IMPACT OF EU FUNDS ABSORPTION IN ENSURING MACRO STABILITY

Professor Alexandru Manole, PhD
Diana Dumitrescu, PhD
Dumitrescu Daniel, PhD

Abstract

Vienna Initiative aims to ensure that the process of deleveraging to be controlled and successful one, to minimize systemic risks of emerging Europe. Strengthening cooperation between countries of origin and host countries to better assess potential systemic risks that may arise in the host countries was another focal point of discussion is the topic of financial and in continuous development and improvement. One of the objectives of the Vienna Initiative involves keeping by credit institutions in more developed countries of the European Union to levels of financial exposure in emerging European countries. Fulfilling these commitments exposure is, however, expensive in the absence of real investment opportunities in host countries. Better absorption of EU funds by national authorities, and the active involvement of financial institutions - bank selection, pre-financing and co-financing of structural funds could realize business opportunities for credit institutions to facilitate the fulfillment of their commitments exposure and thus allow economic recovery of the host countries.

Key words: *macroprudentiality, financial instruments, absorption, Financial institutions, credit*

Introduction. Literature review

Vienna Initiative „ aims at ensuring the stability of the financial sector - banking in Central, Eastern and South - Eastern Europe. This collaborative forum brings together representatives of international actors public and private sector to make decisions by mutual agreement on financial stability. Creating and Advances in Vienna Initiative contest was made possible by the European Investment Bank, European Commission, International Monetary Fund and World Bank.

Launched in January 2009, the Initiative helped implement crisis measures in the short term to ensure sustainability of the banking sector in the region. Working group's efforts were concentrated on avoiding withdrawals of funding in the region by financial grub rile - international banking. In parallel, European Bank for Reconstruction and Development, European Investment Bank and the World Bank provided credit flow positive for the economies of the region concerned.

Anghelache, Anghel, Manole and Lilea (2016) present a series of aspects of banking activity. De Haas, Korniyenko, Pivovarsky and Tsankova (2015) develop on the connection between bank ownership, Vienna Initiative and the increase of credit. Pistor studies the role of the Vienna Initiative in financial markets governance. Kokkinakis (2016) outlines the effect of the Initiative on the behavior of some european and global financial institutions. Bratu and Oprean (2012) describe some characteristics of this initiative. Anghelache (2015) analyzes the economic context of Romania, including the financial sector.

Significance of the Vienna Initiative in creating macro-prudential framework for cooperation

After the financial crisis have been reduced, the working group ‚s efforts were concentrated on long-term coordination of actions so that POTA be tackled in the medium and long recurrence of systemic risks. This new way of working was formalized in January 2012 with the launch of the „ Vienna Initiative 2.0”.

Vienna 2.0 Initiative objectives are :

- Avoiding disorderly deleveraging (by uncontrolled outflow of capital from the countries concerned);
- Establish a collaborative framework for cross-border financial stability issues ;
- Ensuring that policy actions (particularly in the area of supervision) are taken in the collective interest .

Vienna Initiative is a formal framework to protect the financial stability of emerging Europe. The initiative has demonstrated utility in the turmoil of the first wave of the global financial crisis in January 2009, bringing together all stakeholders Public and Private relevant financial sector - the EU banking with subsidiaries active in Emerging Europe and who hold much of the JEL - bank in the region or have a significant portion of government securities.

The initiative provided a forum for decision-making and coordination that helped prevent a systemic banking crisis in the region and assured flow of credit to the real economy and fuel during the crisis. Initiative aimed mainly national policies coordinated at EU level does not affect the financial stability of the region, managing to control (deleveraging site - disintermediation) repatriation sudden and massive financial funds sent during pre-crisis international financial groups to branches emerging European countries (including Romania).

Vienna 2.0 - the end of 2011, new signs of the financial crisis made themselves visible in Europe, the credit crisis and the problem of debt redemptions. Furthermore, it became obvious some serious gaps in the coordination of financial market regulation between countries of origin and host countries funding. Thus arose systemic risks that consider branches of international banks with headquarters in another EU country for which modality pre-crisis surveillance only by the authorities of the country of origin is not sufficient at present to ensure protection against a potential systemic risk.

Reflecting these conditions, Vienna 2.0 aims to ensure that deleveraging is controlled and successful, so as to minimize systemic risks emerging in Europe. It is intended that the countries of origin of capital to cooperate more closely with host countries to better assess potential systemic risks that may arise in the host countries. The tax authorities should also be more directly involved in coordinating country of origin - the host country. Activity within the Vienna Initiative 2.0 aims to obtain practical results through monitoring, reporting deleveraging - deleveraging by creating temporary structures in which decision makers from public and private sector to exchange experiences and discuss appropriate steps forward.

