

THE EUROPE 2020 STRATEGY AND BENEFICIARIES OF STRUCTURAL FUNDS

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ABSTRACT

This article investigates goal I "Investing for growth and job creation" of Europe 2020 Strategy and how it influences the small and medium enterprises sector. We look to show how both structural and government fund implements this indicator. From the point of view of the private beneficiaries, the investment decision is a financial one (profit is being pursued) and, in view of the structural funds allocated, it is desirable to achieve the objectives of the European Union policy. Human resource in this case may be called beneficiary demonstrated by project indicators. But unlike the beneficiaries defined by the guide, they do not have to meet eligibility criteria or to reach indicators of the program. Based on 2 structural funds and 3 government funds we find some patterns, which could explain why the human resource/employs may be called beneficiaries.

KEYWORDS : *structural funds, objectives, human resources, employees, applicants, beneficiaries*

JEL CLASSIFICATION : *M16*

1. INTRODUCTION

On 3 March 2010, the European Commission proposed a strategy for the next 10 years for the economic development of the European Union. This strategy was designed to bring Europe out of the global crisis that occurred in 2008 (Bongardt and Torres, 2010). Priority objectives of the Europe 2020 strategy were investments for growth and jobs, and european territorial cooperation. In this paper we have shown how this objective has in fact influenced both governmental and structural funds in the SME sector.

This paper has also the role of showing who are the real beneficiaries of the structural funds by making a comparison between the applicants' guides and what is happening in reality. The applicants for structural funds are those entities defined by the guide that they are able to apply in a call for projects. Applicants are responsible for complying with the eligibility and selection criteria mentioned in the Specific Guidelines. At the same time, we can see that beneficiaries of the financial allocation were not only the applicants which are defined by the guide and it can be an indirect beneficiary like state institutions, institutions of credit and financial-banking, local business environment, human resource.

2. LITERATURE REVIEW

According to Bachtler John and Martin Ferry (2015) over the past two decades, the performance of the European Union (EU) and Cohesion Policy have focused on the structural and cohesion

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impacts, but also the responsibility of the Member State for spending decisions. The Europe 2020 strategy proposes three priorities:

- Smart growth: developing an economy based on knowledge and innovation;
- Sustainable growth: Promoting a more resource-efficient, greener and more competitive economy;
- Inclusive growth: Promoting a high-employment economy to ensure social and territorial cohesion.

Table 1. Main differences between objective, structural funds and cohesion policy instruments for 2007-2013 and 2014-2020

Period 2007-2013		Period 2014-2020	
Objectives	Structural instruments	Objectives	Structural instruments
Convergence	European Regional Development Fund + European Social Fund + Cohesion Fund	Investing for growth and job creation	European Regional Development Fund + European Social Fund
Regional Competitiveness and employment	European Regional Development Fund + European Social Fund		+ Cohesion Fund
Cooperare teritorială europeană	European Regional Development Fund	European territorial cooperation	European Regional Development Fund

Source: adapted from European Commission (2015)

It can be noticed that for the period 2013-2014 there were 3 key objectives in terms of cohesion policy, these being broken down into two objectives for the 2014-2020 period:

- investments for growth and jobs, supported by the ERDF, the ESF and the Cohesion Fund at the same time this is common to three categories of regions: less developed regions, transition regions and more developed regions
- with regard to the European Territorial Cooperation Objective, is also maintained for the period 2013-2014 and will be supported by the ERDF.

From the point of view of the European Commission, an Operational Program can be considered efficient by comparing the obtained results (inputs) compared to the financial resources used according to Marchante and Ortega (2010). Through resources we can understand all the costs of a program, starting from planning to programming and the implementation part Molle, W. (2006). Thinking of an operational program is complex and must closely follow the objectives pursued from the global to the specific level to reduce discrepancies. In most cases, the effectiveness of a program has been seen only in financial terms, and can only be correlated with the degree of absorption in the absence of more effective data reflecting the reality of the implementation of these programs. On the other hand, Nicola Francesco Dotti (2011) states that the effectiveness of a policy also depends on how it is conceived, but also on how it is implemented.

