STRUCTURAL AND COHESION FUNDS VERSUS THE IMF LOANS: IMPLICATIONS AND CHALLENGES FOR THE ROMANIAN FINANCIAL SYSTEM

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Abstract
The Structural and Cohesion Funds as well as the loans obtained by our country from the IMF have significant implications upon the Romanian financial system. This article is a comparative approach structured on five parts as it follows: the second part is a review of the specific literature regarding the theme of our work, the third part is an analysis of the absorption stage of the Structural Funds and the evolution of the stand by agreements between Romania and IMF, the fourth part is a SWOT analysis of the Structural Funds versus the IMF loans and the last section is dedicated to the econometric quantification of the efficiency of the two financing opportunities. The IMF loans ensure the coordinates of the financial stability but the structural funds represent the link between stability and the development that Romania needs. We consider and claim that Romania needs European funds. We do not ask to give up entirely to the IMF loans but we plead for having an equilibrium which could support the economical development.

Key Words: *Structural and Cohesion Funds, IMF facilities, economic growth, financial stability, Romania.*

Introduction

Our paper covers a complex financial matter, related to the opportunity of attracting European funds versus the implications of the loans obtained by our country from the International Monetary Fund (IMF) upon the Romanian financial system. The purpose of this article is a comparative approach of the two funding sources mentioned above and it structured on five parts as it follows: the second part is a review of the specific literature regarding the theme of our work, the third part is an analysis of the absorption stage of the Structural Funds and the evolution of the stand by agreements between Romania and IMF, the fourth part is a SWOT analysis of the Structural Funds versus the IMF loans and the last section is dedicated to the econometric quantification of the efficiency of the two financing opportunities.

Using a simple linear regression model we analyse the efficiency of the Structural and Cohesion Funds versus the IMF loans using Romania's example for the period 01.2007- 08.2011, based on data with monthly frequency.

In academic literature, we find a lot of studies which analyze the implication of IMF facilities upon financial systems and economic growth (Hutchison, 2004; Atoyan and Conway, 2005; Nsouli et al., 2005; Barro and Lee, 2005; Steinward and Stone, 2009). Instead, we can not say the same thing about the Structural and Cohesion Funds, which are a relatively new topic for the economic theory and practice, and studies on the example of the Romanian economy are few.

The critiques consider that the Romanian government has preferred the IMF because the money from the European funds "cannot be embezzled" and has chosen to get the Romanian people into debt. This affirmation is sustained by the austerity conditions imposed by the IMF. In the context of the financial assistance offered by the IMF, which determinates a drastic reorientation of the fiscal

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– budgetary policy, we suggest the raise of the absorption rate of the Structural and Cohesion Funds as possible solution.

We propose a comparative approach of Structural and Cohesion Funds in relation with IMF loans in order to outline a complete background of their challenges upon Romanian financial system.

Previous empirical research

The European Union aims at reducing the economic and social gaps among the EU countries using the Structural Instruments. The European Fund for Regional Development and the Social European Fund constitute the Structural Funds and these last ones along with the Cohesion Fund form the Structural Instruments.

It is very important to emphasize the impact of these European funds upon the economical growth. The image of irredeemable financing creates a perpetual satisfaction feeling and an enrichment desire. John Bradley and Gerhard Untiedt have identified in their work *Do economic models tell us anything useful about Cohesion Policy impacts? A comparison of HERMIN, QUEST and ECOMOD*, 4 main stages in analysing the impact of the cohesion policy:

Stage 1: The cohesion policy – a challenge

Stage 2: The creation of the interventions inside the cohesion policy

Stage 3: The methodology for evaluating the impact of the cohesion policy

Stage 4: The presentation and analysis of the results

It is not easy to measure the impact but we can use a series of measures for creating an overview (Report from Commission, 2010):

- The regional statistics measure in terms of GNP, labour market, unemployment, but they do not show the impact of the policy in terms of changes;
- Monitoring the programmes emphasizes the result of the policy: how many kilometres have been built? How many persons have been trained?
- The analysis cost-benefit ex-post can estimate the contribution of the infrastructure to the economical growth;
- Macroeconomic models: The General Direction of the Regional Policy uses two macro-models: HERMIN and QUEST and also a model regarding the transportation investments TRANSTOOLS;
- Models with impact upon the labour market, the companies and the farms: model that has been recently applied in 6 member states: Denmark, Germany, Italy, Austria, Poland and United Kingdom with different socio-economical features but representative for the other EU states;
- Interviews, case studies can be used for quantifying the contribution of the Structural Instruments.

