

The Role of The Government in the Absorption of the European Funds in Romania

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Abstract

If we could understand the economies of the states as potential "growth mechanisms" ¹which requires fuel to operate, but also the agreement of parts or primary components so that most effectively promote entrepreneurship, innovation, and economic growth, we could consider that the role of the country management is just identifying the route by which the fruit of these economies would be transposed into prosperity for all the people while the revenue stream that reaches the state through the tax system should be fair and equitable managed."The fuel" ²of an economy is the right set of macroeconomic policies: mainly prudent fiscal and monetary policies to keep inflation low and relatively stable and prevent that the decrease of the economic activity affect long-term growth.

Essentially, the term "country management" derives from the rational approach of the public goods, the choice of the politicians on performance and civic spirit criteria, to implement measures for organic and sustainable growth.

Keywords: Public Policies, European Funds, Absorption, Co-Financing.

Introduction

Romania needs institutional support through which the economy could become sustainable so as to generate wealth: public institutions must reward entrepreneurship with social value, otherwise we cannot expect individuals to risk their money and time to end business bad, government institutions should discourage activities that tend to divide the economic area, rather than to expand by proliferation of unfair and even illegal business practices, government institutions must ensure that the entrepreneurs who have succeeded and dedicated large companies to continue to have incentives for innovation and

¹William Baumol, Robert E. Litan, Carl J. Schramm, Good Capitalism, bad capitalism and the economy of development and prosperity, Polirom Publishing, Iași, 2009, page 14;

²Idem, page 14;

development. The lack of sectoral and regional priorities for development, that should have been implemented into objectives easy to be financed, the Structural Funds have widened the disparities instead of reducing them. Although Community funding should be available for all persons/ entities, their real execution for the programming period 2007-2013 reflects the fact that they are available for those with more financial means, and this highlights the lack of viable economic criteria for vulnerable sectors.

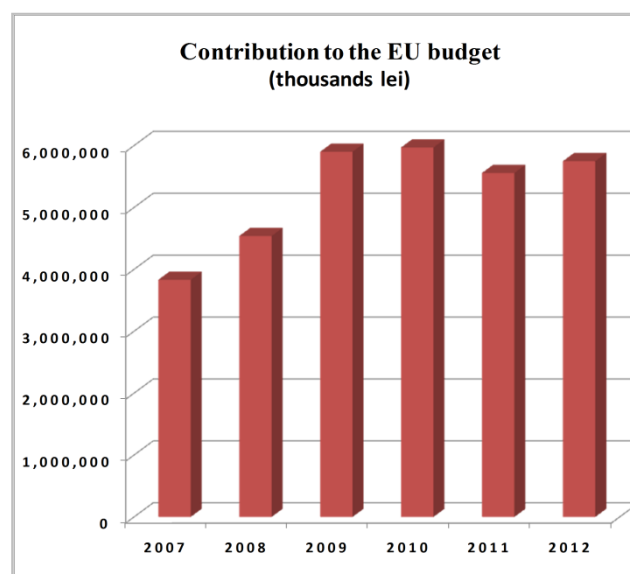
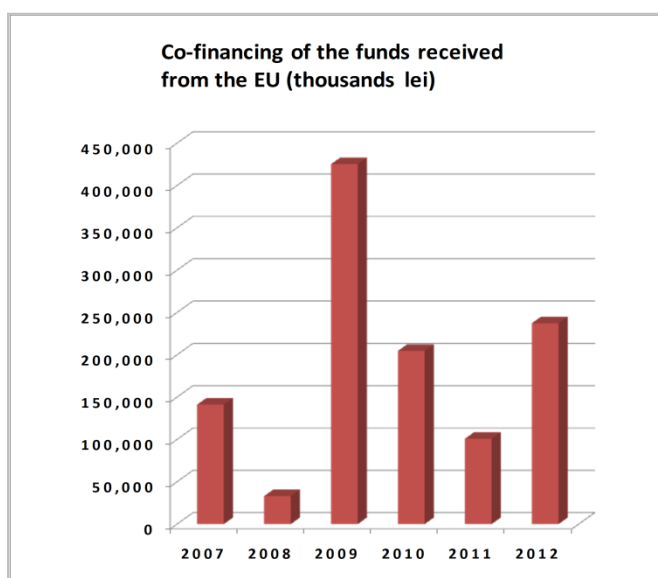
The Analysis of Absorption Process In Romania

