

## **Instruments and practices concerning the absorption and use of structural and cohesion funds in Romania**

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**Abstract.** *In view to improve the competitiveness and economic growth as well as to diminish the gaps between Romania and the EU developed states, the Structural and Cohesion Funds represent an outstanding source of investment.*

*The operationalisation of the structural instruments is paramount for a sustainable socio-economic development.*

*After Romania joined the European Union, during the programming period 2007-2013, Romania has been allocated approximately 19.21 billion euro from Structural and Cohesion Funds and Romania's contribution (including private sources) to complement the EU investments was forecasted to reach at least 5.6 billion euro.*

*The absorption of Structural and Cohesion Funds has represented one of the major priorities of the Government of Romania since the approval of the Operational Programmes, Romania being among the first Member States whose Operational Programmes were approved by the European Commission. The difficulties faced since the very beginning of implementation have overlapped with the effects of the economic and financial crisis, thus the absorption rate was under the previous expectations. The management authorities and the beneficiaries have also faced multiple and complex problems.*

*The current paper aims to present the institutional mechanisms, instruments and practices for the absorption and use of structural funds in Romania, focusing on the main problems and challenges during the implementation process.*

**Keywords:** absorption capacity, Structural Funds, instrument.

**JEL Classification:** O30, O35.

## 1. Background

For the time being, the European Union is facing the challenge of overcoming the global economic and financial crisis as well as the accomplishment of the objective to become a more dynamic and competitive economy.

The cohesion policy is aimed at reducing the economic, social and territorial disparities among the EU regions. Its Structural Funds and its Cohesion Fund represent a genuine expression of solidarity, triggering the economic recovery and convergence in the European Union. As stated by the Report to the European Council (2012), the European Structural Funds and the co-financing provided by Member States, constitute a very significant proportion of public investment in Europe – “more than half of all public investment in several Member States”.

In times of necessary fiscal consolidation, the EU structural funds are contributing significantly to Europe's prosperity and the accomplishment of the goals of Europe 2020 Strategy.

The Cohesion policy aims investments in view to modernise national and regional economies through the support of innovation and job creation, entrepreneurship, research and development, by building key network infrastructures, protecting the environment, enhancing social inclusion and enhancing the administrative capacity. The effective implementation of the cohesion policy is outstanding since 2008 because it ensures the continuous public investments in the EU Member States.

The Cohesion policy is financed by means of three structural instruments: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF). The projects funded through the structural instruments are based on co-financing in view to strengthen project ownership and sound management.

Concerning the programming period 2007-2013, the budget allocated to the regional policy amounts to around 348 billion euro, comprising 278 billion euro for the Structural Funds and 70 billion euro for the Cohesion Fund, representing 35% of the Community budget and also the second largest budget item after agriculture.

The objectives of the Cohesion policy are as follows:

- *Convergence objective* aimed to accelerate the convergence of the least developed Member States by improving growth and employment conditions. The EU contribution is ranging from 75% to 85% for the projects supported by ERDF and ESF and up to 85% for the Cohesion Fund.
- *Regional competitiveness and employment objective*, which aims to trigger the economic and social change, promoting innovation, entrepreneurship and environmental protection. The EU contribution is ranging from 50% to 85% for the projects supported by ERDF or ESF.
- *European territorial cooperation objective* is targeted to strengthen cooperation at cross-border, transnational and inter-regional levels. The projects supported by ERDF receive 75%.

According to the Strategic report of the European Commission (COM 2013(2010)), around 400000 jobs have been created, 53160 start-ups have been sustained, support has been given to 53240 RTD projects and 16000 cooperation projects between enterprises and research institutions, over 19000 educational infrastructure projects have received support, about 700,000 civil servants have upgraded their skills and four EU Member States (Bulgaria, Greece, Hungary and Romania) implement programmes dedicated to institutional capacity building.

In order to overcome the financial crisis, the European Commission has been working in partnership with the Member States and it has made efforts in view to ensure that the structural funds comply with the most important needs. In this respect, the European Commission has proposed a number of innovative ways in order to accelerate the disbursement of structural funds and to make them more flexible and responsive, especially in the most vulnerable Member States.

Thus in 2011, the EU Regulation No. 1311/2011 of the European Parliament and of the Council stipulated certain provisions relating to financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability. The Regulation provides a temporary increase of EU contribution by ten percentage points (top-up mechanism). Romania together with Greece, Ireland Portugal, Hungary, Latvia benefited of the mechanism since 2011 and Spain and Cyprus since 2012.

## **2. Absorption capacity of the structural instruments**

The absorption of Structural and Cohesion Funds has been acknowledged as a major concern related to the implementation of the EU cohesion policy.

