



ABSORPTION OF THE STRUCTURAL FUNDS IN ROMANIA¹

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Abstract

The European structural policy was directed towards consolidating the specific objectives of narrowing the regional disparities, an ample process of negotiation for the allocation of the structural funds to the new member states, Romania included.

In Romania there is a need to disseminate the positive practices of EU member states in implementing the structural policies, and an urge to evaluate the progress in absorbing the structural funds and to identify the adequate measures to remedy the deficiencies noticed in the operational programs.

This study gives an overall image of the allocation of structural funds for the new EU member states, Romania included, describes the absorption of the structural funds in Romania in 2009 and reviews the blockages and the solutions proposed for the absorption of these funds.

The standard pattern of analysis which we used is a radiography of the actual situation, but further investigations are needed in order to identify the optimal solutions to accomplishing better results in the absorption of structural funds in Romania.

Keywords: European Union, absorption capacity, structural funds, administrative capacity, Romania

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1. Introduction

The genesis of the European structural instruments appears in the preamble to the 1957 Treaty of the European Economic Communities, which states the objective of

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“strengthening the unity of economies and ensuring the harmonious development by narrowing the gaps between the regions and redistribution towards the less favoured areas”. If at the beginning of the European construction there was a small budget with the expenditure targeted towards the common agricultural policy, the repeated enlargements consolidated the regional European policy aiming to narrow the gaps. Thus, starting with 1988, EU budget was constructed on multiannual basis, as shown in Table 1, operating various forms of regional policy management because of criticism concerning the size of allocations, the lack of transparency and the centralized management (Weise, 2002).

Table 1

Multiannual financial perspectives (1988-2013) (Billion Euro)

	DELORS 1 1988-1992	DELORS 2 1993-1999	AGENDA 2000-2006	FP 2007-2013
1. Agriculture	28,440	36,503	42,534	
• CAP	28,440	-	38,196	43,011
• Rural development	-	-	4,339	14,797
2. Structural operations	10,628	25,200	30,430	-
• Cohesion funds	-	2,164	12,104	49,273
• Structural funds	-	23,035	27,859	
3. Domestic policies	1,862	4,512	6,261	21,609
• Competitiveness	-	-	-	18,965
• Citizenship, security	-	-	-	2,644
4. Foreign affairs	2,498	5,200	8,100	13,656
• Foreign actions	2,498	4,629	4,850	-
• Emergency aid	-	271	200	-
• Collaterals to loans	-	300	200	-
• Pre-accession aid	-	-	3,120	
5. Administration	4,540	3,640	4,809	4,809
6. Monetary reserves	1,000	643	179	
TOTAL	48,968	75,698	92,313	146,434
Level (%GNP)	1.18	1.23	1.27	1.24

Source: Müller, Kai-Uwe, Mohl, Phillip, 2005. *Structural Funds in an Enlarged EU. A Politico-Economic Analysis*, Paper presented at the 3rd ECPR Conference, Budapest, 8-10 September 2010, p. 23.

In terms of the allocations from the budget, the European structural policy is described as a process of negotiation in two stages (Bodenstein and Kemmerling, 2005): **1.** the national governments negotiate the total size of the structural funds by country and the general criteria of allocation; **2.** national negotiations run on the basis of the principles of “additionality” and “complementarity” during which the potentially eligible regions are decided and their needs for structural funds financing. Thus, the final allocation of the structural funds is a complex process of multi-level governance, the results being shaped according to the preferences of the involved actors and according to their interaction within a specific institutional framework. However, this

process of negotiation uses a set of key indicators related to the specific objectives of the structural policy (Table 2).

Table 2

Key indicators used for the structural policy

Objectives	Key indicators
1. To promote the regions whose economic development and harmonization is deficient	Regional GDP per capita in term of purchasing power parity
2. To support the economic and social conversion of the areas confronted with structural difficulties	Regional unemployment rate (unemployment rate related to the active population)
3. To support the adaptation and modernization of the policies and systems of education, training and occupation	Regional level of qualification (proportion of the active population with tertiary education)

Source: European Commission, 2005.

Each member state can undertake to reach specific targets by stating them within their own goals. There are three large groups of countries oriented with priority towards specific objectives stated in the strategies they adopted (Polverari, McMaster, Gross, Bachtler, Ferry, Yuill, 2005, p. 36):

1. *Strategies concerning regional occupation and competitiveness* – Austria, Belgium, Denmark, Finland, France, Ireland, the Netherlands, Sweden, Great Britain;
2. *Transitional/mixed strategies* (combine the convergence with the regional competitiveness) – Cyprus, Germany, Greece, Italy, Portugal and Spain;
3. *Strategies of convergence* – Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Malta, Poland, Romania, Hungary, Slovakia, Slovenia.

Considering the need to disseminate in Romania the positive practice of implementing the structural policies, there is a growing pressure to evaluate the progress of absorbing the structural funds and to identify the adequate measures required to remedy the deficiencies observed in the operational programs. The purpose of the administrative culture of evaluation implemented in some member states (the Netherlands, Great Britain, the Scandinavian countries) was not just to adhere to the agreed European format (*ex ante*, *interim*, *post ante* evaluations) but mainly to influence the design of the public policies (Mairate, 2006, p. 3). There is a quasi-unanimous consensus on the major purpose of evaluation to influence the decision-making process or the political proposals, being much more than some empirical actions (Cace, 2007, p.50). Over the past two decades, the European Commission played an important role in developing a culture to evaluate the results of project and program implementation, which recently started to use the cost-benefit analysis elements in the allocation of funds (Mairate, Angelini, 2006, p. 1).

