

## THE TERRITORIAL DISTRIBUTION OF STRUCTURAL FUNDS IN THE NORTH-EAST REGION OF ROMANIA

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### Abstract

*Stimulating economic growth is one of the key issues of economic sciences. The European Union has developed several policies and has allocated a considerable budget to reduce economic disparities among its members. The states that joined the EU in 2004 and 2007 undertake extensive efforts to align their economy with the community level.*

*But a new problem arises, there is a risk that more economically developed areas absorb more funds than less developed ones, and thus amplifying the disparities within the region.*

*This paper shows that this problem is found in the North-East Region of Romania, and as a consequence additional problems appear, that affect the sustainable economic development.*

**Key words:** *Structural Funds; Absorption; Economic Development; European Union; North-East Region.*

**JEL Classification:** *C130, D200, F150, F360, F430, R110*

### I. INTRODUCTION

Economic development is a priority for many countries and international organizations. The European Union (EU) has developed a comprehensive economic development policy to stimulate economic growth, the main objective being to reduce the development gaps between its members. The problem of economic disparity in the EU has become more important after the 2004 and 2007 enlargements.

One of the main instruments that the European Commission is using to encourage economic development, is the structural funds (Cace, 2011).

In Romania the structural funds are awarded through six thematic operational programs and one auxiliary program (National Strategic Reference Framework 2007-2013 Romania):

- Sectoral Operational Programme Transport (SOP T)
- Sectoral Operational Programme Environment (SOP M)
- Sectoral Operational Programme Increasing of Economic Competitiveness (SOP IEC)
- Regional Operational Programme (ROP)
- Sectoral Operational Programme Human Resources Development (SOP HRD)
- Operational Programme Administrative Capacity Development (PODCA)
- Operational Programme Technical Assistance (OPTA)

All these programs aim to boost economic growth and ultimately reduce disparities between Romania and other EU states, but two of the six programs (SOP IEC ROP) act directly stimulating the activity of businesses.

This research will focus only the two programs that directly stimulate the activity of businesses, analyzing the territorial distribution of funds in the North-East Region of Romania.

The hypothesis that is tested during this study is that the absorption of structural funds is distributed uniformly among the six counties of North-Eastern Region of Romania.

In the analyzed region, there are large differences between the economic development levels, which is reflected in the gross domestic product recorded in the six counties.

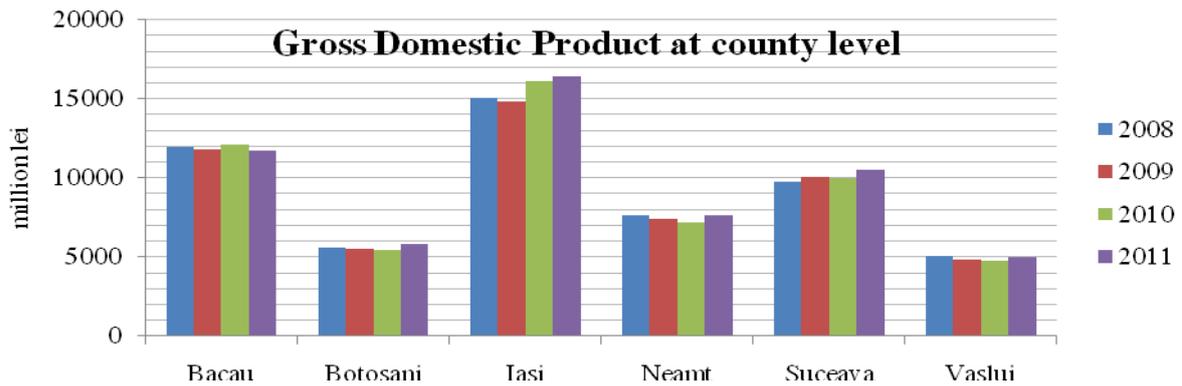


Figure 1 - GDP per county

Source: National Institute of Statistics – [www.insse.ro](http://www.insse.ro) (TEMPO series)

To reduce these gaps within the region, absorption should have an uneven territorial distribution, more funds being directed to less developed counties (Botoșani, Vaslui).

