ALTERNATIVE MECHANISMS OF FINANCING REGIONAL DEVELOPMENT
- Abstract -

Regional development is a vital process underpinning Europe's economic and social integration and the diversity of European regions is not an obstacle to regional development because it does not aim at uniformizing the entire geographical area, but on the contrary, at reaching a standard of a decent living.The European Union is one of the world's most prosperous economic areas, but the differences between the member states are striking, especially if taking into account there are 268 regions within the Union. Differences between these regions do not consist of history and traditions, or in the language used but in the level of development, respectively the living standards of the inhabitants. The concept of regional development is closely related to the concept of economic development and focuses on territorial, zonal or local aspects. Starting from the belief that, at present, funding mechanisms have a decisive role in the process of regional development, the author was interested in the evolution of the relations between funding mechanisms and the regional development policy. Most countries of the world did not have a uniform economic development from a territorial perspective, since they faced either overdevelopment or underdevelopment, identifying the main funding mechanisms that can lead to the reduction of discrepancies between the regions and to the achievement of a balance and their harmonious development. All these have led the author to orient her approach towards four directions of study: defining the concept of regional development in the European Union on the one hand, and in Romania on the other; involvement of the public budget in the implementation of the regional development policy; involvement of banking institutions in the funding of European projects; presenting the management of accessing European funds to create the background of building models for quantifying the influences of European funds on regional development and economic growth and elaborating a study validating the theoretical hypotheses formulated.

In full accordance with the logical structure of the research objectives, the first chapter "**Regional Development - a Controversial Concept**" begins with the definition of regional development in contemporary economic doctrines. It tries to familiarize the reader especially with theoretical descriptions defining regional development, showing that the vision regarding economic development was different in each school of economic thinking, according to the factors underlying the analyzes.

Firstly, the neoclassical conception of leading figures as Marshall (1890), Borts and Stein (1964) was presented, which emphasized the capacity of self-regulation of economic mechanisms and excluded state intervention in regional development. This was followed by the monopolistic conception, which by its initiators E.H.Chamberlaine and Robinson (1933) attacked the idea of perfect competition. The Keynesian conception strongly argues that, on the contrary, the state must be directly involved in economic activities (Keynes (1970), P.Samuelson (1948), Franco Modigliani (1994), J. Tobin (1987). The neo-Marxist conception points out that the lack of competitiveness of certain poorly positioned regions in terms of existing production factors is the basis for regional discrepancies (Marx (1867), K.Cole, J. Cameron and C.Eduards (1983)). Finally, in the monetarist conception (Milton Friedman (1960)), the creation of cooperation relations based on strategic partnerships, the development of outlet markets creates the premises of economic stability and prosperity. Thus, we can say regional development is based on self-regulatory mechanisms, interventionist government policies, but also on the ability of each region to become competitive by its own means.

Increasing productivity and convergence within the EU are the foundations of the Lisbon Strategy (Denis, McMorrow, & Veugelers (2005)) and remain an important pillar of the growth strategy in the Europe 2020 Strategy. We noticed that there were two regional development trends, succeeded at different times within the European Union: mitigating regional disparities (regional convergence) and increasing regional disparities (divergence in regional development). Concerns about convergence arise from Solow's first economic growth theory (1956) and later in studies by Ambramovitz (1986), Baumol (1986), Barro and Sala-i Martin (1992 and 1996) etc. which aimed to highlight the recovery of gaps (catch-ups) in some countries, regions or areas with a low level of economic development compared to other advanced ones. In a broader sense, convergence implies, in fact, the approach to the same level of development and welfare of a group of countries or regions. The concept of convergence is determined by the diminishing of the differences between the economic indicators of the different countries.Divergence occurs when the regional economic growth gap widens. In the specialty literature, we use both terms of regional disparities, gaps and even inequalities. It is considered that when inequalities exceed the amplitude of 30% they become disparities. An approach to the concepts of convergence and divergence is the Williamson hypothesis (1965) which highlights the gaps in developed countries in relation to developing countries from the point of view of economic development, as well as the major interregional disparities registered by them. We have concluded that regional development implies the region's ability to produce and sell goods and services, but also the capacity of the population to earn income. At the same time, regional development also refers to the use of local resources in the first place, but also to national and international ones in order to increase the overall competitiveness of the territory and to reduce regional disparities.