The absorption capacity represents the capacity of a country to effectively and efficiently allocate the European Funds and the extent to which a state is able to fully spend the allocated financial resources from the EU funds in an effective and efficient way (Šumpíková et al., 2003), being expressed in percentage of the total allocation.

According to the literature review, a high absorption capacity depends on a large extent on the macroeconomic capacity, defined and measured in terms of GDP, financial capacity and administrative capacity.

The institutional factors are important both at EU level (consistency and increased coordination in the fund allocation process) and at national level.

According to Horvath (2008), the financial absorption capacity is also very important as it represents the ability to co-finance EU-supported programmes and projects, to plan and guarantee these national contributions in multi-annual budgets, and to collect these contributions from several partners (public and private), interested in a programme or project.

At the same time, the absorption capacity is correlated directly to the ability of central and regional authorities to prepare consistent multi-annual plans, to face the currents

challenges and problems, to finance and supervise project implementation, to decide on programmes and projects, to arrange coordination among the main partners and to fight against corruption.

As stated by Kálmán (2002) the new EU Member States have to face an outstanding challenge, as many of them are still ongoing “public administration reforms with overburdened institutional framework, poorly trained human capital and weak inter-vertical communication, all of these creating a higher cost, and a weak absorption capacity”.

Also “the human capital presents another problem, as it has been observed that many times, the people working in monitoring and managing Structural Funds, do not have the proper job training, or there are budgetary restrictions that translate into insufficient trained personnel, or even lack of a proper number of civil servants.” (Kálmán, 2002).

The European Commission (Strategic report, COM, 2013) has also identified several factors with impact on the absorption capacity. Those factors relate to the late start of programmes due to the extension of the previous period, inadequate administrative capacity, challenges in preparing major infrastructure projects and obtaining Commission approval, changes in EU legislation, inconsistent political ownership (changes in national and regional governments, changes to institutions).

Other important factors for the absorption capacity take into consideration the complex implementation system, financial management, control and audit both at EU and national level.

Of course a high absorption represents an important quantitative indicator. At the same time, the following aspects are essential: the qualitative aspect, the quality of the projects, the excellence of the projects, the right projects for the real needs, the success of the project implementation in achieving the objectives.

Therefore, the European Commission has taken a range of actions to enhance growth through the use of structural funds, in view to ensure a quicker delivery of the available funding.

## **2. Status of implementing the Structural and Cohesion Funds in Romania**

After Romania joined the European Union, the absorption of Structural and Cohesion Funds has represented one of the major priorities of the Government of Romania. The main programming documents are as follows: the National Development Plan for 2007–2013, the National Strategic Reference Framework 2007–2013, The National Reform Programme 2011-2013.

The fundamental objective of the National Strategic Reference Framework aims „to reduce the disparities of economic and social development between Romania and the EU Member States by generating an additional growth of 10% GDP until 2015”.

The seven Operational Programmes for the Convergence Objective in view to implement the National Strategic Reference Framework 2007-2013 benefit of an allocation of 19.21 billion Euro from the Structural Funds (ERDF, ESF, CF) and a national co-financing estimated at around 5.6 billion Euro (including private sources). The breakdown of the EU allocation on the three funds is as follows:

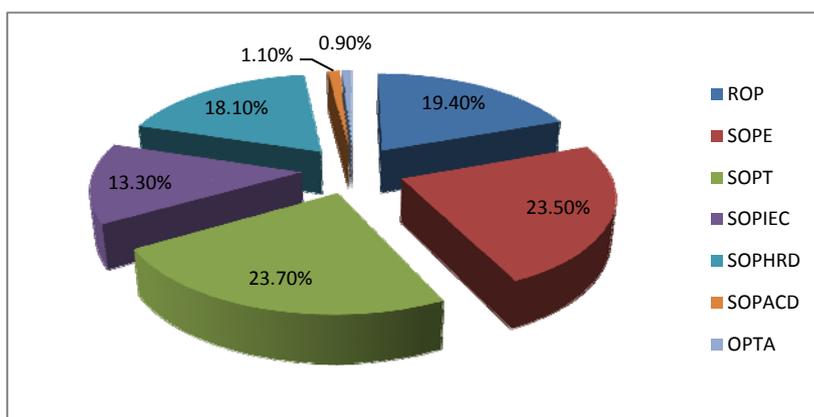
- European Regional Development Fund – 8.976 billion euro.
- European Social Fund – 3.684 billion euro.
- Cohesion Fund – 6.552 billion euro.

Table 1 reflects the allocations and structural instruments for the Operational Programmes in the framework of the Convergence objective.

