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**STUDIES**



**DUNĂREA DE JOS UNIVERSITY  
LAW FACULTY  
PUBLIC ADMINISTRATION DEPARTMENT**

## **PUBLIC ADMINISTRATION & REGIONAL STUDIES**

**NO.1-2008**

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## **FOREWORD**

There was a time, not too long ago, when most specialists were pessimistic about the future of the European Union.

Nowadays, the European Union has become a powerful economic, politic and social entity able to assume the role of world leader. Practically, Europe begins to identify with the European Union.

For Romania, the adhering process was a great challenge and the future complete integration represents the greatest challenge too.

So, we consider that it is the time of a greater implication in order to support the conceptual framework and to improve the scientific approach in our country.

We consider that an efficient public administration and a dynamic regional policy are the key elements in order to achieve a sustainable development in Romania.

As a result, we try to build a bridge between Romanian and foreign specialists in public administration and regional sciences in order to propose solutions for improvement using this new publication.

We want to express our gratitude to our international advisory board for having honoured our initiative named PARS.

PARS invites you to send articles for consideration in order to support our approach.

**DIRECTOR,  
Ph.D. Professor ROMEO IONESCU  
Dunarea de Jos University, Romania**

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## THE ANALYSIS OF THE EUROPEAN STRUCTURAL INSTRUMENTS

1. Characteristics and principles of Structural Funds' implementation
2. Evolutions and tendencies of the Structural Financial Instruments
3. European Structural Instruments during 2000-2006
4. The perspective of Structural Instruments during 2007-2013

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### **Abstract**

*The necessity of decreasing impact of the economic integration on labour, industries and financial equilibrium in E.U. brought about the implementation of a European regional policy, As a result, ERDF was initiated in 1975.*

*The successive enlargements of the E.U. determined the growth of the regional socio-economic disparities. In order to implement the social-economic cohesion policy, the European Commission created the Structural and Cohesion Funds. These funds have to support national and regional financial efforts in order to achieve a steady development for all Member States.*

*After the latest two enlargements, the process of adapting regional policies instruments is supported by the following: ERDF, European Social Fund and European Cohesion Fund.*

**Key words:** Structural Funds, economic integration, ERDF, ESF, ECF.

**JEL Classification:** R11, R58

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1. The European Regional Policy is a European solidarity policy using specific instruments which support less developed regions and their inhabitants.

The original version of the Rome Treaty (1958) hadn't any explicit specification about the Structural Funds or any common regional policy.

The first proposals for a regional development policy came after the first E.U. enlargement and economic crisis in '70.

The Structural Funds experienced different reforms which allowed them to occupy the most important position in E.U.'s activities. The Structural Funds are financial instruments used by the E.U. in order to eliminate regional socio-economic disparities and to realise socio-economic cohesion.

The first Structural Instrument of the European regional policy was implemented in 1958 as the European Social Fund. It had to improve labour market mechanisms in the Member States and to reintegrate unemployment on labour market too.

In 1962, the European Fund for Orientation and Agricultural Guaranty was established in order to finance the Common Agricultural Policy.

In 1975, the European Regional Development Fund (ERDF) was implemented to support innovation and infrastructure development in order to correct existing disparities across the E.U.

Since 1988, these three funds became Structural Funds with a new management system. These new funds began to operate under structural programs connected with priority domains and objectives of the regional policy.

In 1994, the Financial Instrument for Fishing Orientation was implemented. The individual objectives of the Structural Funds were continuously modified and transformed in order to adapt them to the developing necessities of every programming period (Ionescu R., Marchis G., 2006).

The historical evolution of the Structural Funds can be divided into three important periods: 1994-1999, 2000-2006 and 2007-2013, with specific objectives as the following:

- economic adjustment of less developed regions and promoting of structural development and adjustment for those regions which had a low density of inhabitants (Objectives number 1 and 6 during 1994-1999, which became Objective number 1 during 2000-2013);
- economic reconversion of declining industrial areas and supporting structural development and adjustment in rural areas of

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lower socio-economic development, low density of population and high depopulation (Objectives number 2 and 5b during 1994-1999, which became Objective number 2 during 2000-2013);

- elimination of long term unemployment and supporting of young and exclusion labour integration on labour market; equal opportunities of work for women and men (Objective number 3 during 1994-2013).

Structural Funds' implementation represents a complex process which deals with achieving specific needs from programmatic documents and which implies passing on some steps, beginning with programming and finishing with monitoring and evaluation. The mechanisms of implementation are different for every Member State, as a result of decentralization decisional process, administrative system characteristics, political, economic, cultural and legislative context.

2. The socio-economic and political evolution implied a continuous process of modification and transformation for the Structural Funds. During 1994-1999, the objectives of the Structural Funds were the following:

- O<sub>1</sub> – economic adjustment for less development regions, using a specific percentage from E.U.'s average GDP;
- O<sub>2</sub> – economic reconversion for decline industrial areas, which means areas with high unemployment and industrial labour;
- O<sub>3</sub> – decrease of long term unemployment and supporting for young and discriminating persons to integrate on the labour market;
- O<sub>4</sub> – facilities for labour adaptation to changes from industry and in production systems;
- O<sub>5</sub> – rural development promotion using two sub objectives: agricultural structures adjustment acceleration under the Common Agricultural Policy and promoting modernization and structural adjustment in fishing; rural development and structural adjustment facilities.
- O<sub>6</sub> – developing and structural adjustment for those regions which have low density of population, especially from the North of Europe.

During 2000-2006, the same objectives turned into:

- O<sub>1</sub> – development and structural adjustment of lower developed regions which have less than 75% from E.U.'s average GDP;
- O<sub>2</sub> – socio-economic conversion of those areas which have structural difficulties (areas under economic changes, rural decline areas, fishing areas and urban areas facing structural problems);
- O<sub>3</sub> – modernization of skill labour systems and labour promotion.

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During 2007-2013, the objectives of the Structural Funds were transformed into the following:

- O<sub>1</sub> – promoting convergence, economic development and new jobs in the less developed Member States;
- O<sub>2</sub> – promoting regional efficiency and employment by training labour in order to participate and to survive to the market's changes;
- O<sub>3</sub> – promoting territorial cooperation across Europe.

The evolution of the objectives of the Structural Funds is presented in figure number 1. We can observe that the present financial framework finances three main objectives. The firsts two have a territorial characteristic and the third has a thematic one (Figure no.1).

The budget framework 2007-2013 was described by the European Commission in COM (2004)101- Building our common future: policy and budgetary means of the enlarged Union, 2007–2013.

The European Financial Instruments are reviewed and their action mode is modified in order to answer the objective socio-economic cohesion.

3. Structural Funds represent the most important financial instruments of the E.U. which support European regional policy implementation.

During 2000-2006, 213 billion Euros were spent for regional policy (1/3 from E.U.'s total budget). The Structural Funds received 195 billion Euros and Cohesion Fund received 18 billion Euros. These funds worked using programs which had to cover some specific objectives, like in Table no. 1.

Payments were covered according to the objectives. The Objective 1 was financed by 75% of the total eligible costs or at least 50% of the public eligible expenditures.

A Member State which is considered under the Cohesion Fund assistance receives 80-85% of the total eligible costs.

The funds' contribution in investments for enterprises is limited by assistance percentage and by the mix of public financial contributions. If this assistance implied financial investments which generated revenues (bridges, taxable roads, for example), funds' contribution was estimated using future revenues:

- less than 40% of the eligible sum ( plus 10% from the Member States which are eligible for the Cohesion Fund) for infrastructure investments which generate great revenues. This percentage can be majored with 10% using other financing forms but not direct financing;
- less than 35% of the eligible sum (50% for far away regions and Greek islands from Aegean Sea) from business investments. This

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percentage can grow to 45% for investments in SMEs using direct financing;

Less than 50% of the total eligible costs and at least 25% from public eligible expenditures are covered for all measures under Objective 2.

The investments in enterprises were limited by the percentage of assistance and by the mix of public contributions too. If this assistance implied financial investments which generated revenues (bridges, taxable roads, for example), funds' contribution was estimated using future revenues:

- less than 25% of the total eligible sum for infrastructure investments which generate great revenues. This percentage can be increased by 10% using other financing forms but not direct financing;
- less than 15% of the eligible sum from business investments, percentage which can grow to 25% for investments in SMEs using direct financing;
- between 50%-75% of the total costs connected to informational programs.

The percentages connected to Objective 2 are greater than those connected to Objective 3 because only the European Social Fund supports the financing of Objective 3.

The European Social Fund represents the main instrument of the European Social Policy. Its main mission is to improve the labour market's mechanisms in different countries and to reintegrate unemployment on this market. Particularly, the European Social Fund represents the implementation instrument of the European Employment Strategy and it finances three actions: professional training, professional reconversion and measures which lead to creation of new jobs.

During 2000-2006, the thematic priorities were stipulated into European Parliament's regulation number 1784/1999 and were divided into two categories as the following ones:

- adaptation to the new economy according to the social dialogue. This social dialogue represents one of the key elements of the European social model and it is a consulting procedure on the European level in which different social partners and the European Commission are presented in order to find common solutions for social policies' development. The social partners are the European Trade Union Confederation, the European Employers Union or the European Centre for Public Enterprises. The main objectives which have to be achieved are: prediction of socio-economic changes, using of informatics during social

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dialogue, new approaches connected to corporative social responsibilities, new management of work and continuous learning promotion;

- promoting local strategies for labour and innovation. The main objectives which have to be achieved being: analysis of employment on the local level, development of local partnerships with relevant organisms from different sectors, elaboration of studies and researches connected to the local employment strategies, development and implementation of local strategies and development of networks for information's dissemination.

The financing from the European Social Fund covered three horizontal aspects of the European policy: promoting of local initiatives for employment, social dimension and employment inside informational society and equal opportunities for men and women. In order to achieve these objectives, specific measures will be implemented such as the following:

- professional reintegration for long term unemployment;
- professional integration for young unemployment and those persons which were excluded from the labour market;
- a better access of women on the labour market;
- development of educational and training systems;
- concentration of human potential on R&D activities.

Another important European Fund is the European Regional Development Fund (ERDF), which has as a principal mission decreasing of the interregional disparities across the European Union. The main directions of action under ERDF are stipulated by the European Parliament regulation number 1783/1999 and they are as follow:

- infrastructure investments: support structural development and adjustment for lower developed regions and economic reconversion. They support development of those regions which present structural problems and of fishing regions, too;
- investments in new sustainable jobs;
- investments in information technology and business environment for SMEs: support services for enterprises development and technologic transfer;
- local development ideas: promote local development infrastructure and new financial instruments and offer assistance to those structures which deal with services in neighbourhood;
- investments in education and health (only under Objective 1).

All these measures were focused on: informational society development, R&D promotion, development of a better business

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environment, environment protection, trans-border and interregional cooperation.

During 2000-2006, ERDF financed specific programs as the following:

- Objective 1: support for the less developed regions;
- Objective 2: Regional convergence for those regions which faced developing difficulties;
- Interreg III: Interregional cooperation;
- Urban II: Sustainable development for urban areas;
- Innovative Actions: Development of innovative strategies in order to grow regional efficiency;
- Transport development and environment protection in Member States.

ERDF financial support in Member States is represented in Table number 2. Romania wasn't able to obtain financing under ERDF. The only exception was INTERREG IIIA for Hungary and Romania and for Hungary and Serbia and Montenegro. This program benefited by a European financing of 39 million Euros from the whole budget of 47 million Euros. The general objective of the Hungary-Romania program was to close people, communities and economic actors from border regions in order to establish a powerful basis which is able to support a steady economic and social development as a guaranty of an optimal development for both countries. The priorities of this program are:

- 1<sup>st</sup> priority: a stronger spatial, physical and infrastructure integrity in trans-border area;
- 2<sup>nd</sup>: promoting of cooperation ideas in order to support exchange markets integration and cohesion between local communities.

The strong points of this region are the following:

- a network of trans-border points between both countries, even though there is a lower developed infrastructure too;
- a good natural environment which is able to support tourism development;
- a good agricultural land in the plains;
- the same economic characteristics of the border areas and a good structure of labour;
- an important industrial and agricultural tradition.

The weak points of the same region are:

- absence of a regional transport network and connections with motorway;

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- a lower developed network of urban infrastructure, especially that of worn out waters;
- a great industrial pollution and absence of the systems for floods forestalling;
- lower financial capitals and lower efficiency for SMEs;
- lower trans-border entrepreneurship cooperation as a result of an insufficient informational flow;
- lower development of trade infrastructure;
- lower agricultural efficiency;
- limited access to Internet in rural areas;
- a relative high unemployment rate.

The repartition of financial funds under INTERREG IIIA program for Hungary-Romania and Hungary-Serbia and Montenegro are presented in two tables (number 3 and 4).

The European Fund for Orientation and the Agricultural Guaranty is presented in the European Commission's regulation no. 25/1962, modified and completed by regulations no. 728/1970 and 1258/1999. This fund is structured on two sections:

- guaranteeing: which finances expenditures with market agricultural organisations and rural development which accompanied the measures that weren't under Objective 1;
- orientation: this section operates as a real structural fund and finances schemes of rationalisation, modernization and structural adjustment for agriculture in rural areas.

The Financial Instrument for Fishing Orientation became a distinct element of the structural policy under Regulation no. 1263/1999. Its objectives are the following:

- a long-term equilibrium between specific resources and their exploitation;
- growing enterprises' efficiency and a viable development of business in fishing;
- revitalization of those areas which depend on fishing and aquaculture.

Another important fund is the European Cohesion Fund created in 1992, during Maastricht Treaty. This fund finances projects about environment and transport infrastructures development in those Member States which have a GDP/capita less than 90% of the European average.

The latest 12 Member States, Greece, Portugal and Spain may benefit by financing under the European Cohesion Fund. Ireland received the same financing ever since 2003. During 2004-2006, 1/3 of the European

Cohesion Fund was directed to the latest Member States, as in figure number 3.

The Cohesion Fund doesn't operate by using programs. It offers financial support to projects. The percentage of this financial support is about 80-85% of the total eligible costs. The projects have to watch the European policies, especially those connected to environment, transport, trans-European networks and competition.

The financial support for different groups of countries is presented in figure number 4. This support is connected to: environment protection and environment quality improvement, health inhabitant, protection, better utilisation of natural resources. As a result, the eligible projects are those which are connected to: water stock, solid offals, forests, and nature preservation.

During 2007-2013, the European Commission will devote 336.1 billion Euros for the Cohesion Policy, as we can see in figure no.4. The poorest Member States will receive 264 billion Euros (79%), supporting competition and labour will receive 57.9 billion Euros (17%) and interregional cooperation improvement will benefit by 13.2 billion Euros (4%).

4. The latest enlargements from E.U.'s history represent a big challenge in order to achieve regional policy's objectives and to demonstrate structural instruments' efficiency. Nowadays, E.U. faces new challenges connected to efficiency, sustainability and socio-economic restructuring of less developed regions.

On the other hand, some regions become non-eligible under Objective 1 as a result of statistical effect of GDP/capita on average. These regions have to be supported to continue the process of convergence, too.

Moreover, the socio-economic cohesion across E.U. and financial instruments' reform are very important elements for the next programming period.

As a result, NUTS II regions with a GDP/capita less than 75% of the European average in the latest three years will be covered by Objective 1. These regions will benefit by 67.34% of the whole budget of Objective 1.

The European Commission will establish a transitory period for those regions which become non-eligible under Objective 1 as a result of statistical effect of GDP/capita average. During this transitory period, regions will receive 21.1 billion Euros (8.38% of the whole sum allocated).

The structure of the Structural Funds during 2007-2013 is presented in figure number 5 (Ionescu R., 2008).

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During 2007-2013, the European Social Fund (ESF) will promote the following measures:

- improvement of quality and reaction capacity of labour administrations, learning systems, training systems and social and health services;
- more investments in human capital using high training and an equal access on the labour market;
- adaptation of public administration to the restructuration process using extension of administrative capacities.

During the same period, ERDF will support:

- modernisation and diversification of the Member States and priority regions' economic structure using: modernization and diversification of the Member States' economic structure; environment protection; transports, communications, energy, environment and water infrastructure modernization; enlargement of institutional capacities of public administration.

During 2007-2013, the legislative packet about the European Financial Instruments doesn't include the European Fund for Orientation and Agricultural Guarantee. It means that the European Fund for Orientation and Agricultural Guarantee will end its action during present programming period.