Given that in the discussions on the development process, especially in the economic sphere of social life, the most used notions are those of region and regionalization, we continued by presenting the concepts of region and regionalization. This is because it is a nuanced and complex process and fully understanding it leads to the need for an in-depth analysis of its influence on the sphere of security, but also on all areas of social life. Apparently opposed phenomena and trends, such as integration versus fragmentation, internationalization vs localization, centralization versus decentralization, liberalization versus protectionism, also place their emphasis on the process of regionalization (A.F.Cooper, C.H.Hughes and P.de Lombaerde (2008)). Although at national level Romania has recovered some of the gap compared to the average level of development at EU level 28, inter and intra-regional disparities have increased, Romania still has only one competitive region at European level, the Bucharest-Ilfov region, with the rest of the regions having a low and very low competitiveness level. Romania is currently the only large member state, judging by the area and the number of inhabitants, which due to the absence of a regional organization (eg. Italy, France, Poland) does not have a 3-tier administrative system. Although regional development is a national priority for Romania, in our opinion regionalization should not take into account the sovereign, national and even independent character of the Romanian state, nor should it be done on ethnic criteria. On the contrary, it should strengthen the stability and security of the country through the creation of uniformly developed areas, the diminution of economic and social disparities and a high living standard of the population.

We started from the premise that one of the most important and most complex policies of the European Union is the regional development policy, since it acts on significant areas for regional development, such as economic growth and the SME sector, transport, agriculture, urban development, environmental protection, employment and training, education, etc. Thus, we presented the concept, its origins and objectives, including the description and composition of the Structural

Funds and the Cohesion Fund. This has led us to specify the legislative framework that directly or indirectly refers to regional development policy, which is a very complex one, the legal basis being established within the framework of the Treaty of the European Union.

The last part of the first chapter is devoted to the experiences of the Member States regarding the promoted regional development policies (the case of Italy, Spain and Poland), concluding that at European level competitiveness cannot be achieved only by European policies at the level of each Member State or at regional level. Economic success is a process that requires close cooperation, with European regional policy having the potential to transform common challenges into opportunities for the benefit of the whole of Europe.

The scientific approach continues in the second chapter "Regional Development: Romanian Experiences" with the Romanian experiences of regional development, the chapter debuting with the presentation of the particularities of the regional development in Romania. Romania's regional development aims primarily at reducing regional disparities by revitalizing disadvantaged areas and stimulating balanced development, boosting regional cooperation. Regional development represents a priority for Romania, both from the perspective of the resources involved (human, financial, etc.) and of the objectives pursued, regional dimension and the territorial issues being subjects of national interest. Therefore, as a first step, the institutions and mechanisms that ensure the implementation of regional policy and its objectives, as well as the access to structural funds with the aim of achieving convergence with the structures at the community level, have been created. Practically, the process began in 1995 with the preparation of Romania's accession to the European Union.

In Romania, the efficiency of the cohesion policy was very low, the very low performances in attracting European funds having multiple causes: legislative dynamics, business and financial environment uncertainties, bureaucracy, the very general character of national accounting regulations related to the specifics of certain areas in running projects with European funding, lack of a consistent process for project development, corruption, etc. Romania should first have access to the technical assistance funds as quickly as possible in order to support the beneficiaries of European funds by ensuring adequate management of ongoing projects, as well as the correct elaboration of reimbursement requests. Poor management of European projects can have serious consequences, even the failure to pay and, at the same time, loss of funds already invested by the beneficiaries from their own resources.

