

## PROBLEMS OF ACCESS TO STRUCTURAL FUNDS BY THE PRIVATE SECTOR

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The volume of structural funds for the SMEs, for the interval 2007-2013, totaling approximately 781.3 million Euros. Thus, it has provided 378.44 million for productive investments and preparation for competition in the business market, especially the SMEs, 100 million for access to finance and SMES 302.56 million Euros for the sustainable development of entrepreneurship.

Of all the programs, only three are of interest to SMEs: Operational Program Increasing Economic Competitiveness (PO-CEC), the Regional Operational Program (ROP), European Fund for Agriculture and Rural Development (EAFRD ). These funds are added the European Fund Jeremy, the program that supports small and medium-sized businesses to access venture capital and can be used from half of this year.

A private environment in Romania addressed three guides, depending on the size and value of the investment that you want to be done. Micro-enterprises were included in the Regional Operational Program, Axis 4 - 'support the development of the regional business environment and local to the area of intervention 4.3. - "Support the development of micro-enterprises". For projects for micro-enterprises contribution can not exceed 200 000. At SMEs sector targeted by the Sectoral Operational Program increased economic competitiveness, by Priority 1 - "A system innovative and eco-efficient production ", the area of D1.1 -" The investment and preparation for competition in a business market, especially the SMEs. It provides support for strengthening and modernization of the productive sector by

tangible and intangible investments (tangible and intangible). This support is divided into two parts: small investment for small companies (up to 250 000 euros) and investments for major companies medium (between 250 000 - 1 250 000 euros). In March 2008 have been launched three financing systems based on structural funds, which focus on increasing the economic competitiveness of the private sector in Romania.

A very important element that is found in the Guides of the applicant refers to the requirements of the European Union to provide financial aid offer. The beneficiary must taken within the category of small and medium enterprises (in accordance with the legislation in force); perform overlapping conditions of economic activity, while exercising a legal economic activity during the year previous obtaining profit from exploitation in the fiscal year preceding the filing of the application for funding to apply for funding for economic activities eligible under the NACE; not be in a state of insolvency, not be wound up, its business is not suspended or not subject to an arrangement with creditors, have fulfilled the obligations to pay fees, taxes and social insurance contributions to the budget of State or local budgets, to have fulfilled its contractual obligations under the process of acquisition of another public financing of European funds, have owned the land and infrastructure on which the investment is made. The concession contract shall be valid for a minimum period of 10 years and must prove the right to make investments in the field and concession buildings and grounds where we made the investment and infrastructure should

not be the subject of pending litigation resolution of the court and not be subject to claims under common law. This provision is consistent with the principles that guide the structural funds and, in fact, was stated at the beginning of the three guides, ensuring sustainable development.

Another important condition is that of having the financial capacity to provide its own contribution to costs, the financing of eligible project costs and insurance resources for the implementation of the project until costs.

Another important requirement promulgated by the Commission is obliged to maintain investment obtained by the project, at least three years. Once signed the contract, the one who gets the money can not hang around forever its implementation, the project needs to be finalized for two years from the date of signing the contract funding. Indeed, this is a general scheme of all guides solicitor, regardless of application areas and operational programs, sectoral, regional or rural environment. Another key by which the project will be considered filed, is the *susténabilité durable*. What does this neologism, apparently technique? Investment or investments made through the project must be able to support after the execution of payments of money from the European Union. This economic policy at the micro level is probably more intelligent than those who led Romania to the last extremity.

The list can be achieved through the structural funds is long enough may be found within the Guides. Indisputable that, if the SMEs is anticipated the possibility that they could acquire land at the limit of 10% of the eligible project, this is not the same for micro enterprises. Another difference is the amount that could cover the project for advice and opinions. If the SMEs, the figure is 10% for micro enterprises, this percentage is only 5% of the total eligible costs. It is considered ineligible expenditure, ie the amounts to be paid exclusively by the recipient: VAT, interest and other

committees related to credit (if the beneficiary has not had its and he borrowed from the bank), the collateral costs involved in a leasing contract, the acquisition of second-hand equipment, fines, penalties, means of transporting goods, auto vehicles which do are not directly related to the production process and which are not strictly necessary. Ineligible expenditures are borne by the beneficiary / solicitor, but we ignore them in determining the contribution of the solicitor.