**Table 1.** Operational Programmes, allocations and structural instruments for the Convergence objective

Operational programme	Abbreviation	% of allocated amounts from the total budget	Structural instrument
Regional Operational Programme	ROP	19,4%	ERDF
Sectoral Operational Programme Environment	SOPE	23,5%	Cohesion Fund ERDF
Sectoral Operational Programme Transport	SOPT	23,7%	Cohesion Fund ERDF
Sectoral Operational Programme Increase of Economic Competitiveness	SOPIEC	13,3%	ERDF
Sectoral Operational Programme Human Resources Development	SOPHRD	18,1%	ESF
Sectoral Operational Programme Administrative Capacity Development	SOPACD	1,1%	ESF
Operational Programme Technical Assistance	OPTA	0,9%	ERDF

**Figure 1.** Breakdown of allocations for the Operational Programmes, 2007-2013



**Source:** based on data of the Ministry of European Funds, <http://www.fonduri-ue.ro/>

In establishing the concrete targets for each operational programme, there were taken into consideration the rates of economic growth estimated on the basis of the positive developments registered during the pre-accession period.

As an overview, the period 2007–2012 could be divided into three distinct intervals: 2007 and 2008, which complied with the forecasts, 2009 and 2010 were marked by a profound recession, 2011 and 2012 revealing an economic recovery.

It is worth to mention that the profound economic crisis had negative impact on businesses in Romania, exerting also a major pressure on the public budget.

Thus, since 2009, the Government of Romania has applied a series of legislative, financial, budgetary measures in view to counter the effects of the crisis and for economic recovery.

In this context, the increase of the absorption capacity represented an objective for the National Reform Programme 2011–2013 and key measures have been taken by the Government of Romania in view to improve the whole mechanism for absorption.

In the context of implementing anti-crisis measures with the support of the structural instruments, actions have been taken in view to ensure a higher and broader accessibility for the public and private sector, by providing broad information about the European funds, by financing investments in direct correlation with a more efficient use of human resources.

The Regional Operational Programme (ROP) has brought a significant contribution to diminishing the effects of the economic crisis through the increase of jobs created. Thus, according to the projects contracted over 18000 new jobs have been created.

The purpose of ROP is to support an equally balanced growth of all regions of Romania, not so much by redistributing public resources but by ensuring that all areas should have a minimum level of business, social and human capital infrastructure in order to trigger the economic growth. The financial allocations at the regional level are based on local development stage by privileging more underdeveloped regions. The projects financed have a major impact in the context of local development, being facilitators of growth: rehabilitation and modernisation of local transport infrastructure to improve accessibility, education and health infrastructure to ensure human capital formation and healthy population, strengthening the business support structures (industrial, logistics and business parks) to attract investors, support to business creation of micro companies to allow local market to reach a critical self-sustaining mass, valorisation of the local tourism, cultural and natural patrimony by supporting the tourism infrastructure development and related entrepreneurial initiatives.

The Sectoral Operational Programme Environment (SOPE) aims to protect and improve the environment and living standards in Romania, reducing the infrastructure gap between the European Union and Romania in terms of quantity and quality.

Taking into consideration the dimension and complexity of the projects financed through the SOPE, the investments in environment infrastructure are triggering the development of other areas of activity, through creation of jobs in complementary or related fields, thus contributing to the local and regional economic development.

Two categories of projects are financed: major projects and demand-driven projects. The major projects comply with the requirements of *acquis communautaire* and commitments of Romania through the Treaty of Accession to the EU – Chapter 22 on environment.

Using the top-up mechanism, the EU contribution for the whole operational programme has increased to 85%, thus diminishing the national co-financing by around 300 million Euro.

Concerning the Sectoral Operational Programme Transport, the investments will contribute to modernisation of highways, roads and railways, river and air transport, ensuring a balanced transport infrastructure at European standards. In this way, accessibility will increase, quality, efficiency and speed of the transport services will improve. This programme contributes to construction and upgrading of the transport infrastructure, generating also new jobs in related fields of activity.

The European funds in the Sectoral Operational Programme Increase of Economic Competitiveness represent a concrete modality in view to compensate the negative effects of the crisis and the measures of austerity, and financial resources are ensured for investments in various fields, production, research-development-innovation, information and communication technology.

The specific objectives of the programme focus on consolidation and environment-friendly development of the Romanian productive sector, establishing a favourable environment for sustainable enterprises' development, increasing the R&D capacity, stimulation of cooperation between RDI institutions and enterprises, valorising the ICT potential and its application in the public administration and private sector.

For example the project “Extreme Light Infrastructure – Nuclear Physics” represents a good example, the project constituting a complex research infrastructure, which inscribes in the list of big laboratories worldwide. This project will have a major impact both for general and applied research and it reveals the international recognition concerning the research resources and capacities of Romania.