It is obvious that the European Commission cannot bring proofs for justifying the performance of the Structural Instruments. Thus, EU asks the state members to make their own evaluations. And when dealing with several evaluations it is possible to draw an image of the performance and of the improvement of the Structural Instruments.

An example is the ex-post evaluation of the period 2000-2006. For the FEDR evaluation 2000-2006, 105 detailed case studies have been generated, 29.500 monitoring indicators have been analysed from 382 programmes. In the context of the ex-post evaluation for FES 49 case studies have been made and 2000 measures from 238 programmes have been analysed (Report from Commission, 2010).

For quantifying the impact of the Structural and Cohesion Funds, many authors use the mathematic – econometric model type HERMIN, model focused upon the main features of the marginal economies of EU (Bradley and Untiedt, 2007).

Using such a model for the Romanian economy implies the analysis of the four very important blocks that constitute the model based on the studies elaborated so far (Ibraim, 2010).

For catching as precise as possible the influence of the structural instruments upon the regional development from Romania and considering the Herom model, the Romanian version of the Hermin model, which has been used during the autumn of 2008 by the experts of the National Commission of Economical Prognosis for a quantitative estimation of the macroeconomic impact of the Community Support Framework for the period 2007 – 2020 (Marchis, 2008).

The HEROM model considers two basic scripts imagining an economical growth in Romania, „with structural funds" and „without structural funds". The „without structural funds" version does not consider the EU structural funds planned for Romania during 2007 - 2013, being limited only to the pre-adhesion funds. The second script „with structural funds" is based on the supposition that the structural funds planned in the National Development Plan 2007-2013, will be absorbed at a rate of 100%. The HEROM model starts also from the premises that after 2013 the structural funds will be reduced to zero, fact that will cause a „shock" for the Romanian economy, with negative effects for several years (Gherghinescu and Băndoi, 2009).

The literature offers multiple possibilities for analysing the impact of the structural instruments in accomplishing the economical convergence. Thus, some specialists recommend macroeconomic simulation models (Bradley et all., 2006), this version being accepted by the European Commission while others choose regression econometric models oriented towards specific dimension, coordinates, influence factors (Boldrin and Canova, 2001; Ederveen et all., 2002; Fuente, 2003).

Ibraim Kagitc, in his PhD thesis, *Improving the attraction and use of structural and cohesion funds of the European Union in financing the Romanian projects*, has calculated the impact of the Structural Funds upon the modification of the main variables (GNP and the gross capital formation), econometrically by estimating two regressions which follow the way in which the variation of the funds generate the variation of the two variables indicated above (Ibraim, 2010). The conclusion of the analysis has shown that the impact of these financial instruments upon the GNP and upon the gross capital formation has not been a considerable one, although we have to mention that Romania needs reliable and realistic projects for attracting European funds.

Gabriela Marchis, in her PhD thesis, *The Impact of the European Union Extension upon the Regional Strategies and Policies. The Role of the Structural Funds*, has chosen a multiple linear regression model for testing the existence of the relationship between the GNP of each county and the volume of the investments, the working population, the number of projects and the absolute absorption of the Phare funds during the programming period 2000 – 2006 (Marchis, 2008). The F test of global signification has shown that the regression is adequate for the purpose of predicting the GNP of the county and the observed data have allowed the identification of a linear valid model especially between the volume of investments and the county's GNP.

In the modern literature we identify many studies which investigate the way in which the IMF programmes and their implementation affect the equilibrium of the payment balance, the inflation and the economical growth (Bird, 2007; Steinward and Stone, 2009). The impact of the IMF programmes upon the economical development is analysed by many authors whose conclusions are different without reaching unanimous consensus. The empirical contradictory results appear from the differences regarding the sample of analysed countries, the test period and the methodology used.

Dreher (2006) using panel data for over 98 countries during the 1970-2000, analyses the way in which the IMF implication influences the economical growth and the empiric results show that the impact of the conditionality upon the development is quantitatively low. Steinwand and Stone (2009) claim that very few aspects are certainly known about the effects of the IMF credits but that a lot had been learned about the mechanics of the IMF programmes which will be considered for obtaining objective estimations of these effects .