In order to evaluate the regional development process, the author started the analysis by presenting the Europe 2020 Strategy - a 10-year EU strategy adopted in 2010, whose objectives go beyond overcoming the economic and financial crisis that affected most of Europe's economies, and it is intended to create the premises for sustainable and smart growth, favorable for inclusion. The Europe 2020 strategy proposes five mutually reinforcing objectives, namely: unemployment rate (employment rate), investment in research and development, education, energy and climate change, promoting social inclusion mainly through the reduction of poverty and social exclusion. In order to adapt the Europe 2020 strategy to the specific situation of each Member State, the European Commission has proposed that these objectives should be present in the national targets of each country. Evolution to reach the Europe 2020 targets for 2010-2014 was affected by the economic and financial crisis, which has had a significant negative impact on poverty and employment. Due to the reduction of production and transport activities during the economic crisis the target of greenhouse gas emission reduction has seen a favorable development during this period. The author also presented the progress made by Romania on each objective as opposed to the EU28 level.

The European Union's interest is to reduce regional disparities and strengthen economic and social cohesion. This interest has a strong economic support mainly driven by the development of regions lagging behind, that would lead to increased trade and the creation of new markets would limit the negative consequences of the overpopulation faced by the most prosperous regions and at the same time ensuring a balanced development of the territory. From the perspective of economic development, Romania still records levels far below those of most European countries. In order to achieve the growth target mentioned in the 2014-2020 Partnership Agreement, Romania could have a competitive and modern economy by addressing the following areas also included in the Europe 2020 Strategy: Competitiveness; People and Society; Infrastructure; Resources; Administration and Governance.

Taking into account that, according to the European Council Regulation no. 1083/2006 which states that the responsibility for monitoring the Structural and Cohesion Funds lies with each Member State, we considered it necessary to analyze how the competent institutions in our country manage these funds. In order to implement the regional development policy there have been created institutional structures established at national or even regional level with legislative or only deliberative roles. This is because the experience of the European Union countries demonstrates that by decentralization the local and regional partners are best able to estimate the problems existing at the local level, these being the most interested and involved in solving them. As such we are presented with the institutions empowered to manage the regional development policy; the purpose of the current institutional system of the Romanian regional policy at both central and regional level is to make decisions in a regulated system and to contribute putting in practice actions and measures that have a territorial impact.

The main regional policy instrument used by Romania to achieve its objectives is the Regional Operational Program (ROP), which aims at the equitable development of Romania's regions in order to reduce disparities compared to those of the European Union and to make them more attractive regions in terms of work, housing, visiting and investment.

The times when economic growth was going unhinderedly, and where regional policy only had to steer this growth, are now outdated. Economic policy is responsible for promoting economic growth across the country by encouraging the regions' competitiveness and capacity to grow by themselves, giving research, development and innovation a great deal of importance. Innovation is important for all regions; both for the most advanced ones, in order to keep their position as well as for the least advanced, to catch up with the advanced ones. The European Commission encourages Member States and regions as well as businesses, universities and research centers to optimize their investment opportunities and to mobilize the full innovation potential of EU regions to achieve the Europe 2020 smart growth objective.

Given the role and functions of public finances in the process of obtaining and distributing the resources that the state needs in order to fulfill its tasks and territorial development, the third chapter entitled "**Public Budget Involvement in the Implementation of Regional Development Policy**" continues with the investigation of public budget involvement in supporting regional development policy. A better quality of public finances plays a key role in long-term economic growth, primarily by the structure of public spending, with an emphasis on education and infrastructure spending. Second, the structure of the tax system has an impact on growth prospects.While taxes can be ranked according to the least negative impact on growth, the design of the tax system obviously triggers other compromises than economic growth targets. Thirdly, the effectiveness of the public expenditure system and the quality of public services required by citizens is mainly influenced by cultural factors. This implies that quality changes can only be implemented slowly. Fourthly, the role that countercyclical tax policy can play for economic growth remains open to debate. Fifthly, strong fiscal governance, through national tax rules inclusively, medium-term budgetary provisions and tax institutions are seen as a key pillar for a better quality of public finances.