The Cohesion Fund will finance those European regions which have a GDP/capita less than 90% of the European average and which are programmed to achieve economic convergence criteria in Article no.104 of the Treaty. It is about 63 billion Euros (23.86% from whole budget for Objective 1).

The peripheral regions (Guadeloupe, French Guyana, Martinique, Reunion, Azores, Madeira and Canary) will be supported by ERDF in order to integrate on the Common Market using 1.1 billion Euros (0.42% of the whole budget for Objective 1).

Those NUTS I and NUTS II regions which are not under Objective 1, will be harmonized with Objective 2 of the European regional policy and will receive financing from ERDF and the European Social Fund. The list of these regions was established by every Member State in accordance with the European Commission and it is available during 1<sup>st</sup> of January 2007- 31<sup>st</sup> of December 2013. The financing for this objective is about 57.9 billion Euros (83.44% for financing eligible regions according to established criteria and 16.56% for these regions in transition).

The third objective covers NUTS III border regions which are placed not more than 150 kilometres away from the borders and some

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trans-national areas. This objective has 13.2 billion Euros (35.61% from the total sum under Objective 1). All financings connected to these three objectives are presented in figure number 6.

In order to implement cooperation and promoting networks of good practices, the whole E.U. is eligible to receive financing from ERDF (4.54%).

The trans-national cooperation between the Member States will receive 6.3 billion Euros (47.73%) and the European neighbourhood policy and its specific pre-adhering instrument will receive 1.6 billion Euros (12.12%).

The European Commission's proposal COM 373 about the necessity of a specific instrument for neighbourhood policy until 2007 was approved by the European Council in June 2004 as The European Neighbourhood & Partnership Instrument (E.N.P.I.). This instrument has to be a supplement for the actual instruments TACIS (for former-soviet countries) and MEDA (for East-Mediterranean countries) and it will be focused on trans-national cooperation promotion among Member States and their neighbours. All countries which are under ENPI will receive financial assistance in order to facilitate political, economic, cultural and security cooperation between E.U. and other countries. ENPI supports sustainable development, economic growth and poverty decreasing in neighbour countries. More, ENPI offer financial assistance for progressive economic integration, political cooperation, legislative harmonization, common infrastructure development. So, it operates as actual twinning instruments and TAIEX.

The Pre-Accession Instrument (I.P.A.) is focused on the candidate states (Turkey and Croatia) and on potential candidate states from the West Balkans, too. This instrument replaces pre-adhering instruments (PHARE, ISPA, SAPARD, CARDS) and pre-adhering regulation for Turkey. It is focused on institutional building, regional development, interregional and trans-border cooperation, human resources development and rural development.

Actual financial perspective tries to ensure financial discipline and to use efficient financing resources. It is an important financial assistance, as E.U. assigned 336.1 billion Euros for Structural and Cohesion Funds during 2007-2013.

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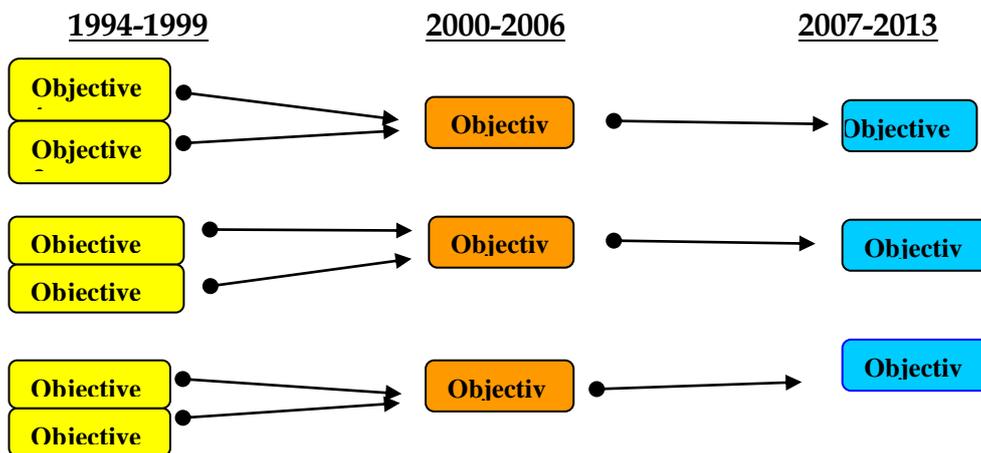


Figure no. 1: Evolution of the main objectives of the Structural Funds

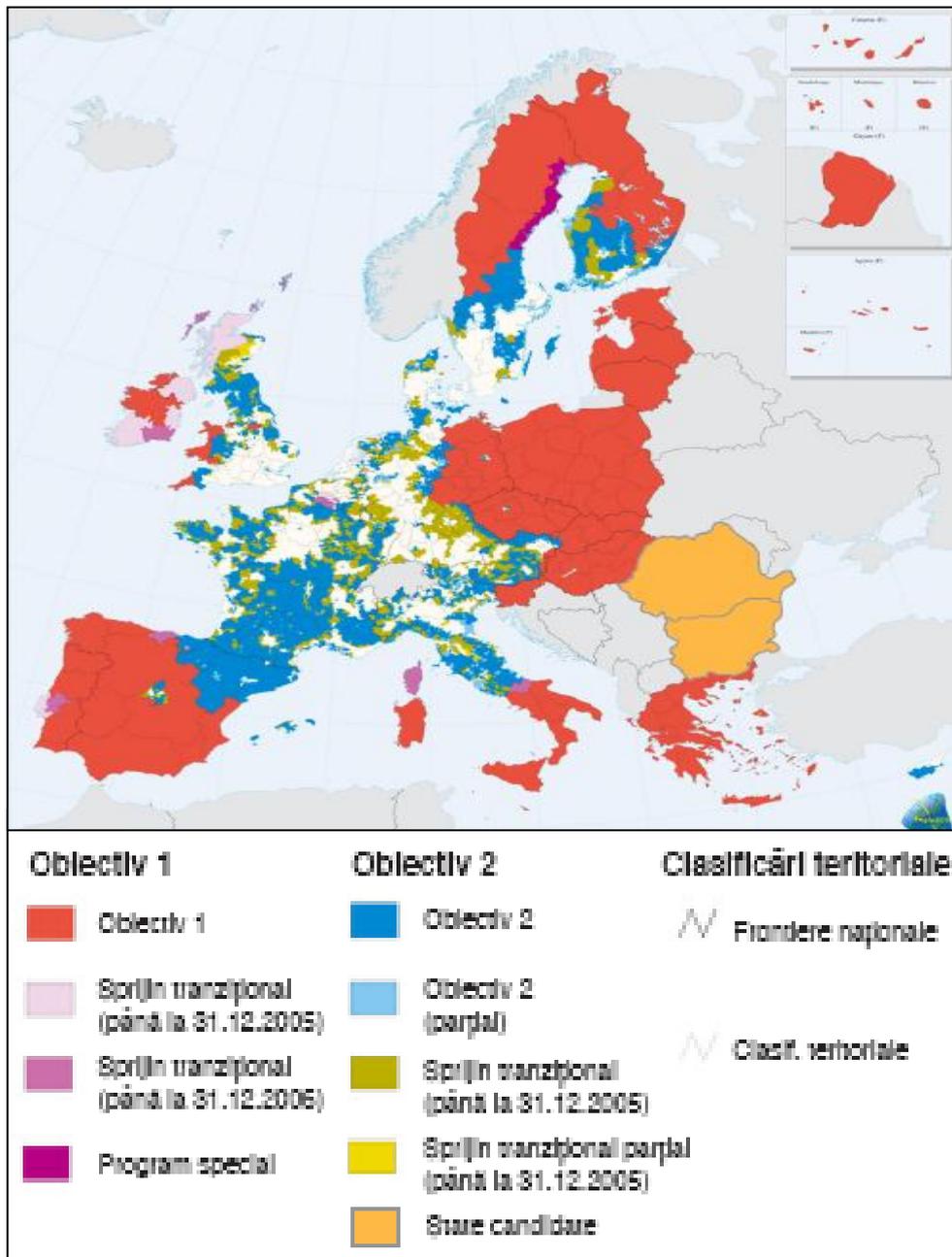


Figure no.2: E.U.25 Structural Funds during 2004-2006  
 (Eligible zones under Objectives number 1 and 2)

**Table no.1: European objectives financed by the Structural Funds during 2000-2006**

<u>Objective 1</u>	<u>Objective 2</u>	<u>Objective 3</u>
European Social Fund	European Social Fund	European Social Fund
European Regional Development Fund	European Regional Development Fund	
European Fund for Orientation and Agricultural Guaranty		
Financial Instrument for Fishing Orientation		

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**Table no. 2: ERDF financial programs**

Country		Region	Date	European document
	<i>Germany</i>	New German Länder and East Berlin	19/06/2000	1999 DE 16 1 CC 001
	<i>Greece</i>	Whole country	28/11/2000	1999 GR 16 1 CC 001
	<i>Ireland</i>	Whole country	28/07/2000	1999 IE 16 1 CC 001
	<i>Italy</i>	Mezzogiorno	01/08/2000	1999 IT 16 1 CC 001
	<i>Portugal</i>	Whole country	31/03/2000	1999 PT 16 1 CC 001
	<i>Spain</i>	Regions under Objective 1	19/10/2000	1999 ES 16 1 CC 001
	<i>U.K.</i>	Northern Ireland	18/12/2000	1999 GB 16 1 CC 001
	<i>Poland</i>	Whole country	31/03/2000	2003 PL 16 1 CC 001
	<i>Czech Rep.</i>	Regions under Objective 1		2003 PL 16 1 CC 001
	<i>Slovakia</i>	Whole country		2003 PL 16 1 CC 001
	<i>Hungary</i>	Whole country		2003 HU 16 1 CC 001

**Table no. 3: Financial funds connected with the priority areas (Euros)**

Priority area	Total cost	E.U.'s support	Public support
1. Strong spatial, physical and structural integrity of trans-border area	<b>22026889</b>	<b>16520166</b>	<b>22026889</b>
2. Supporting for cooperation ideas in order to facilitate exchange market integration and to improve cohesion between local communities	<b>7661528</b>	<b>5746146</b>	<b>7661528</b>
3. Technical assistance	<b>2234612</b>	<b>1675959</b>	<b>2234612</b>
<b>Total</b>	<b>31923029</b>	<b>23942271</b>	<b>31923029</b>

**Table no. 4: Financial framework (Euros)**

E.U.'s contribution	ERDF
<b>Total : 23942271</b>	<b>23942271</b>
<b>100.00%</b>	<b>100.00%</b>

Figure no.3. European Cohesion Fund during 2000-2006  
 (Billion of Euros)

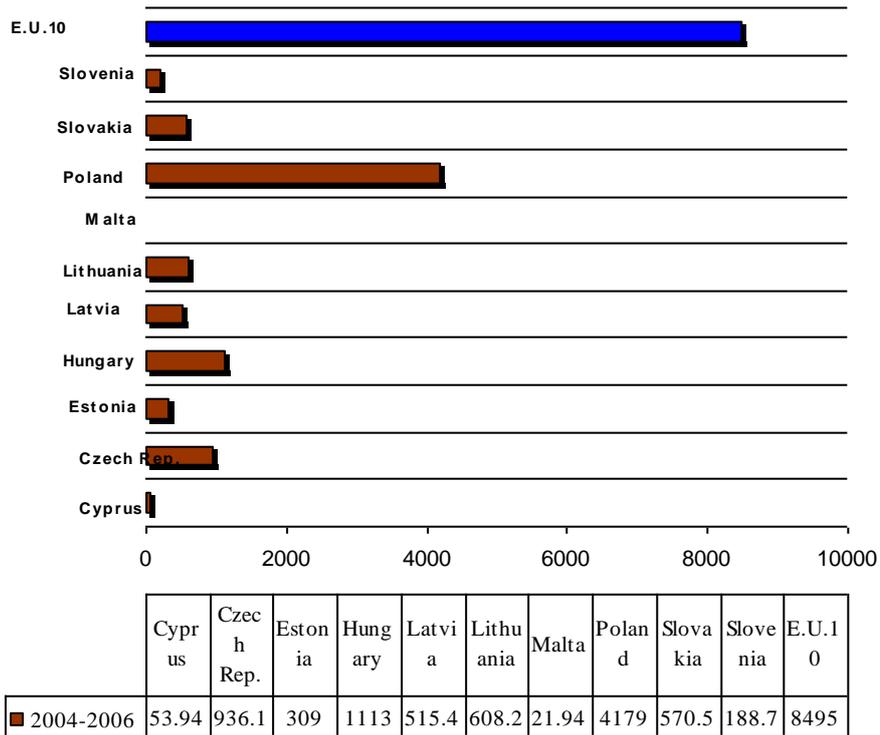
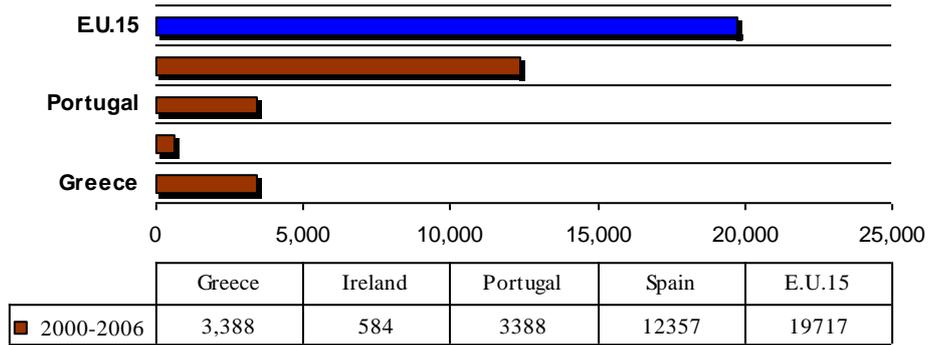


Figure no. 4: The Cohesion Fund - E.U.-15 & E. U.-10  
 (Million of Euros)

<u>Objective 1</u>	<u>Objective 2</u>	<u>Objective 3</u>
E.R.D.F.	E.R.D.F.	E.R.D.F.
E.S.F.	E.S.F.	
Cohesion Fund		

Figure no. 5: Structural Funds during 2007-2013

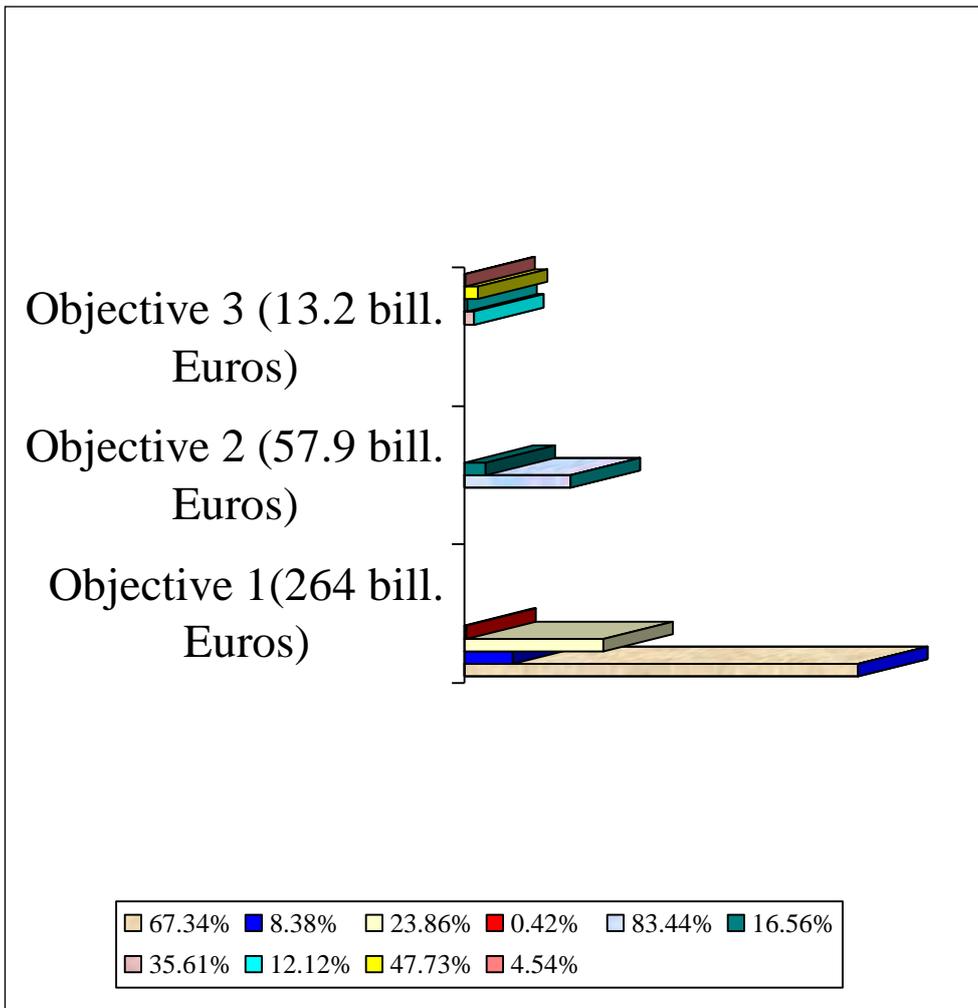


Figure no. 6: Objectives of the European Funds during 2007-2013

COMPARATIVE ANALYSIS AND DISPARITIES BETWEEN  
REGIONS REGARDING ROMANIA'S LABOR MARKET

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**Abstract**

*Nowadays, Romania is confronting a population both declining and ageing population, phenomenon common to the majority of the EU Member States. This points to a likely future reduction of pupils and students in the education system and to a growing demand for health and social services. The ageing process will have negative consequences on the entire economy if accompanied by an increase of inactive persons that will represent a burden for the social insurance system.*