The evaluation of structural funds absorption performed by the institution coordinating the structural instruments (ACISa, ACISb), by different independent bodies (the European Institute in Romania, the Romanian Centre for European Policies, the Romanian Academic Society, etc.) or by different authors, produced quite varied rates

of absorption in Romania, but noticed several deficiencies that require immediate remedy. A common reference point is the necessity to support, consolidate and accelerate the process of structural fund absorption in the context of the current crisis which deeply affected Romania.

2. Structural allocations in the new EU member states. Results of absorption

The successive enlargements of the European Union determined the revision of the structural policies in agreement with the new context, especially the use of the fundamental indicator "GDP per capita". Thus, the low value of this indicator at the regional value is associated with low educational levels, with the limited research, development and innovation, with the low access to ITT. The impact of the successive enlargements has also been analysed in terms of territorial and demographic increase (Table 3), and an official document – *The Second Report on the Social and Economic Cohesion* (European Commission, 2001) revealed the main consequences of establishing a community architecture with 12 member states:

- 18% decrease in the average GDP per capita at EU level, which made 27 regions (at this moment) be above the threshold of 75% of the average EU GDP per capita;
- at the national level, more than one third of the population will live in countries which have an income lower than 90% of the average EU GDP per capita – level of eligibility to offer assistance for cohesion funds, compared to one-sixth of the population which lived under the same conditions at the moment of evaluation
- at the regional level, the average income per capita of the bottom ten percent of the population, living in the least prosperous regions of EU27 will be just 27% of the European average. In the EU15 context, the average per capita income of the bottom ten percent of the population was 61%.

Table 3

Impact of the successive enlargements of the European Union

	Territorial increase %	Population increase %	GDP increase %	Change in GDP per capita %	Average GDP per capita (EUR6=100) %
EUR9/EUR6	31	32	29	-3	97
EUR12/EUR9	48	22	15	-6	91
EUR15/EUR12	43	11	8	-3	89
EUR27/EUR15	34	29	9	-16	75

Source: Agenda 2000, European Commission, 1997.

The EU enlargement from 2004 and 2007 had substantial consequences for all the objectives of the structural policy, significant differences being noticed, for example, between the EU15 situation and the forecasts for EU25: the regional average GDP per capita (Objective 1) decreased by more than 1,700 Euro, the regional

unemployment rate (Objective 2) increased by 0.8 percent points and the specific coordinates of Objective 3 were stable (Müller, Kai-Uwe, Mohl, Phillip, 2005, p. 10) (Table 4).

Table 4

Differences between EU15 and EU25, in terms of objectives of the structural policy, 2003

	Obs.	Average	Standard deviation	Min.	Max.
EU15					
Objective 1	213	21931.72	6508.76	12136.20	66760.90
Objective 2	210	8.19	4.99	2.00	31.80
Objective 3	194	0.23	0.08	0.07	0.46
EU25					
Objective 1	254	20222.13	7402.51	6764.20	66760.90
Objective 2	251	9.02	5.68	2.00	31.80
Objective 3	235	0.22	0.08	0.07	0.47

Source: Müller, Kai-Uwe, Mohl, Phillip, 2005. *Structural Funds in an Enlarged E. A Politico-Economic Analysis*, Paper presented at the 3rd ECPR Conference, Budapest, 8-10 September 2010, p. 24.

The present stage of structural allocations for the new member states triggers concrete questions on the way in which these funds will actually support the catching-up process, on the benefits for the new member states compared to the older member states, on the validity of the mechanism of fund allocation, on who decides the destination and size of funds allocation, on where the winners of the structural funds implementation are. Thus, the observance of ethic principles specific to the fair distribution of funds towards the new member states that have to manage disfavoured regions is a topic widely debated within the context of the crisis. A link is obvious between the social fairness and the economic efficiency, which highlights two essential aspects identified during the process of regional policy elaboration: efficacy of the redistributive measures and the gap in development (Cojanu coord., 2004, p. 8). From this perspective, the rate of structural fund absorption by the new member states is just an aspect of the process of catching-up with the European average.

In a first analysis, the decision-making process at the level of the structural policies complicated after the 2004 and 2007 enlargements, anticipating that the challenges of the recent enlargements will yield fundamental changes in this field (Richter, 2005). During 2007-2013, the cohesion policy will benefit by 35.7% of the total EU budget (347.41 billion euros), the distribution by objectives highlighting the focus on convergence: 81.54% - Convergence, 15.95% - Occupation and regional competitiveness, 2.52% - European territorial cooperation. The consolidated preferences of some older member states (Italy, Portugal), which are in a relative opposition to the preferences of the regional distribution displayed by a group of new member states (Poland, Slovakia, Latvia, Lithuania, Hungary), lead to the idea that the future structural policy might be influenced more significantly by the interests of the older member states (Müller, Kai-Uwe, Mohl, Phillip, 2005, p. 21). The new member

states are oriented predominantly towards strategies of convergence, while the older member states directed their policies towards strategies of occupation and regional competitiveness and towards transitional/mixed strategies. The global objectives expressed in the strategic frameworks of the new member states are of more interest to the new member states than to the older member states (Table 5).