The prospects for economic recovery after the financial crisis are more modest than estimated, even if the efforts made at both European and national level were considerable. Growth prospects have deteriorated even globally since 2015, largely due to China's decline and emerging market economies. Within the European Union, economic recovery has been backed by factors such as flexible monetary policy, falling oil prices, euro currency stability, etc., a recovery estimated to meet the challenges of the coming years due to relaxed lending conditions, good employment, reducing the financial leverage effect and higher investment. The key priority for harmonizing the evolution of public finances to the requirements of regional development and the growth at European level in this context was considered the re-immigration of growth in the European Union in order to engage in a new dynamic of change. In order to be in line with this trend and to strengthen this economic recovery, decisive and bold policies are needed, stimulating investment, restoring responsible public finances and implementing structural reforms to increase competitiveness, since Romania is setting the following goals for budget construction in 2016 and also for 2017 -2018:

- creating new jobs;
- stimulating, strengthening and maintaining economic growth in order to increase investor confidence in the economy and increase the growth rate;
- continuing the public investment reform by prioritizing the reforms with significant multiplier impact and direct effect on gross fixed capital formation, as well as allocating the funds needed to co-finance projects with European funds;
- shaping a stable fiscal and budget framework and a predictable tax policy that will lead to simplification of taxation, increasing confidence in the business environment and stimulating investment;
- stimulating consumption and ensuring social protection for the low-income population by various measures adopted by the Government;
- public debt management;
- strengthening and improving the governance of the budget.

In this context, a harmonization of the evolution of public finances with the requirements of economic development is of prime importance, while the stability of public finances plays a privileged role for the good functioning of Economic and Monetary Union. In addition, a good financial discipline is a mandatory condition to ensure sustainable economic growth.

As a result of the fiscal relaxation measures approved in 2015 to stimulate economic growth, budget revenues will be negatively impacted by the end of 2017 when the latest tax and tax cuts will apply, after which we estimate a stabilization of the share in gross domestic product of budget revenues. Regarding the budget expenditures, an increase in their share in GDP is estimated in 2017 due to the salary increases and the adopted social assistance, and in the medium term, there will be a fairly significant adjustment of their weight in GDP because of GDP growth, even by maintaining the same social and wage policy.Considering these factors, I outlined the trends in national execution and recent developments in national revenue and spending. The conclusion is that even though there is not a direct relationship between general government spending and economic growth, we still believe that there is a quite obvious link between the results of public spending (for education and investment, for example) and economic performance. In this respect, one of the methods of enhancing the efficiency and effectiveness of public spending is to strengthen the links between resource allocation and priorities, between resources and outcomes respectively. It is therefore necessary to carry out some budget reviews with some regularity, and it is essential to analyze the efficiency, especially with regard to expenditure prioritization. Equally, we appreciate that general government revenues are not a counterpart to public spending, since by their level and structure they are influencing economic efficiency and economic growth.

It is known that the forecasts regarding the macroeconomic indicators underlying the Fiscal-Budget Strategy may suffer deviations from the baseline scenario due to the emergence of numerous internal and external risks that may have different implications for the evolution of public finances and eventually for the regional development. Therefore, the researcher presented the risks with significant impact, namely: macroeconomic risks, specific fiscal-budgetary risks, risks related to the absorption of European non-reimbursable funds, risks associated with the state-owned sector and natural disaster risks. An adequate risk management associated with the Fiscal and Budget Strategy is of overwhelming importance given their implications for the evolution of public finances and regional development. Stability of public finances is essential for economic growth and indispensable to provide investors with the confidence and fiscal framework needed to counteract unpredictable developments and maximize positive contributions of public finances to the economy, requiring efforts in the following directions:

- permanent control of debt levels and budget deficit;
- compliance with European Union legislation, complemented by stable national budgetary regimes;
- good coordination of economic policies;
- economic conditions regarding sustainability reflected in national policies;
- a coherent fiscal stance across the European Union through a fiscal maneuver leeway to support investment and economic growth.

