
STRUCTURAL AND COHESION FUNDS ABSORPTION DEGREE AS AT QUARTER I 2012

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Abstract

The requirements imposed by the EU, the mechanisms of the community policies, the European rules and standards are challenges that manufacturers, processors, retailers and decision makers of the Romanian economic environment must cope with. In this article the structural and cohesion funds absorption degree was analyzed on the major allocation axis: transportation, environment, regional infrastructure, human resources development, increasing economic competitiveness, administrative capacity building and technical assistance.

The purpose of this paper is to attain clear conclusions, which in turn may guide us to making recommendations on the identification of weaknesses that prevent a better absorption of the funds and determination of counteracting measures for these deficiencies.

Among the main findings worth mentioning is the fact that the mechanism allowing access to European financing is a functional, stable and efficient one. Of course, its performance could be greatly enhanced if the producers, processors, retailers and decision makers of the Romanian economic environment, previously mentioned, would give more significance to this opportunity that makes the Romanian economic development possible.

Keywords: structural and cohesion funds, degree of absorption, competitiveness.

Romania has the opportunity to spend about 20 billion Euros in order to develop the national infrastructure as well as the administrative and economic systems, elements that would afterwards support the development of the entire state. To qualify for this opportunity, the institutions entrusted with the mediation between the EC and the beneficiary of these funds - whether it is private or public, undertake a great responsibility in respect to the management structure of the Structural Instruments System, especially regarding the EU strict procedures.

In mid 2011, the payments performed under operational programs represented only 13.17% of the total amount allocated to Romania for the period 2007-2013. The evaluation report entitled "Formative Evaluation of the

Structural Instruments in Romania”, published in mid 2010, reveals that the rate at which payments are made is a very slow one and it poses a considerable risk in terms of the absorption degree of the structural funds.

To counteract the negative effects and improve future processes, the management structure of Structural Instruments Assessment System must use all available management practices. Of the most common practices is the assessment, aimed at identifying problems, correlations, and development and improvement needs, however considering the fact that it represents a compulsory activity for programs financed by the Structural Funds, as required by Regulation EC 1083 / 2006.

The assessment of the absorption degree makes its presence noticed extremely obvious, considering that we are getting close to the end of the scheduled period 2007-2013. In order to justify ourselves and provide resources for the next scheduled period, 2014-2020, we will have to assess what went according to plan and what was not achieved, so that we may work up to that point on the improvement of those aspects or change them.

The methodological basis that made the development of this analysis possible was the study of materials issued by the responsible authorities, study of the phenomena and processes, as well as of the analysis and synthesis methods.

During 2007-2013, Romania is implementing the National Strategic Reference Framework through seven operational programs that comply with the convergence objective with the EU: Sectoral Operational Programme - Transport; • Sectoral Operational Programme - Environment; Sectoral Operational Programme - Increasing of Economic Competitiveness; • Regional Operational Programme; • Sectoral Operational Programme - Human Resources Development; Operational Programme – Technical Assistance; Operational Programme - Administrative Capacity Development.

The total amount of which Romania may benefit from rises up to the value of 19.213 billion Euros, money that comes from the Structural Funds - European Social Fund, European Regional Development Fund and the Cohesion Fund, to which a national co-financing of 5.6 billion Euros adds up.

Each of the operational programs is implemented by a Managing Authority, assisted in some cases by Intermediate Bodies / Joint Technical Secretariats, as established by Government Decision no. 457/2008 and Government Emergency Ordinance no. 26/2011, through which the institutional framework for the Structural Funds management and coordination is defined. The Government Emergency Ordinance no. 26/2011 places the Structural Instruments Coordination Authority and the Managing Authority of the Operational Programme - Technical Assistance, under the authority of the

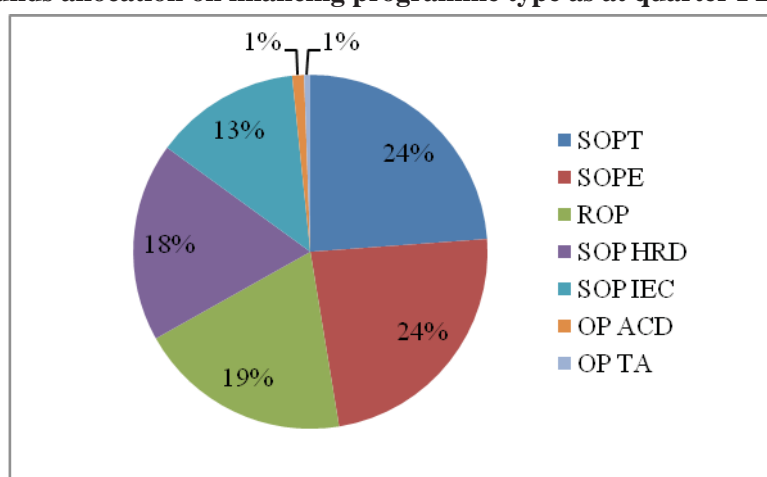
Prime Minister, as component of the Government work staff.