II. METHODOLOGY

To test the hypothesis stated previously, we analyzed the lists of beneficiaries available on the websites of management authorities (ROP Managing Authority - <http://www.mdr.ro/dezvoltare-regionala/> and Managing Authority for SOP IEC - <http://amposcce.minind.ro/> the consultation was conducted during June-July 2013). From the database, only projects that were implemented in the North-Eastern Region were extracted. Three variables were analyzed: the number of projects, the total value of projects and total grant value of projects. These three variables were compared with the GDP recorded in the six counties of North-Eastern Region. For testing the possible correlation the graphical method and the correlation ratio (determined using Microsoft Excel) were used. The values of the correlation ratio is from [0,1] range, the lower limit in indicating the absence of a link, while the upper limit value indicates a strong correlation.

III. PRESENTATION OF RESULTS

From the databases of the two management authorities 361 companies from the North Eastern Region were identified.

Contracted, implementing and completed projects (Number of projects)

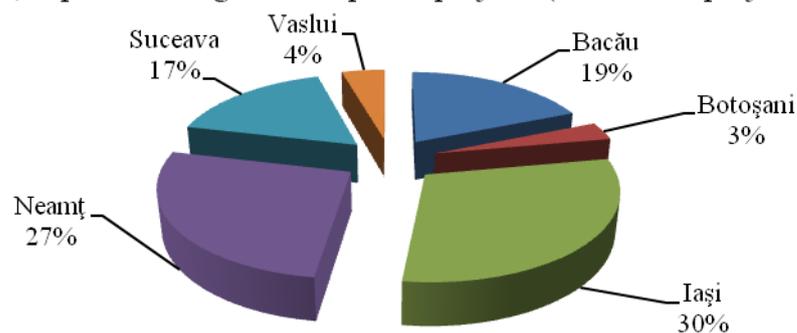


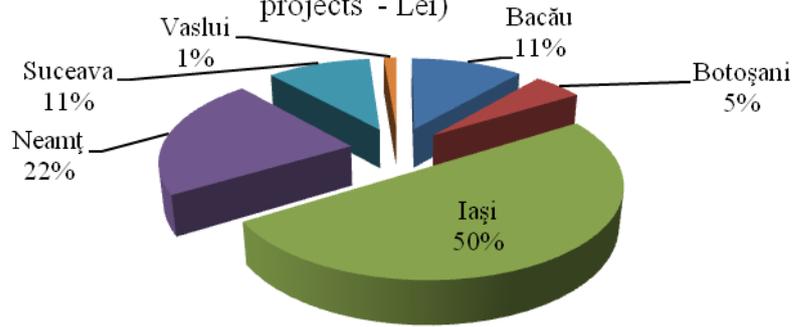
Figure 2 – Distribution of projects on the six counties of North-Eastern Region

Source: The SOP IEC MA and ROP MA consulted June-July 2013

Analyzing the distribution of projects (regardless of the stage contracted, under implementation or completed projects) among the six counties of the region we find that the largest number is located in the most developed counties.

Such a distribution can be explained by the numbers of companies available, the developed counties have more companies that would be able to implement such projects, but such a distribution does not contribute to reducing disparities within the region, by contrast such a distribution deepens the gap between counties.

Contracted, implementing and completed projects (the total value of projects - Lei)



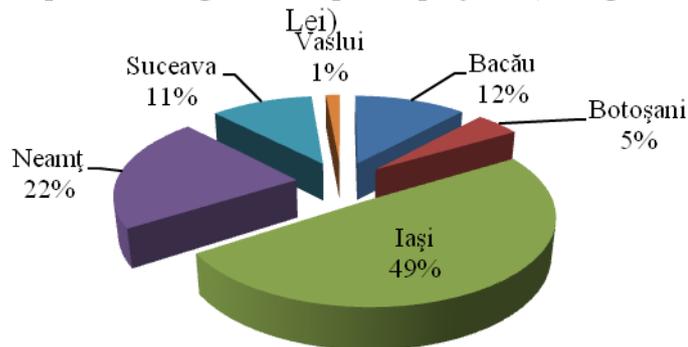
**Figure 3 – Total value of projects distributed over the six counties of the region**

Source: The SOP IEC MA and ROP MA consulted June-July 2013

The differences between the counties are amplified due to the distribution of the number of projects, where half of the funds involved in this process are routed to Iași County (which is the most economically developed county in North-East Region).