The impact of the IMF programmes upon the countries facing the crisis seems a certitude. Kutan et all (2011) analyses the impact of the assistance offered by IMF upon the countries that experiment periods of financial crisis, such as Indonesia during the Asian crisis. The results indicate the fact that the IMF actions during that crisis had a significant impact upon the profitableness of different sectors. Also, the results of the empirical tests done by Dreher and Walter (2010) show that the involvement of IMF reduces the probability of currency crisis. Hândoreanu (2010) analyses the impact of the agreement between Romania and the International Monetary Fund upon the exchange rate EUR/RON. The conclusion of the study is that the agreement with the International Monetary Fund has reduced the pressure regarding the depreciation of the national currency and, in conditions of *caeteris paribus*, has lead to a reduction of the inflationist pressures which are sent by the currency exchange channel.

Stenward and Stone (2009) suggest four main directions for improving the IMF programmes: refining the existing selection models, shaping the heterogeneity of the debtors, shaping the variations in conditionality; shaping the variations in practice .

The justification of the opportunity of the IMF loans for the economy of our country rise different opinions. The reason for which the central bank has made appeal to such loans is justified by the necessity of avoiding a financial crisis caused by the lack of currency provisions (Crețan and Lacrois, 2010). The IMF intervention has generated the reduction of the public expenses along with the increasing of the taxes with serious implications reflected at the level of the main macroeconomic indicators. The effects of the economical redressing measures will be experiences in time.

The stage of the absorption vs the stand by agreements of romania with imf

The Structural Instruments are specially designed for contributing to reducing the gaps in seven domains very important for our country. Thus, seven Operational Programmes (OP) have been elaborated in the context of the "Convergence" objective (meant to accelerate the economical development for the regions left behind, by investments in human capital and in the basic infrastructures).

Table 2 shows the stage of the Structural and Cohesion Funds absorption identified in the column for internal payments towards beneficiaries and intermediary payments from the CE. The Ministry of European Affairs (MAEur) makes a few clarifications regarding the definition of the absorption rate (Press release, 2011, http://www.dae.gov.ro):

Absorption in national plan (14,72%) – quantified by the real payments towards the beneficiaries accounts (pre-financings and reimbursements from community funds and from the state budget).

External or effective absorption (3,72%) – transfer of the advance from the European Commission at programme level and transfer of the intermediary payments (reimbursements).

Table 1. The stage of absorption of the Structural and Cohesion Funds for each Operational Programme the 30th of November 2011

Programme	Allocation EU 2007-2013 mil. RON	Projects submitted		Projects approved		Contracts Signed		Domestic payments to beneficiaries		Interim payments from the EC	
		No.	Total value (mil.RON)	No.	EU Value (mil.RON	No.	EU Value (mil.RON)	mil. RON	%	mil. EUR	%
Transport	19 686	115	37 880	62	7 857	53	6 857	609	3,09	113,69	2,49
Environment	19 455	457	34 642	288	16 134	233	16 005	2 380	11,50	85,36	1,89
Regional	16 065	7 924	53 145	2 773	13 543	2 340	12 098	4 278	24,49	274,56	7,37
Human Resource Developmente	14 987	10 187	43 031	2 990	15 118	2 139	12 093	3 742	23,61	102,92	2,96
Competitiveness	11 013	11 051	67 897	3 288	7 465	2 094	4 656	1 878	15,39	117,49	4,60
Administrative Capacity	897	1 346	3 480	344	540	323	444	102	10,67	9,84	4,73
Technical Assistance	734	92	414	78	266	73	251	87	11,70	11,65	6,85
TOTAL	82 837	31 172	240 489	9 823	60 923	7 255	52 404	13 076	14,72	715,51	3,72

Source: site of The Ministry of European Affairs (MAEur)

The results of the absorption are not at all encouraging and the disappointment is even stronger when we observe that by POS Transport only 3,09% have been attracted from the 2007 – 2013 allocation for the modernization and the development of the national transportation networks, for promoting the railroad, naval and intermodal transportation. We wonder if we don’t really need intervention in these chapters and if we afford to miss such an opportunity. Most people blame the imposed bureaucracy, the difficulties in obtaining the notifications etc. We prefer to develop human resources, fact proved by the percentage of 23,61%.

