
THE ACCESSION OF EUROPEAN FUNDS - PRIORITY FOR ROMANIA

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Abstract

Romania has been a member of the European Union for 11 years. During this time it would have been necessary to undertake the measures, according to the European Union norms, to access these non-reimbursable funds. An analysis of how this process is carried out reveals a number of shortcomings, which have resulted in inappropriate use of non-reimbursable funds. From the study, it is clear that Romania did not have a clear strategy at the time of entering the European Union, which would allow the absorption of European non-reimbursable funds.

EU cohesion policy by 2020 foresees a series of measures that can help Romania to boost the absorption of funds to ensure the achievement of infrastructure objectives, access to clean drinking water, the conversion of labor force, the creation of jobs work etc. All aspects of Cohesion Policy are broadly outlined in this article.

Keywords: *European funds, absorption strategy, access, cohesion policy, operational program*

JEL Classification: E22, F43

Introduction

In this article, the authors conducted a study on the absorption of community funds. The emphasis is that accessing structural and cohesion funds should be a priority for Romania. There are also a number of issues concerning the financing of agriculture, rural development and fisheries from European funds. It also shows that Romania needs to capitalize on the benefits of EU cohesion policy over the last two years of the 2014-2020 strategy (plan). The EU strategy foresees a number of objectives, such as smart, sustainable and inclusive growth, maximizing the impact of funding and others.

The article also makes reference to the criteria for regional allocation

of funds, taking into account the less developed regions for which the funds allocated are more consistent. Finally, policies on agricultural and industry development in the Member States are assessed.

All these aspects are analyzed and presented in the context in which Romania holds the rotating presidency of the Council of the European Union in the first semester of 2019, having the obligation to evaluate in a large number of dossiers and these issues regarding the evolution of the community in 2021-2026. The article also includes some graphs, structure diagrams and tables that contain significant data that make it easy to understand the approach of this study.

Literature review

Anghel, Anghelache, Dumitrescu, Burea and Stoica (2018) studied the impact of accessing Community funds for investment financing. Anghel, Dumitrescu, Dumitrescu and Niță addressed issues concerning the importance of banks in the process of absorbing European funds. Anghelache (2017) conducted a comprehensive analysis of Romania's situation before and after joining the EU. Anghelache, Soare and Dumitrescu (2016) treated a number of elements regarding the IT & C platform used in projects funded by EU funds. Anghelache, Anghel, Diaconu, Badiu and Niță (2016) studied a series of models used to absorb European funds. Berezin and Diez-Medrano (2008) presented issues related to political legitimacy and popular support for European integration. Farole, Rodríguez-Pose and Storper (2011) surveyed cohesion policy milestones in the European Union, while Lima and Cardenete (2007) investigated the effects of European funds on a regional economy. A similar theme is also addressed by Tosun (2014). Gomez-Puig (2008) raised concerns about monetar integration and the cost of loans. Hernández-Cánovas and Martínez-Solano (2010) studied how to finance SMEs in the European continental banking system. Pulignano (2009) analyzed aspects of international cooperation

Research methodology, data, results and discussions

Romania joined the EU on January 1, 2007. Since then, it has been a matter of integrating our country, in every way in the European Union. This integration must be done with beneficial effects also for our country. That is why, now, more than 11 years after accession, it would be necessary to find that Romania is on the right track.

Now that Romania holds the presidency of the Council of the European Union, it is necessary in the context of establishing the next budget to consider a Romanian strategy to access these funds.

In this chapter I will exemplify, by highlighting some difficulties, Romania's stage in the process of European integration. Below is a summary of the program Romania has to move to full integration into the European Union. Romania's reduced performance in full integration and especially access to the European funds allocated is a reserve element in the appreciation of our country within the European Union.

- **Romania needs to revise your absorption strategy for structural and cohesion funds**

The cessation of payments for the Sectoral Operational Program Human Resources Development (SOP HRD) at a given moment was based on problems in the absorption of funds. As a rule, they were reported by beneficiaries, consultancy firms, civil society, and sometimes representatives of the Romanian Government. In this regard, Jose Manuel Barroso, at a meeting with the President of Romania, pointed out that although Romania has made considerable efforts, it has not accelerated the absorption of the structural funds.