Under the fourth chapter "**Banking Credit versus Sustainability of Projects Funded by European Funds**", the researcher highlighted the relations between the financial and banking institutions, respectively the banking credit and the sustainability of the projects funded by European funds. Banks have long been criticized for their lack of involvement in funding European projects, a lack of appetite for new loans, the financial crisis of that period also contributing to this reticence of financial institutions. However, the lack of involvement of banks in the financing of projects with European funds is only a facet of the argument regarding the poor absorption of European funds, part of a communication strategy. Another facet, also at the level of communication, has linked the issue of European political funds, in the sense that it is still clear that you cannot access funds unless you have enough political support, at least for the public beneficiaries, suggesting that politics influences the allocations budget. In reality, however, the implementation of projects with European funds aimed at reducing Romania's development gaps compared to other EU Member States must be based on mutual trust between beneficiaries, authorities, guarantee funds, local communities and, last but not least, banks. Banks can play a decisive role in absorbing EU funds even if they are not able to replace efficiency and administrative capacity. Firstly, it is likely that banks' know-how in the evaluation and selection of projects can be useful to the EU Structural Funds as well, especially among SMEs benefiting from European projects, but also from municipalities. Secondly, banks can accelerate project implementation by providing pre-financing for grants from the European Union, completing the 10-15% advances made available to beneficiaries directly by Managing Authorities. Thirdly, banks can co-finance projects on European funds because not all project-related expenditure is eligible or non-reimbursable, and this can be a great financing opportunity for banks.

If we consider that the vast majority of European projects are funded with 70-80% of non-reimbursable funds and 20-30% is co-financing basically, lending opportunities for banks are multiple. This could lead to an additional increase in appropriations of between 1.5-2% on average per year. If the co-financing is assumed to be 50%, these figures may be doubled. However, as not all operational programs are equally attractive to banks, the figures thus calculated can be considered at the upper limit, the most attractive being the competitiveness, transport or energy operational programs. Better involvement of banks, both in advising beneficiary beneficiaries in order to receive projects with European funds, and in granting credits to support the implementation of projects would lead to increased bank profitability and indirectly to national economic growth. For the future, the goal of both beneficiaries, managing authorities and even banks should be to implement projects that generate sustainable added value for both the companies in question and the community in which they operate.

Following the launch in 2008 of the main European structural funding programs focusing on the competitive development of SMEs, a record number of SMEs applied to obtain non-reimbursable financing for the investments under the different financing programs but especially in the ROP and POS CCE. This initial success of SMEs that have applied and even managed to gain access to European funding got overshadowed by a more acute problem: the lack of financial resources to co-finance investments or to support expenditure in the initial stages of the project financing. Against this background, and in the absence of sufficient internal resources to co-finance European projects, their beneficiaries have come back to seek support from the banking financial sector: banks and/or the National Credit Guarantee Fund for SMEs (FNGCIMM). Thus, most banks have created dedicated product packages dedicated exclusively to co-financing and/or pre-financing, guaranteeing the different types of European funding projects granted to customers based on their own bank analysis methodologies presented in this chapter. Thus, the involvement of banks has been active in both programming periods so far, with innovative ideas throughout the life of projects, from their writing to implementation. Each of the banks pursued their objectives in an original way, but having the same purpose of increasing the rate of absorption of structural funds, while also contributing indirectly to increasing the profitability of the bank.

The banking system in Romania has adapted and flexible instruments for the implementation of beneficiary projects of non-reimbursable funds but they complain of poor communication with the authorities and the lack of common procedures leading to increased bureaucracy or even blocking certain financing measures. The banking system was and is interested in the financing of European projects, especially since capital flows after the international crisis have been considerably reduced, European projects being considered vital for economic growth in Romania, but their financing by banks is conditional on adoption effective risk management. In this context, we are also presented the risks of involving banking institutions in the complementary financing of European projects.

With Romania joining the EU, Romania's development has pursued a higher standard of living, investment in the productive sector, infrastructure and quality public services, investment to increase employment and opportunities for human capital. This implies that Romania has high economic growth rates and the key factor in this process is to increase competitiveness. Access to finance is vital to starting or expanding a business. As a rule, banks provide loans to existing businesses, being reluctant to lend to newly-established or non-guarantors. Also, the economic context affected by the economic and financial crisis has limited lending activity and has led banks to be more careful at the cost of funding and more cautious in selecting customers. Therefore, small businesses are forced to look for other sources of funding. The European Union also provides support for SMEs, which is available in different forms, such as grants, loans and, in some cases, guarantees. Support can be provided either directly or through managed programs at national or regional level. In this context, some of the complementary financing modalities and programs offered by international financial institutions such as JEREMIE and COSME are outlined. Thus, supporting the development of the SME sector is a priority both at the European Union level and at the level of Romania. SMEs remain an important segment of customers for which credit and guarantee banking products must be continuously developed.