The implementation of programmes and of new support services for developing the enterprise culture, the development and promotion of modern management abilities are very important indeed. In the beginning it was understandable that many people needed training courses, teaching, support but we can benefit from the new abilities for accessing more funds for the environment, for transportation, for developing the administrative capacity.

On the other hand, the financial assistance given by IMF to Romania has been materialized in loan Stand by agreements, loan programmes and, starting 1972, our country has used the IMF resources on twelve occasions as financial support for the government economical projects. The 31st of December 2010, the total amount drawn by Romania from the IMF agreement was of 9,8 billion DST (approximately 11,9 billion Euro) from which 7,85 billion DST by BNR and the difference – in an unusual way – by MFP for financing the budget deficit.

The total of the irredeemable credits by the end of February 2011 was of 10569 million DST, respectively 1025.52% from the quota. The Romanian authorities have closed in March 2011 a new financial agreement with EU, IMF and MB for 5,4 billion Euro, the support offered by IMF being of 3,5 billion Euro.

Swot analysis of the structural and cohesion funds vs IMF loans

By this article we try to answer to the question: *Why we take loans from IMF and we don’t attract Structural Funds?*

Romania has received in May 2009 a financial support of 20 billion Euro, from which 12,95 billion Euro (17,1 billion USD) from the IMF. Many critiques claim that we have chosen the wrong way because we won’t have enough funds to return this amount. Some say that the Romanian government has preferred the IMF because the European funds “cannot be embezzled” and has chosen to burry the Romanian people in debt. This affirmation is sustained by the austerity conditions suggested by IMF and the obligations imposed.

In order to see which of these financing possibilities could contribute more to the economical growth of Romania we will try to emphasize some features which define these international funds:

Strong aspects

Structural and cohesion funds

reducing the economical and social gaps among the EU members by the Structural Instruments;

irredeemable financing – solution against the negative effects of the financial crisis;

making the EU members responsible by the decentralized (national) management of the funds;

creating a close collaboration between the European, national and regional authorities in writing, evaluating and implementing projects (partnership principle);

lower costs of accessing projects by the Structural Funds compared to other financing modalities (reference to the beneficiary and to the Romanian Government).

International monetary fund

• IMF offers financial assistance to the states who have difficulties in the payment balance, giving them the possibility to rebuilt the international provisions stock, to stabilize the currency rate, to continue the payments of the imports and to reinstall the economical growth conditions;

• the IMF implication reduces the probability of currency crisis;

• the IMF programmes re-establish the investors' trust and reduce the contagion from other markets, having in the end a positive effect upon the financial stability;

• the partnership with IMF is a supplementary anchor for the reforms that Romania needs;

• introducing at the level of the bank sector the International Standards of Financial Reports (ISFR) starting the 1st of January 2012.

Weak points

Structural and cohesion funds

• lack of commitment and financial instruments which should allow the co-financing sustainment;

• reimbursement principle – means that the projects beneficiaries should make some expenses from their own funds and recovering the amounts after the audit and the validation of those expenses;

• weak institutional capacity for controlling the way to spend the funds and to prevent fraud.

International monetary fund

• as a consequence of the conditionality of the agreements closed with IMF and EU of consolidating the public finances sustainability at medium term, the adverse effects have generated extended inflation and economical contraction;

• increasing external debt at medium and long term. The medium and long term external debt has been of 75 292 million Euro the 30th of September 2011 (76,9% from the entire external debt) bigger with 3,3% compared to 31st of December 2010.

• the rise of the standard VAT quote with 5 percentage points (to the level of 24%), starting the 1st of July 2010 has generated problems in configuring and implementing the monetary policy;

• Romanian authorities do not estimate the future quantum of the annual budget based on the specific criteria, waiting first of all the prediction made by IMF.