Table 5

Global objectives of the new EU member states. National strategic frameworks of reference

	Bulgaria	Cyprus	Czech Republic	Estonia	Latvia	Lithuania	Malta	Poland	Romania	Hungary	Slovakia	Slovenia
<i>Competitive economy</i>												
<i>Growth and occupation</i>												
<i>Quality of life/territorial attractiveness</i>												
<i>Human resources development and societal modernization</i>												
<i>Social cohesion</i>												
<i>Balanced/sustainable territorial development</i>												
<i>Convergence (European or national)</i>												
<i>Other</i>												

Source: Polverari L., McMaster I., Gross F., Bachtler J., Ferry M., Yuill D., 2005. *Strategic Planning for Structural Funds in 2007-2013. A review of Strategies and Programmes*, European Policies Research Centre, IQ-Net Thematic Paper No. 18(2), Glasgow, 25-27 June 2005, p. 35.

The general orientation of the new member states towards strategies of convergence leads to the idea that the catching-up process of the new member states will be efficiently put into practice using the larger benefits derived from their accession. Statistically, one can notice at the Central and South European new member states (NMS), which joined in 2004, that the first three years displayed a clear success in terms of economic growth (Richter, Sándor, 2007, p. 437): during 2001-2003 they had an average 3.1% increase in the GDP (compared to the 1.4% EU15 average), while during 2004-2006 the average GDP growth was 5.3% (compared to 2.2% EU15 average), which is a 2.2 points increase between the two analysed periods (as shown in Table 6) below.

The performance of the new member states that joined in 2004, during the first three post-accession years, show that they had exceeded their performance during the pre-accession period (Richter, Sándor, 2007:443), but we have to express doubts about the real “winners” in absolute values. Thus, if in terms of growth rates the new member states obviously display higher rates, the evaluation related to the GDP size of the older member states reverses this standing of the great “winners” of the enlargement (Zaman, Georgescu, 2009:138).

Table 6

Rates of GDP growth in the new member states which accessed the EU in 2004

	2001-2003 average		2004-2006 average
A EU 15	1.4		2.2
B NMS - 8	3.1		5.3
B-A (percent points)	1.7		3.1
Estonia	8.6	Latvia	10.4
Lithuania	7.9	Estonia	10.0
Latvia	7.2	Lithuania	7.5
Hungary	4.2	Slovakia	6.6
Slovakia	3.8	Czech Republic	5.5
Slovenia	2.9	Poland	4.9
Czech Republic	2.7	Slovenia	4.6
Poland	2.1	Hungary	4.3

Source: Richter, Sándor, 2007:437.

Studies using the MSFA matrix (Matrix for Structural Funds Administration – evaluation can be done both on the vertical and on the horizontal) were done with the purpose to identify the additional needs for institutional reconstruction and to meliorate the capacity of these countries to absorb EU funds after accession. The results showed a surprisingly poor level of the administrative capacity in some new member states, Romania included (Oprescu, coord., 2006: 20) (Table 7). Thus, for the 9 primary indicators, Romania obtained just an A; for the other 8 primary indicators, the absorption capacity is not enough so far (category C in six cases), or even there is no basis for the administration of the Structural Funds (category D, in two cases) (Oprescu, coord., 2006: 20).

Table 7

Evaluation by key indicators and by country

	RO	HU	CZ	SK	EE	SLO
<i>Horizontal evaluation</i>						
Management	C (72%)	B (87%)	B (75%)	C (63%)	B (87%)	C (71%)
Programming	C (52%)	B (80%)	B (80%)	D (40%)	B (87%)	B (80%)
Implementation	C (53%)	C (72%)	C (56%)	C (52%)	C (68%)	C (52%)
<i>Vertical evaluation</i>						
Structure	B (76%)	B (76%)	B (84%)	B (79%)	A (95%)	B (74%)
Human resources	C (51%)	C (74%)	C (71%)	D (41%)	B (82%)	C (59%)
Systems and instruments	D (45%)	C (60%)	C (50%)	D (40%)	C (60%)	C (50%)

Source: Oprescu, Gh., coord., 2006 și NEI, Key Indicators for Candidate Countries to Effectively Manage the Structural Funds. Principal Report, Final Report prepared by the NEI Regional and Urban Development for the EC DG REGIO/DG ENLARGEMENT, Rotterdam, February 2002.

Absorption of the structural funds in Romania

In terms of administrative capacity, major differences can be noticed in structural funds absorption in relation to the employed staff if we consider that in Slovenia a structural fund manager administers on average 4 million euros, while in Estonia just 1.2 million euros (Horvath, 2005, p.17). Such an analysis of the administrative capacity to implement structural funds in the new member states is justified by the increasing financial allocation to the new member states, 166% higher in the period 2007-2013 than during 2000-2006. The calculation of the administrative requirements must be related to the level of each state, starting from the indicators of the previous period and from the allocation for 2007-2013 (Table 8).

Table 8

Financial allocation to the new EU member states, Cohesion policy 2007-2013 (Million Euro)

	Convergence			Occupation and regional competitiveness		Regional territorial cooperation	Total
	Cohesion Fund	Convergence	Gradual statistic elimination	Gradual introduction	Occupation and regional competitiveness		
Bulgaria	2283	4391	-	-	-	179	6853
Cyprus	213	-	-	399	-	28	640
Czech Republic	8819	17064	-	-	419	389	26692
Estonia	1152	2252	-	-	-	52	3456
Latvia	1540	2991	-	-	-	90	4620
Lithuania	2305	4470	-	-	-	109	6885
Malta	284	556	-	-	-	15	855
Poland	22176	44377	-	-	-	731	67284
Romania	6552	12661	-	-	-	455	19668
Hungary	8642	14248	-	2031	-	386	25307
Slovakia	3899	7013	-	-	449	227	11588
Slovenia	1412	2689	-	-	-	104	4205

Source: http://ec.europa.eu/regional_policy/policy/fonds/pdf/annexe-recto.pdf.