The sum paid to the regional SMEs Bucharest and Ilfov medium than SMEs given to other areas of Romania, the reason being, in this case obvious. For small businesses, the contribution of the European Union will be 60% for the Bucharest-Ilfov region, but 70% for the remaining regions, and for medium-sized enterprises 50% for the Bucharest-Ilfov region, but 60% for the remaining regions. The money for micro enterprises has been distributed to the regions development and Bucharest-Ilfov received an average on the consideration that he did not have the same needs as the poorer regions (north-east, south-east and South-Muntenia).

What must be highlighted and selected the course of reading a guide is that the principle which regulates the management of EU money is the breakdown of expenditure. The recipient must be normally a lot of money, because this will ensure the payments first, following a later stage, according to invoices, it will enter into the possession of money, a symbol of the Union European. SMEs Projects are submitted to the Office of Territorial Cooperation and SMEs or residence of the Ministry of SMEs and Professions in Bucharest. Under the same call, a company may file a single project. The project for micro-enterprises is deposited at the headquarters of the Branch Development, intermediate bodies under the Regional Operational Program. Naturally, anyone who wants to get money, money that are not at all negligible, because if you want to buy

machinery, facilities or productive value of, say, 100 000, that the sum we pay, in reality will be approximately 40-50 000 (the amount varies depending on the specific conditions mentioned above).

Funding for starters and micro enterprises of local and regional interest in the Regional Operational Program has as its goal the support of the continuing process of restructuring and economic recovery of areas found in decline, especially small and medium towns by creation of new workplaces, because they have the flexibility to adapt to the demands of a dynamic market economy. The main activities are eligible: the acquisition of modern techniques of production, procession and marketing the purchase of equipment to improve production process systems "IT" (programs and equipment), methods and modern production process, the application of innovations and technology in the activity of firms and the diversity of consultancy services provided to business (such as marketing, project management, financial services, advertising the launch of Virtual Affairs).

The possible beneficiaries are represented by micro-enterprises and starters with the production and / or services that are active in local / regional level.

The creation of micro enterprises that development of existing ones in the non-agricultural rural environment, promotion of business initiatives promoted, especially by young people and women as incentives for crafts and other traditional activities are supported by the Action 312: "The support for the creation and development of micro enterprises" is part of the Axis III - "The Improvement of the quality of life in rural areas and diversity of the rural economy."

The overall objective (intended) through this route is the sustainable development of rural economy by encouraging non-agricultural activities, with the aim of extending the number of workplaces and profits additional.

According to the guide, the maximum value of the funds will be non-

refundable up to 70% of eligible costs but not exceed 50 000 per project if the beneficiaries are individuals authorized to 100.00 euros per project for micro enterprises which conducted their activity in the road transport sector and 200 000 per project for other small enterprises.

To facilitate access to EU funds by non-refundable EAFRD, the solicitor may receive advance funds up to 20% of the eligible non-refundable for the start of the project.

The public non-repayable assistance granted for micro-enterprises in the region of Bucharest-Ilfov be 10 percent lower than in other regions of the country because in this region, GDP is higher than in the other regions.

Funds not reimbursed to the beneficiaries will be granted for investment in active equipment (construction, modernization and expansion of buildings for a productive purpose and construction of buildings for the marketing of its products, associated with their allocation of equipment , machinery, including lease acquisition) or intangible assets of non-agricultural areas (software, patents, licenses, etc..), including acquisition through leasing.

With these non-reimbursed funds will be supported all costs related to project development, such as fees for architects, engineers and consultants, feasibility studies, the fees for issuing certificates, advice and permits necessary for the implementation of projects, acquisition of patents and licenses, limited to 10 percent of total eligible costs of projects and for projects that do not require building, in the limit of 5 percent.