If the absorption of the EU funds allocated for 2007-2013 would have been appropriate (19.7 billion euro), Romania would have recorded annually a GDP growth of 0.7%, each billion of structural and cohesion funds contributes by 0.3 percentage points to growth within a maximum of 12 months. In order to make a comparison with other EU countries it appears that Poland has increased the GDP / capita from 47% to 65% of the EU average in 2011, and GDP/ capita in Romania during the same period stood at 47% of the European average. Potential growth that had occurred as a result of absorption of EU funds would have caused the Romanian government to stop contracting 5 billion loan from the International Monetary Fund and the European Commission, which has generated and still generates austerity into the Romanian society.

The analysis of the data ensuring the national public resources scheduled to co-finance the EU funds received since the accession of Romania in 2007 reveals that the amounts budgeted were oscillating with significant increases and decreases from year to year and the financial and economic crisis had a major impact on these co-financing amounts for the projects that received grants from the European Union, as shown in the table above. Thus, in 2008, the amounts provided by the state budget have been reduced by 108.151 million lei (-76.60%), compared to the 2007 budget provisions, followed later in 2009 to register a significant increase with 1187.24 % compared to the year 2008. This downward trend continued to remain until 2011, followed by an increase of 135.42% of the budgetary provisions for 2012 and for 2013 is obvious an increase of 324.50% compared with 2012, which emphasizes the reform of public investment in Romania in 2013 by substantially increasing the funds allocated to co-financing of European projects and priority funding from their own resources in 2013 only those investments that have high performance and can be completed by 2014. This increase in the national co-financing provisions in the budget of 2013 marks the increase in efficiency of investments in Romania by shifting their funding mainly with funds received from the EU, otherwise they would have been sustained from the Romanian budget, in this way increasing their budgetary effort under constraints acting on the economy. Another issue related to the absorption of EU funds covers national strategic budget planning and one of the components is the ability to co-finance from the national budget. Increasing the absorption rate becomes essential knowing that the potential for multiplying of their spending for projects financed from EU funds is much higher than in the case of projects financed entirely from own resources.

- Thousands lei-

	2007	2008	2009	2010	2011	2012
Co-financing of the EU funds received from EU	141.185	33.034	425.228	204.610	100.799	237.296
The contribution to the EU budget	3.832.000	4.539.000	5.900.000	5.970.000	5.557.611	5.748.645

Source: data from www.mfinante.ro

Because these public expenditures are designed as instruments of economic policy, it is necessary that the statistical analysis to be carried out of the evolution of these expenditures in the context of the object that makes the study of this paper, in order to assess and monitor the extent to which the state influence the implementing the projects financed by the European Union, in particular by the co-financing rate for these types of projects, which reveals the degree of completion of the direct investment with EU funds, absolutely necessary and indispensable for Romania, the second poorest country in the EU (after Bulgaria), with the lowest rate of absorption of structural and cohesion funds at the end of 2012 which is 11.47%, after Bulgaria - 28%. The reasons for this adverse situation are multiple and systemic, of which we mention corruption, inefficient institutions involved in the management of EU funds, bureaucracy etc. At the European level has been demonstrated that there is a significant correlation between corruption and low absorption rate of EU funds, an improvement by one unit of the corruption on a scale of 1 to 10 would significantly increase the absorption rate.