In the framework of Sectoral Operational Programme Human Resources Development, a good example reflecting the positive contribution to countering the effects of the economic crisis consists in the three state aid schemes aimed to meet the labour market needs: a scheme for vocational training, a scheme for employment and a scheme of minims. The beneficiaries are the enterprises requiring financing for training or specialisation of employees, for employing disadvantaged persons, in view to develop mentorship programmes or to implement measures for health and safety at work.

The Sectoral Operational Programme Administrative Capacity Development represents an instrument for supporting the activities of the authorities and institutions of central and local government.

This programme aims to contribute to the creation of a more efficient and effective public administration for the socio-economic benefit of Romanian society.

The specific objectives are focused on achieving structural and process improvements of the public policy management cycle and improving the quality and efficiency of the delivery of public services on a decentralised basis.

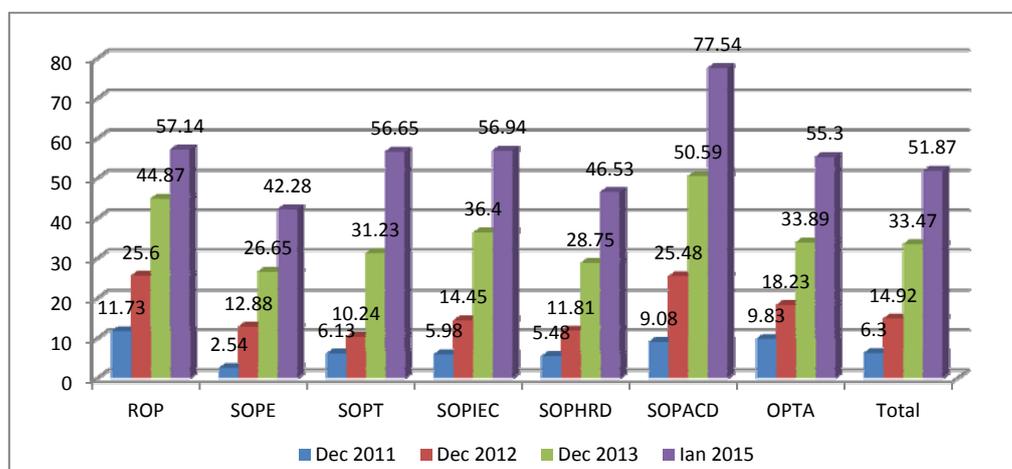
This programme has supported the best initiatives of reform in public management, human resource development at the level of public institutions and authorities as well as the processes of public service decentralisation. The sustained efforts have been translated into an accelerated pace of contracting and absorbing the available funds.

**Table 2.** Evolution of the absorption rate (%) of EU contribution for the Operational Programmes

Programme	Dec. 2011	Dec. 2012	Dec. 2013	Jan. 2015
Regional Operational Programme	11.73	25.6	44.87	57.14
Sectoral Operational Programme Environment	2.54	12.88	26.65	42.28
Sectoral Operational Programme Transport	6.13	10.24	31.23	56.65
Sectoral Operational Programme Increase of Economic Competitiveness	5.98	14.45	36.4	56.94
Sectoral Operational Programme Human Resources Development	5.48	11.81	28.75	46.53
Sectoral Operational Programme Administrative Capacity Development	9.08	25.48	50.59	77.54
Operational Programme Technical Assistance	9.83	18.23	33.89	55.3
Total	6.3	14.92	33.47	51.87

**Source:** based on data of the Ministry of European Funds, <http://www.fonduri-ue.ro/>

**Figure 2.** Evolution of the absorption rate (%) of EU contribution for the Operational Programmes



**Source:** the authors.

As revealed by Table 2 and Figure 2, in 2014, the highest absorption rate is registered for the Sectoral Operational Programme Administrative Capacity Development (77.54%), followed by Regional Operational Programme (57.14%) and Sectoral Operational Programme Increase of Economic Competitiveness (56.94%). At the other extreme, the lowest absorption rate is recorded for Sectoral Operational Programme Environment (42.28%) and Sectoral Operational Programme Human Resources Development (46.53%).

The current absorption rate of 51.87% at the end of January 2015 was increased almost by six times further the following measures:

- Implementation of direct payment mechanisms for the activity of public and private final beneficiaries;
- Flexibility of the public procurement procedures for the private beneficiaries;
- Promotion of efficient mechanisms in view to implement major infrastructure projects;
- Reducing the average period of processing the requests for reimbursement and payment (for example, SOPHRD from 60 days to 20 days);
- Simplifying the project access and implementation through reducing the average period of project evaluation and selection (for example, SOPHRD from 6-9 months to 1-2 months);
- Implementing new mechanisms for preventing the conflicts of interests.