3. RESEARCH QUESTIONS AND FRAMEWORK

Dudka and Lancry (2014) argue that financial instruments are seen as an alliance of private interests and public goals. From the point of view of the private beneficiaries, the investment decision is a financial one (profit is being pursued) and, in view of the structural funds allocated, it is desired to achieve the objectives of the European Union policy. Palinko et al. (2013) states that projects are feasible when the rate of return is higher than the cost of opportunity and that performance indicators are based on a cost benefit analysis.

According to Nicolaidis Phedon (2014), the use of structural funds as financial instruments to support SMEs can generate three advantages:

- these are non-reimbursable
- beneficiaries of this fund
- raising time may in time use these resources for other projects
- Improve private resources by providing co-financing, but can appeal to non-public investors
- can be considered incentives
- sometimes grants can be private as gifts.

Starting from the conclusion of the study by Nicolaidis Phedon (2014) that "EU support has a greater effect on increasing production and employment than increasing productivity." By analyzing the project indicators "the average number of employees" it can be noticed that the focus is put on the labor force during the 2014-2020 funding period. The question is how this goal influence structural and governmental funds?

4. STRUCTURAL AND GOVERNMENTAL FUNDS – OBJECTIVE I

Regarding the impact of this objective on the SME sector (private beneficiaries), two programs can be exemplified in the funding period 2024-2020:

Regional Operational Program (ROP 2.1) P.I.2.1.A - Promoting entrepreneurship, especially by facilitating the economic exploitation of new ideas and by encouraging the creation of new enterprises, including through business incubators - MICRO ENTERPRISES and ROP 2.2. P.I 2.2 - Supporting Creation and Expansion advanced production capacities and service development, both funding programs had as indicators the creation of new jobs / their maintenance and the attribution of scores related to this criterion:

Table 2. Employment ROP 2.1

Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and by encouraging the creation of new businesses, including through business incubators - MICRO ENTERPRISES	
ROP 2.1	
Project indicators	Project score
Increase in average number of employees Or Maintaining the average number of employees	The investment envisages an increase in the average number of employees as a result of the investment and maintaining this increase over the entire project monitoring period (3 years after the final payment under the project) with: a.> = 5 for 10 points b.> = 3 and <5 for 7 points c.> = 1 and <3 for 3 points

Source: adapted from Employment ROP 2.1 (n.d.)

It can be noticed that ROP 2.1 emphasizes the creation of new jobs. What is to be known is that this program is addressed exclusively to micro-enterprises and does not finance the developed region Bucharest-Ilfov, only the less developed regions. So for 10 point the beneficiaries need to hire up to 5 people a big number for micro-enterprises. It's well known that micro- enterprises has between 1-9 employees, so we talk about the half of his employees. It is also worth mentioning that salary costs are not eligible under this program. It can be seen how Objective 1 influences program indicators. The only indicator of the program refers to the number of employees, in this case companies are not forced to reach a certain turnover or profit only to maintain the number of employees.

Table 3. Employment ROP 2.2

P.I 2.2 - Supporting Creation and Expansion advanced production capabilities and service development POR 2.2	
Project indicators	Project score
-Creating a new production / service unit in the field of activity (CAEN class) targeted by the investment Or - Extending the capacity of an existing unit by increasing the volume of at least one product / service related to the field of activity (CAEN class) targeted by the investment Or -Diversification of the production of an existing unit by products / services that were not previously manufactured / rendered in the unit, in the field of activity (CAEN class) targeted by the investment.	Hiring people from disadvantaged categories for two points.

Source: adapted from Employment ROP 2.2 (n.d.)

Regarding the POR 2.2 program, we are already talking about another set of indicators that indirectly implies the creation of new jobs, such as:

-the creation of a new production unit that can not be achieved without new staff, or
 -the expansion of production capacity that can also mean increasing the number of staff employed or

-the diversification of existing production that again requires the need for staff trained in that field. Although, the conclusion is that jobs themselves are not an indicator, but this type of investment means that the companies increases the need to hire new staff. The difference between the two programs is that the first is addressed exclusively to micro-enterprises, while the second is addressed to small and medium-sized enterprises. The same program does not finance the Bucharest- Ilfov region but only the less developed regions.