The absorption of the structural funds by the new member states is grounded on the solid arguments of the European solidarity pillars, as there are theoretical premises for a levelling of the gaps in time in the most disfavoured regions of the European Union.

The position of Romania compared to the other new member states, in terms of European funds absorption between 2007-2009, can be also analysed in terms of proportion of allocations. Thus, Poland, Czech Republic, Hungary and Romania have budget allocation amounting to 79% of the funds available for the Central and Eastern European countries (Table 9), but the absorption defined by contracts is higher than the regional average level (26%) only in Hungary and Czech Republic (Table 10).

Despite the fact that they are among the main recipients of EU funds, Romania and Poland have the lowest rates of contracting among the Central and Eastern European countries (Table 10); these aspects sparked wide debates on the allocation of funds towards the beneficiary states lacking the capacity to absorb these funds.

Table 9

Percent distribution of the structural funds 2007-2013 in EU member states from Central and Eastern Europe

CEE UE MS	Estonia	Slovenia	Latvia	Lithuania	Bulgaria	Slovakia	Romania	Hungary	Czech Republic	Poland
100%	2%	2%	3%	4%	4%	6%	13%	13%	14%	39%

Source: KPMPG, 2010.

Table 10

Rate of contracting related to the budgets allocated for 2007-2009 in the new member states from Central and Eastern Europe

	Rate of contracting
<i>Estonia</i>	44%
<i>Lithuania</i>	41%
<i>Hungary</i>	39%
<i>Latvia</i>	38%
<i>Slovenia</i>	35%
<i>Slovakia</i>	27%
<i>Czech Republic</i>	25%
<i>Bulgaria</i>	23%
<i>Poland</i>	23%
<i>Romania</i>	16%

Source: KPMPG, 2010.

The analysis of the payments made for the contracted projects shows a classification similar to that of the contracting, the average absorption level being 7.4% (Table 11). The average level of payments for the concluded contracts is 28%, with Slovenia (50%) and Lithuania (40%) on the top positions (KPMG, 2010).

Table 11

Absorption rate related to the payments for the projects contracted between 2007-2009, in the new member states from Central and Eastern Europe

	Absorption rate (payments for the contracted projects)
Slovenia	18%
Lithuania	17%
Latvia	13%
Estonia	12%
Hungary	10%
Czech Republic	8%
Poland	7%
Slovakia	5%
Bulgaria	4%
Romania	2%

Source: KPMPG, 2010.

Concerning the questions pertaining to the nature of the European convergence “who decides what” (Marks, 1996:389) or “to what effect” (Bache, 1998, p. 14), there is the supposition argued by some authors that the role of the national governments in key decision-making concerning the implementation of the cohesion policy has been exaggerated by the literature, and the arguments in favour of the “re-nationalization thesis” are confuse (Bachtler, Mendez, 2007, pp. 555-556). As Romania is one of the new member states orienting towards coherence objectives, it will always be a matter of the extent of absorption of the available funds and of forecasting the impact of these funds on the Romanian society. The gap in fund absorption expertise compared to the countries that jointed in 2004, should trigger increased efforts of the decision-makers to take rapid measures to achieve absorption rates similar to the ones recorded by that group of countries between May 2004 – September 2006, with an average rate of absorption of about one-third of the allocated funds (Constantin, 2008, p. 6).

In the attempt to identify scientifically the correct dimensions of the allocations to the new member states, Romania included, there is a distinct, fundamented opinion that configures the causes of the inefficient utilization of the structural funds to narrow the gaps and reach the convergence targets (Zaman, Georgescu, 2009:140): an important share of the structural funds is in fact allocated to the wealthy countries; the concentration of the funds on economic growth is under the impact of the domestic taxation in different states; the failure of the governmental policies makes the funds be spend improperly.

An important observation regarding the new member states and the position of Romania shows that the absorption mechanism is directed predominantly towards the specific objectives of the convergence policy, showing a different impact of the allocated EU funds. Thus, for an average annual rate of 22% of the Central and Eastern Europe GDP (10 new member states), the rate in Romania is just 20% in relation to the GDP for 2007-2013 (Table 12). This shows the existence of a flawed mechanism lacking the expertise of the planned absorption in stages, developed progressively according to the annual deadlines for payments; these are incipient characteristics of absorption, which were also noticed in the countries that jointed the EU in May 2004.

Table 12

EU Funds Allocation for CEE UE Member States and Romania

	Romania	Total Central and Eastern Europe
Population (mil.)	21.5	102.1
Annual GDP (billion euro)	139.8	963.1
GDP per capita (euro)	6.491	9.432
EU funds 2007-2013 (billion euro)	27.5	214.7
EU funds per capita (euro)	1.276	2.103
EU funds per GDP	20%	22%
EU funds per year per GDP	2.8%	3.2%

Source: Eurostat, 2010.

Romania still is in a rather incipient stage of constructing its absorption capacity and displays delay in absorption similar to the delays observed during 2004-2006 in the new member states (which had accessed the EU in 2004); however, the absorption by these countries was optimal and successful, as shown by the 95% level of absorption (EU10, July 2010, p.31).

A second hypothesis concerns the fact that the generosity of the allocation of structural funds to the new member states doesn't have the compulsory characteristics of high absorption rates, which fuels the discussion of the absorption capacity of Romania from the perspective of the specific endogenous process directed towards sustainable objectives. Romania adopted and continues to adopt measures to improve absorption of funds, but the objectives are predominantly the attribute of the governance.