**Key words:** Migration, Labour force, Development region, Unemployment rate.

**JEL Classification:** R23, R38

According to the European Union, Romania has a common system of statistical classification of the territorial units. The eight Development Regions are:

Region 1: North-East including 6 counties: Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui

Region 2: South-East including 6 counties: Braila, Buzau, Constanta, Galati, Tulcea, Vrancea

Region 3: South including 7 counties: Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova, Teleorman

Region 4: South-West including 5 counties: Dolj, Gorj, Mahedinti, Olt, Valcea

Region 5: West including 4 counties: Arad, Caras-Severin, Hunedoara, Timis

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Region 6: North–West including 6 counties: Bihor, Bistrita-Nasaud, Cluj, Maramures, Satu Mare, Salaj

Region 7: Centre including 6 counties: Alba, Brasov, Covasna, Harghita, Mures, Sibiu

Region 8: Bucharest - Ilfov including: Country Capital - Bucharest and Ilfov County

Romanian Development Regions are statistical units made up of 4 - 7 counties, with the exception of Bucharest - Ilfov Region, created relying on association agreements among County Councils. They correspond to NUTS II level according to the EUROSTAT classification and therefore represent the framework for collecting specific statistical data at the regional NUTS II territorial level.

### **Population**

Romania is confronting with both declining and ageing population, a phenomenon common to the majority of the EU Member States. Since 1990, the share of population under 14 years has been declining, while there is a simultaneous increase in the share of the population aged 65 and over. In particular, in 2002 for the first time the share of elder population (over 60 years) reached the same level as that of the younger population (0-14 years), at around 18% of the total. The number of births has been constantly decreasing, and this is already visible in the decreasing number of population in their 15 to 19 years category.

South and south-west Regions show an accentuated ageing profile, concentration the highest share of population aged 65 and over, in total population ranged about 16.5% and 16.2% respectively in 2006 and bearing signs of a growing trend in this respect. On the contrary, the highest share of younger population is recorded in the North-East Region (18.3% in 2006, although rapidly declining from the 20.5% share recorded in 2002), whereas the lowest shares are to be found in the West Region (14.9% in 2006 vs. 17% in 2002), and Bucharest-Ilfov Region (11.7%). On the 1<sup>st</sup> of July 2006, there were 94.6 elderly people per 100 young people on the national level. South, South-West, West and Bucharest Ilfov Regions registered an even higher ratio than the national average and in the South and Bucharest-Ilfov Region the elderly have already outnumbered younger people.

The demographic dependency ratio stands at peak values in the North-Eastern Region (48.6%), due to the high prevalence of the people aged between 0 and 14 on the active population (27.2%). The elderly play the same role in the South and the South - Western Regions counting over

23 old people every 100 adults. Bucharest-Ilfov Region, though remarkable for its higher share of elderly population, does not suffer from a heavy dependency ratio on account of the very high number of adults in their working age (73.6% the highest in the country) and this is accounted for by the capital city being a powerful attraction pole for the people living in the different regions of the country and in search of employment opportunities.

The combination and mutually reinforcing effect on agriculture dependence and the high dependency ratio alongside the related consequences on social welfare systems (health care, social security, social insurance budget) is bound to have a strong negative impact on economic development and further contributes to the economic decoupling of certain areas of the Country, where the remaining economically active population will have even more incentives to migrate to larger urban areas.

#### **Labour force**

Regarding the labour force we can say that the dynamics of the labour market mirrors the economic restructuring process consequences, SMEs growth and FDI attraction in the different regions. As shown in table below, *employment rate* in Romania and its Regions maintained at a relatively constant level between 2002-2006 (58%), revealing a slightly decreasing trend, being low compared to the average employment rate of EU 27 (63.4% in 2006). This situation could be related to the decrease in the total number of available jobs, and to the “temporary” abroad migration phenomenon, concerning work.

By Regions, employment rates are higher than the national average in the less developed Regions: North-East, South and South-West, accounted for by high employment rates in agriculture. Bucharest-Ilfov Region also registers employment rates above the national average, but this is related to the much higher and diversified job offer.

Between 1990 and 2001 the total number of employees decreased from 7.5 million to 4.5 million, at the same time with the increasing number of unemployed people, due to the economic restructuring process, which led to the dismissal of a great number of labour force. The unemployment rate increased constantly in the 1991-1999 period (from 3% to 11.8%).

After 2000-2001 the Romanian economy experienced a recovery process, entering a phase of economic growth, although the number of employees remained stable (4.5 million in 2005).

The unemployment rate decreased to 5.9% in 2005. It is still worth mentioning that the number of unemployed people is higher as these figures only register the number of unemployed people. Although the

surveys give a better image of the real number of unemployed people, still as a phenomenon, the unemployment rate is decreasing from one year to another, one of the major causes being the temporary migration for work abroad (about 2 million persons).

By sectors of economy, connected with Romania's economic evolution, the population employed in agriculture diminished in all regions, in the period 2001-2005. However, the decrease of population employed in agriculture is not the real one, as many people actually working in agriculture, as self-employed, are not registered as working in this sector. This is proved by the fact that the highest share of self-employed appears, in statistics, in rural areas, in all Regions of Romania.

The construction industry is one of the most active in the Country, being the only sector where employment has grown in real terms, in all Regions. Bucharest-Ilfov (60.7 thousand persons) and Centre Regions (11.5 thousand persons) are regions with the most dynamic evolution in this sector over the last five years.

In the same period (2002-2006), the service sector<sup>4</sup> employment experienced the same trends as the constructions industry, the only region that registered a diminishing in the number of employees being the South Region.

In particular, Bucharest-Ilfov Region stands out in terms of increased employment in services, (175.2 thousand people) due to the rapid growth of the business sector, the relatively high education level, a factor well known to spur consumption of services, as well as a booming – mainly Bucharest - located telecommunications sector. Other Regions, North-West, Centre and West, experienced an increasing number of employees in sectors like trade, hotels and restaurants, real estate and other services, financial intermediation, etc).

At the same time with the growth of the private – business sector was the decrease of the employment share in the public sector in the total employment.

Regarding the labour force qualifications, there are obviously disparities between more developed regions and the less developed ones, the most rural Regions namely North-East, South-East, South and South-

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<sup>4</sup> Trade, hotels and restaurants, transport, storage and communications, financial intermediation, real estate and other services, public administration and defense, education, health and social assistance and other activities of the national economy.

West having registering higher ratio of employed population with primary education or without graduated school. Bucharest-Ilfov Region by far registers the best-qualified employment of all Romanian Regions.

### **Unemployment**

After 1990, unemployment suddenly increased in all the Regions, and the highest rates were recorded in the most fragile regions lately industrialised during the '60s and the '70s: North-East and the South-East, while the lowest rates were traditionally recorded in Bucharest-Ilfov and Western region. In 2000, as a consequence of the industrial and mining sector restructuring, unemployment peaks were recorded also in the South-West, West and Centre Regions. The decrease in unemployment registered after 2000 can be explained as a combination of: discouraged workers retiring from the labour market, temporary migration abroad, a flourishing underground economy, all these factors discouraging registration at the workforce departments. In 2006, the highest unemployment rate was registered in the South-West (7.4%), South and Centre Regions (7.3% each), while the lowest rates were registered in the North-West and West Regions (4.2%, respectively 5.8%) and obviously in Bucharest-Ilfov Region which practically works at full employment and where unemployment is purely fractional (2.4%).

The unemployment rate differs within the borders of a Region, the Eastern counties registering on average higher unemployment rates than the Western counties (Annex 1, table 5). High unemployment rates between 8.3-10.1% are particularly registered in the Eastern part of the country (Vaslui and Galati counties), in the South – along the Danube, between 9-12%, (Calarasi, Ialomita and Teleorman counties), in the area comprising some counties in the South West, West and Centre Regions, between 7.9-9.5% (Gorj, Mehedinti, Caras-Severin, Hunedoara, Alba, Brasov, Covasna, Harghita). The main reasons for high unemployment rates have been either *industrial restructuring* (ore extraction–Alba, Hunedoara, Caras-Severin; coal extraction –Hunedoara and Caras-Severin; metal processing – Alba and Caras-Severin; siderurgy – Galati and Hunedoara) or the existence of a *traditionally underdeveloped* rural economy (Vaslui, Ialomita or Teleorman counties).

Romania's unemployment rate is lower as compared to other European states and this aspect is also due to the fact that over 2 million people have left the country to work abroad. On a long term, this migration will have an impact on various domains, the lack of qualified labor force will lead to major problems within the next few years.

### **Migration**

Regarding internal migration prevailing trends appear to be fairly stable. Since 1995 the North-East Region has had a major loss of population and this pattern was also confirmed also in 2006.

Bucharest-Ilfov, West and the Centre Regions have been attracting population, due to the better living standards and opportunities offered.

Internal migrants usually are younger people from the working population moving towards urban areas, in search of better jobs and a more interesting and attractive lifestyle. This is particularly the case with the people aged 20 to 39. However, it is worth noting that there is a parallel phenomenon of migration towards rural areas concerning the population aged 40 and over and affecting the whole Country. In general terms, these are people dismissed from the restructured state-owned enterprises, which have not succeeded to re-qualify themselves, being forced to return to the rural areas and take up self-subsistence farming activities as a strategy for survival.

During the period 2000-2006 the internal migration was dominated by urban-rural flows (557,091 persons), followed by urban-urban (482,772 persons) and rural-urban flows (476,319 persons). People from urban areas are more dynamic as compared to the rural population: 1,039,863 persons moved from urban areas, either to rural or other urban areas, compared as to 855,966 persons that moved from the rural areas.

As a consequence of worsening the socio-economic situation in the urban areas and the migration of the urban population towards rural areas, the rural population in most regions registered a significant population growth in the past few years (see table below).

As far as official permanent migration abroad is concerned, after 1990, Romania has been characterised by the huge movements of the population towards different other destinations. In the first years after 1990, the majority of the German ethnic left Romania, tens of thousands leaving each of the following years. At a later stage, the number of these migrants fell below 1000 (in 2001), due, amongst others, to the limitation imposed by the countries of destination on the access on their territory of German ethnics of unclear and insufficiently documented ethnic status. On the other side, the definitive emigrations towards Canada and the USA have maintained on a constant level of 1500-3000 persons/year, while the permanent (which takes into account the official registration) and the temporary emigration for work purposes have reached a huge dimension.

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Immigration flows in Romania registered an upward tendency (1,602 persons in 1991 and 11,350 in 2001) followed by a drop in 2004 (2,987 persons), as a result of access restrictions, while in 2006 it increased up to 11,024. Immigrants are mostly expatriates for work purposes coming from various countries, especially migrants from the Republic of Moldavia (51.7% in 2006). USA, Germany and Italy are the main countries of origin of the immigrants in 2006. Between 1992 and 2002, Bucharest - Ilfov Region were the favourite destinations of these immigrants (41.03%), followed by the North - East, North - West and the Centre Regions<sup>5</sup>.

The official statistical data (on both emigration and immigration) do not provide a real picture of the Romanian migration as they don't include temporary migration, which is a very important phenomenon. Temporary migration cannot be registered, as people don't leave officially their residences. This not registered migration of the active population is a prevailing characteristic of demographic and economic phenomena not really rendered by studies based on official statistics. Informal data suggest that at least 2 million Romanians "temporarily" work abroad in Spain, Italy, Germany, Hungary, etc. The historical regions of Moldavia, Muntenia and Oltenia that overlap with the development regions in the North-East, South-East, South and South-West are those regions of intense temporary migration for work.

### Conclusions

Internal migration and labour mobility increased continuously after 2000 until 2004. In 2006, Romania experienced a migration flow of 272,604 persons or 1.3% of the total population.

From the regional point of view, net migration sources are the Regions in the North-East, South-East, South, South-West and North-West, while Regions West, Centre and Bucharest-Ilfov region are net recipients for this flow. This is related to unofficial international migration patterns as far as the Regions that lose population are the same (North-East, South-East, South and South-West).

All Regions still record a net inflow of migrants to rural areas for subsistence farming purposes, a particularly worrying trend if we are to take into account the fact that Romania has already had a large share of its employment in agriculture and the productivity not reaching though the level of expectation.

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<sup>5</sup> "The migration phenomenon seen from the perspective of Romania's EU accession", European Institute of Romania.

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Map 1

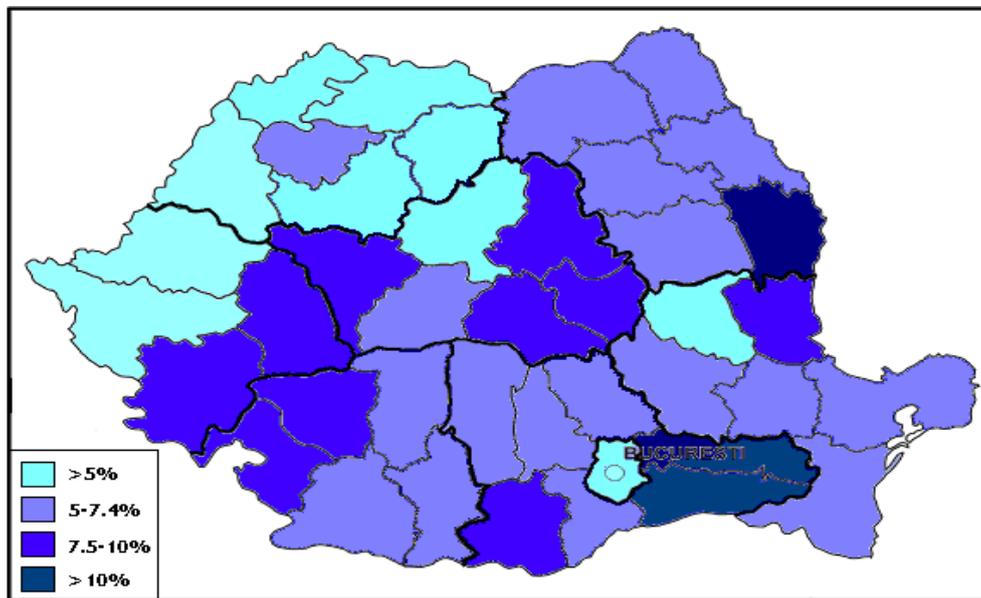
Romanian Development Regions



Source:  
 Territorial  
 Statistics, 2007

Map 2

Unemployment rate<sup>6</sup> - intra-regional disparities (2006)



Source: Statistical Yearbook, 2007, NIS

<sup>6</sup> Unemployed registered at National Agency for Employment

Table 1

**Dependency ratio, by Regions - 2006**

Region	Young/Adults	Elderly/Adults	Dependency ratio
North-East	27.3	21.3	48.6
South-East	21.8	20.5	42.4
South	22.3	24.3	46.7
South-West	22.7	23.8	46.5
West	21.1	20.3	41.4
North-West	22.8	19.3	42.1
Center	22.2	19.4	41.6
Bucharest-Ilfov	15.9	19.9	35.8
Romania	22.4	21.2	43.6

