolution of financial research in recent years (Willi Brammertz, 2009):



- the evolution of the economy in the entrepreneurial environment towards large, long-term investments, which have contributed to the propensity to consolidate the market, which has forced banking and financial institutions to develop and use more complex analytical techniques to grant or reject potential credits.
- the inability of banks to request a guarantee to cover possible default risks, forced them to establish financial and economic risk assessments, because liquidity was no longer sufficient for long-term commitments.
- the advancement of modern finance has meant that the study of financial balance sheets and capital costs needs to be further developed regardless of their source.
- the financial inconveniences of the business were aggravated by the limitations of credit policies, high interest rates, inflation, exchange rate fluctuations.
- the global growth of enterprises has contributed to the search for effective methods of analyzing the financial and accounting statements of different countries.

Based on the specialized literature, we recommend the technique of financial diagnosis in order to apply the method of financial analysis. Starting from the concept of the medical act to set a diagnosis and then recommend a treatment scheme, the financial diagnosis follows the same steps. We highlighted the fact that based on the financial statements, considered the source of information for the financial diagnosis, aiming to answer some essential questions in terms of growth, profitability, balance and risk, can create a true picture of its condition. Weaknesses and strengths can be identified, but especially to be the starting point for identifying remedies.

The financial diagnosis, which is based on the financial review, works similarly and meets the following objectives:

- cessation of failures or unfavorable factors in the financial and operational situation of the company;
- identifying the causes of existing or potential problems of the company;
- developing forecasts for the future of the organization and recommending measures to be taken to improve or correct the situation. (Stanciu, 2002)

The financial analysis requires the application of interpretations of the company's situation, to identify the strengths and limitations of management, by taking into

account the risk resulting from a financing scenario, history, current and future and risk mitigation strategies and use of results .

The financial objectives of the diagnosis are subject to the interests of use, and the function of the test is adapted to the diagnostic form.

With regard to shareholders and members of corporate life, at the level of execution and management, the purposes of the analysis of internal finances must be met.

A general accounting provides the necessary details for financial analysis through summary documents, annual financial statements, based on a service that complies with the specifications of Romanian regulations, in accordance with Directive IV, EEC and the International Accounting Standard. The synthesis documents are:

- balance sheet;
- the statement of profit and loss account;
- the situation of equity;
- the situation of cash flows;
- accounting policies and explanatory notes.

In subchapters four and five we presented the methodology and the implementation process of the financial analysis. Various types of analysis can be used as a method, such as benchmarking and rate analysis, during the process which includes: data collection, data evaluation and financial diagnosis.

In the next subchapter we described a case study conducted using financial analysis, more specifically the evolution of financial indicators before and after accessing non-reimbursable sources recorded by a number of companies in the Northwest region of the country. The importance of the study is based on identifying the impact of capital infusion in the context of the financial crisis. The results obtained indicate that the grant had a positive impact on the businesses that accessed the funds by supporting their continuity during the crisis.

The last subchapter presents another case study that aims to highlight the impact of attracting structural funds on the increase of the amounts collected by the state from

social contributions. Evaluating the data collected on the basis of the questionnaire, completed by companies that have accessed European funds, we concluded that the state benefits significantly from the increase in the volume of social contributions received, but also the share of contributions is an impediment in the decision of potential investors to start or expands business in Romania.

## **SUMMARY CHAP.4. COST-BENEFIT ANALYSIS - METHOD IN EVALUATING THE USE OF STRUCTURAL FUNDS**

In this chapter we presented, starting from the literature, the concept of cost-benefit analysis as a method of evaluating the implementation of projects with European funds.

The British economist Alfred Marshall introduced some formal concepts, which underlie the CBA. The practical development of the CBA came as a result of the impetus given by the Federal Navigation Act of 1936. This act requires the US Corps of Engineers to carry out projects to improve the waterway system when the total benefits of a project exceed the costs of that project. . Thus, the Corps of Engineers has created systematic methods for measuring these benefits and costs. The Corps of Engineers did this with little or no help from professional economists. It was not until about twenty years later, in 1950, that economists tried to provide a rigorous, consistent set of methods for measuring benefits and costs and deciding whether a project was feasible. Some technical aspects of the CBA have not been fully resolved so far, but the foundations set out below are well established. (Anthony E. Boardman, et al., 2012)

The basic principles that guide this method of analysis:

- common unit of measurement;
- the assessment must represent the consumer or the producer;
- benefits are measured according to market choices;
- the gross benefits of an increase in consumption are in an area below the demand curve;
- some benefit measurements require the evaluation of human life;
- should involve a comparison between “with” and “without”;
- involves a specific field of study;
- double counting of benefits or costs should be avoided;
- determines decision criteria for projects.