Economically weak counties such as Vaslui and Botosani record low value of contracted, under implementation or completed projects.

Contracted, implementing and completed projects (total grant value -



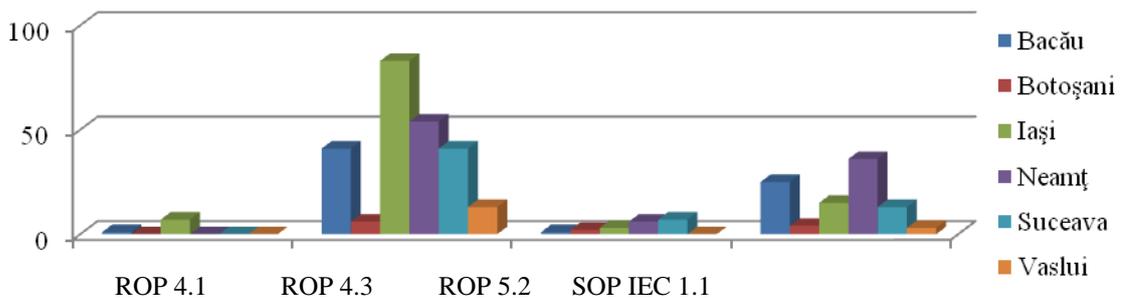
**Figure 4 – Total value of grants of projects distributed over the six counties of the region**

Source: The SOP IEC MA and ROP MA consulted June-July 2013

The distribution of the total grant amount of projects is similar to that of the total value of the projects.

Given that the differences in the total value of attracted projects were larger than differences in the number of attracted projects, we can conclude that the projects attracted by companies from the more developed counties have a higher value than those from the less developed areas. This reinforces the claim that these funds do not contribute to reducing disparities within the region but amplifies them.

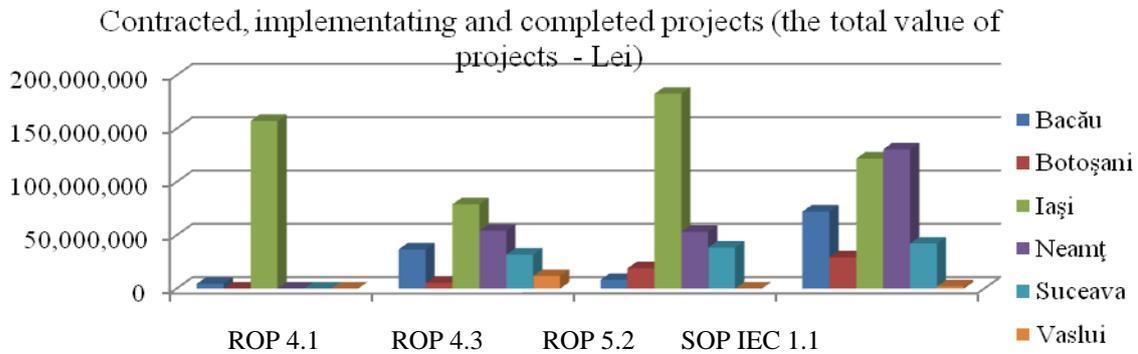
Contracted, implementing and completed projects (Number of projects)