%

Source: Romanian Statistical Yearbook 2007, NIS

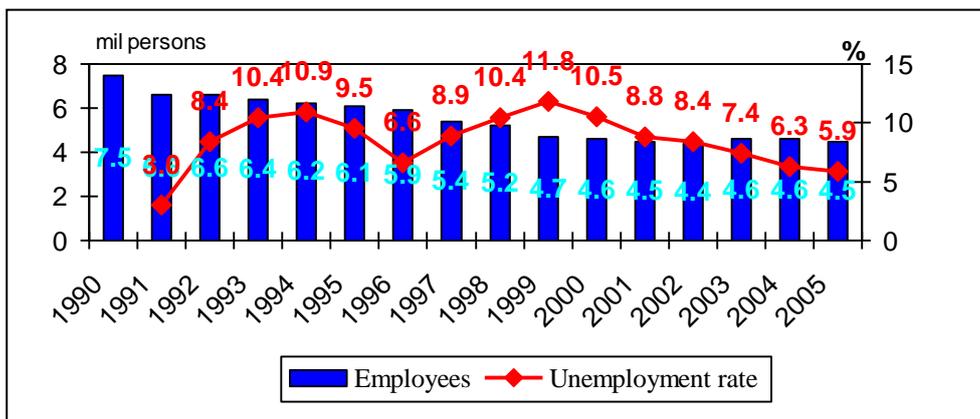
Chart 1



Source: Territorial Statistics, 2007

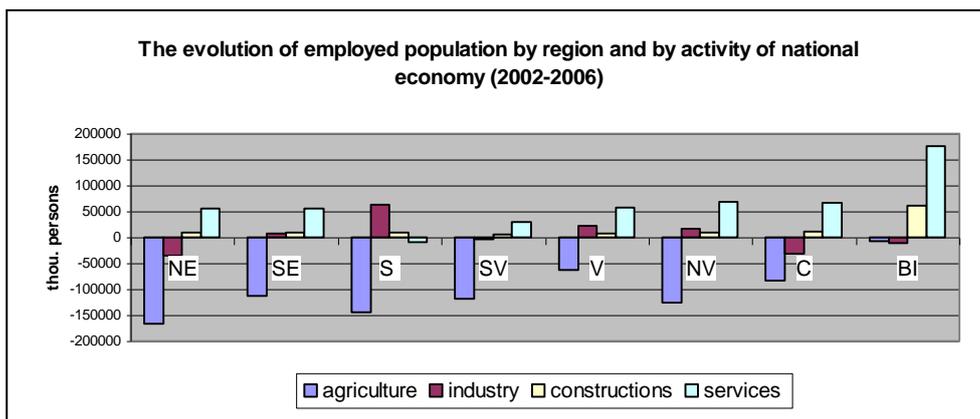
Chart 2

**Number of employees and unemployment rate (1990-2005)**



Source: National Institute for Statistics

Chart 3



Source: Territorial Statistics, 2007

Table 1

**Dependency ratio, by Regions - 2006**

<b>Region</b>	<b>Young/Adults</b>	<b>Elderly/Adults</b>	<b>Dependency ratio</b>
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Bucharest-Ilfov	15.9	19.9	35.8
Romania	22.4	21.2	43.6

Source: Romanian Statistical Yearbook 2007, NIS

Table 2

**Employment rate in Romania**

-%-

	2001	2002	2003	2004	2005	2006
<b>Romania</b>	<b>63.6</b>	<b>62.9</b>	<b>58.0</b>	<b>57.8</b>	<b>57.9</b>	<b>57.7</b>
Male	69.5	68.5	64.1	64.1	63.6	63.9
Female	57.8	57.3	52.0	51.5	52.1	51.5
<b>North-East</b>	<b>67.1</b>	<b>66.4</b>	<b>60.1</b>	<b>59.9</b>	<b>62.4</b>	<b>61.5</b>
Male	71.5	70.2	64.0	63.8	65.4	64.0
Female	62.6	62.5	56.1	56.0	59.3	59.0
<b>South-East</b>	<b>60.8</b>	<b>59.9</b>	<b>55.3</b>	<b>55.8</b>	<b>54.7</b>	<b>54.7</b>
Male	67.3	67.9	64.2	63.1	62.7	63.2
Female	54.3	52.0	46.5	48.5	46.7	46.2
<b>South</b>	<b>64.7</b>	<b>64.0</b>	<b>58.2</b>	<b>58.1</b>	<b>58.1</b>	<b>58.1</b>
Male	72.0	70.9	65.2	66.6	64.5	65.9
Female	57.4	57.2	51.3	49.6	51.6	50.2
<b>South-West</b>	<b>69.1</b>	<b>69.5</b>	<b>61.8</b>	<b>62.0</b>	<b>59.9</b>	<b>60.1</b>
Male	73.4	74.3	66.9	66.8	65.5	65.8
Female	64.9	64.8	56.6	57.0	54.2	54.3
<b>West</b>	<b>62.2</b>	<b>61.2</b>	<b>57.6</b>	<b>57.1</b>	<b>56.9</b>	<b>56.6</b>
Male	68.7	66.9	64.9	64.8	63.4	63.9
Female	55.9	55.7	50.5	49.7	50.5	49.5
<b>North-West</b>	<b>63.4</b>	<b>64.0</b>	<b>57.8</b>	<b>57.2</b>	<b>56.1</b>	<b>56.0</b>
Male	67.9	67.7	62.6	62.2	61.4	61.0
Female	59.0	60.3	53.1	52.2	50.9	51.1
<b>Center</b>	<b>59.8</b>	<b>59.6</b>	<b>55.9</b>	<b>55.2</b>	<b>53.9</b>	<b>54.2</b>
Male	66.3	65.1	61.4	62.1	60.2	61.7
Female	53.4	54.2	50.3	48.4	47.6	46.6
<b>Bucharest-Ilfov</b>	<b>60.0</b>	<b>56.7</b>	<b>56.9</b>	<b>56.5</b>	<b>59.7</b>	<b>59.4</b>
Male	67.2	63.5	63.6	63.5	65.8	65.9
Female	53.5	50.5	50.8	50.2	54.1	53.4

Source: Romanian Statistical Yearbook, INS, 2007

Table 3

**Employment in Private and Public sector**

Year	Public Sector	Private Sector
2000	26.4	67.1
2001	24.3	70.4
2002	24.8	69.9
2003	23.7	72.1
2004	23.2	73.8
1. Q1 2005	21.8	75.7

Source: NIS

Table 4

**Employment structure by educational level and development region in 2006**

-%-

Regions	Tertiary education	Speciality post high school or technical foreman education	High school	Vocational, complementary or apprenticeship	Secondary school	Primary or without graduated school
Romania	12.6	4.8	30.7	25.5	18.6	7.8
North-East	9.4	3.5	24.0	27.3	24.0	11.8
South East	10.4	4.6	29.6	27.1	19.3	9.0
South-Muntenia	8.9	4.4	31.5	25.5	19.8	9.9
South West	11.1	6.0	28.4	21.9	21.1	11.5
West	13.2	4.7	34.9	25.3	18.1	3.8
North West	10.7	4.9	32.1	26.4	20.3	5.6
Center	12.1	5.8	33.5	31.9	12.2	4.5
Bucharest-Ilfov	30.2	5.1	37.3	17.5	8.9	1.0

Source: Romanian Statistical Yearbook, NIS, 2007

Table 5

**Migration flow by regions, in 2006**

- Number -

Regions	Out-migrants	In-migrants	Balance	Share %
<b>ROMANIA</b>	272,604	272,604	-	-
<b>1. North - East</b>	47,150	43,430	-3,720	-54.9
<b>2. South - East</b>	35,248	34,408	-876	-12.9
<b>3. South- Muntenia</b>	40,517	39,333	-1,184	-17.5
<b>4. South - West Oltenia</b>	29,848	29,168	-680	-10.0
<b>5. West</b>	23,849	25,638	1,789	+26.4
<b>6. North - West</b>	28,742	28,426	-316	-4.7
<b>7. Center</b>	27,902	28,093	191	+2.8
<b>8. Bucharest - Ilfov</b>	39,312	44,108	4,796	+70.8

Source: Romanian Statistical Yearbook,

Table 6

**Rural migration flow by regions, in 2006**

-Number-

Regions	Out-migrants	In-migrants	Balance	Share %
<b>ROMANIA</b>	115,227	135,764	20,537	7.5
<b>1. North-East</b>	25,085	28,151	3,066	1.1
<b>2. South-East</b>	16,489	19,396	2,907	1.1
<b>3. South-Muntenia</b>	21,921	24,812	2,891	1.1
<b>4. South-West Oltenia</b>	16,216	16,656	440	0.2
<b>5. West</b>	8,521	12,788	4,267	1.6
<b>6. North-West</b>	14,194	15,828	1,634	0.6
<b>7. Center</b>	11,062	14,534	3,472	1.3
<b>8. Bucharest-Ilfov</b>	1,739	3,599	1,860	0.7

Source: Romanian Statistical Yearbook, 2007

THE MAIN FINANCING SOURCES FOR REGIONAL POLICY  
IMPLEMENTATION IN THE EUROPEAN UNION

1. Regional development concept across the E.U.
2. Principles and objectives of the European regional policy
3. Structural funds
4. Accessing of European Funds in Romania

**Ph.D. Associate Professor Oprea Raducan<sup>7</sup>**  
**Dunarea de Jos University, Romania**

**Abstract**

*The paper deals with regional development across the E.U. in order to make disparities evident between the Member States and the influence of the Structural Instruments upon these states.*

*The main structural instrument is ERDF. As a result, the second part of the paper is concerned with the principles of this fund and its specific objectives during specific programming periods.*

*The last part of the paper analyses the impact of European Funds on Romanian economy. So, we can conclude that the Structural Instruments are important for the economy of every Member State, including Romania.*

**Key words:** regional development, regional policy, Structural funds.  
**JEL Classification:** R11, R12

1. The Member States of the E.U. haven't the same level of development. As a result, there are disparities connected with the GDP per capita which is greater in the West of E.U. comparing it to the South of the E.U. These disparities are greater if we analyse the latest Member States from the Centre and East of Europe.

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There are development disparities inside Member States and between regions and areas, too. Lands of the former Democratic Republic of Germany, for example, concerning development, lag behind other areas of the country, if we mean socio-economic development and efficiency level.

Regional disparities prevent those countries from joining the E.U. and the free movement of capital, at the same time, bringing about a scarce rate of possibilities of existing differences both across that country and across the whole of the E.U. (between the North and the South of Italy for instance, between Corsica and continental France on the other hand, or between Flenish and Wallonian regions of Belgium, too).

As a general point of view, regional problems of a country represent regional disparities connected with revenues, output and labour rates of growth and economic inequity. These problems come from unequal rates of growth of economic activities. Regions with high revenues are in and around metropolis, government and advanced industry areas.

Regional disparities prevent integration, free movement of capital bringing about the decrease of the possibilities to eliminate existing differences across a country or across the whole of the E.U.

Regional policy is one of the latest common policies. It is based on cohesion idea which was defined in 1957 by the Rome Treaty. That Treaty established the necessity to decrease regional disparities and to support development of the regions developed less than others.

The first elements of the regional policy appeared in 1960 under the implementation of the European Social Fund. This fund supports labour and labour mobility across the E.U.

A new stimulus for a regional development policy appeared at the first enlargement of the Community in 1973. As a result, the British Commissary George Thomson received the role to monitor the regional policy of the European Community.

But an active regional policy was observed only after the European Regional Development Fund implementation in 1975.

ERDF represents the pylon of the European regional policy. It supports less developed regions and those regions which have structural and economic reconverting problems.

The European Single Act introduced socio-economic cohesion in its article no. 130A in 1987. As a result, there appeared an institutional framework for a solid regional development policy. The Community supports disparities decrease between different regions and development

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of the less developed regions too, including rural areas. (European Commission, 1997).

It was the moment when regional development policy was officially adopted as one of the instruments for a better socio-economic cohesion of the E.U.

Moreover, other funds were also implemented as mentioned below:

- European Fund for Orientation and Agricultural Guaranty, which supports development and structural adjustment of those rural areas of a lower rate of development using improvement of production and sales structures for agricultural and forest goods;

- Financial Instrument for Fishing Orientation, which supports development of the fishing activities.

In 1993, there was implemented the European Cohesion Fund, which finances transport and environment infrastructures in those Member States which have a GDP per capita lower than 90% as compared to the European average.

Nowadays, regional policy represents all measures engaged by the central governmental authorities in order to realise a socio-economic development on a regional level (Ianasi L., 2003). This policy is applied in Member States and in E.U. and it improves regional disparities in order to ensure a equilibrate distribution of the inhabitants and economic activities in territory.

The main aspects of a coherent and efficient regional policy can be analysed using three territorial levels:

- the general level (the E.U. level), which establishes the principles and objectives of a supranational regional development policy in order to create a better socio-economic cohesion between the Member States;

- a particular approach for every Member State;

- particular regional approach which uses typical objectives according to regional needs and potential.

A common regional policy should be based on the common efforts on European, regional and local levels in order to obtain a coherent action on a longer term is able to realise cohesion on all levels (Dumitrescu S., 2005).

The common regional policy intensifies the integration rhythm across the E.U. and supports the qualitative growth of this process using local initiatives.

The Regional Committee plays an important part being a kind of Counselor for circumstances of making decisions on the regional development level.

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The Common Regional Policy benefits by the second financial support after the Common Agricultural Policy. It covered, for example, 235 billion Euros during 2000-2006.

2. The principles of the European Regional Policy are as follows:

- funds' concentration around priority objectives;
- programming: multiyear programs established under a process decisions adopted by agreements;
- partnership: there is a strong cooperation between the European Commission and the specific authorities on national, regional and local levels in order to pave the way and to carry out the decisions adopted;
- additionally: every Member State has to support programs on their own financial contribution;
- subsidiary: the superior instances haven't to assume activities below their range of competence.

During 1994-1999, such regional policy objectives were:

- regional development and structural modification for less developed European regions;
- conversion of those regions and areas strongly affected by industrial decline;
- long term unemployment decreasing and a better integration of the youth on the labour market;
- support for structural changes;
- structural adjustment acceleration for agriculture and fishing; development and structural adjustment of rural areas;
- support for those regions of lower density of inhabitants (Northern regions) (Ionescu V.R., Marchis G., 2006).

During 2000-2006, the objectives of the regional policy decreased to three:

- promoting development and structural adjustment for less developed regions using the European Regional Development Fund, the European Social Fund, the European Fund for Orientation and Agricultural Guaranty and the Financial Instrument for Fishing Orientation;
- support for socio-economic conversion of those regions having encountered with structural problems using the European Regional Development Fund, the European Social Fund and the Financial Instrument for Fishing Orientation;

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- support for adaptation and modernization of educational policies and systems, training systems and labour access on specific markets using the European Social Fund and national funds, as well (Iuhas V., 2004).

During 2007-2013, the objectives of the Structural Funds were turned into the following:

- promoting convergence, economic development and new jobs in the less developed Member States;
- promoting regional efficiency and employment by training labour in order to participate and to outlive to the market's changes;
- promoting territorial cooperation across Europe.

By decreasing number of objectives, the efficiency of the European funds started to grow. Moreover, the European Union simplified the procedures, increased autonomy of the Member States and improved the rate cost/efficiency (Ionescu V.R., Marchis G., 2006).

3. Structural Instruments represent the main instrument of the E.U. in order to implement its regional policy. These funds consist of import taxes on agricultural goods, custom taxes, VAT and financial contributions of the Member States according to their development level.

Funds are redistributed in according to a complex procedure, to those European countries and regions which are less socio-economically developed.

The Treaty of the European Union establishes common objectives for socio-economic cohesion in article number 158/ past article number 130A (Tudoroiu T., 1997). As a result, the European Union supports actions in order to promote socio-economic cohesion relying on decreasing regional development disparities and promoting development for disfavoured regions rural areas included.

The instruments of achieving common objectives are the following:

- implementation of economic policies by the Member States joining in order to achieve forecast objectives together;
- formulating and implementing community's policies and actions and enhancing their success, on the one hand, and implementation, on the other, of a single market according to forecast objectives;
- actions under the European Structural Funds using the European Investments Bank and other financial instruments.

The European Regional Development Fund is engaged in removing the main regional disparities rehying on structural development and adjustment of less developed regions and economic reconversion of those regions which present an industrial decline.

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In accordance with article number 162 of the Treaty, the decisions for ERDF implementation are adopted by the European Council after consulting the Economic and Social Committee and the Regional Committee.