The scientific approach ends with the elaboration of the fifth chapter "Economic Growth, Regional Development and Absorption of European Funds", which captures the need for econometric evaluation of the impact of absorption of European funds on regional development. This is done by investigating the main features, advantages and disadvantages, comparative analyzes between econometric models HERMIN and QUEST which measures a prediction of the absorption of European funds on economic growth and also an assessment of economic growth prospects using the Eviews 7.0, Stata 12.0 and SPSS 17.0 models. Starting from the premise that an efficient management of European funds aims at diminishing the economic and social disparities, in order to achieve the objectives of the Europe 2020 strategy, the author dealt with the management of the absorption of European funds in the first part of this chapter, which should be based on the following priorities:

- promoting local development and competitiveness;
- increasing the accessibility of Romania's regions and increasing their attractiveness for foreign investors by developing infrastructure, both in the transport and information technology sectors;
- promoting energy efficiency and protecting the environment through efficient and sustainable use of natural resources;
- combating poverty, increasing employment, increasing the number of tertiary education graduates predominantly in rural and disadvantaged areas;
- systemic reforms aimed at addressing structural governance errors in order to strengthen a professional and modern public administration.

European project management is a complex area where good communication with both authorities and implementation teams is essential in the opinion of the author. The higher the level of knowledge, the better the implementation of the project will be without difficulty and in optimal conditions. The ability to lead a European project, the leadership one, must exist at the central/local levels of the authorities with a role in the managementof European projects/funding, up to the level of the final beneficiary.

Thus, it arises the necessity of econometric assessment upon the impact of the absorption of European funds on the economy, being somewhat difficult to achieve mainly due to the lack of an up-to-date database. The databases are based on the information provided by the Member States in the strategic reports sent to the European Commission; that is why the impact could be even more realistic and measurable, as the reporting experts would have evidence for each indicator and study as thorough as possible. However, the national reports are the only source of information from the European Commission that analyzes the potential effects of cohesion policy, the progress made and the absorption achieved in relation to the targets proposed by each Member State. The evaluation of the achievements obtained as a result of the implementation of the operational programs can be made based on an analysis of the impact of strengths, weaknesses, opportunities and threats of each region. The analysis also needs to include the identification of internal and external factors that can influence the achievement of the established objective, the purpose of which is to identify the key factors that the achievement of the set target depends on. Thus in order to correctly define the priorities and the development needs of the South-West Oltenia region, we presented our SWOT analysis first. The purpose of the econometric evaluation carried out at the regional level is both to eliminate regional disparities and to create convergence with the other regions of Romania and the other member states of the European Union. The evaluation has a twofold purpose: assuming responsibilities: "What has been gained from European money" and learning from previous experiences: "How can development policy be improved?". The impact is very difficult to quantify, as these European funds are just some of the possible influences, macroeconomic policy, technological progress and even individual behavior being important factors that can mark the assessment of the social and economic impact of cohesion policy.

The research continued with the presentation of the main features and comparative analyzes of the main econometric models HERMIN and QUEST used in the measurement of the forecasts regarding the absorption of European funds and their impact on the economic development. It is important to note that both the Hermin model and the QUEST medal analyze the impact of cohesion policy, namely the effect of structural funds mainly on GDP and employment, but also their contribution to regional development and gap recovery. Thus, they aim at testing two scenarios: the situation during the implementation of cohesion policy and after its implementation, in the absence of European funds (with and without structural funds). While the HERMIN model reveals a transient economic growth, tending to a normal growth rate determined by the country's relations with the European Union and the rest of the world but also by the economy of that country, the QUEST model shows a much stronger growth with the same trends in the future. However, the impact of cohesion policy is very complex and the results obtained from applying any model are not always very transparent, making it difficult to quantify.