3. Analysis of the indicators of structural fund absorption by Romania

The public post-accession discourse in Romania abounds in references to the benefits of absorbing the structural funds allocated to our country for the period 2007-2013, and the various groups of analysis promote pessimistic or optimistic scenarios on the access to and actual utilization of these funds.

The role of the different analyses should determine the public administration to adjust continuously the absorption mechanism. A possibility put forward almost two decades ago to measure the efficiency of the administration in this direction would be to investigate the proportion between the effects obtained with the available resources and the maximal possible effects that might be obtained by using these resources (Bouckaert, 1992, p. 35). This complex approach requires the statistical modelling of different indicators, the elaboration and adoption of a post-accession strategy oriented towards results that can be measured quantitatively and qualitatively, and the development of a mechanism adaptable to the adjustment of the structures and procedures involved in the process of fund absorption.

The document of reference for programming the Structural and Cohesion Funds – The National Strategic Plan of Reference (NSPR), which correlates the national priorities of development, set by the National Plan for Development 2007-2013 and the European priorities – Strategic Community Directions (SCD) for Cohesion 2007-2013, provides the vision to create a competitive, dynamic and prosperous Romania. The general goal is to “Reduce the disparities of economic and social development between Romania and European Union member states by generating an additional growth of 15-20% of the GDP by 2015”. However, in the present economic situation of crisis, it is difficult to analyse and forecast the extent to which this goal will be accomplished by applying the cohesion policy supported financially by the EU. The document also highlights five priority areas for long-term interventions: (i) development of the basic infrastructure according to European standards; (ii) long-term increase in economic competitiveness; (iii) development and efficientization of human capital; (iv) construction of an adequate administrative capacity; and (v)

promotion of a balanced territorial development (Polverari, McMaster, Gross, Bachtler, Ferry, Yuill, 2005, p. 47).

The funds allocated by the EU to Romania for 2007-2013 amount to 19.213.036.712 euro, and they are managed through the authorities of the seven operational programs. The planning for the first three years, 2007-2009, shows an allocation of 29.36% of overall EU funds available for the entire cycle of programming (Table 13).

Table 13

Allocations to Romania, 2007-2009, Cohesion policy 2007-2013 (euro)

Operational program	Total amount 2007-2013	2007	2008	2009	% allocation 2007-2009 of total amount
POS-T	4,565,937,295	251,957,363	441,348,842	614,332,066	28.63
POS Env.	4,512,470,138	272,372,736	437,302,592	578,507,217	28.54
POR	3,726,021,762	330,168,339	404,126,047	441,135,485	31.53
POS DRU	3,476,144,996	212,973,834	330,141,809	452,584,803	28.62
POS CCE	2,554,222,109	170,464,211	194,837,789	364,964,902	28.57
PO DCA	208,002,622	20,162,952	28,143,236	40,850,990	44.02
PO AT	170,237,790	16,979,328	18,401,347	20,977,535	33.09
Total	19,213,036,712	1,275,078,763	1,854,301,662	2,513,352,998	29.36

Source: National Strategic Reference Framework, 2007.

The analysis of operational programs for the first three years shows that the first three operational programs (POR, PO DCA and PO AT) planned funds in excess of 30%, which supposes, in principle, the acceleration of the absorption processes. Actually, it is important to notice that the approval from Brussels was notified rather late: 5 programs on July 12, 2008 (POR, POS M, POS-T, POS CCE, PO AT), one program on November 21, 2008 (PO DCA) and one program on November 22 2008 (POS DRU) (Morovan, 2010, p. 6).

An important aspect regarding the planning and supporting of the implementation process refers to the specific dimension of the Operational Program Technical Assistance, by comparing the percent value of each program within the total allocation and the percent value programmed for each of them. Thus the construction of the structural instruments shows the programs with the highest fund allocations (POS-T 26.97%, POS M 21.36% and POSDRU 20.14%), and the programs with allocations below 1% from the total funds for 2007-2013 cycle (PO DCA 0.98% and PO AT 0.81%) (ACIS a, 2009, p. 25). The support requirements common to the system of funds management and implementation should also be observed at the end by the sectoral absorption of funds for each individual operational program, based on the distribution shown in Table 14, which shows that financing focused on the consolidation of the horizontal instrument of assistance (PO AT) and the significant difference between the size of the program and the funds available for POS-T.

Table 14

Percent allocations for operational programs and percent allocations within PO AT for the operational programs (%)

	POS-T	POS Env.	POR	POS DRU	POS CCE	PO DCA	PO AT
Percent allocations for operational programs	26.97	21.36	17.64	20.14	12.09	0.98	0.81
Percent allocations within PO AT for the operational programs	14	19	15	18	10	1	23

Source: ACIS a (2009), ACIS b (2009).

A significant progress was made in 2009 in running the operational programs (ACIS b, 2009, pp. 9), as the Program of Governance approved in December 2009 mentioned the priority of absorbing the funds made available to Romania through the policy of cohesion. The momentum gained by the absorption of structural funds and by the mechanism used to this purpose shows improved statistics at the end of December 2009, but this numerical data are difficult to interpret in terms of time planning and economic efficiency.

In order to evaluate the hypotheses expressed before, we will subsequently study the absorption of EU funds using the classical matrix used to report indicators: proportion of applications to engagements; proportion of reported signed contracts to engagements and rate of the certified expenditure related to engagements. The next section includes an analysis of the operational programs implemented in Romania in terms of structural fund efficientization.

a. Projects submitted in 2009

The number of applied projects doubled in 2009 (from 7,430 on January 1, 2009, to 14,890 on December 31, 2009), their total value increasing even more (2.46) (Table 15). Thus, if by the end of January 2009, the applied projects amounted to 51.25 billion lei, by the end of December 2009, the total value reached 127.20 billion lei. As reported in October 2009, the value of EU contribution afferent to the submitted projects exceeded by far EU allocations for 2007-2009, by 282% (ACISb, 2009, p.20).