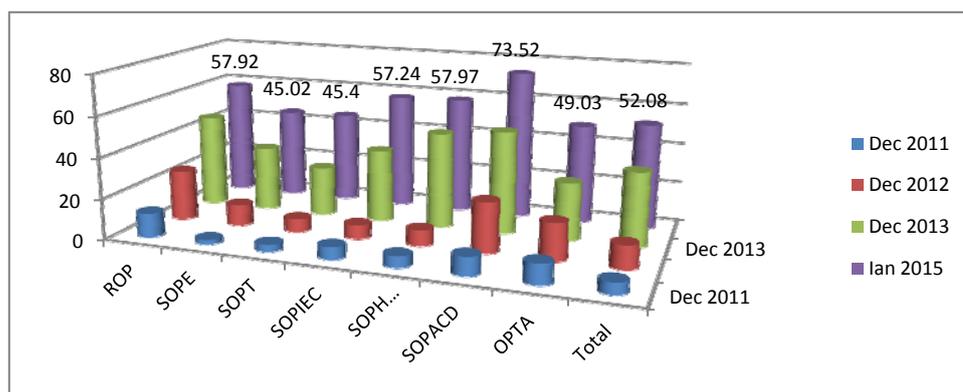
Table 3 reflects the percentage of reimbursement for each Operational Programme.

**Table 3.** Evolution of the rate (%) of reimbursement for the Operational Programmes

Programme	Dec. 2011	Dec. 2012	Dec. 2013	Jan. 2015
Regional Operational Programme	11.73	24.7	45.94	57.92
Sectoral Operational Programme Environment	2.12	10.3	31.93	45.02
Sectoral Operational Programme Transport	3.39	6.46	24.23	45.4
Sectoral Operational Programme Increase of Economic Competitiveness	5.98	6.77	35.82	57.24
Sectoral Operational Programme Human Resources Development	5.48	7.73	47.04	57.97
Sectoral Operational Programme Administrative Capacity Development	9.08	24.63	50.4	73.52
Operational Programme Technical Assistance	9.83	18.23	28.22	49.03
Total	5.55	11.47	36.47	52.08

**Source:** based on data of the Ministry of European Funds, <http://www.fonduri-ue.ro/>

**Figure 3.** Evolution of the rate (%) of reimbursement for the Operational Programmes



**Source:** the authors.

As expressed by Figure 3, the development of the rate of reimbursement is similar with the evolution of the absorption rate.

For the time being, the total amounts required from the European Commission represent 12.06 billion euro, of which 10.73 billion euro were already received.

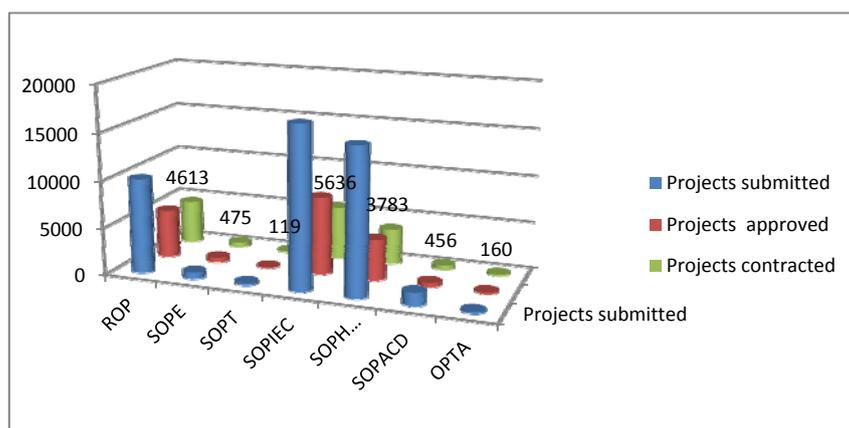
During the period 2013-2014, Romania recorded the highest growth of the reimbursement amounts versus the period 2007–2012 in the European Union, 236%, followed by Italy, 125%, Cyprus, 106%, Malt, 97%, Greece, 90%, Bulgaria, 89%. This important accomplishment represents the outcome of the measures taken by the Government of Romania in terms of simplifying and enhancing the efficiency of the reimbursing system, reflecting also the higher efforts of the Romanian authorities in achieving the objectives designed.

**Table 4.** Status of the projects submitted, approved and contracted for each Operational Programme on 31 January 2015

Programme	Projects submitted	Projects approved	Projects contracted
Regional Operational Programme	10046	5125	4613
Sectoral Operational Programme Environment	703	525	475
Sectoral Operational Programme Transport	256	136	119
Sectoral Operational Programme Increase of Economic Competitiveness	17089	8248	5636
Sectoral Operational Programme Human Resources Development	15419	4339	3783
Sectoral Operational Programme Administrative Capacity Development	1371	456	456
Operational Programme Technical Assistance	191	167	160
Total	45075	18996	15242

**Source:** Ministry of European Funds, <http://www.fonduri-ue.ro/>

**Figure 4.** Status of the projects submitted, approved and contracted for each Operational Programme on 31 January 2015



**Source:** the authors.

As revealed by Table 4 and Figure 4, the difference between the projects submitted and projects contracted is very high. For all programmes this difference represents 29833 projects, fact which could be explained through the lack of meeting the administrative

and eligibility criteria, lack of relevance of the projects related to the objectives of the programmes. At a global scale, the high number of projects rejected could also be explained by the existence of a great number of requests compared to the available budget.