In table no. 1 one can see the situation in terms of value and number of projects submitted, approved and contracted in view of Romania's programmed funds use, until March 31st 2012.

PROGRAMME	EU allocation 2007 - 1013 (mill. lei)	Submitted projects		Approved projects		Signed contracts	
		No.	Total value (mill. lei)	No.	Total value (mill. lei)	No.	Total value (mill. lei)
SOPT	19.853	129	42.602	77	11.430	62	7.801
SOPE	19.620	463	35.955	328	17.867	259	17.543
ROP	16.201	8.093	55.441	3.104	14.761	2.723	13.449
SOP HRD	15.114	10.217	43.257	2.999	15.160	2.468	12.687
SOP IEC	11.106	11.806	68.990	3.313	7.914	2.275	3.007
OP ACD	904	1.371	3.675	397	981	354	709
OP TA	470	102	461	86	302	77	266
TOTAL	83.538	332.183	250.381	10.304	68.370	8.218	57.462

Source: Structural and Cohesion Funds absorption stage on each Operational Programme – 31st of March 2012, published by the Ministry of European Affaires

Funds allocation on financing programme type as at quarter I 2012

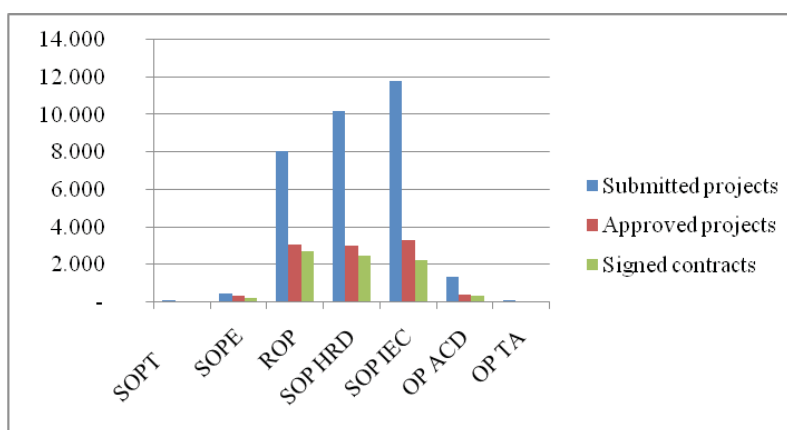


Source: The data was processed based on the information published by the Ministry of European Affaires

Following the above chart, we observe that most of the funds were allocated to measures meant to develop the infrastructure (SOP Transportation - 24%) and the environment (SOP Environment - 24%), followed closely by the regional development financing (ROP - 19%) and the human resource development (SOP HRD - 18%).

With only 13% allocated, the financing of economic competitiveness increase measures received funds amounting to 11.106 million lei. Coming in on the last positions, with about 1% of the amounts granted to enhancement and development measures were the administrative capacity development and the technical assistance.

Number of analyzed projects as at quarter I 2012

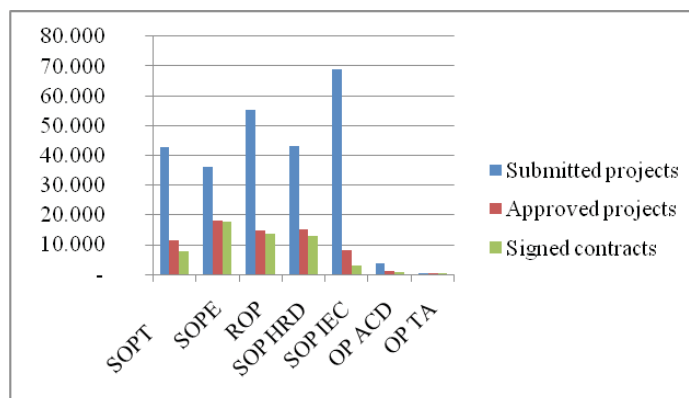


Source: The data was processed based on the information published by the Ministry of European Affaires

Following the situation presented in chart no. 2, we observe that, although the number of projects submitted was relatively high for the ROP, SOP HRC, SOP IEC and OP ACD, less than a third of these were approved.

For the measures meant for environmental and technical assistance, more than half of the projects submitted have also been approved, while less than a quarter of the projects submitted for the measure aiming the improvement of the administrative capacity were approved.

Value of analyzed projects as at quarter I 2012



Source: The data was processed based on the information published by the Ministry of European Affaires

In terms of value, from the projects submitted the ones for environment and transportation were the most expensive, if we consider that the average value of a project submitted in under SOPT is about 330 million lei and that the SOPE is about 77 million lei.