From the perspective of the European Union, we noted that the cost-benefit analysis involves an analysis: of the context and objectives of the project, of the options and feasibility, financial, economic and risk.

In the last subchapter we presented a case study that highlights the position of the regions in Romania in the ranking of the European Union in terms of competitiveness. We proposed measuring competitiveness based on the known relationship between average GDP per capita, labor productivity, employment and the share of the working population. The conclusions of the study indicate that Romania is ranked as one of the last countries in Europe based on regional competitiveness; seven of the eight Romanian regions included in the EU index obtained a score below 20 points, two of them scoring below 10 points in the last index issued.

## **SUMMARY CHAP.5. OTHER METHODS OF EVALUATION OF STRUCTURAL FUNDS**

In this chapter we have reviewed other valuation methods used in the analysis of structural funds. The first subchapter describes the evolution on the evaluation perspective, emphasizing that evaluation management becomes more than a contractual requirement, it contributes significantly to information management.

One of the key roles of the European Union is the socio-economic development at different levels of the member countries, from citizens to territories and sectors. The approach of this type of development is guided by the cohesion policy of the European programs. Although the programs focus on different areas such as the development of productivity and innovation in small and medium-sized enterprises, the development of transport and environmental infrastructure, the regeneration of local cultures, the integration of minority groups and the diversification of rural areas, they all need a personalized evaluation process. to guarantee their success.

The European Commission considers that evaluations aim to improve the quality, effectiveness and coherence of assistance from the Funds and the strategy and implementation of operational programs in relation to specific structural problems of the Member States and regions concerned, taking into account the sustainable development objective and relevant Community environment and strategic environmental assessment (Art. 47, Council Regulation no. 1083/2006).

The evaluation must answer, regardless of the type of program, the following question: how can we use evaluation methods and approaches to improve the opportunities, the level of prosperity and the quality of life of the citizens of the European Union?

By personalized evaluation we mean the creation of a system of evaluation methods and techniques that provide useful answers to key questions of stakeholders, whether they are project managers, legislators or beneficiaries.

Socio-economic development is very complex and despite the fact that there is good planning and efficient management during the project, unforeseen situations can arise.

The purpose of the evaluation is to identify possible impediments and to provide timely solutions to remedy these situations without negatively influencing the progress of the project.

An evaluation covers a project, program or strategy and depending on the level of evaluation (Union, national or regional, individual or local) various methods may be applied. Among these methods we mentioned: opinion poll, case study, macroeconomic models, input and output analysis, cost-effectiveness analysis, multicriteria analysis and meta-evaluation.

In the third subchapter we reviewed macroeconomic models such as:

- HERMIN - model that includes: manufacturing industry, services market, agriculture and government services;
- Herom - which is the customized version for the Romanian economy of the Hermin model, designed for developing economies;
- RHOMOLO - which assumes that the agent's behavior is influenced by the attempt to increase utility and reduce costs;
- E3ME - which is a model developed by the European Commission used for the analysis of policies and interventions related to economic, energy and environmental indicators.

## **SUMMARY CHAP.6. ANALYSIS OF THE IMPACT OF EUROPEAN FUND FINANCING ON THE NATIONAL ECONOMY - OWN CONTRIBUTION**

The Structural and Cohesion Funds have been implemented by the European Commission with the general aim of balancing the socio-economic status of the Member States. Since the establishment of the European Union, the reduction of disparities has been and unfortunately still is the main problem of the development of the European community. This can tell us the following:

- a non-unitary individual development pace of the Member States;
- a poor prioritization of the destination of non-reimbursable funds;
- a less efficient implementation of projects financed from European funds;
- reduced competence of the authorities in the field;
- inefficient communication with potential beneficiaries;
- a difficult implementation system.

The impact of grants is difficult to quantify. The literature indicates that there are a multitude of factors that influence the level of attraction and implicitly the results of European funds. Although numerous studies and analyzes have been made of this aspect, the results are often contradictory. These studies are based on:

- national and regional statistics measuring indicators such as gross domestic product, unemployment rate, number of newly created jobs, employment;
- financial and cost-benefit analyzes;
- results that have as source the monitoring of the implemented projects;
- macro-economic models;
- territorial investigations.