Decisions of the European Fund for Orientation and Agricultural Guaranty application and the European Social Fund have to follow a special procedure under regulations of articles number 37 and 148 of the Treaty.

According to article number 161 of the Treaty, the European Council created the European Cohesion Fund in 1993, in order to finance projects connected with environment protection, trans-European networks and transport infrastructure.

Under the European Treaty, the European institutes adopted a set of internal ruling principles. These ruling principles establish concrete elements connected with the structural instruments. Nowadays, the most important ruling principles are:

- Regulation no. 4256/1998 of the European Council concerning the Orientation section of the European Fund for Orientation and Agricultural Guaranty;
- Regulation no. 1263/1999 of the European Council concerning the Financial Instrument for Fishing Orientation;
- Regulation no. 1783/1999 of the European Council and Parliament ruling concerning the European Regional Development Fund;
- Regulation no. 1783/1999 of the European Council and Parliament concerning the European Social Fund;
- General Regulation no. 1083/2006 of the European Council concerning ERDF, ESF and ECF;
- Regulation no. 1084/2006 of the European Council concerning the European Cohesion Fund.

Common Agricultural Policy is governed by articles 32-38 of the European Treaty. Article number 34 of the Treaty established law framework about creating specific orientation and agricultural proof.

As a result, the European Fund for Orientation and Agricultural Guaranty is divided into two distinct sections: orientation and guarantying. The orientation section acts under European Council's regulation number 1258/1999.

Another important European policy is the European Social Policy ruled by articles number 136-145 of the Treaty.

Article number 146 of the Treaty speaks is concerned with the necessity of a European Social Fund. This fund promotes facilities for

employments and for geographic mobility of labour. What is more, it promotes facilities in order to adapt labour to the industrial changes and new production systems using labour training and retraining.

The European Commission administrates this fund rebyind on a committee consisting of representatives of the governments, union trades and employers.

The actual decisions connected with the European Social Fund are adopted by the European Council in the advice of the Economic and Social Committee and Regional Committee, as well.

Nowadays, the European Social Fund is governed by rule number 1081/2006 of the European Parliament and the European Council.

4. In Romania, the basic concept of regional development policy was developed on studies and analyses under PHARE program and it is described by thet Green Card of the Regional Development in Romania.

This new policy covers a real need of local and regional collectivises in Romania and it becomes a new approach for development based on development initiatives, plans and programs of local and regional collectivises.

The Romanian regional policy is based on planning decisions promoted by the local and central public administration authorities under partnership with different public and private actors in order to ensure a sustainable socio-economic development rebying on local and regional resources. The final objective is to achieve socio-economic cohesion.

As a result, Romania has had technical dialogues with the European Commission under 21<sup>st</sup> Chapter- Regional policy and structural instruments' coordination.

In 2004, they began elaboration of the National Development Plan 2007-2013 based on the idea that this document will be concerned especially with priorities and objectives consistent with action domains of the Structural and Cohesion Funds.

The National Development Plan 2007-2013 affects the general access to the Structural and Cohesion Funds in order to respect the European development priorities and to apply the respective decisions for the socio-economic sustainable development.

According to new *acquis communitaire*, the National Development Plan is replaced by the National Strategically Reference Framework which becomes the unique strategic document for the Structural and Cohesion Funds (Vass A., 2006).

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Similar documents for agriculture and fishing are the National Strategic Plan for Rural Development and the National Strategic Plan for Fishing and Aquaculture.

The National Strategic Plan was elaborated by the Public Finances Ministry, in April 2006, and it became the negotiations' basis between the former and the European Commission in order to devote financial funds for Romania during 2007-2013.

During 2007-2013, Romania is eligible for two objectives: convergence and European territorial cooperation.

Under objective convergence, the E.U. will finance Romania rebying on the following operational programs:

- economic efficiency: will receive 2240 million Euros from the European Regional Development Fund;
- transport infrastructure: will receive 4010 million Euros from the European Regional Development and the Cohesion Funds ;
- environment infrastructure: will receive 3960 million Euros from the European Regional Development and the Cohesion Funds ;
- regional development: will receive 3275 million Euros from the European Regional Development Fund;
- technical assistance: will receive 150 million Euros from the European Regional Development Fund;
- human resources: financed on 3050 million Euros from the European Social Fund;
- administrative capacity: financed on 185 million Euros from the European Social Fund.

Under objective European territorial cooperation, E.U. will finance Romania rebying on the operational program Trans-border, Transnational and Interregional Cooperation from the European Regional Development Fund, Financing Instrument of European Neighbouring Policy and Pre-adhering Instrument for Candidate and Associate Countries. The total financial support is about 394 million Euros.

Romania will benefit by the following European financings:

- the European Cohesion Fund will cover 80% of total costs of the projects;
- the Structural Funds will cover 75% of total costs of the projects.

Romanian budget has to co-finance these European funds by 4.55 billion Euros. The money will come from public sources (3.1 billion Euros) and private sources (1.45 billion Euros).

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Under CAP, Romania will receive 13646 million Euros during 2007-2013 from the European Agricultural Fund for Rural Development. This fund is divided into:

- market measures: 1066 million Euros;
- direct payments: 5471 million Euros;
- rural development: 7109 million Euros;
- European Fishing Fund: 209 million Euros.

We can conclude that all Member States have a specific regional development policy according to their particular conditions.

Some Member States like Spain and Greece promoted a policy of supporting great urban agglomerations.

Other countries (Finland and Sweden) applied regional development policies focused on unemployment decreasing and promoting some economic activities in every region in order to decrease the effect of population migration to urban centres.

Germany and Italy adopted a development policy based on equal financial assistance ensuring for all regions, in order to decrease regional disparities.

But regional policies were not able to support a harmonious development for all Member States. As a result, it was necessary to create a regional development policy able to finance development of those areas bearing problems on account of moving use of structural instruments.

On the other hand, we consider that is a great mistake to understand adhering negotiations only in connection with the Structural and Cohesion Funds. The main objective must be the manner in which these countries can, practically, apply the European rules and regulations.

The mission of negotiations is to demonstrate the necessity of funds' allocation in order to complete the internal resources for regional disparities decreasing and sustaining economic development.

Romania also applies a regional development policy according to the European policy but under particular socio-economic, cultural, historic and geographical conditions in our country.

But the Romanian economic development needs political and law stability and a greater implication of the local public administration authorities into the economic development process.

Above all these, competent authorities have to respect function cycle of financing under structural funds in order to delimitate geographical areas which present dysfunctions and major disparities in their economic development.

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**POPULATION AND LAND USE PLANNING**  
**(or on the conjugation of Romanian spatial planning components)**

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**Abstract**

*The article deals with two major components of spatial planning. Population, seen as the most important component of spatial planning policy, on the one hand, and changes in terms of dimension, structure and dynamics. The land use planning has also some important tendencies, but not closely related to those of population. In this respect, the issue is focused on the main characteristics linking the two components in the same national spatial planning.*

**Key words:** spatial planning, social planning, demographic X-ray.

**JEL Classification:** R14, R23

**1. Introduction**

Some phrases are so frequently used that any reiteration of their definitions might seem confusing. A relevant case in point might be that of sustainable development, regional development or globalization. Nevertheless, most documents, whether programmatic, studies or reports, often start with a referential of a generally explanatory nature, a sui generis definition. In our opinion, this fact is salutary especially when that particular phrase is “multifunctional” and opens a door for inter- and trans-disciplinarity and, consequently, for multi-definition, as it is the case with spatial planning. Later on, once the field of work is established, the articulation of the comprising parts depends on the purpose of the research and on the author’s professional profile.

The following paper will present the results of the study made on the relationship between two of the major components of spatial planning, i.e. physical planning and social planning, done as a temporal parallelism, anchored into the Romanian administrative framework. The purpose is to identify both the interferences, and the differences of dynamics between the two levels of planning.

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## **2. Common purposes – un-unified concepts**

### **2.1 Spatial planning**

Spatial planning refers to the methods used by the public sector to influence the distribution of people and activities in spaces of various scales. Spatial planning includes all levels of land use planning including urban planning, regional planning, environmental planning, national spatial plans, and in the European Union international levels. There are numerous definitions of spatial planning. One of the earliest definitions comes from the European Regional/Spatial Planning Charter (often called the 'Torremolinos Charter'), adopted in 1983 by the European Conference of Ministers responsible for Regional Planning (CEMAT): "Regional/spatial planning gives geographical expression to the economic, social, cultural and ecological policies of society. It is at the same time a scientific discipline, an administrative technique and a policy developed as an interdisciplinary and comprehensive approach directed towards a balanced regional development and the physical organisation of space according to an overall strategy."

Different authors from the western geographical sphere try to convey a spatializing nuance by means of the definition according to which spatial planning is "the way in which different activities, land uses and buildings are located in relation to each other, in terms of distance between them, proximity to each other and the way in which spatial considerations influence and are influenced by economic, social, political, infrastructural and environmental considerations" (Paris, 2005), or "capital expenditure programmes; the way in which different social and economic programmes are implemented; as well as the management and regulation of land-use change and land development" (Faludi,2003). Finally, the spatial planning is a set of "keys" to develop the territory, the relationship among these being not only summarizing, but also qualitative.

### **2.2 Social planning**

Social planning is a process that helps communities identify strengths and weaknesses and determine ways to improve the quality of life in the community.

The planning of social intervention wishes to make the connection between an undesirable present situation and a future desirable one. The best-known component of this category of planning is represented by family planning, but at the scale of society the planning process is a complex one which implies a good knowledge and understanding of the

problems, of the existing dysfunctions within the social system. According to the approaching manner of the present problem and to the manner of relating to the future, there are four types of approaching the social planning (Brueggemann, 1996): (1) reactive planning; (2) inactive planning; (3) proactive planning; (4) interactive planning.

Reactive planning. This type of planning aims at restoring the past by identifying and removing the dysfunctions. Most projects are based on this logic, to interfere in order to reestablish the equilibrium of the social system. From the perspective of these projects, a social problem is always a social dysfunction appeared due to certain undesirable changes that took place in the system. From this point of view, the most important moments of social planning are represented by the identification of the problem, of the causes leading to its appearance, the removal of these causes and the construction of solutions to reestablish the equilibrium (Cojocaru, 2005).

Inactive planning. Inactive planning is trying to preserve the present by preventing the changes that might lead to the appearance of some dormant social dysfunctions. The present is accepted as such, it is considered as an acceptable situation, and the intervention suggested within the project is meant to maintain the existing structure. Inactive planning does not mean social immobility, freezing in structure considered ideal, but, on the contrary, it is seen as a permanent modification of the comprising elements in order to preserve the existing equilibrium. Inasmuch as social care is concerned, these projects focus especially on preventing the appearance of a new problem or the amplification of an already existing one (for instance, in child protection an inactive project is that which aims at reducing the number of institutionalized children by preventing them from entering the residential environment).

Proactive planning. This form of planning is oriented towards the future, the latter being seen as a sum of opportunities. The change is understood only as a progress and this can be achieved only if it is being prepared. This type of planning is constantly aiming at development; it is focused rather on planning than on solving the existing situations (Gharajedaghi and Russel, 1986), especially by accelerating the events in order to make the desirable future appear. Consequently, proactive planning implies high costs related to research and anticipation (Cojocaru,2005).

Interactive planning. Interactive planning is more flexible and innovative. The purpose of this type of projects is to dissolve the problem, fact which requires a change of the system that is experiencing this

problem, thus being seen as the most efficient manner of removing the problem (Cojocaru,2005).

### **3. Romania – Demographic X-ray and options of social planning**

According to the demographer Vladimir Trebici, Romania entered the demographic transition later than the northern and western countries of Europe, the gap being the result of the delayed economic, social and political development as compared to Western Europe (Trebici, 1996). In the 1930-1940 period, the Romanian population manifested its first great tendency to rise, while during the next period, 1940-1946, it fell as a result of a decreased birthrate and of the human loss caused by the war. The highest growth rhythm of the population of our country was recorded in 1966-1977 period, due to abortion forbidding measures. During this interval the natural growth rates were approximately 3 times higher than the 1946-1966 interval.

The maintaining of an approximately 20‰ birthrate (20 births at 1,000 inhabitants) and of an approximately 9‰ death rate (9 deaths at 1,000 inhabitants) materialized into high natural growth rates, on the basis of which, the population reached 21,914,163 persons in 1978, which meant a total growth of 2,811,000 persons as compared to the year 1966.

As a matter of fact, the 1955-1966 was the period that conspicuously marked these characteristics of the demographic transition in Romania. The significant drops of the demographic variables of those years lay at the basis of the political and administrative policy of sustaining the population growth for the next period.

The 1979-1991 period marks another atypical evolution of the Romanian population, which witnesses a growth of approximately 1,300,000 persons. The continuous decrease of the natural growth rate (from 8.7‰ to 1‰) was due exclusively to the decrease of the death rate which reached 11.9‰ in 1991 as compared to 18.6‰ in 1979. The beginning of the transition process towards a competition-based market economy marked, among other things, the change of the direction of evolution of country's population. Unlike the 1950-1991 period when the dynamics of Romania's population was following a continuous rising trend, starting with 1992 this was characterized by a tendency to decrease. Practically, the year 1991 was the bending point in changing the direction of the evolution of Romania's population. Thus, the 1992-1998 periods witnessed a drop of population number as a result of the accelerated decrease of the birthrate, of the tendency to increase of the death rate, to which the negative result of the external migration can be added. Some of the causes of these

phenomena are the following: the decrease of the living standard materialized into a decrease of the real income, unemployment, inflation, insufficiently developed health services, and the housing problems. The external migration, in its turn, contributed to the general decline of population, to a lesser degree though.

Romania's population has constantly decreased since 1992 from 22,810,035 inhabitants (after the 1992 census) to 21,442,955 inhabitants in 2006.

This drop was mostly due to the negative natural growth rate of the population, as a result of a diminished fertility and low level of birthrate at 1,000 inhabitants. After 1990, the birthrate decreased from 11.8‰ in 1991 to 9.77‰ in 2003 while the death rate grew from 10.9‰ (1991) to 12.3‰ (2003). Consequently, the natural growth rate went from -0.18‰ in 1992 to -2.5‰ in 1996, -2.75‰ in 2002 and -2.49‰ in 2006.

The old age population has constantly grown and in some rural regions the ageing phenomenon is much accentuated. At regional level, only the northern part of the country still preserves a significant positive value of the natural growth rate (*PHARE RO 9907-02-01, Studies of pre-adherence impact*). In 1948 the proportion of persons older than 65 was 5.6%, in 1999 it was 13% and in 2006 it reached 15.60%.

Population's natural decrease is 3 times higher in the rural areas as compared to the urban ones, and the urban areas have a migration 4 times higher than the rural ones. The lower decrease rate of the rural population is explained by the high level of migration from the urban area towards the rural one, especially since many urban inhabitants lost their jobs due to the economic reform (Dumitru, Diminescu, Lazea, 2004).

Population's age structure reveals a *sustained process of demographic ageing*, especially due to the decrease of birthrate, the ageing process being more accentuated in the rural area. Population over 65 in the rural area exceeded the number of the same category in the urban area by 589.826 persons in 2003. The percentage of the old population in the rural areas is 1.47 times larger than the one in the urban areas at the level of the year 2003.

The post 1990 social and economic changes also determined the decline of life expectancy at birth, which was 68.9 years in 1996. Life expectancy at birth and its evolution in Romania witness one of lowest values in the European context. According to World Health Organization (*The World Health Report 2005, [www.who.int](http://www.who.int)*) Romania has been stagnating at this indicator for more than 30 years. In 2002, the average life expectancy in Romania was 7 year lower for men and 6 year lower for women as

compared to the average recorded in the 15 EU member states (Romanian men: 67.6 years vs. 75.2 years in EU 15; women: 74.9 years vs. 81.2 years in EU 15). In the recent years the use of the *life expectancy at birth* indicator has been contested by demographers since a larger number of years lived on average by a generation does not always mean a healthier life. For this reason, *World Health Organization* has recommended another indicator called *average healthy life span* to establish the level of economic and social development of a country. In Romania's case, this indicator was, in 2002, *61 years for men and 65.2 years for women*.

Romania's population is decreasing and, according to all estimates regarding the future evolution of Romania's population, it will keep decreasing at least until 2050. The 2002 census of population and buildings confirmed this decrease and the demographic forecasts announce the continuation of the decreasing trend that began in 1992 with an even greater intensity. This phenomenon of population decrease in our country is also noticed by the studies of The National Institute of Economic Researches. Professor Vasile Ghețău, the director of the "*Vladimir Trebici*" *Demographic Research Center*, sustains the theory according to which by the year 2050 Romania's population will decrease to approximately 16 million people.