At Vienna 2.0 initiative in March 2012, was debated a set of principles for cooperation of financial supervision in countries of origin and host countries. These principalities were developed based on experiences and previous consultations Initiative so that, at present these Principia come to provide a basis for bilateral cooperation between the member states involved, additional meetings relevant European fora such as the ESRB.

Vienna 2.0 initiative is led by a steering committee chaired by Marek Belka, NBP president. EBRD, EIB, European Commission, International Monetary Fund and the World Bank have played a key role in the creation and further development of the Vienna Initiative.

The initiative was an example of successful development of cooperation relations between the public and private sectors, as it brings together all financial actors leading the European Union with exposure and bank branches in countries Emerging Europe, these include major institutions international financial and most important European institutions, fiscal and financial regulatory authorities of the country of origin and the host country.

Initial main objectives of the initiative were:

- Prevention widespread deleveraging and withdrawal uncoordinated border banking groups in the region that could trigger systemic banking crisis not only in individual countries but throughout the region;

- Ensure that the parent banking groups maintain their exposure in emerging Europe and recapitalize their subsidiaries and branches in these countries;
- Ensuring that national support packages of cross-border banking groups had beneficial effects in the host countries.
- Consensus among members of the Initiative on the implementation principal basic crisis management in the region.

To the extent that systemic risk in emerging Europe have started to moderate, Initiative Vienna and moved his attention to the critical issues at regional level and policies that would make financial sectors in emerging Europe stronger long-term shocks systemic Initiative forum identified at meetings. In this respect working groups (WG) were formed comprising representatives from parent banks, regulators, central banks, finance ministries, European institutions and international financial institutions.

Lucar history of the Vienna Initiative:

January 23, 2009 - The first meeting „Vienna Initiative" (VI) held at the Austrian Ministry of Finance under the chairmanship of Mr. T. Wieser, involving central banks and finance ministries of several countries of Central and Eastern Europe, key advanced EU countries, the supervisory authorities of the countries of origin of cross-border banks and IFIs (IMF, EBRD, EIB, World Bank, IFC). At this meeting, the EBRD, E. Berglof introduced the concept of a platform for collective action between public and private labeled „Vienna Club". It was agreed that the IMF should develop principles for sharing the financial burden between the countries of origin and host country authorities of cross-border banks.

March 17, 2009 - The second meeting „Vienna Initiative", held in the Joint Vienna Institute, under the chairmanship of Mr. T. Wieser. IMF (David Hardy, head) shows a distribution of burden-sharing rules between the home and host country are largely agree on how to use the crisis.

September 24, 2009 - The first full meeting of the Vienna Initiative Forum in Brussels under the chairmanship of John Berrigan, Director General Department of ECOFIN. The meeting takes stock of progress made up to that point and discuss for the first time, the possibility of easing deleveraging in the future - away from the first phase signal of systemic risk. Participants: 17 financial group - mothers banking supervisory authorities of the home and host countries and tax authorities, EC, IMF, EBRD, EIB, WB, ECB and CEBS (Committee of European Banking Supervisors).

March 17/18, 2010 - The second meeting of the Vienna Initiative fully in Athens marked the moment to evaluating the work so far and signals a shift from the phase of systemic risk (while the remain in effect for future use and for selected countries); and discusses how to use the framework of collective action of the Vienna Initiative beyond crisis management. To test the usefulness of the framework for political discussions, two working groups were established with urgent issues of relevance to stakeholders: one on the development of local currencies and local capital market development and the absorption of the European funds. At this meeting attended by 20 banking groups, supervisors in their countries of origin and host countries and tax authorities, EC, IMF, EBRD, EIB, World Bank, ECB, CEBS.

17/18 March 2011 - a full third meeting of the Forum of the Vienna Initiative, was held in Brussels to consider the recommendations of the two working groups (local currencies and capital market development and EU funds) and decide on the future of the Vienna Initiative.

March 24/25, 2011 - Addressing the Vienna Initiative is brought to the discussions in the eurozone by the European Council on the new European Monetary System (EMS). Vienna Initiative is cited as an approach for private sector involvement: „If, based on an analysis of sustainability, it is concluded that a macroeconomic adjustment program can restore public debt on a sustainable path, the beneficiary Member State will take initiatives to encourage the main private investors to maintain their exposure (eg a ‚Vienna Initiative').

Conclusions

Stakeholders felt that the recommended actions were successful in crisis management and its framework should be preserved due to the possibility of recurrence of the remaining risks. The main activity of the Vienna Initiative it should be moved to cover issues of crisis prevention, benefiting from its composition unique public-private sector based on the model of the first two working groups. Two new working groups are formed, one on the implications of the new regulations Basel III for emerging Europe; and the other on the management of bad assets.

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