Table 15

Project submission for operational programs in Romania in 2009, 31.01.2009* vs. 31.12.2009**

Operational program	Submitted projects					
	Number			Total value (lei)		
	31.01.	31.12.	Difference	31.01.2009	31.12.2009	Difference
POR	1418	3110	1692	14038680695	31037270775	16998590080
POS M	69	141	72	5789965917	16600549934	10810584017
POS-T	16	41	25	4401614720	15739705408	11338090688
POS CCE	2880	5386	2506	16721609448	30559027909	13837418461
POS DRU	2834	5250	2416	10180649465	32154540747	21973891282

Absorption of the structural funds in Romania

Operational program	Submitted projects					
	Number			Total value (lei)		
	31.01.	31.12.	Difference	31.01.2009	31.12.2009	Difference
PO DCA	206	931	725	318947315	896252890	577305575
PO AT	7	31	24	73557847	215914864	142357017
Total	7430	14890	7460	51525025407	127203262527	75678237120

*exchange rate January 2009: 1 euro=4.2430 lei

**exchange rate December 2009: 1 euro=4.2788 lei

Source: ACIS.

b. Projects approved in 2009

By December 31, 2009, a total of 3,888 projects have been approved, 3,165 more projects than the number of projects approved by January 1, 2009 (Table 16). The total value of the projects approved by the end of December 2009 amounted to 36,119,888,415 lei (about 8.44 billion euro), 26,181,765,769 lei more than the value of the projects approved by the end of January 2009. In October 2009, EU contribution represented 57% of EU 2007-2009 allocation for all operational programs (ACISb, 2009, pp.21).

Table 16

Projects approved for operational programs in Romania in 2009, 31.01.2009* vs. 31.12.2009**

Operational program	Approved projects					
	Number			Total value (lei)		
	31.01.	31.12.	Difference	31.01.2009	31.12.2009	Difference
POR	64	715	651	2134302401	7259732301	5125429900
POS M	32	64	32	4185406823	5797014726	1611607903
POS-T	6	20	14	127168900	4820380498	4693211598
POS CCE	337	1284	947	1787571271	5022077207	3234505936
POS DRU	249	1691	1442	1586966069	12842328860	11255362791
PO DCA	30	111	81	54314335	217454944	163140609
PO AT	5	23	18	62392847	160899879	98507032
Total	723	3888	3165	9938122646	36119888415	26181765769

*exchange rate January 2009: 1 euro=4.2430 lei

**exchange rate December 2009: 1 euro=4.2788 lei

Source: ACIS.

c. Projects contracted in 2009

The data on the project contracted in 2009 shows an almost 12-fold increase in the number of contracted projects, 2,034 more in December 2009, than in January 2009 (Table 17). The value of the contracts concluded by the end of 2009 amounted to 21,756,625,934 (about 5.08 billion euro). The eligible value of the financing contracts amounted to 3.26 billion lei in October 2009, of which EU funds represented about 85.4% (ACISb, 2009, p.21).

Table 17

Contracts/contracting decisions with the project beneficiaries for operational programs in Romania in 2009, 31.01.2009* vs. 31.12.2009**

Operational program	Contracted projects					
	Number			Total value (lei)		
	31.01.	31.12.	Difference	31.01.2009	31.12.2009	Difference
POR	40	578	538	1361764852	6395101801	5033336949
POS M	15	42	27	3308509284	5771863867	2463354583
POS-T	4	17	13	2299940	3082864536	3080564596
POS CCE	1	934	933	402020000	3344312327	2942292327
POS DRU	129	533	404	1376440338	2835993494	1459553156
PO DCA	0	101	101	0	181609753	181609753
PO AT	1	19	18	20977743	144880156	123902413
Total	190	2224	2034	6472012157	21756625934	15284613777

*exchange rate January 2009: 1 euro=4.2430 lei

**exchange rate December 2009: 1 euro=4.2788 lei

Source: ACIS.

d. Payments to the beneficiaries of projects implemented in 2009

The beneficiaries of contracted projects received by the end of 2009 payments amounting to a total of 2,511,292,527 lei (about three times more than at the end of January 2009, Table 18). The same increasing rate of payments was observed for the EU contribution in relation to EU 2007-2009 allocation (from 3.20% than at the end of January 2009 to 10.26% at the end of December 2009).

Table 18

Payments to the beneficiaries of operational programs in Romania in 2009, 31.01.2009* vs. 31.12.2009**

Operational program	Payments to beneficiaries					
	Total payments (lei)			% - payments EU contribution in relation to EU 2007-2009		
	31.01.2009	31.12.2009	Difference	31.01	31.12	Difference
POR	50893947	790054065	739160118	0.94	15.35	14.41
POS M	191313221	777713113	586399892	3.50	14.00	10.5
POS-T	0	134460434	134460434	0	2.40	2.4
POS CCE	402020000	513704630	111684630	12.97	16.40	3.43
POS DRU	101765843	286208477	184442634	2.41	6.54	4.13
PO DCA	0	6134371	6134371	0	1.58	1.58
PO AT	218121	3017437	2799316	0.07	1.25	1.18
Total	746211132	2511292527	1765081395	3.10	10.26	7.16

*exchange rate January 2009: 1 euro=4.2430 lei

**exchange rate December 2009: 1 euro=4.2788 lei

Source: ACIS.