The Romanian state proved unprepared for fulfilling the responsibilities assumed before the European Commission. If for the pre-accession funds allocated to Romania until 2000-2007, the contracting was 90% and the absorption rate of 70% for the period 2007-2013, the absorption rate of the funds remained extremely low. Thus, the absorption rate by February 10, 2012 was estimated at 6.3% (1.21 billion euros). Between February 2012 and September 2015, the process of accessing European grants was accelerated, with serious progress being made. A positive situation was recorded when accessing non-repayable funds. The year 2016, unfortunately for Romania, represents the worst period in accessing European funds. This state was also determined by the existence of a „technocrat” government without experience and performance in this field. After 2017, access to European funds has accelerated.

Under the subsidiarity principle, the Romanian state had the obligation to establish some authorities and to organize the Operational Programs (OPs). For example, the Sectoral Transport Operational Program was accepted by the European Commission on 12 July 2007 and the Sectoral Operational Program Human Resources Development was accepted on 22 November 2007.

Another aspect concerns the lack of transparency of calendars in which data are presented on which application forms are made public, the deadlines for filing files, etc. to address this issue, the Authority for the Coordination of Structural Instruments (ACIS) has set up an indicative calendar. This calendar

has not always been respected, being widely interpreted. This shortcoming was remedied by using concrete terminology and avoiding vague phrases.

Another shortcoming of the structural instruments is the delaying of deadlines, which causes delays in the implementation process and may result in the loss of many projects, as beneficiaries are not informed about the change of deadlines. Another solution can be to keep the deadlines set, together with the resumption of project applications, in order to avoid the loss of some of them.

A negative aspect is that of the changes in the required documentation and filing dates. Some applicants are not informed about the changes and they are getting incomplete files. There are cases in which even if the beneficiaries know the changes that had to be made for the file to be accepted, they did not have time to implement them. Therefore, it would be desirable that any change made after the launch of the projects should enter into force as from the next request and can not be applied retroactively.

Another drawback is the one reported by civil society organizations, which refers to lack of competent staff. In this respect, the staff of the Resort Authorities is insufficient and the external evaluators are missing. Often wages are unattractive, which leads to a potential inclination to corruption. The solutions consist of excluding the internal staff of the respective Authorities from the list of restructurings imposed by the state budget correction and the engagement of a larger number of evaluators, or contracting by external evaluators. Employees could also be responsible (through a system of bonuses and sanctions) for the files they manage. Lack of responsibility, coupled with low wages, creates a mentality of laissez-faire agency employees. Another is the creation of a code of conduct for staff managing Community funds, along with the introduction of a training program. This program aims to prevent fraud, conflicts of interest or other irregularities.

Once the dossier has been accepted and the beneficiary has gone over this stage, the potential problems do not stop there. One study shows that a major drawback in this phase of the project is the delay in reimbursing the beneficiaries' expenses. For example, the grant agreement of the Human Resources Development Operational Program stipulates the obligation of the Management Agency to reimburse the expenses within 45 days from the filing date of the request for reimbursement. In practice, however, the deadlines are on average between 90 and 130 days after the application. Non-repayment leads to loss of pre-financing for the following year. There are cases when the beneficiaries are sued because they can not pay their employees, suppliers, bank credits or taxes. In an attempt to improve the absorption rate, it is necessary to observe the 45-day working period for processing refund requests.

The Managing Authority for the Operational Program „Increase of Economic Competitiveness” manages the projects related to small and medium enterprises with difficulty. The Managing Authority for the Sectoral Operational Program Administrative Capacity Development records major delays in evaluating the beneficiaries’ files, which leads to delays in the implementation of government programs.