Under this measure we can make investments in non-agricultural production, such as light industry, the procession of industrial wood products in wood, fine mechanics, assembly machinery, tools and household items, production of packaging, etc.. There will also be supported investments for the development of handicrafts and other traditional non-farm with a specific local (as sewing, hairdressing salon, shoe

repair), service connection and dissemination of 'Internet services and transport mechanization, plant protection, artificial insemination of animals.

Not the last, the acquisition of equipment for the production of energy from other renewable energy sources, other than biofuels, which will also be supported.

According to the guide, taxes and taxes, operational costs, including maintenance costs and rent, bank charges, costs of guarantees and other similar expenses, etc.. can not be considered as eligible investments and expenses.

Beneficiaries eligible for the assistance given by the measure are 312 micro-enterprises with fewer than 10 employees and have an annual net turnover or hold assets total value of up to two million euros equivalent in lei but also individuals (not registered as agents) - who, until the date of signing the financing contract, afford the commitment of a minimum status of natural person authorized to operate as a micro-enterprise, and something very important to register and place the activity proposed by the project in rural areas.

Conditions for the project to be eligible:

- It is developed and implemented on the territory of Romania;
- It is on the list of eligible operations presented in the Program Supplement, for each major area of intervention;
- It is for a region or a target group (if any), as presented in the Program Supplement or the Applicant's Guide;
- The duration and value of funding be sought within the limits set by the "call for projects";
- Compliance with the policies and standards and national as regards State aid, public procurement, respectively, equal opportunities and sustainable development.

The necessary co-financing for a project with the structural funds Of the total project cost, the beneficiary

must cover expenses not eligible, and cofinancing. Co-financing can also be represented by the contribution in kind by the beneficiary, as presented in the Manual on the eligibility of expenditure and in the Applicant Guide.

Also, the eligible expenditure for each project will be partly determined by the management authorities in accordance with national rules for eligibility. Thus, at the launch of an "application project", the Management Authority will inform the list of eligible expenses for these projects. The documents required to file a project. The documents required depend on the type of project:

- The economic-financial analysis;
- Risk analysis;
- The feasibility study;
- The technical project, if any;
- Authorization for construction;
- Notice of environment;
- The strategic environmental assessment;
- Documents confirming the funds;
- The title of ownership / The act of concession;
- Accounting records of the firm;
- bin tax of the person authorized to apply for funding and the person responsible for the project;
- The certificate certifying that the applicant has no debts to the state budget (obtained from the Financial Administration).

#### *The steps covered for funding*

Step 1: Eligible beneficiaries will complete the application and the annexes requested by the Management Authority. There is one model for funding applications for all three instruments structural, with attachments to each fund separately.

Step 2: The funding request is sent to the intermediate / Authority management.

Step 3: On the administrative check of the funding request, in accordance with the internal procedures of each AG.

Step 4: After the verification of compliance following the administrative

review of eligibility of the project. The eligibility criteria for projects are presented in the Program Supplement and must be approved by the Supervisory Committee.

Step 5: The technical and financial evaluation of the project.

Step 6: The selection of the project in accordance with criteria approved by the Supervisory Committee.

Step 7: The project approval and signature of the financing contract.

Romania did not lose lots of money, she was able to contract on average 90% -95% of the funds, and it is a success, a reasonable performance of commitments. The problems have occurred after the contracted funds, after implementation, the dispersion of funds, because at present there is pressure with regard to bids for projects in the public and private sectors, but demand work or opportunities are not too high. Currently, there is no labor force at some levels, not only for maneuvering, where there is a great demand, but also in the specialized areas, where opportunities are very large.

The biggest problem in Romania is that where there are several problems in the absorption of funds, there are, in fact, the greatest need of money, but because the respective sector is not well organized, it can not absorb the funds. This is the main problem, because if the money is directed only where there is a high rate of absorption, there is the risk of not solving the real problem. It is therefore a very complex, to be able to push the sectors most in need to be more effective. But on the other hand, it must use the funds, because, otherwise, it will be a lost opportunity for the country. It is a difficult balance to maintain, requiring the participation of public awareness. But of course the simplest solution is to give the money where we do something, but it is not always the best solution in the sense that we can absorb, but on projects that not necessarily effective impact in the economy, which does not mean much. Often, it is preferable to use may be less money, but in key areas and

key projects that will open doors for development, this is the solution. On the political scene there is a tendency to give attention only to the absorption factor, not the impact that these projects have. Romania should pay more attention to the impact.