Absorption of the structural funds in Romania

The seven operational programs from Romania displayed different evolutions in terms of application, approval and contracting of projects: POSCEE, POSDRU and POR are the programs with the largest volume of activities concerning the receipt, evaluation, selection and contracting of projects (Table 19).

Table 19

Number of projects submitted, approved and contracted for operational programs in Romania, by the end of December 2009

POR	3110	715	578
POS M	141	64	42
POS-T	41	20	17
POS CCE	5386	1284	934
POS DRU	5250	1691	533
PO DCA	931	111	101
PO AT	31	23	19

Source: ACIS.

Table 20 shows that 2007-2009 allocation was covered for some programs (POR, POSDRU) while for other programs, only almost half of the allocation was used (POS-T, PO AT and PO DCA) (Morovan I., 2010, p.16).

Table 20

Level of EU 2007-2009 funds utilization for the approved projects, by the end of December 2009

	EU contribution (lei)	% EU contribution in relation to 2007-2009 allocation
POR	4 873 889 900	96.91
POS M	3 820 645 637	69.32
POS-T	1 613 571 706	28.84
POS CCE	2 477 571 706	79.29
POS DRU	11 329 811 353	265.93
PO DCA	179 416 910	47.03
PO AT	107 240 481	44.47

Source: ACIS.

The evolution of structural funds absorption in 2009 shows the increasing parameters of the presented indicators, but doesn't confirm an enjoying rate of actual payments from EU contribution in relation to EU 2007-2009 allocation (just 10.26%). From the similar data reported by other Eastern European new member states which accessed the EU in 2004, it results that Poland had the lowest rate of absorption (24.5%), while Slovenia ranked first with a 34% rate of structural funds absorption (Table 21).

Table 21

Total payments in the Eastern European new member states, % from the national allocations, May 2004 – September 2006

	Absorption rate %
Czech	26
Estonia	29
Hungary	32.5
Latvia	25
Lithuania	25.5
Poland	24.5
Slovakia	27.5
Slovenia	34

Source: Constantin, Daniela-Luminița, 2008, p.6.

Without considering that this model of analysis is oriented towards results certified at the European level, we stress the fact that the definition of the capacity of absorption depends highly on the research methodology that was employed and on the period of analysis of the member states (Wostner, 2008, p.1). We didn't undertake to analyse in depth the absorption of funds, which implies that we have to choose between alternative options within some systems of values (Boerger, 1978, pp. 18). The absence of an inventory of the development and availability of alternative objectives to be reached within the context of this crisis makes it difficult to relate to the basic terms for the central institutions involved in the improvement of fund absorption (Boerger, 1978, p. 198): institutionalization of the innovative elements; institutionalization of the analytical process; institutionalization of the response to adapt to the social change.

4. Perspectives to improve funds absorption

Three major deficiencies were detected by previous analyses in the implementation of structural funds (Hartwig, 1999, p. 9): the fundamental change in the economic situation; insufficient statistical data that don't allow realistic cost-benefit analyses and the evaluation of incomes forecasted by the projects; public administration not familiar with the procedures specific to these funds.

The perspectives for the absorption of structural funds in Romania are, in general, to the attention of five categories of stakeholders:

- a) European Commission through its specialised structures;
- b) Central administration – Government of Romania;
- c) Management authorities of the operational programs;
- d) Beneficiaries of the structural funds;
- e) Civil society (non-governmental organizations, the academic environment, mass-media).

If in the case of the specialised structures of the European Commission we have shown the longitudinal concerns for fund allocation and for the promotion of the conversion policy in the new EU member states, it is now important to analyse the

reaction of the central administration, in response to the general requirement to speed up the absorption of the funds made available to Romania.

It was said very many times that the strict procedures imposed at the European level were, due to their complex character, a break to speeding up the absorption. It was observed that 55% of the administrative procedures for the implementation of structural funds were at the level of the European forums, while the balance of 45% were due to the national and regional environments (Wostner, 2008, pp. 63). It would be thus beneficial to acknowledge that the maintenance of perfect and too "positive" bureaucratic mechanisms in Romania will hinder the accomplishment of high absorption rates and of the progressive evaluation of the efficiency of the implementation. Complementarily, it is obvious that advanced systems of human resources management must continue to be implemented to overcome the past limits and inconsistencies (Constantin, 2008, p. 6). The quality of the public administration also relates to the impact of funds absorption; therefore, the recent measures in the field of wage setting should not multiply some short-term adverse consequences at the level of the structures for the implementation of projects with non-reimbursable financing.

The Government of Romania adopted several measures with the purpose to attract European funds, measures aiming to have a positive impact in this direction (Morovan, 2010, pp.14-15): a) the possibility to grant a high proportion of the eligible value of the project as pre-financing; b) the private companies will have to submit certain documents during the contracting stage, not when applying for the project, as it was until now; c) flexibilization of the eligibility criterion concerning the debts of the applicant to the state budget; d) unification of the first two stage of the evaluation process, i.e. administrative checking and eligibility; e) simplification of the norms for purchases.

Several major problems have been identified at the level of operational program management units, as well as possible solutions in relation to the type of program (Morovan, 2010, pp. 9-13), synthesized in Table 22.