**Figure 5 – Number of projects distributed on the four funding lines analyzed and the six counties**

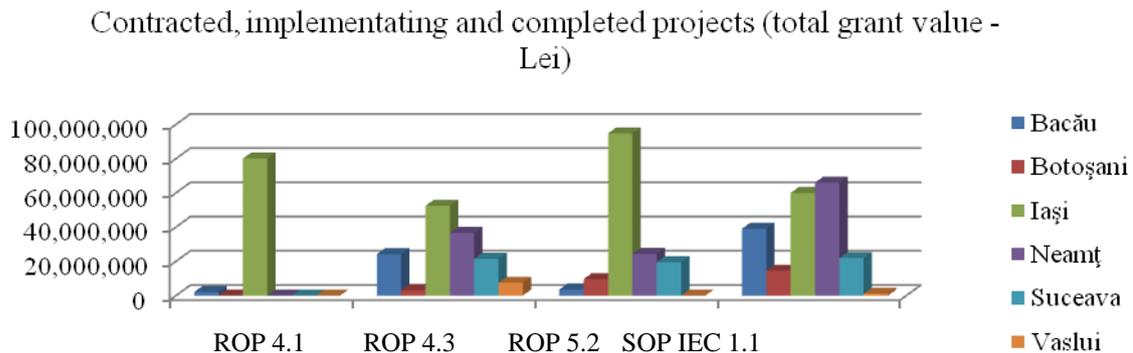
Source: The SOP IEC MA and ROP MA consulted June-July 2013

Analyzing the number of distributed projects on the four funding lines we find that firms from Iasi county, do not occupy the first position in all financing lines, for example ROP 5.2 they occupy the third position, the first position being occupied by the companies from Suceava County, in the case of the SOP IEC 1.1 also hold third position, the first position being occupied by the companies from Neamț County. Most underdeveloped counties of the North-East Region occupy the last positions in all four lines of funding.



**Figure 6 – The value of projects distributed on the four funding lines and the six counties**  
 Source: The SOP IEC MA and ROP MA consulted June-July 2013

The distribution of the value of the attracted projects reinforces the idea of uneven development. Although in terms of number of projects attracted by businesses from Iasi County do not have the first position in two funding lines, we find that in terms of value of projects, they recorded a considerable advance. Only enterprises from Neamț County registered a slight advance for the value of projects funded under SOP IEC 1.1.

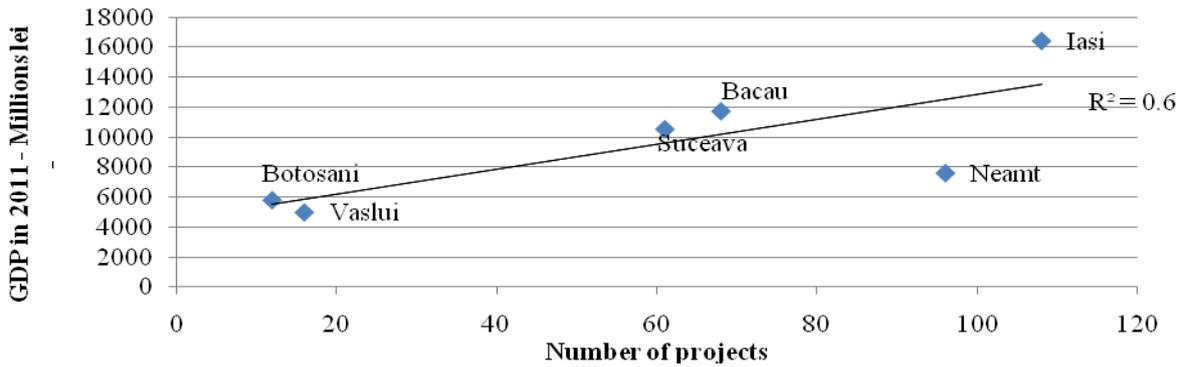


**Figure 7 – The amount of aid distributed on the four funding lines and the six counties**  
 Source: The SOP IEC MA and ROP MA consulted June-July 2013

The distribution of the total grant amount of projects is similar to that of the total value of the projects. Firms in economically developed counties attract more projects and on average the value of these projects is greater than the projects attracted by companies from less developed counties.