For a more efficient use of funds from the European Union, the government has decided that investment in programs and national funding will be directed primarily in major cities of the 7 development regions, except the Bucharest-Ilfov. Full access is designed to reduce disparities between the capital and elsewhere. The seven cities were selected based on several criteria, including a balance on the territory, the level of economic development and to attract potential investors. Seven cities were selected, respectively, Iasi, Constanta, Ploiesti, Craiova, Timisoara, Cluj-Napoca and Braşov. For each designated as a national increase of pole region has been divided: the north-east, with the departments of Bacău, Botosani, Iasi, Neamt, Suceava and Vaslui, the South East (Braila, Buzau, Constanta, Galaţi, Tulcea, Vrancea), region Sud-Muntenia (Argeş, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova, Teleorman), the South West region OLTEN (Dolj, Gorj, Mehedinti, Olt and Valcea), West (Arad, Caras-Severin, Hunedoara, Timis), the North West region (Bihor, Bistrita-Nasaud, Cluj, Maramureş, Satu Mare, Salaj) and the Central region (Alba, Braşov, Covasna, Harghita, Mures, Sibiu).

Almost a third (29.91%) of respondents to a survey conducted by Structural Consulting Group consider that the bureaucracy is the biggest problem in the management of structural funds in Romania.

The bureaucracy is certainly a problem. Many Byzantine and Mediterranean countries tend to maximize the bureaucracy and there is much to be done to facilitate investment in the business environment.

An example in this direction is given by the fact that companies want to

submit projects for funding are determined by obtaining the environmental permit. The companies knew long ago that they must perform all the environmental criteria, but they were negligent or they have no money. If they have not obtained the environmental permit, then they can not submit projects and we consider this as one of the causes that lead to fewer projects for funding. Small businesses feel they should have been supported by government programs (strictly related to environmental criteria), which should have started, which should help the SMES to be ready for the structural funds.

Other things that employers are angry the lack of transparency of officials gestionent the approval process for structural funds and the postponement of periodic terms of deposition files (15.1%) of respondents indicating this.

Thus, most of the bodies responsible for management of EU funds, created by European rules have been surprised in the feet flat. And this has not happened only once, it became este something usual in the last 2 years.

The first signal was the delay with which the projects have been prepared and submitted to the approval of operational programs. If the Romanian business environment and the local authorities had been able to benefit from funds not paid from 1 January 2007, they could have been accessible only at the beginning of 2008, in the best case. But there are examples of programs that have been implemented only in July this year, such as the Operational Program for Fisheries. Throughout this time, money intended for these programs and their related interests were the EC, not Romania.

Major problems began with the launch of the programs. I will only list those:

- Guides of the applicant appeared in haste;
- Selection criteria unclear which left room for different interpretations on

the part of representatives of intermediary organizations;

- Rules changed during the session for presentation of projects (ie, some projects have suddenly become ineligible or have earned lower scores);

- Delays in the announcement of selected projects

- Delays in signing contracts with beneficiaries selected for funding.

Who bears responsibility for the deficits and what is the way to remove them? Many will say that the Romanian authorities are guilty, by the management of departments and intermediary organizations. But if you look at the whole system, not just these little problems, we can see that the guilty are not only those who apply and are subject to the system, but those who created and still improve the system. Thus, the main culprit is the European bureaucracy. A fight with this person is impossible because it is rooted in all structures of the EU.

The next problem identified by respondents is the lack of the ability of beneficiaries to finance or co-finance projects (15.16%). It is known that a major problem of Romanian SMES is represented by the lack of money needed to participate with their own contribution to the financing of investments, within the context of an important principle that funding programs work, is it that the first beneficiary invests, then the eligible expenses are reimbursed. In this regard, commercial banks and loan companies have already begun to provide funding to cover part of the requested contribution to the beneficiary by the financier. Banks have started the credit for the financing, a new banking product designed to cover the lack of financial resources for those interested to access EU funds. The complexity of procedures for access to European funds led to the need for support from the banks in the process of funding and financing of the final beneficiaries.