This decrease is determined by the decrease of birthrate and the increase of life expectancy. The decrease of fertility is determined by the factors which, even since 1960-1970, triggered the massive recoil of fertility in almost all European developed countries, under the circumstances of social and economic progress: woman's emancipation and her growing participation in economic activities outside the household, the increase of length and level of education, the growing social mobility, the high costs of raising a child, etc.

On the other hand, the new economic and social realities have certainly influenced the descending evolution of the phenomenon: degradation of the living standards, unemployment, uncertainty, stress, changes of attitude and behaviour regarding marriage, birth control, and divorce. The time gap regarding the massive decrease of birthrate in our country as compared to the developed European countries can be explained by the forced pro-natality policies of the old regime.

Another cause of the decrease of Romania's population is the still high death rate. As soon as the living standards, the quality of medical assistance and the access to health services have witnessed sensible improvement, and the population's life style is oriented to a greater extent

towards a good state of health, the reduction of death rate per age and the increase of the average life span will witness the desirable evolution.

*The atypical situation of Romania's population decrease* consists of the size of the decrease, accentuated by the migration phenomenon, especially under the circumstances of a lack of viable statistical information regarding this phenomenon. Moreover, the future evolution of external migration is unpredictable today, being directly dependant on the economic and social evolution of Romania, on the immigration policies of the developed countries, on EU integration.

#### **4. Physical planning and land use planning**

As far as the use of the phrase territory planning is concerned, this may be applied to two distinct situations:

⇒ *in a narrow sense*, with concretely technical significances, of equipping, supplying, repairing or functional improving of a territory (e.g. landed, touristic, forestry, urban improvement, etc.), case in which the consulting and involvement of the geographer differ from situation to situation and it makes use especially of those competences belonging to physical geography (geomorphology, pedology, hydro-meteorology, etc) and/or human and environment geography;

⇒ *in a general sense*, relating to all major sectors of the life of a society (political, economic, juridical, ecological, social and cultural, technical), case in which the involvement of the geographer does not go into sectorial details, but it is based on an action of evaluation of the produced system, in its entirety, situation in which the geographer becomes an "interpreter" of the system, and regional geography becomes the branch best suited for connection.

In this case we witness the direct contact with the other phrases that environmental planning is assimilated with – *systematization, planning, regional policy, regional development, economic and social cohesion policy, etc.*

Each country or region holds its own cultural model which is translated into the manners of intervention upon space and into the characteristics of the created territories. The general meaning of planning has different significances and translations in various cultural spaces, although the common goal is everywhere tot of organizing space, even if the purpose itself is not always defined in the same way. Thus, one can encounter *planning/urban and territorial planning* of American origin, *regional policy* of Scandinavian origin, the former Romanian *systematization, environmental planning* in the French acceptance of the term or the

comprehensive *spatial policy/economic and social cohesion* of European “nationality” in the shape of *European Spatial Development Perspective* (ESDP)<sup>9</sup>. The purpose is the same, the ways are different.

*Urbanism*, that environmental planning is frequently correlated with, has also two different meanings coming from:

⇒ the narrow sense corresponding to a *practical, technical action* with old historic roots, which today constitutes first and foremost the prerogative of the urbanists and architects,

⇒ the large sense, which includes both the technique, and the theory, the *science* of urbanism, the *political action* and the *analytic enterprise* where competences from geography, sociology, ecology, economy, administration, etc. become useful and which corresponds to the simplified translation of *urban planning*.

*Urban planning*, which has become by generalizing translation *urbanism*, is a component of both environmental planning, and of spatial planning. In this relationship of hierarchy and structuring of some areas that are not clearly separated but, moreover, interfere variably from one system of beliefs to another, urbanism is undoubtedly included in all variants of spatial planning. As it will be shown, urbanism constituted for many times the starting point in the system of actions requested by the planning /arrangement /organization trio, being the end of “Ariadna’s string” in spatial planning.

If we relate the recent history of environment planning to the entire evolution framework of the Romanian society, and then particularly to the changes recorded at the demographic level, we will notice politically generated simultaneities, gaps deriving from different inertias of the two opposing systems and trajectories due to the specific systemic connectivity with external determinants.

## 5. The links between population and spatial planning

Land is an asset. Land is scarce. Land is fragile. Population is an asset. Population is scarce. Population is fragile. These three double statements reflect the basic relationships of humankind with land: social, economic and environmental. Humanity's association with land springs

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<sup>9</sup> ESDP represents the framework for the Community’s and member states’ sectorial policies with spatial impact, as well as the framework for local and regional authorities, whose purpose is to reach a sustainable and ballanced development of the European territory.

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from the enduring nature of land: it is the basis of food, shelter and livelihood. The important insight is to realize that humanity must decide how *negotiable* the organizing principles of the linkages between society and the landscape are. *Negotiable* are the ways in which human society adapts to the constraints given by the natural system, and how people act in the landscape in their efforts to cope with the environmental pre-conditions while satisfying human needs and demands. These interactions more often than not happen in such an unwise fashion that the quantitative and qualitative sustainability of society itself may be undermined.

The provision of life-support systems require interferences with the landscape where the natural resources, like bio-mass, energy resources, minerals, water, land-space, are to be found. Physical interference in the land, like building, clearing and drainage, takes place, and chemical interferences are introduced: thus humanity creates its cultivated life-worlds on the earth.

What is clear is that life-support of the population is a very basic, pro-active imperative expected from the leaders of society. Human activities in the landscape are not only driven by demands for life-support, but also by population growth and decrease in terms of number, and permanent growing aspirations within the social sector. National leaders must secure and facilitate the availability of services that accommodate these needs, as well as giving due attention to hazard prevention.

In Romania, after 1990, the government has not yet discovered that the key to successful local spatial planning, land use management and land development is the establishment of an effective link between the forward planning and development control functions and population. Most of the principles of spatial planning are imported from European territory, but, the exercise is still absent. Traditionally, the development control function is seen as the means for implementing forward planning. In practice though, the functions have generally been exercised quite separately from each other. Historically, government performed development control functions, in the past period 1948-1989, in the form of building regulations, by the Law concerning systematization of settlements and land use planning/1974 before it started doing any form of institutionalized forward planning. Planning requirements were generally superimposed upon existing legal frameworks for development control, having only a negligible effect on that body of rules and regulations. This meant that planning tended to have very limited impact on actual patterns of land development. Significant resources were expended on the making of elaborate plans which had little prospect of ever being implemented,

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especially where their planned outcomes differed from what was permitted by the existing development control rules, such as zoning or town planning schemes.

In order to have a good relationship between population (in terms of number, structure, dynamics) and aspiration and any regulation of land-use, the administration should assume the term land use management including activities as mentioned below:

- The regulation of land-use changes such as the rezoning of a property from residential to commercial use;
- The regulation of 'green fields' land development, i.e. the development of previously undeveloped land;
- The regulation of the subdivision and consolidation of land parcels;
- The regulation of the regularization and upgrading process of informal settlements, neglected city centers and other areas requiring such processes;
- The facilitation of land development through the more active participation of the municipality in the land development process, especially through public-private partnerships.

Land-use management has two main underlying rationales. The first is the widely felt resistance to the idea of uncontrolled land development and the second is the commonly expressed wish by particular sectors in society to promote various types of desirable land development.

The *resistance to uncontrolled development* is motivated by a number of concerns, the precise mix of which is determined by the particular social, economic and political contexts of different times and places. Essentially, however, these concerns include the following:

- Environmental concerns: uncontrolled development of land can have adverse effects on natural habitats, cultural landscapes and air and water quality.
- Health and safety concerns: uncontrolled development can lead to overcrowding and unsafe building construction. Certain land uses can also be detrimental to the health and safety of neighbours.
- Social control: the control of land uses and building types has long been a means of exerting social control, particularly through the exclusion of certain types of person, household or economic activity from certain areas through the application of particular development controls limiting, for instance, plot sizes, plot coverage and home industries.

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- Efficiency of infrastructure provision and traffic management: increasingly it has become clear that where the granting of development permissions is not coupled with the provision of adequate infrastructure and traffic management the consequences can be severe. Similarly, where infrastructure is provided, generally at high financial cost, without taking into account likely and relevant land-use and settlement patterns the opportunity costs to society are very high.
- Determination of property values for purposes of rating: the market value of land is the basis on which property valuation is determined and the extent and nature of the development permitted on the land is a key factor in that determination.
- Aesthetic concerns: the control of land development enables government to prescribe certain design parameters for buildings.

The *wish to promote desirable development* is also driven by a number of different concerns:

- The land development needs of the market seldom match precisely the social and political needs of government: government may well want to promote a type of land development in an area that the market neglects. It then has to take certain steps to facilitate that development or provide incentives.
- Investment promotion: changing the applicable land-use management instruments is often seen as a prerequisite for attracting certain types of investment to certain areas. This can take the form of both relaxing controls in those areas and increasing controls in other areas which might be more favored by the market. These strategies are likely to be linked to local economic development initiatives.

### 6. Conclusion

We conclude that, from a normative point of view, in territorial planning sector, the urbanism plans and the land use planning introduced after 1991 are a new exercise for the local communities. Opposite, the population is already at the end of its demographic transition and the perspectives are not too optimistic. From these perspectives, the two major components have a quite different sense and speed of evolution. The strategic spatial planning is more coherent for at least two reasons: a national experience cannot be lost even if the doctrine changes and the

development strategy preserve the top to bottom component, which is so well-known (and even convenient sometimes) to the Romanians.

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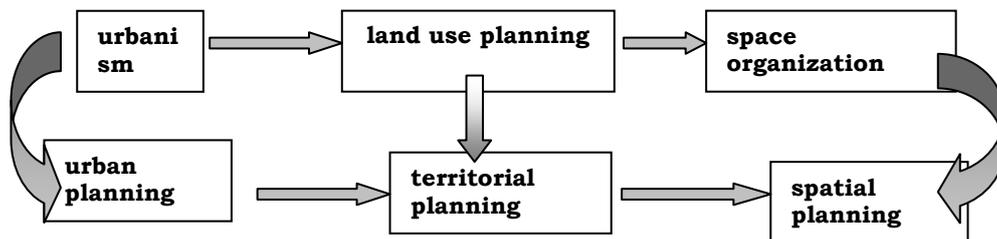


Fig. 1 Double relationship between theory and practice

STRUCTURAL INSTRUMENTS FOR ROMANIA DURING  
2007-2013

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**Abstract**

*The paper deals with the importance and the impact of structural instruments during present financial period.*

*For the beginning, we describd and present the components of financial instruments and their evolution.*

*A distinct part of the paper deals with the regulation, effects and importance of every European Fund for all Member States. We are concerned with ERDF, the Cohesion Fund and the European Social Fund as well.*

*The last part of the paper deals with the impact of the structural instruments on Romania.*

**Key words:** financial regulation, structural funds impact, sustainability.

**JEL Classification:** R58, R59

The greatest enlargement of the E.U.'s history carried out in the actual programming period represents a great challenge for the regional policy implementation in order to prove the efficiency of structural instruments.

E.U. has to face more challenges like the following: efficiency, sustainability and socio-economic restructuring of the less developed regions; continuing convergence process in regions outside Objective 1 as a result of statistic effect of GDP/capita average; social-economic cohesion across the E.U.

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All these challenges are effects of the growth of population by about 100 million inhabitants, of interregional disparities under the pressure of achieving Lisbon and Goteborg's objectives.

Recalibration of legislative framework and simplification of the regulations connected with cohesion policy supported creation of a single regulation of the European Commission which replaces other 10 regulations which operated during 2000-2006 and compatibility between the European Cohesion Fund and the Structural Funds, too. As a result, the management of these funds become easier and less expensive.

The Structural Funds are the most important financial instruments of the E.U. which support the European regional policy's implementation.

During 2007-2013, an important part of the European budget (about 350 billion Euros) will be devoted to the regional policy: 285 billion Euros under objective Convergence; 56 billion Euros under objective Regional efficiency and 9 billion Euros under objective Territorial cooperation. The distribution of these sums is presented in figure no. 1.

Actual legislation (COM (2004)492 final) presents the way in which structural instruments support financing priority objectives of 2007-2013 programming period.

In the last three years, those NUTS II regions and their GDP/capita lower than 75% of the communitarian average have been governed by Objective 1. They will receive 67.34% of the whole budget of Objective 1.

The regions which have a GDP/capita greater than 75% from communitarian average as a result of the latest two enlargements will benefit by a transition period and 22.1 millions Euros (8.38% from the budget of Objective 1).

The European Cohesion Fund finances those regions having a GDP/capita less than 90% of the communitarian average and which are programmed to achieve economic convergence criteria as in Article no.104 of the Treaty (we talk about 63 million Euros, which mean 23.86% from Objective 1's budget).

Moreover, peripheral regions will be assisted by the European Regional Development Fund in order to integrate into the Single Market by 1.1 million Euros which represents 0.42% of the budget of Objective 1.

NUTS I and II regions which are outside Objective 1 will be registered under Objective 2 and will receive financing from ERDF and the European Social Fund. The list of these regions is established by every Member State according to the European Commission and it is available during 1<sup>st</sup> of January 2007-31<sup>st</sup> of December 2013. This objective will receive

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57.9 million Euros which are going to be divided into: 83.44% for financing eligible regions and another 16.56% for transition regions.

The third objective is focused on NUTS III border regions, on NUTS III maritime regions placed less than 150 km and on transnational areas (35.61% from the budget of Objective 1).

The whole European Union will be financed by ERDF in order to create cooperation and good practices networks (4.54%).

The transnational cooperation between the Member States is supported by 6.3 billion Euros which means 47.73%. 1.6 billion Euros (12.12%) are give to be used for neighbourhood policy and pre-adhering instrument which supports cooperation between E.U. and neighbour countries.

The domains of action for the Structural and Cohesion Funds were established in Annex no.2 of the Implementation Regulation for the Structural and Cohesion Funds made by the European Commission. As a result, information was grouped using specific dimensions like the following: priority theme, financing form, territory type, economic activity and location.

During the programing period of 2007-2013, the Structural and Cohesion Funds are focused on:  research and technological development;  innovation and entrepreneurship;  transport;  energy;  environment protection and risks' prevent;  tourism;  culture;  urban and rural regeneration;  growth of labour , companies and entrepreneurs' adaptability;  growth of access to jobs and sustainability of labour market;  better social inclosing of disfavoured persons;  improvement of human capital;  social infrastructure investments;  reform mobilization for jobs and inclosing;  a greater national, regional and local institutional capacity;  decreasing of additional costs which affect extreme regions;  technical assistance.

This classification represents a solid basis for establishing periodic evaluations (ex-ante and ex-post).

The European Social Fund represents the main instrument of the European Social Policy and it has as main objective improvement of labour market mechanisms of every Member State and unemployment's integration on labour market, as well.

Particularly, the European Social Fund is the implementation instrument of the European Labour Strategy and it finances three kinds of actions: professional training, professional reconversion and decisions which enhance creation of new jobs.

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According to the European Parliament and the European Council's Regulation no. 1081/2006, the aggregate objective of the European Social Fund is to support the Member States to anticipate and to manage, into an efficient manner, socio-economic changes.

In order to achieve this objective, 76 billion Euros will be shared by the Member States and regions which have to encounter labour difficulties during 2007-2013. This sum represents 10% of the budget of the European Union.

The European Social Fund functions on co-financing principle. This co-financing strategy varies between 50% and 85% of eligible costs.

The priorities of the European Social Fund and the financed objectives are stipulated in the Operational Programs. As a result, the beneficiaries of this fund are: public administrations, NGOs, active social partners in social inclosing and labour, firms and other relevant socio-economic actors.

The thematic priorities during 2007-2013 are the following:

- ☑ improvement of the quality and reaction speed of labour administrations, learning and training systems and social and health services;
- ☑ growth of investments in human capital using higher qualification and fair and guaranteed access on the labour market;
- ☑ adaptation of public administration to restructuration process by growing administrative capacities.

Comparing it to the past programming period, the European Social Fund is used into a strategical manner according to E.U.'s socio-economic policy, including Lisbon Agenda and European Labour Strategy.

The new generation of the European Social Fund has to concentrate resources in those areas bearing maximum impact on objectives' achieving.