Opportunities

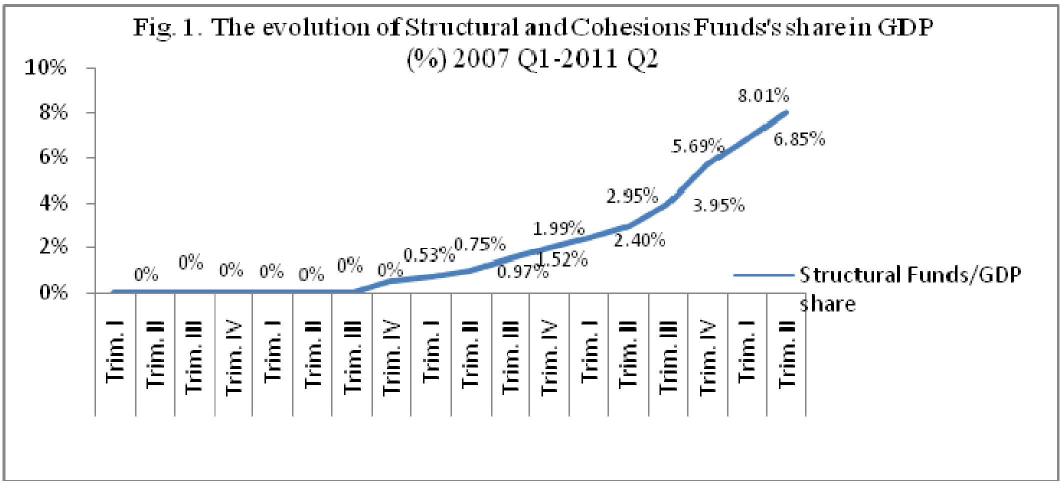
Structural and cohesion funds

• reducing the economical, social and financial gaps among the EU countries;

• offering reliable financing at reduced costs;

• environment protection, human resources development, professional reconversion, administrative capacity development, economical competitiveness for the IMM, regional development, modern territorial infrastructure, transnational good practice exchange;

• reaching performance indicators important for the economical growth: rise of the occupation rate, of the GNP:



Source: own calculations based on Ministry of European Affairs database

In the above graphic we can observe the ascendant trend of the absorption rate at national level of the Structural and Cohesion Funds upon the General National Product. The year 2007 has been considered to be dedicated for establishing the technical aspects, for elaborating and approving all the specific documents for these European funds. In 2008 the first project requests have been launched and only the IV-th trimester brought the effective payment for the beneficiaries. Unfortunately this small launching has been stopped by the international crisis and, as a consequence, the absorption rate was still at a reduced level. Starting 2009 and until now we can observe "flourishing" results but it is still not enough considering the fact that we occupy the last place in the member states top. The impact of these funds upon the GNP is not a significant one but it has an ascending trend and we hope that we will reach the planned indicator – a GNP per citizen of 41% from the EU average until 2015 (The National Development Plan 2007-2013, 2005).

International monetary fund

- the financial discipline imposed by IMF represents a guarantee of the foreign investments with beneficial effects for the Romanian economy;
- the possibility of covering the financing risks which could appear when materializing an antagonistic script on external plan having as consequence the reduction of capital entrance or exports;
- the state companies will benefit of private management.

Threats

Structural and cohesion funds

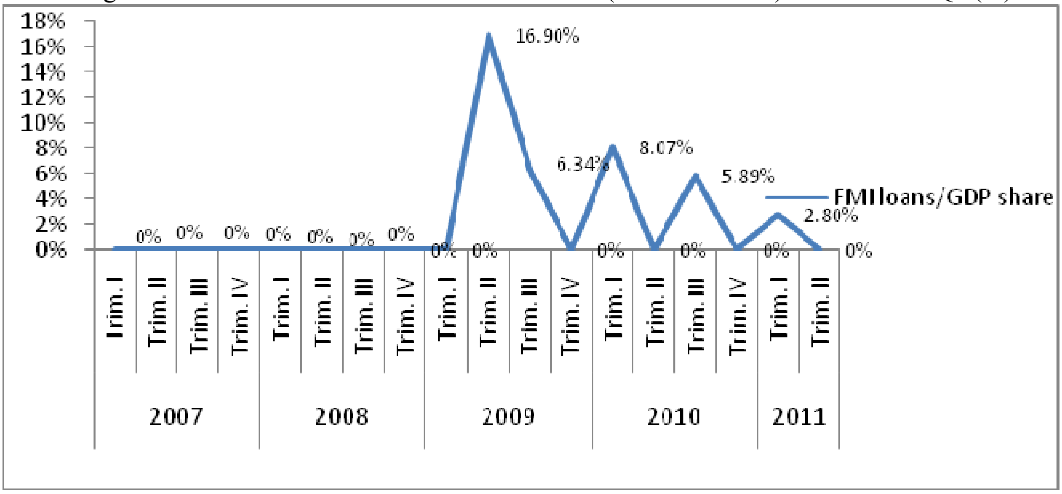
- financial contribution of the applicant;
- carelessness and indifference from the beneficiary;
- inefficient communication with the institutions which offer consultancy;
- time gap between the moment of applying the financing request and the selection result;
- lack of a strategic plans at the institutional level which supervises and implements the European funds.