Assuming that one of the important objectives of the European Union is to support economic growth based on economic, social and territorial cohesion between Member States and to add depth scientific study and support with real data points raised at theoretical level, in the last part of this chapter the author used econometric modeling. We adopted the econometric software Eviews 7.0 and statistical package Stata 12.0 which enabled her to formulate definite conclusions about the level of convergence among Member States of the European Union and the regions of Romania by testing the Sigma and Beta convergence assumptions. Based on the results obtained, the author concluded that in the European Union there was a convergence of gross domestic product per capita in the purchasing power standard. However, the results must be viewed with some reluctance, because in some regions of the European Union an economic divergence can be observed. For example, in the Euro area, peripheral countries – Italy, Greece, Spain, Portugal – went into decline compared to the hard core of the Euro area – Germany, Austria, Belgium. Between the regions of Romania, however, there was no balanced development. Moreover, there may be an increase in the gaps between regions, which implies an increase in economic and social disparities. These results have major negative implications because inequities may occur and cannot be reduced over time.

Going forward with the rationale and taking into account the lack of economic convergence, the researcher asserts that the structured allocated funds at the regional level did not reach their goal and did not lead to the development of the regions. According to the survey conducted by KPMG in 2015, Romania is in a critical position in the context of attracting European funds as the penultimate country in the Central and Eastern European countries (after Croatia) in terms of payments to beneficiaries. Some scientific research papers highlight the direct link between low absorption of European funds and uneven development of EU regions. Šumíková (2003), Horvat (2005), Zaman & Cristea (2011), Zaman & Georgescu (2014) have associated the low absorption rate of EU funds with managerial and administrative deficiencies such as the ability to prepare eligible projects for applicants, implementation and monitoring of projects, corruption, politicization of public institutions, etc. Achim and Borlea (2015), Bachtler and Ferry (2013), Dellmuth and Stoffel (2012), Grecu (2009), Tomova et al. (2013), Tosun (2014), Zaman and Georgescu (2009) are other authors that have identified more factors influencing the absorption rate of EU funds. These are as follows:the capacity of institutions and administrative structures, bureaucracy, the coordination between public institutions, public-private partnership, a coherent vision of the authorities, the social and economic development of the member countries, the availability of national resources for project financing, the qualification level of the staff, etc.

According to the Romanian economist Liviu Albu (2007), the construction of macroeconomic models started from aggregate relations, which are set at the level of the national economies between GDP or GNP and other exogenous factors, and over time, there has been an increase in the number of applied models but also an increase in the number of variables analyzed. Given that both the HERMIN model and the QUEST model presented above take into account an EU absorption rate of 100%, research continues by outlining an econometric regression and implicitly establishing correlations between certain macroeconomic indicators, including the degree of absorption of European funds and economic growth. Starting from the assumption that the most used indicator for the economic growth measure is gross domestic product (GDP), the econometric correlation was made in relation to it. The econometric modeling of this correlation was made using the statistical program SPSS 17. The study was based on the analysis of the correlations between the GDP indicator and indicators such as European funds absorption, minimum wage, import, export, consumption, investment and inflation. The index used to analyze the correlations created is the Pearson index. The results obtained show that the gross domestic product is the most dependent on consumption, a situation that can be considered normal, given that it is known that in our country the economic growth of the last years was based almost exclusively on a policyof stimulating consumption, with European funds having a rather insignificant impact.

The quantitative assessment must always be accompanied by a qualitative assessment that captures factors that cannot be measured by the economic modeling. As such, when using evaluation results with the help of econometric models, it is important to be aware that models are simplifications of reality, despite the impressive mathematical calculations they use.

It should also not be overlooked that Romania's major development needs and the current economic context make it imperative to achieve as high a level of absorption of the non-reimbursable funds as well as an efficient use thereof, generating a significant impact at nationally, regionally and locally. However, when assessing the absorption capacity of a Member State, it is not only the percentage used by the funds allocated that is being tracked but also the effects that they have generated in the economy of that State.