Moreover, the rules which governed the European Social Fund's management were simplified. As a result, the Member States benefit by a greater flexibility in choosing financing priorities and in orienting resources according to real demands from the territory.

During 2007-2013, Romania will benefit by 3684 million Euros, which means a rate of 19.2% of the budget of the Structural and Cohesion Funds.

The European Social Fund will finance two Sector Operational Programs (SOPs):

- ☑ SOP Human Resources Development: will benefit by 3476 million Euros, which means 18.1% of the Structural and Cohesion Funds. This program is focused on human capital development and efficiency growing

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using connection between long life learning and education and on the other hand, labour market in order to ensure greater opportunities on a flexible, modern and inclusive labour market of 1650000 persons;

☑ SOP Administrative Capacity Development: by 208 million Euros, which mean 1.1% of the budget of the Structural and Cohesion Funds. The program has as main objective the creation of an efficient public administration in order to support the Romanian socio-economic environment. It is focused on decentralization and modernization of central and local public administration connected with: health, education and social services, in order to raise administrative efficiency and to improve legislative and decisional acts, as well.

The distribution of the European Social Fund in Romania is presented in figure no.2.

The implementation of the European Social Fund is supported by: Labour, Family and Chances Equity Minister (using SOP Management Authority) and Internal and Administrative Reforms Minister (using its SOP Management Authority).

The European Regional Fund has the greatest percentage of the Structural Funds and it supports European interregional disparities decreasing according to Article no.160 of the European Treaty. The action directions of this fund are presented in the European Parliament and in the European Council's regulation no. 1083/2006.

Under Objective 1, ERDF supports the following actions:

↳ modernization and diversification of the Member States' economic structure and of specific regions using: financing for innovation and entrepreneurial initiatives; promoting access and using new informational and communication technologies; new conditions for R&D activity; better access to capital and promoting new enterprises;

↳ environment protection using: development of ecological industries; financing infrastructure investments under Nature 2000; promoting ecological transports and development of innovative energies;

↳ basic transport, energy, environment, water and telecommunications infrastructure modernization;

↳ development of central and regional public administrations' institutional capacities and support for structural and cohesion interventions.

Under Objective 2, ERDF focuses on three main aspects:

↳ innovation and knowledge economy (consolidation of regional R&D capacities, incentives for innovation, entrepreneurial spirit and

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development of financial engineering especially for those firms which are connected with knowledge economy);

↳ environment and risks prevent ( rehabilitation of contaminated lands, improvement the energetic efficiency and public ecological transports, plans for preventing and managing natural and technological risks);

↳ access to transport and telecommunication services of public interest.

Under Objective 3, ERDF support actions which are grouped into three axes: ↳ trans-border socio-economic activities' development; ↳ establish and elaboration of transnational cooperation, including bilateral cooperation between maritime regions; improvement of regional policy efficiency using interregional promoting and cooperation, activities of connecting to the network and good practices changes between regional and local authorities.

ERDF finances 8976 million Euros (46.8% of the budget of the Structural and Cohesion Funds) for Romania during 2007-2013. The distribution of these Euros is presented in figure no.3.

ERDF will finance five Sector Operational Programs:

↳ SOP Growth of Economic Efficiency: 2554 million Euros (16.7% of the Structural and Cohesion Funds). This program is focused on the growth of Romanian firms' efficiency in order to decrease the disparity of E.U.'s average efficiency. We are concerned with an average efficiency growth/year by 5.5%. As a result, Romania will achieve 55% of E.U.'s average efficiency only in 2015;

↳ SOP Transport: 4565 million Euros (23.8% of the Structural and Cohesion Funds). ERDF has 1289 million Euros. The program tries to develop transport infrastructure in order to grow economic efficiency, to facilitate economic integration into the E.U., to develop internal market and to generate economic growth. Moreover, the program stimulates investments, sustainable transports and territorial cohesion. SOP Transport supports environment policy in Romania in order to decrease air pollution, phonic pollution in great cities and those high traffic areas by improving public transport, rail and naval transports, too;

↳ SOP Environment: benefits by 4512 million Euros (23.5% of the budget of the Structural and Cohesion Funds). ERDF's contribution represents 1236 million Euros. The global objective of this program is the creation of a protection system in order to improve environment quality and life standards;

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↳ SOP Regional benefits by 3726 million Euros (19.4% of the Structural and Cohesion Funds). It tries to support a steady growth of all Romanian regions in order to obtain a minimal level of business and social infrastructure and human capital which may enhance economic growth. SOP allows economic development starting from a down-up approach which is complementary to the national up-down approach;

↳ SOP Technical assistance: has 170 million Euros (0.8% of the Structural and Cohesion Funds). This program is financed by ERDF and has as main objective facility of coordination and implementation for structural instruments in Romania. As a result, a good system of management and monitoring was created for dissemination information about the European Funds for population.

In order to implement ERDF, the Management Authority consists of: the Economy and Finance Minister, the Transports Minister, the Environment and Sustainable Development Minister and the Public Works and Houses Minister.

The concept of socio-economic cohesion was thought up as European policy by the European Single Act (1986). As a result, the Cohesion Fund was created by the Maastricht Treaty (1992) in order to finance projects for environment and transports infrastructures in those Member States which have a GDP/capita less of than 90% of the European average.

The European Cohesion Fund offered financial assistance in order to elaborate preliminary studies for the future projects, comparative studies, impact studies, monitoring studies, advertising studies and for the informing campaign. The eligible countries for this fund were cohesion countries as Ireland, Greece, Spain and Portugal and the latest 12 new Member States. During 2004-2006, for example, 1/3 of the Cohesion Fund was used for the newest Member States.

The European Commission suggested a new amount of money of 336.1 billion Euros for the cohesion policy which will be shared for:

↳ the poorest regions of the Member States: 264 billion Euros (79%);  
↳ promoting efficiency and labour: 57.9 billion Euros (17%);  
↳ improving interregional cooperation across the E.U.: 13.2 billion Euros (4%).

The development of trans-European transport network (TEN-T) represents a priority of the cohesion policy. As a result, half of the financial amount devoted to transport infrastructure will be granted to TEN-T (38 billion Euros).

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The budget of the Cohesion Fund (70 billion Euros) is focused on improving socio-economic cohesion in order to promote sustainable development, especially on trans-European transport network development and environment protection.

About 167.2 million European citizens (34.4% of the whole E.U.27 population) live in regions which benefit by the European Cohesion Fund.

Nowadays, the eligible countries for the Cohesion Fund are: Bulgaria, the Czech Republic, Cyprus, Estonia, Greece, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Spain and Hungary (see figure no.4) (Comunitades Europeas, 2007).

The distribution of the financial shares on countries is presented in figure no.5. The latest news for this programming period is that the Cohesion Fund finances objectives of regional development policy together with ERDF and the European Social Fund and its function is based on the same programming, management and control rules as those for the Structural Funds.

Bureaucracy decreases because only major projects established by Article no.39 in the General Regulation have to be approved by the European Commission. For the other projects, the Member States bear the whole responsibility.

Other characteristic element of this programming period is the enlargement of the financing domains. So, the Cohesion Fund finances: sustainable development, regenerate energy, inter-modal transport systems, speedway, maritime and airway management, public transport and so on (Article no.2 from Regulation 1084/1996).

The Cohesion Fund has a macroeconomic clause which allows the European Council to suspend financial support from the Cohesion Fund (Article no. 4 of the Regulation 1084/2006). This clause is connected to a higher budgetary deficit of a Member State. Moreover, a possible suspend affects all program not only a specific project.

Romania will benefit in advance being financed by the Structural and Cohesion Funds according to the European Council Regulation no. 1083/2006. These sums are: 7% of the total 2007-2013 financial allocation from ERDF and the European Social Fund and 10.5% of the Cohesion Fund.

During 2007-2013, the Cohesion Fund will finance two SOPs in Romania: environment and transport (6.552 million Euros, as in figure no.6).

Under environment objective, Cohesion Fund finances: ➡ conservation, protection and quality improvement of environment; ➡

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human health protection; ➔ a cautions and reasonable use of natural resources.

As a result, those projects are eligible which are focused on: water reserves, water reconversion, growth of the forests, land erosion and nature preservation.

Under transport infrastructure objective, those projects are eligible which support associate trans-European networks and those which create access connections to this network.

Some official institutes are involved in the Cohesion Fund's implementation. These institutes are the Transport Minister and the Environment and Sustainable Development Minister with their specific departments.

On the other hand, there are structures which make the payments for regions like the Certify and Payment Authority of the Economy and Finance Minister.

The main message of the actual programming period is that the most important thing is a longer term sustainable development. That means leaving the traditional approach about old Member States versus New Member States.

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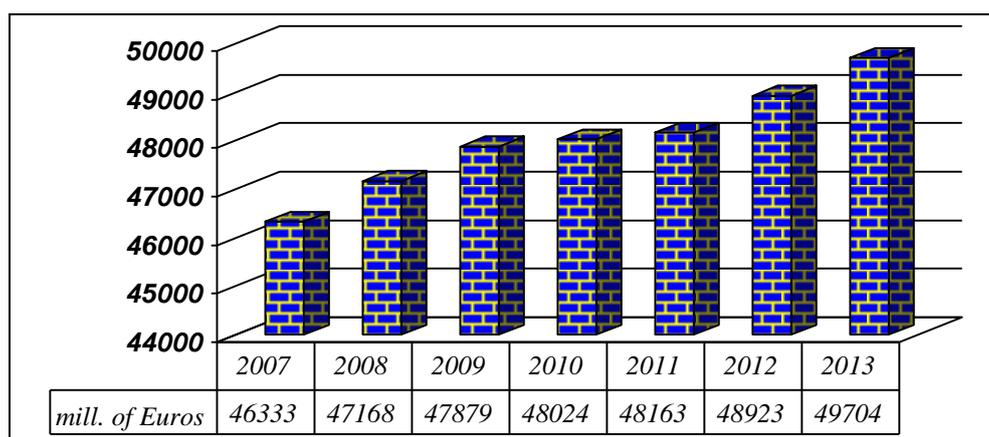