In order to better implement the 2020 Strategy, in October 2011 it was proposed to create a Common Strategic Framework for the five most important structural funds. These instruments (ERDF, ESF, Cohesion Fund, EAFRD, EFFM) will account for about 42% of the 2014-2020 budget. The framework will outline to the Member States the general guidelines of the Union on convergence policy, and public authorities will be made accountable by a Partnership Contract signed by each Member State. The Strategic Framework requires a new approach to EU development and convergence policy, which will start from the territorial reality of the Member States and will not take into account the urban - rural, agriculture - industry dichotomies in the distribution of European funds.

In order to prevent the very low level of absorption of the structural and cohesion funds, it is essential that Romania be prepared in advance for the institutional changes needed for the new multiannual financial framework by 2020. In this respect, the Romanian state will have to adopt a new approach that will start from the specificity of each development area. National authorities will have to consider the new methods of verifying the efficiency of governments in implementing the funds through a complex system of indicators. If this new verification system will give the Member States more flexibility in the method of implementing the structural instruments, Romania, together with the other European countries, will be obliged to respect its commitments to the results of the absorption process of European funds.

- **Some rules on the financing of agriculture, rural development and fisheries from European funds¹**

An Objective of the Governance Program should be the financial and fiscal support of agriculture through multiannual programs and the implementation of effective schemes to facilitate the widest possible absorption of the European funds available for this sector.

The documents on the basis of which the amounts allocated to Romania from the Community funds for agriculture, rural development and

1. Completed and finalized based on the synthesis data titled “European funds for agriculture, rural development and fisheries”, available at <http://www.gov.ro/upload/articles/109210/agricultura-site0605.pdf>

fisheries are accessed are oriented towards the European agricultural model, based on a competitive, modern and dynamic, market-oriented sector, fulfilling other related functions (sustainable development, the environment, improving the quality of life for the rural population).

The measures implemented under the National Rural Development Program are grouped according to the type of investment and the areas concerned within four axes.

Axis 1 aims at developing competitive agriculture based on knowledge and private initiative, which ensures the implementation of community standards and the strengthening of the agri-food sector.

Axis 2 aims to improve the environment in rural areas and preserve biodiversity through sustainable land and forest management.

Axis 3 aims at improving the quality of life in rural areas, diversifying the rural economy, promoting knowledge and improving the human potential.

Axis 4 includes measures to support rural development by improving local governance and promoting endogenous potential.

A funding priority is the implementation of the LEADER pilot program to encourage innovation in the agricultural and forestry sector, the use of natural and cultural resources in a rational way and the improvement of the quality of life in rural areas.

The Operational Program for Fisheries (POP) 2007-2013 has been developed to provide the financial contribution allocated through the European Fisheries Fund allocated as financial support at national, regional and local level. The objectives of the Program are: to develop the competitiveness and sustainability of the primary fisheries sector; supporting the market for fisheries products; ensuring the sustainable development of fisheries areas and improving the quality of life in these areas; implementing an appropriate implementation of the Common Fisheries Policy.

For Romania, this program did not have any special effects, especially due to the lack of an adequate national strategy.

Funding under the European Agricultural Guarantee Fund (EAGF) is granted through the Agriculture Payments and Intervention Agency (APIA) as direct payments per hectare (area) or market measures to implement the trade mechanisms under the Common Agricultural Policy CAP).

Annually, some 1.1 million farmers receive direct payment on the surface. The main market measures carried out by the Paying and Intervention Agency for Agriculture are: the national wine program; the supply of food from intervention stocks for the most deprived; Community support for the supply of milk and certain dairy products to school institutions; Community subsidy granted to producer groups in the fruit and vegetables sector;

encouraging restructuring of the sugar industry; the implementation of the European School Fruit Scheme.

- **Capitalize on the benefits of EU cohesion policy during the period 2014-2020¹**

In the field of EU cohesion policy, a series of results have been achieved as a result of the measures taken. Among these we mention: the construction of 8,400 km of railway built or rehabilitated; 5,100 km of road has been built or rehabilitated; access to clean drinking water for another 20 million people; providing the training and conversion framework for 10 million people annually; more than one million jobs have been created; GDP per capita increased by 5% in the new Member States.