The higher difference is registered for the Sectoral Operational Programme Human Resources Development, respectively, 11636 projects and Sectoral Operational Programme Increase of Economic Competitiveness, respectively 11453 projects.

The higher contracting rate is recorded for the projects submitted for the Operational Programme Technical Assistance, 84%, followed by Sectoral Operational Programme Environment, 68%, Sectoral Operational Programme Transport, 46%, and Regional Operational Programme, 46%. At the other extreme we find the lowest contracting rate at Sectoral Operational Programme Human Resources Development, 25%, Sectoral Operational Programme Increase of Economic Competitiveness, 33%, Sectoral Operational Programme Administrative Capacity Development, 33%.

### **3. Main difficulties and solutions during implementation of the European structural instruments**

Both the management authorities for the operational programmes and the beneficiaries have faced various difficulties during the programming period 2007-2013.

#### **A. Main issues during project cycle management**

According to the National Strategic Report on Structural and Cohesion Funds (2013), during 2007-2009, the main difficulties relate to preparation of the portfolio of projects, launching of the requests for projects, effective start-up of project implementation at the level of beneficiaries, evaluation, selection and contracting of projects and legislative barriers.

The lack of expertise of some applicants in drawing up projects has involved requirements for revising adequately the documentation and has imposed their continuous support through the help-desk facility, activities of information and advertising and participation to events organised on local, county level by third parties.

During 2010-2013, the evaluation and selection of projects was more efficient and it has improved as to large extent external evaluators were involved in this process.

During the whole implementation period, there was recorded a gap between the number of projects approved and contracted. The following facts have been identified: the beneficiaries encountered problems in complying with the requirements for concluding the contracts, inadequate administrative capacity to process the projects approved. The large number of appeals and the heavy mechanism for solving them has represented another factor. Other difficulties relate to submission of a high number of projects in the last days before the deadline, failure of the beneficiaries to transmit complete and proper documents.

Also the difference between the value of the contracts and the payments has revealed a low pace of effective project implementation and a long period for checking the reimbursement demands.

In 2012, the Government of Romania issued the Memorandum for approving measures aimed at simplification of the process for checking the reimbursement demands corresponding to the contracts financed from structural instruments. The process of simplification comprises a package of measures aimed at simplification and reduction of requirements for documents when submitting the demands for reimbursement, eliminating the administrative checking of the items with low cost value, simplifying the procedures applied to checking the procurement of private beneficiaries.

### **B. Financial issues**

A major problem faced by beneficiaries has related to their capacity to ensure the resources necessary for co-financing the projects. Thus, for a series of public beneficiaries (local public authorities, institutes of research, higher education institutions), the Government adopted a mechanism for supporting them in contracting credits aimed for co-financing their own projects, granting state guarantee for a series of key areas: road infrastructure, energy infrastructure, education, research-development, infrastructure in the field of health and social security (Government Emergency Ordinance no. 9/2010).

Another major problem generating delays during project implementation has related to the procedures of public procurement. Moreover, the deficiencies in the public procurement system have determined pre-adjudgment at the level of the operational programmes and application of systemic financial corrections.

In Romania, the principle of transparency is guaranteed by the legislation in force, being ensured by the National Authority for Regulation and Monitoring of the Public Procurements through the Electronic Public Procurement System (SEAP). All contracting authorities publish awarding documentation in SEAP, according to the applicable legal requirements. In this way, any company interested to participate in a procedure for awarding a public procurement contract can access SEAP to find out all the information needed in view to draw up the offer. In 2012, the Electronic Public Procurement System was improved in order to adjust to the legislative changes.

It is worth to note that there are differences between various operational programmes related to contractual documents with impact in the transparency of the public procurement market and decrease of interest of the international companies in the implementation of EU funded projects (especially for large infrastructure programmes).

### **C. Administrative capacity**

In the context of the measures of austerity adopted to encounter the effects of the economic-financial crisis, the administrative capacity of the structures involved in the management of operational programmes has been seriously affected especially by the turnover of employees, high vacancy rates, increased workloads for the existing staff, as well as legislative restrictions concerning employment in the public system.

Thus, a large number of organisations had encountered difficulties in ensuring the adequate human resources both quantitatively and qualitatively.

Other issue relates to the insufficient capacity of these organisations to use efficiently human resource policies and practices.