Figure no.1. The budget of the Structural and Cohesion Funds during 2007-2013

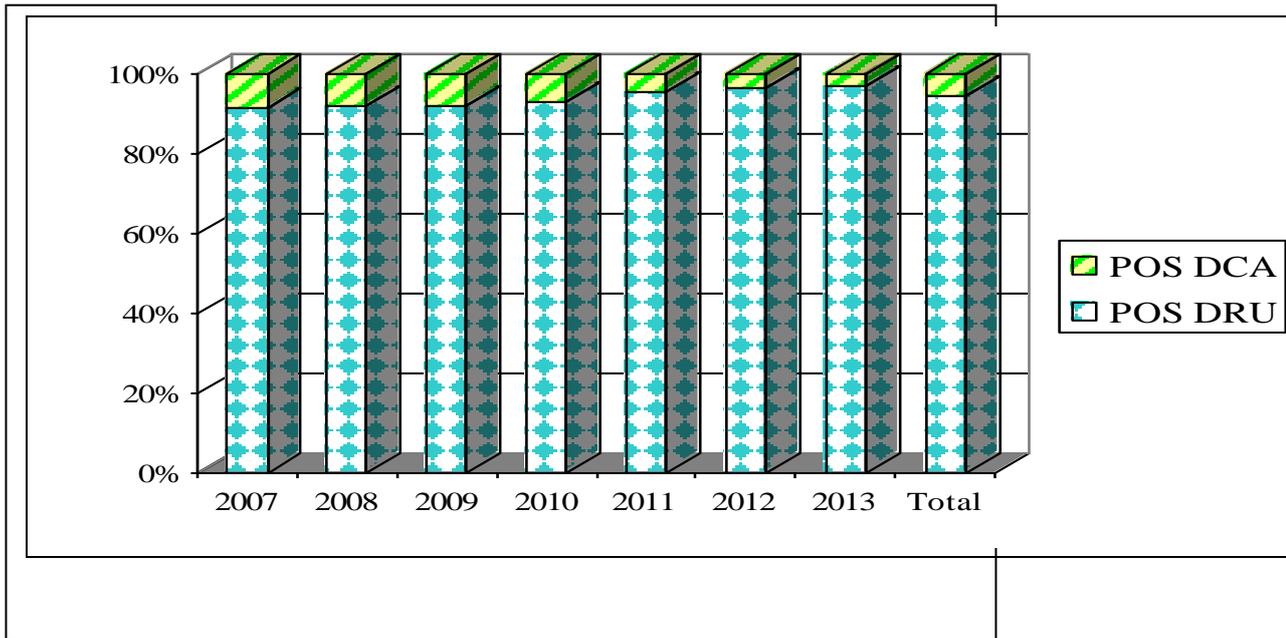


Figure no.2. Structure of the European Social Fund in Romania during 2007-2013

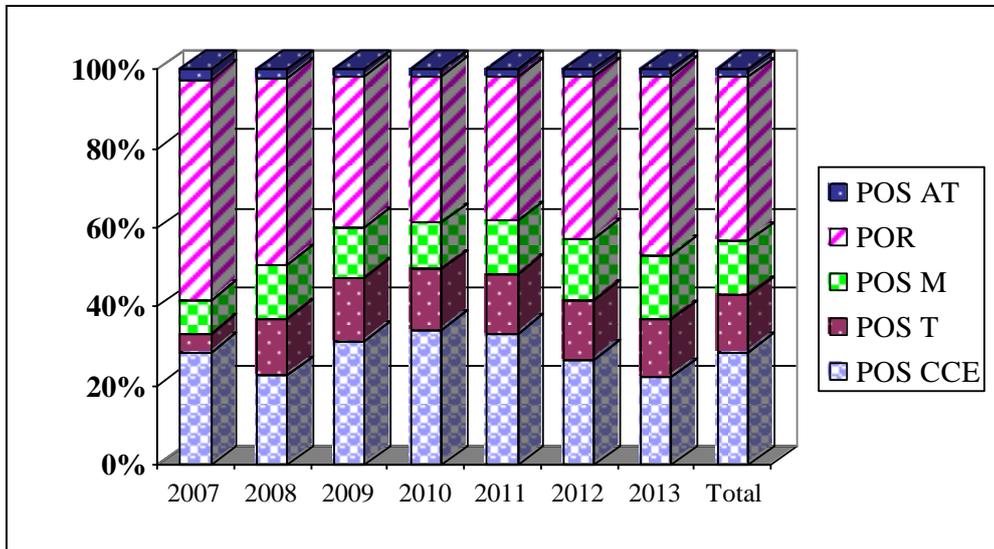


Figure no.3. Distribution of ERFD for Romania during 2007-2013

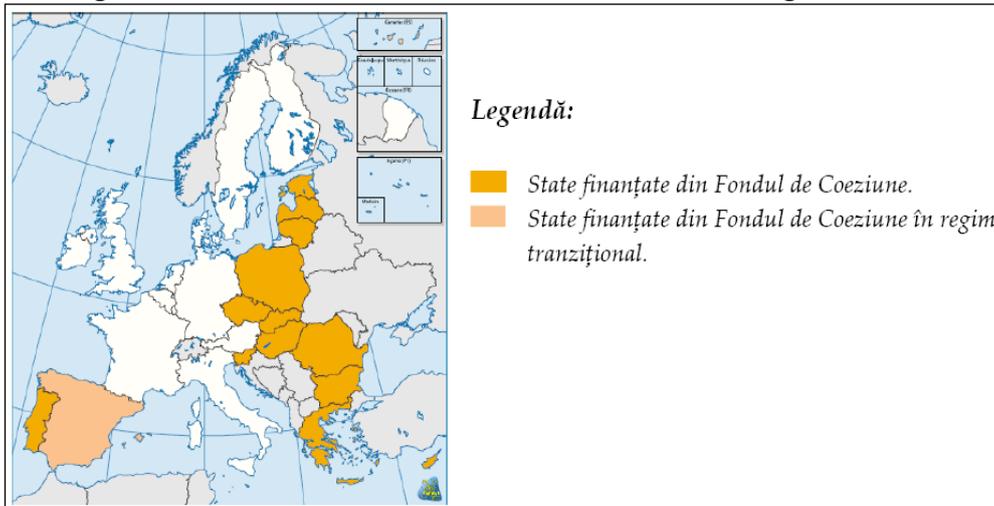
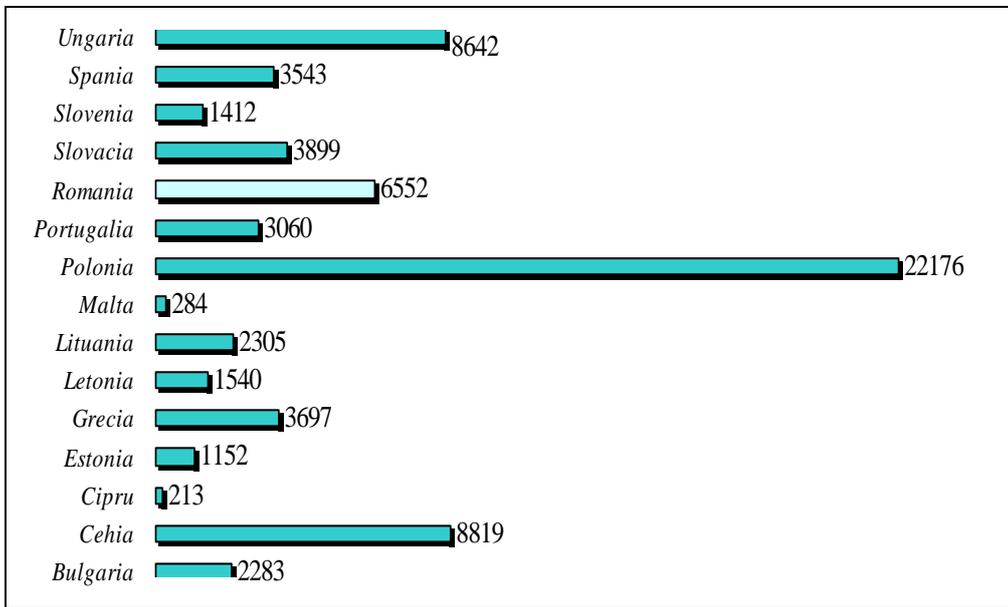
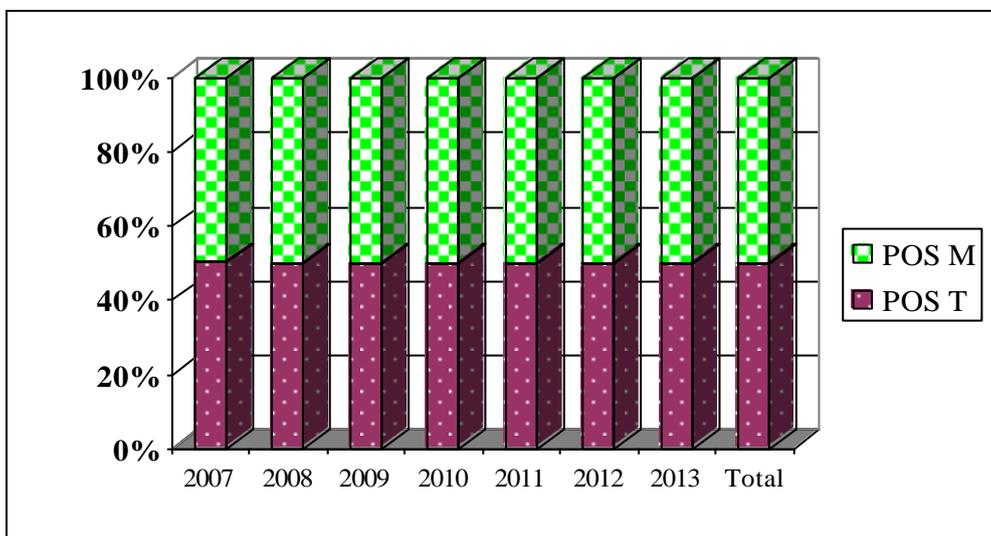


Figure no.4. Eligible countries for the Cohesion Fund during 2007-2013



**Figure no.5 European Cohesion Fund - financial allocations during 2007-2013**



**Figure no.6. Cohesion Fund for Romania during 2007-2013**

**THE ROLE OF THE EUROPEAN COURT OF AUDITORS IN  
IDENTIFYING ERRORS RELATED TO THE EXPENDITURES OF  
THE EUROPEAN UNION**

1. The mission of the European Court of Auditors
2. Errors found out by the Court
3. The recommendations of the Court concerning improvement of monitoring and auditing

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**Abstract**

*The mission of the European Court of Auditors is to ensure the independent audit on the way of creating and using the European Union funds and of thusly evaluating the way in which the European institutions fulfil their duties, aiming both at improving the management of the financial resources and informing the European Union's citizens regarding the use of the public funds by the authorities bearing management responsibilities.*

*The Court of Audits does not hold jurisdictional prerogatives. In the case where the auditors find out irregularities, including frauds, the competent community bodies are motivationally notified, the European Anti-Fraud Office.*

**Key words:** independent audit, management of financial resources, public funds, auditors.

**JEL Classification:** G28, G38.

**1. The mission of the European Court of Audits**

The European Court of Auditors is one of the five institutions of the European Union. Its mission is to independently audit the European Union's budget and evaluate the way in which the EU institutions meet their role.

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The Court was founded in 1975 by the Budgetary Treaty and is acknowledged as one of the European institutions by the Treaty of Maastricht (Balan, E., 2007).

It is known that the main role of the Court of Auditors is that of proving the EU budget justly implemented, thusly justifying the efficiency and transparency of the activities of the Union.

Due to the importance shown by the budget, the audit the Court performs is permanent, as it has the right of accessing any information necessary to accomplish its tasks. For this to happen, the Court is always in touch with other institutions, but independent of them, in order to ensure its objectivity.

The Court of Auditors annually draws up a financial report of the previous year, which is handed over to the budgetary authorities, respectively the Council and European Parliament. The Court's opinion is also important before adopting the financial regulations (Diaconu, N., 2001).

The European Court of Auditors does not have the legal power of making decisions and actine against other institutions, but in the case where it finds out fraud actions or irregularities, the Court has the obligation of notifying the institution competent on this matter.

The report of the Court concerning the EU budget and the one of the European Development Funds (EDF) contain the audit opinions issued annually and referred to as insurance declarations. The EC Treaty stipulates the responsibility of the Court of Auditors of thusly supplying statements regarding accounts and legality and regularity of the operations related to them. (Report, 2007). This insurance statement is generally known depending on the acronym in French, DAS ("Déclaration d'Assurance"). The main aim of DAS is to supply an audit opinion to the interested parties – especially to the Council and European Parliament, as well as to all EU's citizens – and an opinion establishing whether the incomes and expenditures of the EU are completely and justly recorded in accounts and also whether they have been gathered or spent according to all contractual and legal liabilities. The Court presents a global assessment of the legality and regularity of the budgetary expenditure operations as a whole, but also evaluations aiming at the various sections of the budget made up of the corresponding groups of policy domains.

## **2. Errors discovered by the Court (Report, 2007)**

In the Court's opinion, an error represents a deviation from the obligations stipulated in the applicable regulations. This deviation is discovered by the auditor. Certain errors are quantifiable, meaning they have a direct and measurable financial impact over the amount paid from the EU's budget, such as over-declaring the lands or animal strength or requests of financial support from the EU budget for the types of expenditures which are not eligible. Other errors have a non-quantifiable impact over the payments, such as the lack of the performance bond.

In order to determine the nature of the opinion it will state, the Court compares the error estimated index to what is deemed to be a tolerable limit – or significance threshold. When lacking a political decision regarding what should create a tolerable level of error, more precisely on the level of illegality and/or irregularity which may be accepted. The Court applies a limit of 2% of the population subject to the audit. When the index is calculated, the Court includes only the quantifiable errors. Therefore, the estimated error index shows the percentage of funds which should not have been paid. The Court also presents the mixed frequency of the quantifiable errors and of the non-quantifiable ones discovered within the samples of tested operations.

The errors may be generated by incorrectly implementing or wrongly interpreting the often complex norms regulating the expenditure systems of the European Union. It is deemed it is a matter of fraud only in the cases where the request for EU funds is intentionally erroneous. In the case where there are reasons for the Court to suspect the performance of certain fraudulent activities, they shall be reported to the European Anti-Fraud Office (EAO), which has the liability of conducting investigations in such cases. During the past four years, the average number of cases the Court has reported after the performed audits was of 3.5

In the case of three domains, the administrative Expenditures and other expenses, economical and financial Businesses and Incomes, the results of the tests performed by the Court onto representative operation samples indicate a lower error estimated level.

In the domain where the most important expenditures of the Union are registered – Agriculture and natural resources – the global estimated error index continues to be significant. In respect to the complexity of the norms regulating this domain, the rural development determines an excessively large part of this error index. In the case of the expenditures within the European Agricultural Guarantee Fund (EAGF), the Court

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estimates the value of the error index to be at least below the significance threshold.

As in the previous years, the cohesion policies representing over a third of the budget, make up the domain mostly affected by errors. According to the estimation accomplished by the Court relying on the examined samples, at least 11% of the value of the reimbursed expenditures statements should not have been returned. The measures taken in order to reduce the error level in this domain have not yet had assigned the time necessary for becoming efficient.

For the 2007 exercise, the Court states opinions without reserves concerning the incomes, engagements and payments related to the domains, Economical and Financial Businesses and Administrative Expenditures and other expenses.

The conclusion of the Court is that the operations in these domains do not carry significant errors. The surveillance and control systems are implemented in such a way that they ensure an adequate management of the risks of illegality and/or irregularity.

The Court states contrary opinions for the domains below: Agriculture and natural resources, Cohesion, Research, energy and transport, External Support, development and enlargement and Education and citizenship. The conclusion of the Court is that in these domains, the payments are still significantly affected by errors, although to various degrees. The surveillance and control systems implemented in these domains are deemed to be only partially efficient. The Commission, the member-states and other beneficiary countries must keep on making efforts for improving the management of risks.

The opinions stated for the exercise 2007 concerning the legality and regularity of the operations subjacent to the accounts of the EU budget are similar to those stated for the previous exercises.

In compliance with the data of the 2007 Report, the Cohesion is the domain mostly affected by error.

The EU expenditures in the domain of the cohesion are planned within some multi-annual 'programming periods', the payments related to each programming period continuing to be made two years, at the least, after its end. The findings of the audit of the Court in 2007 aim the payments related to the period 2000-2006, as the payments related to the period 2007-2013 made in 2007 are only in the form of the advance payments. For the period 2000-2006, the two more important structural funds are: The European Regional Development Fund (ERDF) financing, for example, the investments in infrastructure and activities of the small

and medium-sized companies and the European Social Fund (ESF), the project of which generally aim the unemployment and integration onto the labour market. Furthermore, there is also a Cohesion Fund sustaining the improvement of the environmental infrastructure and that of the transportation to the less developed member-states.

The financing the EU assigned for the cohesion is in the form of co-financing, and part of the funds must be supplied by the member-states. The financing unit for the cohesion policies is the project which the reimbursement is done for based on a statement of expenditures drawn up by the promoter of the project. The member-states are bound to set-up control systems having the role of preventing or detecting and adjusting the incorrect reimbursements of the costs of projects and other irregularities.

The member-states found separate bodies responsible for various controlling tasks: management authorities, for verifying daily the operations performed within the project, payment authorities, for certifying the expenditures performed within the project, audit bodies, for verifying the efficient verification of the systems and bodies of authorizing the closure accounts, for validating the final statement concerning the expenditures performed within the projects.

Within the Common Agricultural Policy (CAP), the European Union provides financial support to farmers and intervenes onto the agricultural markets. Most of the expenditures performed within CAP are financed by the European Agricultural Guarantee Fund (EAGF), but a more and more important part of the expenditures is financed by the European Agricultural Fund for Rural Development (EAFRD), comprising measures such as the systems for agro-environment, the infrastructure in the rural areas and compensations assigned for developing agricultural activities in not so favoured areas.

The conclusion of the Court is that the payments made in 2007 within the group of Research policies, energy and transport are affected at a significant error level concerning the legality and/or regularity. The Court evaluates that the surveillance and control systems for this group of policies are partially efficient.

The expenditures assigned to the policy domains External relations and Development, representing approximately two thirds of the expenditures made within this group of policies, include support provided to other countries in general, as well as the cooperation with them, as well as specific programs, such as the one concerning the food security and European instrument for democracy and human rights. The rest of the

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expenditures are devoted to enlargement (27%), more precisely, to the support for transitions and institutional consolidation and humanitarian help.

Most of the expenditures are managed by one of the following three general departments of the Commission: General Humanitarian Aid Department (ECHO), EuropeAid (external relations and development projects) or the General Enlargement Department. Besides the expenditures covered by this section, the European Funds for development also make available an important quantum of funds used with these aims (refer to section Audit Opinion on the European Funds for Development for exercise 2007)

A large part of the expenditures are managed by the delegations of the Commission into the third-party countries where EU finances projects. The implementing organisations performing the projects may be international bodies and NGO's, both local and international ones, as well as governmental institutions. A ratio of the aid for development is assigned in the form of budgetary support, a case where the funds are absorbed by the budget of the partner country subject to complying with certain conditions.

The Research policy group, energy and transport cover a wide range of activities meant to increase the competitions and economy. The largest part of the expenditures is devoted to technological research and development.

The research funds are supplied by means of certain multi-annual frame-programs (FP), disposing of several financing systems, aiming at the support of various types of projects.

The research projects are not only performed by institutions and universities, but also by natural persons, companies or public administrations. Generally, these projects reunite more research partners from a number of member-states and associated countries.

Although each partner signs a subsidizing agreement with the Commission, one of them is designated as "project coordinator", having as functions the surveillance of the financial and administrative aspects, as well as ensuring the communication with the Commission. The funds allocated for the various projects vary between a few hundred Euros and tens of millions of Euros. The expenditures within the programme concerning the trans-European networks (TEN) of energy and transport are aimed for some major projects in the domains of energy and transport, the average quantum of a subsidy being of more than 2 millions Euros. The beneficiaries are generally authorities of the member-states.

**3. The recommendations of the Court regarding the improvement of the surveillance and control (Report, 2007)**

Along the years, the Audit of the Court has shown that a significant volume of EU funds making the object of the allocated management is spent not in a so legal way. In the domains making the object of this type of management, the EU funds are paid to millions of beneficiaries on the Union's territory even based on the beneficiaries' statements. In the Court's view, this represents a risky inherent practice (Report, 2008).

Most of the time, the errors are caused due to increasing the costs towards the final beneficiaries and to the agreement or the latter wrongly apply of complex norms and regulations aiming at the EU's funds. This level of complexity may also cause mistakes upon those make the payment of the funds. For the exercise 2007, the audits of the Court in the domains of Agriculture and natural resources, Cohesion, Research, energy and transport and Education and citizenship indicate that this level of complexity has a considerable impact over the legality and irregularities of the payments.

The high level of error found out in domains such as Cohesion is partly due to the risk implied by the fact that a great number of beneficiaries' requests for EU funds must be done in compliance with the complex norms and regulations. The existing deficiencies in conceiving and operating the systems also contribute to the identified issues.

Most of the programs with EU financing stipulate corrective measures allowing them to act once in a number of years, to recuperations after detecting some errors. Nevertheless, there is no sufficient information on the impact of such measures, meaning it can not be set whether they succeed to efficiently diminish the level of illegal expenditures and/or in compliant with the regulations.

In 2000, the Commission works on a reform meant to improve administration of the EU budget, among others and by means of an action plan, adopted in 2006, which pursues the same objective. By the end of 2007, the Commission had launched two thirds of the sub-actions within the action plan on the matter (Ionescu, R.V., 2008).

Improving the controls on a higher level - such as the Commission monitoring the controls performed by the member-states - cannot compensate for the insufficiency of the audits on a lower level, such as the verifications on site.

The benefits caused by the increase of the number of controls on the lower level must be however adjusted to costs. The Court recommends to

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the political authorities of the Union to state which would be the reasonable level of error risk.

In order to obtain a reduction on the level of error affecting the payments to the EU budget, the Court recommends the simplification of the norms and regulations, rationalizing the internal control mechanisms and improving the monitoring and reporting.

The Court recommends the Commission to continue the implementation of the measures and actions targeting the improvement of the monitoring and reporting it performs. The Commission should make sure the annual activity reports and statements represent a coherent evaluation of the systems, compatible with the stated reserves. It should also cooperate with the member-states for improving the quality of information supplied in annual compendious situations and to prove the way in which this information is used in the annual activity reports for achieving a high level of guarantee or for creating an added value. It is recommended to the Commission to also adequately monitor the relevant measures in the action plan, including those regarding the recuperation systems. The Court formulates a series of recommendations aiming at the improvement of the quality of information regarding these multi-annual correction mechanisms and their impact (Report 2008).

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