However, gaps between regions are maintained among Member States.

Thus, the GDP per capita globe fluctuates between 50 euro / inhabitant and over 14,000 euro / inhabitant. There are also a number of gaps in the European Union, especially in terms of the growth rate of the indicator. In some countries it is even declining and in those with a balanced economy a 25% growth rate is reached.

For the next period, the emphasis should be placed on the elimination of these gaps among EU countries.

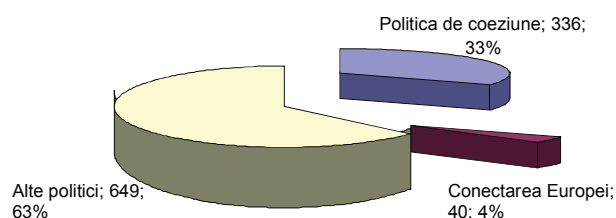
- **The objectives of the European Commission for the period 2014-2020**

The main objectives envisaged are to achieve the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth, the focus on concrete results and the strategy to maximize the impact of EU funding in these areas.

The Commission presented ambitious but realistic proposals on the Multiannual Financial Framework (MFF) for 2014-2020. The approved budgetary structure for the Cohesion Policy thus allocates 33% (EUR 36 billion to facilitate Connecting Europe, 4% (EUR 40 million), and 63% for other policies (agriculture, research, etc.) (649 billion euros), see the chart below:

1. Correlated and finalized, and based on the synthesis of the “EU Cohesion Policy 2014-2020”, available at <http://eufinantare.info/Documente/Prezentare-2014-2020.pdf>

Figure 1



The main changes in the EU's cohesion policy are as follows: a first issue to be addressed is the strengthening of economic and financial performance and efficiency; In this sense, the emphasis will be on results, measured by common indicators and specific to those programs. Through this system of indicators there will be adequate, objective and objective reporting, monitoring and evaluation; a framework of performance for all programs must be ensured, with steps being taken and clear and measurable objectives to be set; setting clear and measurable milestones and targets; it is necessary to highlight the performance reserve, within 5% of the national allocations (at Member State level, fund or category of region).

Also, fund allocations should be made subject to conditions for effective investment.

Macroeconomic conditionality must be ensured by aligning itself with the new economic governance as follows.

a) More coherent use of available EU funds is another aspect to be pursued and improved. In this respect, full coherence must be ensured between the Common Strategic Framework, the Partnership Contracts and the Operational Programs (see the following scheme):



In this respect, it is necessary to improve some indicators reflecting: the global investment strategy; aligned with the Europe 2020 objectives; coherence with national reform programs; coordination between Cohesion, Rural Development, Fisheries and Maritime Affairs; setting targets and indicators to measure progress towards achieving the Europe 2020 targets; enhancing effectiveness by introducing an appropriate performance framework; achieving efficiency while enhancing administrative capacity and reducing bureaucracy.

b) Establish a list of thematic objectives.

Access to and use of cohesion funds must be done under the conditions of ensuring a research and innovation program specific to each national economy.

Another thematic objective is the provision of information and communication technologies (ICT), which contributes to increasing the competitiveness of small and medium-sized enterprises (SMEs).

The issue of the environment must also take into account the shift to a low-carbon economy that also takes into account adaptation to climate change and risk prevention and management.

Environmental protection will also have to be channeled into enhancing the efficiency of natural resources.

Sustainable transport and the removal of bottlenecks in major network infrastructures are another priority thematic objective. Employment and mobility of workers will be a priority objective in the coming period. In this framework, it will be aimed at increasing social inclusion and combating poverty, a scourge that tends to take on proportions.