According to the 2013 Strategic Report on Cohesion Policy launched in Brussels, Romania is ranked last in the European Union in terms of absorption of structural funds in 2007-2013, although the rate of contraction in 2007-2011 was about 70 %, Romania is the only country in the Community who has spent more than 20% of the money allocated. Further, analysis of the situation of accessing European funds in each operational program on March 31, 2013 shows that for the seven operational programs were submitted 36207

projects totaling approximately EUR 62.7 billion, of which about 39.4 billion euro³ represents the EU contribution. Regarding the projects approved out of the total submitted, 11548 were approved, totaling 30.6 billion euro of this amount, about 18.7 billion euro is the European Union contribution, which means about 97% of the EU 2007 – 2013 allocation. The status of the contracts/ financing decision with the beneficiaries reflects the signing of 9434 financing agreements in eligible value of about 21.4 billion euro, out of which the EU contribution funds are approx. 16.8 billion euro, and the EU contribution for contracts signed in relation to the 2007-2013 allocation is approximately 87%. Total payments to beneficiaries (pre-financing and reimbursement) except reimbursement of VAT, amounted to 5.44 billion EUR, out of which the EU contribution amounted to approx. 4.89 billion EUR, respectively 25.39% of the 2007-2013 allocation. The total amount received from the European Commission was 4.61 billion EUR, representing 23.99% of the 2007-2013 allocation and reimbursed interim payments is totaling 2.507 billion euro, representing 13.05% of the 2007-2013 allocation. Bucharest municipality has accessed most of the structural and cohesion funds (2.56 billion euros), followed by Iasi County (524 million) and Cluj County (480 million), this difference can be justified by that the amount for Bucharest includes the projects of the central government from Bucharest. The biggest projects of ROP were conducted in Iasi, the HRD-by beneficiaries from Bucharest, SOP - Brasov, to Bucharest from PODCA, and the POSCCE to Bucharest and Cluj. Structural Funds were not attractive to the private sector in 2007-2013, as POSCCE - program devoted to companies failed to use European grant money to develop the business because of the unattractiveness of the funding priorities established by the program, having the lowest contracting, showing among other the mismanagement of this program, with 4.534 unrated projects under this program, with a rate of contraction of 55% of the total allocation per program and the recovery of costs from the Commission by only 6.7%, business recovery, strongly affected by the crisis, although this is the main generator of income and jobs. Compared with NGOs, the private sector is not interested in attracting European funds, the difference between the funds raised by companies through the Operational Programmes (about 1.6 billion) and raised by NGOs (about 1 billion) is very small, given the potential much larger financial of the companies to support projects in the event of late payment.

Conclusion

The statistical analysis of data covering all operational programs highlights that most EU funds were raised by local governments, but also by NGOs with experience in managing projects with grants. Inability to absorb European funds belongs primarily to central authorities delegated to the management and control of the use of EU funds, and this can be explained by the poor quality of human resources employed in the Managing Authorities, excessive politicization, and the division between ministries without a proper coordination. One of the main problems arising from poor absorption of European funds lies in the high differences between contracting rate (scriptural money for contracts signed with the beneficiaries) and actual payments reimbursed by the Commission on each Operational Programme. Starting from the fact that all the contracted projects have been in the evaluation process, the conclusion is that Romania has a very slow management / control and the payments for beneficiaries are not made in time, in this way being ineffective in the recovery

³The transformation for lei-euro was made at the exchange rate of the InforEuro of the European Commission for March 2013, respectively 4.3712.

process of these amounts from EC. In this respect, it is illustrative the Sectoral Operational Programme TRANSPORT, where the fewest payments to beneficiaries were made, with very large delays the beneficiaries, and as of that the weak implementation capacity is obvious, For all other operational programmes, payments of only 20% from the contracts signed are made to beneficiaries who have submitted projects, and the amount recovered from the European Commission is only by half (10%), which means that the institutions involved in the payment and certification of the amounts don't properly fulfill their duties, making it difficult to process. The beneficiaries of structural funds submitted and won projects to a level exceeding 85% for several operational programmes, which highlights a particular interest in the various categories of eligible beneficiaries, but the administration has not been able to cope with this situation. For the future period programming 2014-2020 is necessary to understand the causes that lead to the incapacity of absorbing European funds in Romania in order to learn from the lessons "taught" by the current programming period and to take further actions in order to eliminate all of these multiple and systemic problems.

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