The Code of conduct for avoiding the situations of incompatibility and conflict of interests by the staff involved in the management of the programmes financed from European funds was adopted by the Government at the end of December 2011.

The Ministry of European Funds has achieved the assessment of the administrative capacity of the institutions with responsibilities in the management of structural instruments. According to this assessment, the following needs have been identified:

- The need to improve and strengthen the management and control systems, to simplify the operations, procedures and to reduce the administrative burden.
- The need to improve the capacity of the beneficiaries in view to enhance project management and technical skills, access to support services and financial resources.
- The need to ensure sufficient power to the coordinating structures in order to ensure effective management and coordination.
- The need to improve the capacity to use human resource policies and practices in view to ensure adequate resourcing, continuous development of the human resources and an effective performance management, able to respond to the challenges of the system.

#### **D. Issues concerning the macroeconomic context**

The depreciation of the national currency related to euro in 2009 has triggered financial difficulties for the providers of goods and services. In 2010, the VAT was changed from 19% to 24%, leading to a series of price increase for the goods and services included in the projects of investments.

The negative evolutions in the macroeconomic context have also led to restrictions concerning the credits, with immediate effects on the access to financial resources for the companies involved in works for investments.

Thus in 2011, the Romanian authorities issued a Plan of Priority Measures in view of strengthening the absorption capacity of the structural instruments and solving the problems which generated a low absorption level.

#### **E. Measures to be undertaken in 2015**

The Romanian authorities are searching the best solutions aimed to optimize the use of European funds and to speed up the absorption rate.

The projects will be divided into two stages of implementation, in view to require the reimbursement of the eligible expenses before the end of 2015 from the funds allocated to the programming period 2007–2013. The amounts spent in the second stage of project implementation will be reimbursed from the funds allocated to Romania for the programming period 2014–2020.

At the same time, in view to accelerate the absorption rate in 2015, the last year when we can spend the funds allocated for 2007–2013, the authorities are trying to identify the projects financed from public sources, which can be finalized before the end of 2015, in order to require the reimbursement from the EU funds. This solution used also by other countries is stipulated in the European regulations. This solution has been already applied for Sectoral Operational Programme Transport and Sectoral Operational Programme Environment, and the intention is to extend the approach by identifying all the projects of the local public authorities which are implemented and respect the European rules and principles.

According to the Ministry of European Funds the following measures will be taken in view to accelerate the absorption rate:

- Continuing the process of simplification and making efficient the implementation of the programmes and projects.
- Preparing the portfolio of major projects.
- Launching the calls for projects for all Operational Programmes.
- Simplifying the mechanisms for promoting and managing the investment projects (standardization of documents, diminishing the number of documents required, reducing the deadlines for obtaining authorisations).
- Reform of public procurement on legislative level (transposing the new Directives), on institutional level (making efficient the institutions), on procedural level (standardised documentation, diminishing the number of documents required to the companies).
- Continuing the administrative reform by introducing the evaluation of the employees involved in European financed project management based on performance indicators.
- Involving the banking system in the process of accessing and implementing the Operational Programmes.
- Setting up the bank of development for ensuring the easy access to financing the beneficiaries.
- Reaching a level of 80% of absorption, according to the Governing Programme.

#### **4. Lessons learned by the Romanian authorities**

The experience in implementing the Operational Programmes during 2007-2013 has highlighted the necessity to take measures and actions in view of developing and strengthening the administrative and institutional capacity of the management structures, as well as of the beneficiaries.

The deficit of institutional capacity in managing the structural instruments represents a key problem of the period 2007-2013, both at the level of managing authorities and beneficiaries, especially in implementing major projects by local public authorities.

From the prospect of the management authorities, they have learned the lesson of the need to simplify the procedures, of outsourcing some activities and designing a realistic and flexible strategy of technical assistance in view to overcome the problems in implementation.

Other problem relates to the management system of the Operational Programmes concerning the low monitoring capacity for projects and inadequate risk management, especially for Sectoral Operational Programme Transport, Sectoral Operational Programme Increase of Economic Competitiveness and Sectoral Operational Programme Human Resources Development.

The local public authorities have represented an important category of beneficiaries, which have a decisive role in absorption of the European funds. It is essential that the local authorities hold units for preparing and implementing projects with a high level of expertise.

The expertise is important in view to solve various problems, to achieve sound financial management, especially when there are many projects to be implemented, to focus on accomplishing high quality documentation, to carry out the public procurement.

The implementation of major projects, especially in the framework of the Sectoral Operational Programme Environment and Sectoral Operational Programme Transport have revealed the necessity to correlate the proposed projects with other local development strategies, as well as to achieve substantiated analyses for the alternatives to attain the objectives. Difficulties have been encountered in drawing up feasibility studies and cost-benefit analyses, in achieving substantiated projects at the time when the programmes were launched, further delays in implementation, such as contracts without clear clauses concerning the quality of the works, achieving the schedule of activities.