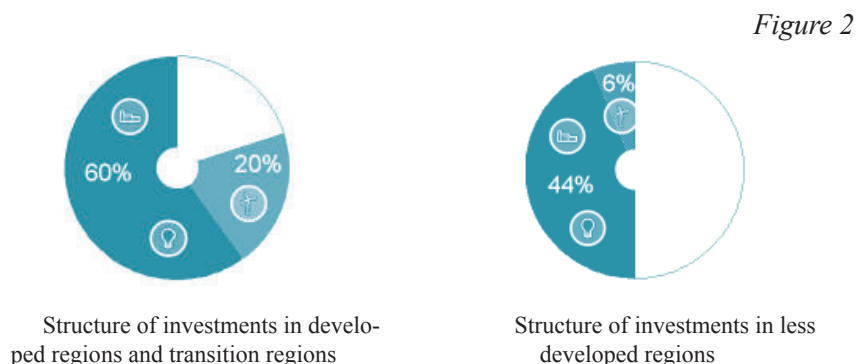
In the field of education, the objective to be pursued is that of skills and lifelong learning.

Strengthening institutional capacity and effective public administrations will be the corollary of the thematic objectives, meaning that a proper symbiosis between the individual and the public administration can be achieved.

c) Concentrating resources to maximize the impact of cohesion policy must be at the heart of the focus of ERDF investment focus.

This will increase energy efficiency and renewable energy. Research and innovation will be used to enhance the competitiveness of SMEs.

The structure of resource concentration is highlighted by the following structure charts:



d) European Social Fund (ESF)

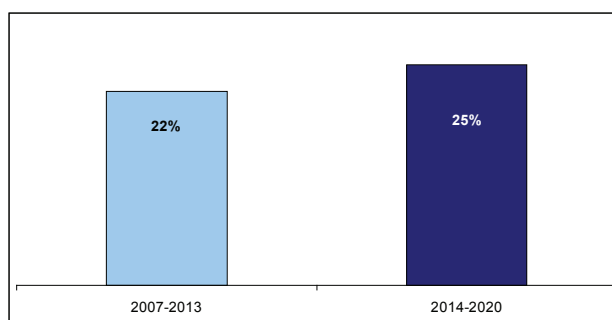
The European Social Fund is included in the Cohesion Policy budget of the European Union. Given the effects of the recession, materialized in the economic and financial crisis, social status is worsening in most Member States.

Therefore, the Cohesion Policy budget will focus on identifying new sources to ensure that the European Social Fund grows in absolute terms as well as in terms of weight. The analysis of the data provided by the European Union institutions shows that from the total Structural Funds (ERDF and ESF), the ESF will represent: 25% in the less developed regions; 40% in transition regions; 52% in more developed regions.

For 2014-2020, the increase from 22% as foreseen for 2007-2013 to 25% will be ensured (see chart below).

The ESF share of the Cohesion Policy budget

Figure 3



In line with the European Union 2020 Strategy, the focus on the use of the European Social Fund will be: promoting employment and supporting workers' mobility; increasing investment in education, skills and lifelong learning; improving the promotion of social inclusion and combating poverty; strengthening institutional capacity to ensure effective public administration.

European Union policy will aim to ensure a consolidated social dimension, to be achieved by: allocating 20% the European Social Fund for Social Inclusion; achieving greater emphasis on combating youth unemployment; increasing integration and providing specific support for the imposition of gender equality and non-discrimination.

e) The Cohesion Fund is the source of support for the absorption of rural development, agriculture and fisheries funds.

Member States achieving a Gross National Product per inhabitant of less than 90% of the EU-28 average are supported to use Cohesion Fund amounts for: environmental investments and specifically for: adaptation to climate change and risk prevention, improving standards in the water and waste sectors, ensuring biodiversity, including through green infrastructures, greening the urban environment, improving the low-carbon economy; transport investments for: the development of TEN-T trans-European transport networks; providing low-carbon transport systems.

In European Union policy, simplification will be achieved by applying common rules in the distribution of cohesion funds for rural development and improving maritime and fisheries activity.

The option of multi-funded programs will be at the heart of the use of ERDF, ESF and Cohesion Fund through: harmonized rules on eligibility and sustainability; greater use of simplified costs; linking payments with the results obtained or expected to be obtained; e-cohesion, which involves a single information point for the beneficiaries; the commission's control will be carried out in a proportionate way between accessing funds and results

In the same direction, emphasis will be placed on strengthening territorial cohesion. Thus, sustainable urban development will be pursued through the use of at least 5% of the ERDF resources to be allocated.