Although, in terms of value, the most applied measure was the one aiming for the increase of economic competitiveness, with 68.990 million lei, the average value of a submitted project being of about 5.8 million lei (approx. 1.1 million Euro).

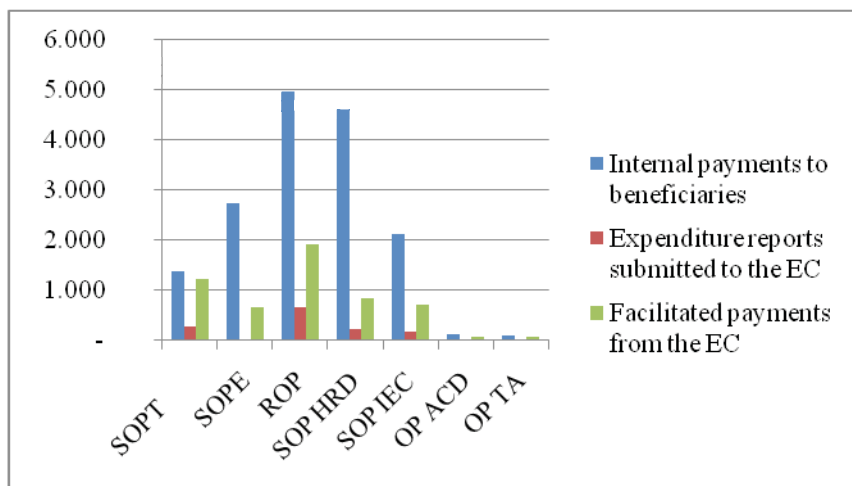
At the lower extreme there is the measure aiming for technical assistance having an average value for a submitted project of around 4.5 million lei.

Below you may find the situation on payments performed to beneficiaries both internally, as well as EC payments facilitated by national institutions, following the submitted reports of expenditure.

PROGRAMME	Internal payments to beneficiaries	Expenditure reports submitted to the EC	Facilitated payments from the EC	Facilitated payments from the EC 1 Euro = 4,37911lei on 30.03.2012
	(mill. lei)	(mill. lei)	(mill. lei)	(mill. lei)
SOPT	1.386	283,85	279,86	1.225,54
SOPE	2.746	197,17	152,71	668,732
ROP	4.969	656,09	437,24	1.914,72
SOP HRD	4.627	225,01	190,33	833,474
SOP IEC	2.131	164,47	164,47	720,231
OPACD	128	23,71	18,89	82,721
OP TA	108	19,65	16,73	73,262
TOTAL	16.095	1.569,95	1.260,23	5.518,67

Source: Structural and Cohesion Funds absorption stage on each Operational Programme – 31st of March 2012, published by the Ministry of European Affaires

As regards to the payments received by beneficiaries from the national authorities and the EC, the situation is not at all pleasing given that beneficiaries have received only about 5,534.95 million lei. (about 1,263.94 million Euro).



Source: The data was processed based on the information published by the Ministry of European Affaires

Also, following chart no. 4 we may observe that all this contribution was performed mainly on 2 major axes - transportation (infrastructure) and regional development. This data reveals that there are major deficiencies in the implementation of the approved projects, in managing the contracted resources, to which the slow administration of the entire financing process adds up.

Conclusions

The accession to the European Union and undertaking its specific instruments and measures in view of development, of obtaining economic, social and administrative cohesion strongly influenced Romania.

The impact of funds allocated to Romania after accession was significant and constant in the sense that it offered increased opportunities for: infrastructure development; improvement of environmental quality - and thus of life; access to educational programs and training / continuous improvement; thus ensuring a skilled labour market that is able to adapt under the global economic environment; increase of the economic competitiveness - especially in the areas of agriculture and food industry; rural development as a whole, by the development of all the other measures.

Assessment is a mandatory function of the Structural Instruments System, requested by the EC Council Regulation (EC) No. 1083/2006, which requires the development of assessment activities for each Operational Program or for several Operational Programs: ex-ante, ongoing, and ex-post appraisals.

One of the major causes that have been the cause of a weak absorption of the financing Romania could have received was the unstable political environment, which has undergone many changes in 2007-2012, through the lack of a European funds strategy of absorption in the medium and long term.

Although there was transparency in the attraction and management of the EU funds, there were still quite a few problems on the assignment and selection for particular axis. This led to the existence of a country level additional pressure that especially generated exigency in their use.

Even if the EU has not recognized until now the emergence of the crisis ever since 2008-2009, this imposed restrictions / cuts to the allocations for major axis, even though the official statements showed another intention of the EU.

Considering the given conditions, including fragile economic balance to which Romania had to cope in the post-accession period, testing of the processes and methods was rather done so that positive change may be then attained, following to take advantage of the available opportunities from now on.

The major problem for Romania from the EU perspective is represented

by the future coherence strategy and especially the power / energy to attract / absorb future funds for the projects developed at EU level given Romania's history / experience of the past five years.

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