However, the conclusions of the specialists are not similar. This is determined by multiple factors that influence the implementation of the funds, such as the geo-political situation, technological progress, cultural differences, strategy and national objectives. The analysis of the use of European funds is relevant in the context in which the development of our country depends to a large extent on the degree of absorption of these funds. The main user of the analysis of European funds must be the Government of Romania, which through the decisions to be taken will lead to the full absorption of the funds granted to our country.



An efficient analysis allows the assessment of risks and implicitly through the decisions taken, their diminution can be prevented in order to maximize the efficiency of the use of non-reimbursable funds. A favorable diagnosis determines an efficient management of the available resources. A better allocation of resources leads to better financial results. The general information concerns the economic situation in which the analysis is performed. Ignoring or diminishing the economic situation will lead to obtaining irrelevant information and obviously to making wrong decisions. The analysis starts from documents that present the real situation of the use of European funds in our country. Any document that does not represent reality can negatively influence the results, with the necessary consequences. Methods of analysis should be used with caution. Frequently the methods used only partially present useful information in decision making. Depending on the strategic objective, the analysis methods used are adjusted to the situations encountered in practice.

The assessment of the benefits and costs of using European funds must reflect the preferences derived from the choices made. The value of time should be what the public discovers from elections that involve trade-offs between time and money. If the present value of the profits exceeds the present value of the costs then the project is useful. This is equivalent to the condition that the net benefit is positive.

Another condition is that the ratio between the present value of the benefits and the present value of the costs is greater than one. If there are several mutually exclusive projects that have a positive net present value then there must be a more in-depth analysis. From the set of mutually exclusive projects, the one that should be selected is the one with the highest current net value.

The analysis of the context and objectives of the project takes into account the objectives proposed to be achieved with the help of the investment, but also the socio-economic context to which the project in question relates. The aim is to correlate the objectives and priorities at project level with those of the Operational Program in which it is included, the National Strategic Reference Framework and with those of the European Union funds.

The analysis of options and feasibility follows the level of need of the project in the local context. There must be no constraints (physical, social, or institutional) and an appropriate long-term demand for services can be identified. This type of analysis also focuses on “the appropriate technology is available, that the utilization rate of the infrastructure or facilities will not provide excess spare capacity, that qualified employees and managers will be available, that there is a justification for the project. compared to alternative options ”(European Commission, 2008).

The financial analysis of the use of European funds complemented by a well-founded strategy for establishing the risk presented by the applicants of such funds can ensure their efficient use and can thus allow Romania's economic rapprochement with developed countries in the European Union.

Regarding the impact of non-reimbursable funds in Romania, most analyzes indicate their poor management. With a low absorption rate, a difficult bureaucracy system and a low capacity of contractors to implement projects, Romania has not benefited to the fullest from the financial resources made available. Although operational programs developed at national level offer a wide range of possibilities in the areas of funding, there are few cases of good practice compared to other European countries in the region.

In the analysis presented in this chapter we aim to identify the difficulties underlying the low level of attraction of European funding and to make recommendations for solving them. For a better visibility regarding the evolution of the impact of the Structural and Cohesion Funds, we take into account the two periods of the programs, respectively 2007 to 2013 and 2014 to 2020.

Preliminary to the analysis, I mentioned the importance of assessing the impact of attracting European funds in determining the level of development of the Romanian economy. At the same time, we pointed out that such an analysis is very difficult to perform. The differences between the results obtained by specialists in the field depend very much on the chosen methods of analysis. Moreover, studies in the field show us the existence of many other factors that influence the results such as the differences between the cultural and geo-political approaches at national level of each EU member state.

In the first subchapter we performed an econometric analysis of the impact of European funding in Romania. In this regard, we chose the linear regression model as a method for assessing the degree of influence of the amounts reimbursed by the European Union on the Gross Domestic Product. The target evaluation period was 2007-2019. Data verification was performed using the stationarity and causality test. According to the results, we concluded that the positive effect of the infusion of non-reimbursable funds was felt only in the second programming period, indicating a low performance in terms of accessing these resources.

We continued the analysis with a survey on assessing the impact of cohesion policy objectives. The data were collected using a questionnaire containing 18 questions asked in order to request general information on the Structural and Cohesion Funds, their evolution from one programming period to another, collaboration between beneficiaries, consultants and competent authorities, perspective on the accessibility of non-reimbursable resources and their impact so far. The target group was represented by authorized consultants in the management of projects with non-reimbursable funds.

In order to achieve the research goals, we formulated six hypotheses that reflect the impact of attracting European funds and its determinants. The data resulting from the completion of the questionnaire were entered, processed and statistically analyzed using the SPSS (Statistical Package for Social Sciences) and EViews programs.