Some institutions of the Romanian banking offer service packages that include, in addition to the finance

department, the counseling component in establishing the eligibility of projects and the preparation of the necessary documentation. They also provide other specialty services such as issuing letters of guarantee, issuing letters of comfort, and if the guide to access the structural funds require the pre-grants, funding for eligible costs of the project, including VAT, or the opening of accounts for the payment of subsidies to farmers.

Thus, the credit "bridge" is intended to cover the time shift between the time of initiating the start of payments by the Authority management, throughout his career, until the completion of work. The maximum amount that can be funded is determined after the presentation of the project by the debtor, the amount may not exceed the reimbursement established structural funds established in the financing agreement with the Authority's management. The period of accreditation is supported with the implementation of the project and the terms maxims of reimbursement of expenses pursuant to the operational programs. The repayment of the loan will be made repayments of grants, under the terms agreed with the Managing Authority.

The second variant is represented by the credits such as "financing" which, unlike the first, covers the difference between the total project cost and amount of funds obtained in which are included as eligible costs.

It is possible that the bank requesting the transfer (refunds) that arise from the financing contract with the Authority established by management, the mortgage category I on the property (land, buildings) that are the subject of finance or guarantee Senior on the equipment, the property of the debtor. Financing of eligible expenditures by bank loans may benefit from the newly established firms (start-up), to those whose turnover exceeds 50 million. The currency in which you can obtain the loan, the conditions which may apply, depending on which criteria are the first

runs, also the interest varies from bank to bank.

The international financial crisis is that banks give more and more difficult to credit, fear not to approve loans to risky projects. Interests are also growing, due to the increased cost of financing in the international level.

Thus, bank financing will be very difficult to access, the companies most affected. It is estimated that at least 10% of companies interested in EU funds will not be able to obtain, even if they have good projects, but considered a higher degree of risk. Other approximately 60% of companies place strong business will be able to receive money, but they will bear the higher costs of credit Nicolescu. The remaining 30% of enterprises, since they can provide funds from their own budgets, will not be affected by the crisis.

Low expertise beneficiaries writing projects is regarded as one of the main obstacles in the management of structural funds by 12.18% of respondents, while information on opportunities in deficit financing structural funds is considered a serious problem for 11.76% of respondents.

To eliminate these deficits, most of the beneficiaries tend to use a company to develop the project. It works on a permanent basis in the field, and as the frequent changes occur, only one person who works in the system can learn the time and will be able to develop a project with more likely to be accepted. Neither the investment needed in case it uses a specialized firm is excessively high. The commission received for a project somewhere between two and five per cent of its value, depending on the complexity, a commission which can be found largely in the eligible costs. The publicity departments are programs springs and axes thrown about the structural funds is in a language of wood hardly accessible particularly for those belonging to rural areas or those with a certain level of knowledge.

Considering the timely creation of an information system that would allow applicants checking phase and the

findings of the evaluation. The creation of a virtual space corresponding to verification at any time of the stages of evaluation of projects submitted to the candidates would have access to inclusive scores and scores of documentation. In this way, it promotes not only greater transparency in the process of evaluating requests for funding / projects submitted, but we can assimilate "best practices" obtained by the correction of flaws that led to the rejection of these applications financing and their reiteration. To promote inter-communication system as closely as possible and running between the actors who implement projects and intermediaries / agents pay /

Managing Authorities, potential beneficiaries have asked the Government of Romania and the Commission EU to create a clear technical protocol for the realization of periodic reports from best practices in the area and approval of certain indicators verifiability. Establishing such a communication system can guarantee a great extent, effective prevention of disruptions, bottlenecks and crises that may occur, particularly in the context of institutional and administrative capacity is still fragile, the high level of corruption, still claimed by the European Union and non-governmental organizations that monitor the use of public funds in Romania.

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