This indicator of job creation is present in most programs funded by government funds such as:

Table 4. Employment ROP 2.2 Government funds

Year 2017	National Multiannual Program for Microindustrialisation	Program for the development of marketing and market service activities	Start-up Nation
Number of jobs created at the time of reimbursement (for maximum score)	created jobs ≥ 4	created jobs ≥ 3	created jobs ≥ 2
Additional mark for a job for a graduate / unemployed person starting in 2012	Yes	Yes	Yes

Source: own editing based on Applicant Guidelines 2014-2017 AIPPIMM (n.d.a)

In the development strategy of the SME sector, it can be seen that the creation of new jobs is a priority, in order to reduce the unemployment rate and to employ as many graduates as possible. In conclusion all the above-mentioned programs, the employer's obligation to keep these jobs is ensured during the mandatory maintenance period of 3/5 years. If these people decide to change the

job, the employer has to replace them with other people in the same category. From the point of view of the private beneficiaries, the investment decision is a financial one (profit is being pursued) and, in view of the structural funds allocated, it is desirable to achieve the objectives of the European Union policy.

To see the difference between an applicant who opts for a lower number of employees than one who opts for a larger number of employees, we make this comparison:

Table 5. Equal scores

National Multiannual Program for Microindustrialisation	Program for the development of marketing and market service activities	Start-up Nation
-the number of new jobs created; -the average number of employees at 31.12.2016; - the percentage of the own contribution; - the value of the operating profit as at 31.12.2016; -the share of investment in fixed assets of category 2.1 (technological equipment) and 2.2 (measuring, control and regulation devices and installations), including IT-technical computing equipment and 2.3.6.8.1 (electrodes and fork-lift trucks) of GD 2139/2004 or inventory items assimilated to them and software necessary to conduct the business; -date and time of enrollment in the program.	-the number of jobs to be created according to the business plan; - the number of jobs to be created among graduates from 2012 / disadvantaged / unemployed; - the percentage of the own contribution; - the value of the operating profit as at 31.12.2016; - the share of investments in the equipment referred to in items 2.1, 2.2 and 2.3.6 of GD 2139/2004 and software necessary for carrying out the activity or inventory objects assimilated to the said groups; - the associate / shareholder / did not have / does not have the status of associate / shareholder in another company set up under Law 31/1990 -the association / shareholders / shareholders have not benefited from a grant under the national programs to support the establishment and development of SMEs over the last 3 years; - date and time of enrollment in the program	-the number of jobs to be created under the program; -the number of jobs occupied by disadvantaged persons * / unemployed / graduates after 2012 **; - acquisition of technological equipment; an activity that the program accesses; the date and time of enrollment in the program.

Source: own editing based on Applicant Guidelines 2014-2017 AIPPIMM (n.d.b)

In all three cases presented at equal scores, the number of new jobs created is the first criteria. This difference was highlighted in July 2017 when the Start-Up Nation project registration was over and according to Ministry of Business, Trade and Entrepreneurship, 19296 is the total number of business projects registered for funding in the Start-Up nation program, which is already considered "a record absolute for all national programs managed by the Ministry of Business, Trade and Entrepreneurship ". Although the number of enrolled applicants is very large, and the budget of the program has been an ambition, which announces that approximately 10,000 projects will be funded. The statistic show that the financing projects are as follows:

- With 100 points - 3983 business plans submitted
- With 95 points - 4566 business plans submitted
- With 90 points - 104 business plans submitted

To reach a score of 90 points, applicants had to hire a minimum of two people of which they had to be from disadvantaged category. Our conclusion is that:

- applicants must hire as many people as possible
- the unemployment rate is set (of the disadvantaged categories are the unemployed)
- encourages forms of learner (is awarded for graduates)
- stable jobs for an indefinite period
- high competitiveness among companies due to the number of employees- a high workforce that can lead to increased turnover
- economic stability
- population migration may decrease