In order to validate the hypotheses, we tested the existence of the correlation between the dependent variables and the independent variable, identified based on the collected data and the formulated hypotheses. We concluded the validity of four of the six hypotheses set for this research.

## CONCLUSIONS AND PROPOSALS

The importance of creating Community funds to support less developed countries is represented by Cohesion Policy. With the enlargement of the European Union, states emerged that did not rise to the level of development of the initial members of the EU.

Cohesion policy aims to introduce tools to eliminate disparities between European Union member states. As a rule, government authorities consider absorption capacity as a strictly financial resource without taking into account the qualitative part of the use of these funds.

Some gaps exist even after measures have been taken at regional level, financed with European money. In this situation either the degree of absorption was not enough or the differences simply cannot be eliminated. The role of Member States is to monitor progress and unmet needs.

After 2012, the European Commission decided to suspend payments for a limited period for five out of seven programs in the areas of regional development, environment, competitiveness, transport and human resources. This was due to the identification of a number of irregularities regarding the use of accessed funds.

The effects of Cohesion Policy are reflected in the impact on the development of a Member State. Impact measurement is not a simple analysis because the influencing factors are multiple. The positive results of the implementation are not visible in real time, but after a significant period.

The specialized literature in the field provides a wide range of papers that address the topic of evaluation of structural funds. Following the bibliographic research we can state the following conclusions:

- there are many evaluation methods and techniques available;
- the project manager and the parties involved in the evaluation enjoy a high degree of freedom regarding the choice of the evaluation method; this can also be considered a disadvantage because the most effective evaluation methods are

often not chosen, so that some data are altered if different evaluation methods are used;

- specialized studies in the field have shown in turn that depending on the methodology used the results of an analysis on the same topic may sometimes be different;
- financial experts emphasize that not only the value of the contracted amount is significant in the impact assessment, but also the pro-development way in which it was used.

The results of the research based on the questionnaire completed by the consulting firms in the field indicate the following aspects:

- involvement and transmission of information by the competent authorities has a negative influence on the rate of absorption of structural and cohesion funds regardless of the region of development;
- the difficulty of accessing non-reimbursable financial resources has a negative influence on the rate of absorption of structural and cohesion funds and does not depend on the development region;
- the low level of competence of national authorities has a negative influence on the rate of absorption of structural and cohesion funds depending on the development region;
- the availability of financial resources of potential beneficiaries of non-reimbursable funds has a negative influence on the absorption rate of structural and cohesion funds and does not depend on the development region;
- the share of feasible initiatives of entrepreneurs has a negative influence on the rate of absorption of structural and cohesion funds regardless of the development region;
- the managerial capacity of entrepreneurs has a negative influence on the rate of absorption of structural and cohesion funds regardless of the development region.

The proposals and recommendations following the research are:

- increasing the level of computerization of the process of accessing non-reimbursable funds;

- a more effective strategy for informing potential beneficiaries;
- analysis of projects by experts in the field of activity of the company requesting financing; the failure of many projects (as we saw in our study) is due to the documentation made by consulting firms in favor of the beneficiary without assuming the risk that the reality of the situation may deprive the beneficiary of the success of the project implementation;
- collecting data in a common database that reflects the status of projects and indicators with a predetermined periodicity; there are inconsistencies between the information on beneficiaries published by each competent body in the field;
- reducing the percentage of co-financing to encourage access;
- evaluating projects according to a set of economic and financial indicators that highlight the actual impact of a project; the statistics are not edifying because each beneficiary is a specific case; entering these results into a common database and constantly updating it is the only way we can analyze the impact in concrete terms;
- in order to increase the motivation for accessing non-reimbursable financial resources, we recommend the analysis of the possibility to grant fiscal facilities for small and medium enterprises operating in areas for which there is demand but no supply;
- ensuring to a reasonable extent the legislative stability.

Statistically speaking, the present study shows that over 60% of the beneficiaries of the non-reimbursable funds successfully implemented the project, and the effects were positive: increase in turnover, increase in profit, increase in the number of employees, increase in labor productivity, but this percentage cannot apply globally. Both the beneficiaries and the project have individual characteristics, so the results are commensurate.

**The research was limited due to:**

- the low interest of the target group in completing the questionnaire, resulting in a low response rate;

- the non-updating of the databases with the consulting companies registered at the Development Agencies, some new ones were not registered and others, which are no longer active in the field, were not eliminated;
- lack of synchronized updating of macroeconomic indicators;
- the relative subjectivity of the investigation tools used in the research.

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