International monetary fund

- protests of the syndicates unhappy about the economical policy of the governments;

• consequence of the painful reforms (for instance, budgetary, salary, fiscal, pension system and medical insurance revisions) which affect directly the life standard of the population's majority and the activity of the business environment, the agreements closed with IMF do not benefit from the public support.

Fig. 2. The evolution of IMF loans' share in GDP (amounts drawn) 2007O1-2011Q2 (%)



Source: own calculations based on NBR database

The quarterly analysis of the loans rate obtained (sums drown) by our county from IMF inside GNP during the period Q1 2007-Q2 2011, shows the fact that their value is decreasing. The highest value, 16.90%, has been registered in the II-nd trimester 2009 fact sustained by closing the stand by agreement in April with a value of 11 443 billion DST, the value of the sums drown effectively being of 10 569 billion DST. The rate of these loans in GNP has diminished, the agreement closed in March 2011, with a value of 3090 million DST being of preventive type.

Econometric quantification analysing the efficiency of the structural funds versus the imf loans

Data and methodology

The purpose of this section is to analyse the efficiency of the Structural and Cohesion Funds versus the IMF loans using Romania's example for the period 01.2007- 08.2011, based on data with monthly frequency.

For fulfilling the purpose we have used a simple linear regression model: $\mathbf{Y=\alpha+\beta*X}$**,** where Y= dependent variable, X= independent variable, and α and β the parameters of the regression equation. We plan to quantify econometrically:

the relation between the employees number (the working population – thousands of people) – labelled as "efectivul_sal" and the value of the payment towards the beneficiaries (lei) "plăţi_benef";

the relation between the number of employees (the working population – thousands of people) and the value of the sums drawn by the stand by agreements (thousand of lei) labelled as "imprumuturi_fmi".

The dependent variable (Y) is the number of employees and the value of the payments towards the beneficiaries and respectively the value of the sums drawn by the stand by agreements are independent variables (X). We choose as proxy variable for economic growth the number of employees (working population) due to the lack of data with monthly frequency available for other macroeconomic variables. The choice of a variable with quarterly frequency (as GNP) would have put at doubt the results of the empirical testing because of the reduced number of observations. The source of the data is represented by the data bases of the Romanian National Bank and of the Ministry for European Affairs.

Empirical results

The Unit Root test shows that the variable “efectivul_sal” is stationary in the first difference at the level of 10%, the other two variables being stationary at any level, still from the first difference.

The econometric results of the first testing show that there is a reverse link between the values of the payment toward the beneficiaries in the context of the Operational Programmes and the number of employees inside the Romanian economy. The estimated equation is:

efectivul _sal= -7, 899207-0.041940 * plati_benef.

The determination report R^2 =0.116343 shows that only 11,63% from the variation of the employees number can be explained by the variation of the independent variable – payments toward beneficiaries, so there are other variables which influence the evolution of the dependent variable in question.

Table 2 The estimation on regression model

Dependent Variable: D(EFECTIVUL_SAL)
Method: Least Squares
Date: 12/07/11 Time: 17:47
Sample (adjusted): 2007M02 2011M08
Included observations: 55 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.899207	3.431821	-2.301754	0.0253
D(PLATI_BENEF)	-0.041940	0.015877	-2.641596	0.0108

R-squared	0.116343	Mean dependent var	-8.163636
Adjusted R-squared	0.099670	S.D. dependent var	26.81146
S.E. of regression	25.44024	Akaike info criterion	9.346227
Sum squared resid	34301.91	Schwarz criterion	9.419221
Log likelihood	-255.0213	F-statistic	6.978030
Durbin-Watson stat	0.904468	Prob(F-statistic)	0.010821

Source: own simulation, significant at 5%

The results obtained, using this model, contradict the unanimous opinion of the specialists according to which the Structural and Cohesion Funds contribute to the economical growth. The possible explanations could be:

- the time gap in which the beneficial effects of these irredeemable funds are felt in economy, the transmission mechanism being made more difficult by the negative implications of the economical and financial crisis;
- many of these projects are still in progress;
- the analysed period is too short for emphasizing a convincing result (financial allocation being for the period 2007-2013).