Concerning the Regional Operational Programme, the main aspects reflected the necessity to implement a system of correlation in evaluating the projects financed from various European funds which aim to attain strategic objectives of territorial development.

An important issue relates to the necessity of development and operationalization of a well-defined monitoring system, which enables to achieve financial prognoses on the use of funds and attaining the indicators, as well as the coordination between various investments supported by public funds in view to concentrate the resources and maximise the impact.

Measures have been taken for the simplification and acceleration of the process of conveying reimbursement demands to the European Commission, analysing the possibilities in order to interfere in the organisation of the system without disturbing the activity of management authorities, imposing “zero” tolerance to any law infringement situation, including conflicts of interests and other aspects.

Further the problems encountered, the following best practices have started to be applied:

- Strengthening the consultancy provided to public administration authorities and institutions so that they could access more efficiently and effectively the European funds.
- Consolidating the public-private partnership in order to achieve better projects.
- Involving banks and private institutions in view to access the European funds.
- Stimulating the public bodies which attract the European funds.

- Eliminating the causes of fraud and corruption.
- Increasing the transparency of public procurement.
- Taking measures in view to intensify the execution of the projects ongoing various phases of execution.
- Improving the communication between management authorities and beneficiaries of financing from structural instruments.
- More active involvement of the management authorities in efficient and coordinated activity, as well as involvement of research-development institutes and universities in monitoring and implementing the operational programmes.

## **5. Perspectives of the programming period 2014-2020**

The European Commission approved the Partnership Agreement with Romania on 6 August 2014, Romania being the 11<sup>th</sup> EU Member State which obtained approval for this document. It comprises the results of socio-economic analyses on areas of activity, sectoral strategies as well as the main development needs and priorities of Romania during 2014-2020.

The Partnership Agreement 2014-2020 accomplishes a general overview for attracting the European funds earmarked for that period, offering the issues of the reform of the current system.

Taking into consideration the macroeconomic context and the public policies, the Government of Romania has set up the funding priorities for the use of European funds aimed to reduce the economic and social development disparities between Romania and the EU Member States, by generating additional growth of the GDP and additional growth of employment by 2022.

In order to become a modern and competitive economy, Romania should approach the following five development challenges:

- competitiveness challenge;
- people and society challenge;
- infrastructure challenge;
- resources challenge;
- administration and government challenge.

Among the most important measures in order to reinforce the administrative capacity, the Partnership Agreement specifies:

- A horizontal policy for human resources involved in the management of the EU funds and support for introduction of effective human resource practices.
- More efficient systems and tools at all levels of implementation.
- More effective technical assistance and financial support for beneficiaries in parallel with a reduction in administrative burden.
- Elaboration of comprehensive guidelines of good practices and avoidance of the main risks in public procurement.
- Standardisation of procurement documents.

- Centralised help desk and assistance for project implementation.
- Implementation of an annual training programme for public beneficiaries.
- An effective system for planning, committing and procuring publicly funded activity.
- Reforming of public policy, better regulation and governance, transparency and accessibility in the public administration.
- Enhanced administrative and financial capacity at national, regional and local level to implement actions in pursuit of Romania's development goals.
- Developing and implementing unitary and long-term human resources strategies and policies.
- More efficient, transparent and less bureaucratic public administration that imposes a lesser burden on businesses and citizens and enjoys an improved public reputation.
- Increase and effective cooperation and coordination between central and local institutions involved in human resource management.
- Better public services which are accessible to citizens in all social groups throughout the territory of Romania.
- Developing, introducing and supporting the use of e-government tools and open data concept.

## **Conclusions**

As revealed by the paper, the main reasons for the low absorption capacity during the programming period 2007 -2013, are as follows: the effects of the economic-financial crisis, inadequate administrative capacity, difficulties in project cycle management, low capacity to mobilise the financial resources as risk factor for operational programmes performance, inadequate financial management, control and audit, difficulties of less-favoured regions in providing co-financing for projects, various highly bureaucratic procedures for certifying documents, inadequate communication between management authorities and beneficiaries of financing from the structural instruments.

In order to accelerate the implementation of the operational programmes a series of measures have been undertaken, such as: simplification of the work procedures, simplification of the guidelines for applicants, simplification of the documentation required to beneficiaries, simplification of the clauses of the contracts of financing, organisation of events seminars and meetings in view to strength the beneficiaries' capacity.

Further the measures taken by the Government concerning the amendment of the institutional, legislative and procedural framework, the rhythm of project implementation has increased significantly as well as the absorption capacity of the European funds.

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