**IV. CORRELATION TESTING**

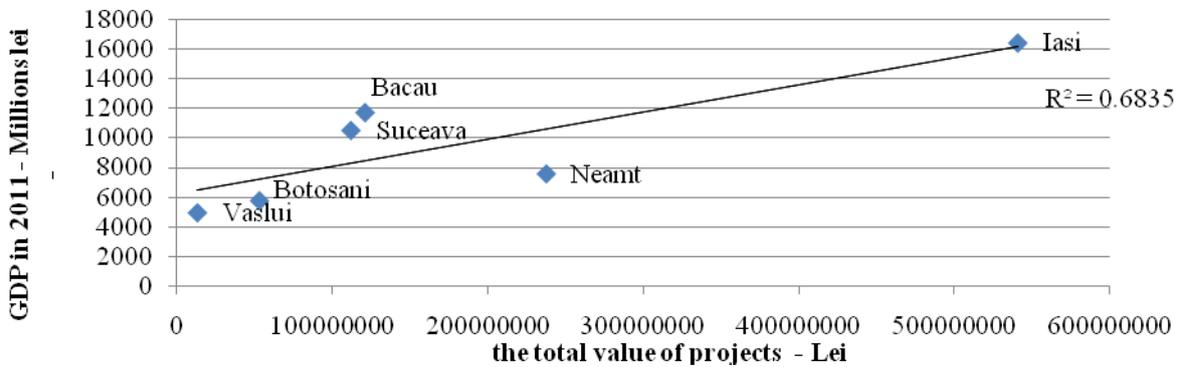
To objectively analyze the distribution of grants in the North-East Development Region three possible correlations were tested between gross domestic product from 2011 and the number of projects, total value of projects and the amount of financial aid granted.



**Figure 8 – Correlation County GDP in 2011 - Number of projects attracted**

Source: Author's calculations

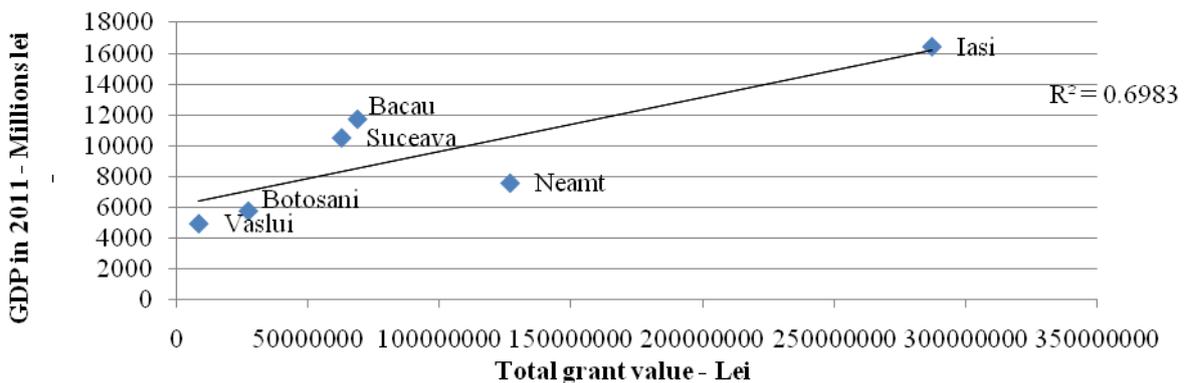
Analyzing the correlation chart of the GDP of the counties in 2011 and the number of projects (Figure 8) it can be seen that there is a direct correlation, of medium intensity. An issue that affects the accuracy of this assessment is the fact that the spectrum of variation for individual value of attracted projects is very broad.



**Figure 9 - Correlation County GDP in 2011 - the total value of attracted projects**

Source: Author's calculations

Constructing a correlation chart between gross domestic product of the counties in 2011 and the total value of projects (Figure 9) a direct link (slope of the trend line is positive), high intensity (the correlation ratio is approximately 0.7) can be observed.



**Figure 10 - Correlation County GDP in 2011 - the total value of grant awarded by attracted project**

Source: Author's calculations

The results are similar and in the case of the correlation between the GDP of the counties in 2011 and the total amount of grants of attracted projects (Figure 10).

Although the series are small, we can say with certainty the existence of a direct correlation between the absorption of structural funds and the level of economic development.

## V. CONCLUSION

We can appreciate that the stated hypothesis is refuted. Absorption of structural funds does not present a uniform territorial distribution in the North-East Development Region.

Correlation analysis showed that economically developed counties (which recorded a higher gross domestic product) tend to absorb more funds, which contributes to the development of the North-East Region as a whole, but emphasizes the disparities between counties.

For structural funds to have a strong contribution to the economic development they should give a higher priority to the less developed areas as uneven development involves new socio-economic problems.

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