5. THE DIFFERENCE BETWEEN THE BENEFICIARIES AND THE APPLICANTS FOR STRUCTURAL FUNDS

Starting from an analysis based on the application guidelines of the programs for the 2014-2020 period, we can say that the structural fund solicitants are defined by them as:

- Administrative-territorial units, bodies, authorities and public institutions, other public law entities
- Privacy law
- Associative forms

The applicants for structural funds are those entities defined by the guide that they are able to apply in a call for projects. Applicants are responsible for complying with the eligibility and selection criteria mentioned in the Specific Guidelines. These are the primary assessment conditions in the selection process. Beneficiaries of structural / national funds are those entities that have passed the selection process and who have been declared eligible to benefit from the funds available to them, a grant agreement / contract has been concluded. In the case of Structural Funds the Regional Operational Program 2014-2020, Priority Axis 2 - Improving the Competitiveness of Small and Medium Enterprises, Investment Priority 2.1 according to Annex 5 - Standard Model of the Financing Contract (indicative) is concluded between two parties Ministry of Regional Development and Public Administration as Managing Authority for the Regional Operational Program 2014-2020 and / or the Intermediate Body and the beneficiary of the funding that is the applicant who has met the eligibility conditions.

It is practically the only entity responsible for the correct implementation of the fitting application, being bound by the current legislation and all contractual clauses. These aspects are clearly defined by each priority axis through published guides and published anxieties.

At the same time, we can see that although the beneficiaries of the financial allocation can only be the applicant we can speak of indirect beneficiaries not defined by the guide but with a high economic impact such as:

- state institutions
- institutions of credit and financial-banking
- local business environment
- human resource

By analyzing each sector we concluded the following:

1.State institutions: Within each call for projects, in addition to submitting a business plan / application for funding, the applicant is required to provide certain documents attesting to the truthfulness of the information presented, so these documents may be:

- Certificate in the extended form, issued by the Trade Registry Office attached to the court where the applicant is located, issued no later than 30 calendar days before the date of filing the application for funding o According to the official website of the National Trade Registry Office, the request for these documents involves the payment of a fee by each company
- The applicant's tax record certificate

- The tax attestation certificate regarding the payment obligations to the local budget and state budget

All these documents involve the payment of taxes to the institutions of the Romanian State. Thus, the state institutions also benefit from the implementation of the projects

2. Institutions of credit and financial-banking

We stated earlier that the beneficiaries of the structural funds are the credit or financial-banking institutions, because most of the financing we are not talking about a 100% financing at the contracting stage (before signing the financing contract) requires proof of financial capacity.

The proof of financial capacity according to the Applicant's Guide to ROP 2.1 is a document of the following: bank statement, proof of credit line / contract issued by bank / bank financial institution attesting that the applicant owns its own contribution to the eligible amount and the ineligible value of the project. In most cases, when it comes to SMEs, they often do not have the money needed for investments and resort to credit issued by the bank / financial banking institution.

Banking financial institutions are prepared in this area with packages detonated especially for SMEs (credit issued by the bank / bank financial institution like SME loans, for example Transylvania Bank:

-Invests Romanian

-Leasing

-Start-up Nation powered by Bank Transilvania

-Credit lines

-Co-financing European Programs

Depending on the needs of each SME, financial institutions have developed credits or programs that can provide them with the packages they need.

In addition to co-financing, we can also talk about pre-financing under Instruction No. 280558 / 19.01.2013, the beneficiaries of the pre-financing mechanism must submit a letter of bank financing. According to Instruction 311797 of 23.12.2013 Art. 1. The beneficiary requesting pre-financing must present a guarantee instrument issued by a bank or insurance company stating that the value of the guarantee instrument must cover the amount of the advance and, if applicable, the VAT including the damages that may be incurred if the contractual conditions are not met. Also in this instruction it is stated that if we are talking about a banking company the document is a letter of guarantee and if we are talking about an insurance company the document is type of insurance policy.