Table 22

Major problems and solutions proposed in relation to the structural funds

Type of operational program	Major problems	Proposed solutions
POR POSDRU POSCCE	<ul style="list-style-type: none">• Unknown calendar of the calls for projects• Lagging deadlines for project submission• Modifications in the documentation for the applications for financing• Bureaucratic excess (bureaucratic fanatics)• Delayed evaluation of the applications	<ul style="list-style-type: none">• Exclusion from the list of reorganization of the departments working with European funds• Contracting external evaluators (either through multianual framework contract with consultancy/audit companies, or by a database with independent evaluators)

Type of operational program	Major problems	Proposed solutions
	<ul style="list-style-type: none"> • Undersized staff within the management authorities • Low number of external evaluators 	<ul style="list-style-type: none"> • Sub-segmenting the financing components
POS M POS-T	<ul style="list-style-type: none"> • Long period to run the pre-feasibility, feasibility studies, and to obtain the environmental license • Long period for the public tenders to sign the contract with the entrepreneur 	<ul style="list-style-type: none"> • Observe the deadlines stipulated by the procedures • Company reliability

Source: Morovan I., 2010, pp. 9-13.

The beneficiaries of the applications for financing approved and/or contracted have addressed on January 26, 2010 an open letter to the Romanian Prime Minister, which presented the major blockages in the absorption of European funds, some of them also mentioned in the analyses performed by the management authorities (Open letter, 2010, pp. 1-4): 1. long period of time between the submission of the application for financing and the receipt of answer; 2. lack of uniformity and coherence in project evaluation (scoring); 3. long period of time between the approval of the request for financing and contract signing; 4) very large delays in the reimbursement of the spent money; 5) impossibility, at the present time, to recover the VAT; 6) inefficient communication of the management authorities and of the intermediary organisms with the applicants and beneficiaries of funds. The signatories of this letter asked for the simplification of the procedures and reduction in bureaucracy, the adequate staffing of the management authorities (in terms of numbers, experience, expertise), VAT reimbursement and improved communication.

A concrete example of the increase of the level of structural funds absorption was observed within the Sectoral Operational Plan Human Resources Development, which adopted (on 10 July 2010) several measures aiming to:

- a. ensure the cash-flow for project implementation by modifying the mechanism of prefinancing;
- b. modify the Applicant Guidebook to eliminate the flaws of the former edition and to decrease significantly the period of evaluation by simplifying the mechanism of project evaluation.

The academic level displays an increasing interest to present different successful models for the absorption of structural funds, to elaborate scenarios for absorption and to forecast the absorption rates in a scientific manner.

The adoption of a common terminology for the absorption of the structural funds with that used across Europe is an approach which recommends significant delimitations regarding the concept of international aid and fuels the debates on the integrating perspectives of the absorption capacity (Cace, Cace, Iova, Nicolăescu, 2009).

The analysis of the capacity of structural fund absorption by Romania should become the subject of analysis of the current deficiencies and the remedies to be implemented swiftly, by organising regular (monthly) meetings of advisory committees, organised in a transparent manner and involving the management authorities, the beneficiaries of structural fund implementation beneficiaries. The confusion created sometimes by the lack of transparency at the level of the operational program management (Zaman, Georgescu, 2009, p. 146) might be avoided by the adoption of methods of innovation and adaptation according to the current economic and social context affected by the crisis.

5. Conclusions

The cycle of the structural financings during 1988-2006 offers numerous positive lessons and practices that should orient de decision-makers in Romania in attaining high rates of absorption of the structural funds in the period 2007-2013.

The structural funds allocated for Romania for the period 2007-2013 are included in the convergence policy of the European Union; difficulties in the absorption of these funds have been observed in the new member states. Discrepancies have also been noticed in the allocation of funds to the new member states, which should generate a much more proactive effort of coordination by the European bodies. The procedures of funds management should be accompanied by sufficiently strong measures so as to attain the objectives set by the national reference strategic plan of each new member state in order to narrow primarily the social and economic gaps.

The explanatory model structured by the proportion of applications to engagements, proportion of reported signed contracts to engagements and rate of the certified expenditure related to engagements showed the existence of a dragging mechanism, lacking the expertise of the planned absorption according to the annual payment deadlines, characteristics of the incipient stages of absorption, which were also displayed by the member states that jointed the EU in May 2004. The standard model for analysis used to synthesize the results noticed throughout the year 2009, showed a swifter rhythm of structural fund absorption by Romania; this expresses largely the efforts of the potential beneficiaries to adapt to the conditions of the financing lines and less a stimulating and selective administrative process concerning the efficiency of the submitted projects.

In agreement with another evaluation of the measures to facilitate absorption by new member states from Central and Eastern Europe (EU10, July 2010: 31), Romania has adopted and continues to adopt measures to make fund absorption more efficient: steps have been taken to improve and accelerate the use of EU funds, raised the amount of available funding to beneficiaries to reduce co-financing pressure and accelerated the advance payments. Additionally to the other states, it offered state guarantees for local governments and eased the eligibility criteria (together with Hungary). However, the low rate of absorption of the structural and cohesion funds shows that the governance of the country has to promote the most adequate measures required to attain the efficiency parameters measurable and comparable with the other states.

The conclusion is that the high efficiency of the structural fund absorption is conditioned by the quality of the governance, in general, and by the institutions of the public administration, in particular (Zaman, Georgescu, 2009:140). The beneficiaries of structural funds in Romania displayed a significant interest as shown by the large number of applications, but which is diluted by the rather modest results of the absorption rate calculated as the ratio of the actual payments to UE 2007-2009 allocation. The statistics presented by the independent evaluations and in the open letters raise sufficient questions concerning the reaction of the management authority to remedy the blockages that were reported and to improve the system of structural fund absorption by Romania.

Finally, it is important to add that this analysis is a radiograph of the present situation, but further investigations are required to identify the optimal solutions to attain better social and economic results as a result of structural fund implementation in Romania.

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