Also, an urban development platform will be created through networking between cities and some changes in urban policy.

Innovative actions for sustainable urban development will be launched with limited funding limited to a maximum of 0.2% of the annual funds.

An additional allocation will be made for the outermost and sparsely populated regions in areas with specific natural or demographic characteristics.

General policy will be investment-oriented by: promoting the use of innovative financing instruments to ensure the extension of the scope to all areas of investment, clarification of the legal framework, use of 10% for innovative financing instruments and the Community development initiative, use a range of options to give program administrators flexibility; the use of a maximum differentiated co-financing rate for each group of regions as follows: 75-85% in less developed and outermost regions, 60% in transition regions, 50% in more developed regions;

f) Management and control - at the level of the European Union, it will be strengthened and will concern: in the field of financial management the following are envisaged: the introduction of a new annual system of accounts, the drawing up of the annual management declaration, the annual closure of the accounts by the Commission; implementation of new management and control

systems through: national accreditation (which requires greater responsibility for Member States), managing authorities will act as certification authorities, the committee may review accreditation according to the risks and evolution of the programs applied.

Enforcing greater proportionality concerns exceptions for low volume programs, considering exceptions for systems that consistently have good results, limitations of the Commission's audit controls at the level of individual operations.

h) territorial cooperation must be influenced by: approval of a new regulation separate from the general regulation; increase financial resources (+ 30%); focusing programs on up to four thematic objectives; simplified management of programs by making the merger between management authorities and certification authorities); facilitating the creation of European Groupings of Territorial Cooperation (EGTC).

- **Criteria for regional allocation of funds**

A fair system for all EU regions (simulated on the basis of the GDP data of the level of eligibility for the three categories of regions) will be envisaged. In this direction, GDP per capita will be the element of dividing the EU regions into three regions of Member States. They will have the following equivalence: less developed regions, below EU average per capita, transition regions, with achievements of 75-80% of the EU average; more developed regions with more than 90% of the EU average.

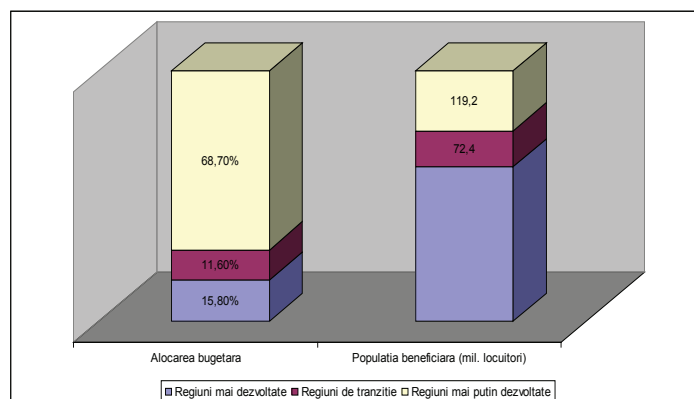
The funds in the three regions are detailed in the following table and charts:

Less developed regions

Table no. 1

Cohesion Fund	68,7
Less developed regions	162,6
Transition regions	38,9
More developed regions	53,1
European Territorial Cooperation	11,7
Outermost regions and sparsely populated are	0,9
Total	336,0

Figure 4



Changes in the use of Community funds came into effect differently, according to the calendar below:

Figure 5



Conclusion

The author's study concludes that the absorption of non-reimbursable community funds should be a priority for the next period. Also, while Romania holds the rotating presidency of the Council of the European Union, a series of decisions have to be taken on the Union budget for the next period, the approval of directives aimed at enhancing the social and economic development of the EU countries as well as the Union as a whole. Romania will need to revise and consolidate its own strategy of accessing (absorbing) EU funds, in line with EU documents, directives and strategy. Attracting funds

remains a desideratum and a possibility for Romania to achieve sustainable economic growth.

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