3. Business environment

The implementation of projects for private beneficiaries with financing obtained through the structural funds implies compliance with Order no. 3.123 / 2015 on the application for the period 2014-2020 of the simplified procedure applied by private beneficiaries in the framework of projects financed by the Structural Instruments, the Convergence objective and the projects financed by the EEA and Norwegian Financial Mechanisms for the award of supply contracts, services or works. Thus, the awarding of works, services, goods procurement contracts will be carried out in accordance with the provisions of Order no. 3.123 / 2015. According to the Order, the private beneficiary can carry out a direct purchase if it makes a purchase below the value thresholds.

4. Human resource - According to the European Commission Communication "A European Strategy for Smart, Green and Inclusive Growth", the European Commission points out that at the European level there is a problem related to employment, according to statistics, also by the fact that only two thirds of the active population currently has a job compared to the US where the percentage is much higher, namely 70%.

Since both types of financial instruments or funds under the human resources objective, both types of financial instruments refer to categories of "disadvantaged persons", they lead to equal opportunities and treatment. In the development strategy of the SME sector, it can be seen that the creation of new jobs is a priority, in order to reduce the unemployment rate and to employ as many graduates as possible. In all the above-mentioned programs, the employer's obligation to keep these

jobs is ensured during the mandatory maintenance period of 3 years. If these people decide to change the job, the employer has to replace them with other people in the same category.

According to the conclusions of the European Council on 28 June 2013 (European Council Conclusions, 27-28 June 2013, EUCO 104/2/13, the European Union will undertake the following measures to support youth employment as follows: - In the implementation of the Structural Funds, a particular focus will be placed on youth employment through the European Social Fund (ESF), which is one of the main EU financial instruments for this purpose:

- Through the "Youth Employment Initiative" to allow for the first payments to beneficiaries in EU regions facing youth unemployment rates of over 25%
- The EIB will contribute to combating unemployment through the Youth Jobs Initiative and the 'Investing in Competitiveness' - Promoting the mobility of young people looking for a job, such as the program "Your first EURES job" or "Erasmus +"
- workplace learning will be promoted
- fully involved social partners

6. CONCLUSIONS

The main objective of this paper was to investigate how goals 1 "Investing for growth and job creation" of Europe 2020 Strategy and how it influences the small and medium enterprises sector. We look to show how both structural and government fund implements this indicator. When we talk about structural funds it can be noticed that ROP 2.1 emphasizes the creation of new jobs. What is to be known is that this program is addressed exclusively to micro-enterprises and does not finance the developed region Bucharest-Ilfov, only the less developed regions. So for 10 point the beneficiaries need to hire up to 5 people a big number for micro-enterprises. It's well known that micro- enterprises has between 1-9 employees, so we talk about the half of his employees. It is also worth mentioning that salary costs are not eligible under this program. It can be seen how Objective 1 influences program indicators. The only indicator of the program refers to the number of employees, in this case companies are not forced to reach a certain turnover or profit only to maintain the number of employees. In the development strategy of the SME sector, it can be seen that the creation of new jobs is a priority, in order to reduce the unemployment rate and to employ as many graduates as possible. Within each session it can be seen that most of the applicants do not go to the maximum number of job creation because it is a difficult indicator hard to reach especially for the micro-enterprises sector.

From the point of view of the private beneficiaries, the investment decision is a financial one (profit is being pursued) and, in view of the structural funds allocated, it is desirable to achieve the objectives of the European Union policy. Human resource in this case may be called beneficiary demonstrated by project indicators. But unlike the beneficiaries defined by the guide, they do not have to meet eligibility criteria or to reach indicators of the program. Based on 2 structural funds and 3 government funds we find some patterns, which could explain why the human resource/employs may be called beneficiaries.

This work established the beneficiaries and applicants of the Structural Funds for 2014-2020. For an overview we analyzed human resource, business environment, credit and financial-banking institutions, state institutions by point of view of structural funds. We contributed with this work to prior literatures about structural funds by creating a new theoretical framework that have showed us which are the most and the less researched topics on this.

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