The econometric results of the second empirical test show that there is no significant relationship between the value of the sums drawn from the stand by agreements with IMF and the number of employees from the Romanian economy.

Table 3 The estimation on regression model

Dependent Variable: D(EFECTIVUL_SAL)
Method: Least Squares
Date: 12/07/11 Time: 17:46
Sample (adjusted): 2007M02 2011M08
Included observations: 55 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.284046	3.668171	-2.258359	0.0281
D(IMPRUMUTURI_FMI)	0.007725	0.025768	0.299772	0.7655
R-squared	0.001693	Mean dependent var		-8.163636
Adjusted R-squared	-0.017143	S.D. dependent var		26.81146
S.E. of regression	27.04030	Akaike info criterion		9.468220
Sum squared resid	38752.42	Schwarz criterion		9.541214
Log likelihood	-258.3760	F-statistic		0.089863
Durbin-Watson stat	1.066625	Prob(F-statistic)		0.765524

Source: own simulation, significant at 5%

Although the results are statistically significant, we can identify some limits of the proposed model:

- the short period of time which have been taken into consideration for our analysis;
- due to the lack of data with higher frequency available for other macroeconomic variables, we consider the "number of employees" as proxy for economic growth.

Conclusions

The main contribution of our study is the fact that we propose a comparative approach of Structural and Cohesion Funds in relation with IMF loans in order to outline a complete background of their challenges upon Romanian financial system.

The Structural Instruments are specially designed for contributing to reducing the gaps in seven domains very important for our country. However, the results of the absorption are not at all encouraging and the disappointment is even stronger when we observe that by POS Transport only 3,09% have been attracted from the 2007 – 2013 allocation for the modernization and the development of the national transportation networks, for promoting the railroad, naval and intermodal transportation. We wonder if we don't really need intervention in these chapters and if we afford to miss such an opportunity. Most people blame the imposed bureaucracy, the difficulties in obtaining the notifications etc. We prefer to develop human resources, fact proved by the percentage of 23,61%.

The IMF loans ensure the coordinates of the financial stability but the structural funds represent the link between stability and the development that Romania needs. By the absorption of the European funds, focused on our country's priority, the economical growth will have an ascendant trend. And, the bigger the economical development, the smaller will be the burden of the external debt.

Using a simple linear regression model we analyse the efficiency of the Structural and Cohesion Funds versus the IMF loans for the period 01.2007- 08.2011. Firstly, we quantify econometrically the relation between the employees number (the working population – thousands of people) and the value of the payment towards the beneficiaries (lei) and, secondly, the relation between the number of employees (the working population – thousands of people) and the value of the sums drawn by the stand by agreements (thousand of lei).

The empirical results of the first regression model shows that only 11,63% from the variation of the employees number can be explained by the variation of the independent variable – payments toward beneficiaries, so there are other variables which influence the evolution of the dependent variable in question. Our results contradict the unanimous opinion according to which the Structural and Cohesion Funds contribute to the economical growth. The possible explanations could be:

the time gap in which the beneficial effects of these irredeemable funds are felt in economy, the transmission mechanism being made more difficult by the negative implications of the economical and financial crisis;

many of these projects are still in progress;

the analysed period is too short for emphasizing a convincing result (financial allocation being for the period 2007-2013).

The econometric results of the second empirical model show that there is no significant linkage between the value of the sums drawn from the stand by agreements with IMF and the number of employees from the Romanian economy.

Therefore, our country cannot count on loans from IMF for raising the number of employees, the role of the stand by agreements being to ensure the coordinates of the financial stability in the eventuality of shocks manifesting in the international financial markets.

We consider and claim that Romania needs European funds. We do not ask to give up entirely to the IMF loans but we plead for having an equilibrium which could support the economical development.

As implication of such outcomes, we expect to increase the interest and the concerns of policymakers in managing better the European funds.

For further research, we suggest to test other macroeconomic variables in order to validate the econometric model. We consider that GDP would be a better choice.

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