
Determinants of the absorption capacity of EU funds for the rural municipalities of Romania

Monica Marin (monicatoba@hotmail.com)

Researcher, Research Institute for Quality of Life, Romanian Academy, Bucharest, Romania

ABSTRACT

This paper examines the determinants of municipalities' absorption capacity, with a special focus on local governments' administrative capacity in rural Romania. The analysis is based on a series of quantitative and qualitative data collected in the period 2009-2012. The study's dependent variable is the municipality's absorption capacity, measured as the number of approved projects benefiting from European funds in the period 2009-2012. A multiple linear regression model shows that, ceteris paribus, rural municipalities are likely to have more projects approved for European funding because they have high administrative capacity, high levels of social development, experienced mayors, good collaboration capacity, work with consultants to draft their project proposals, and are located in Romania's North-Eastern region. The paper sheds light on the under-researched topic of capacities that beneficiaries need if they are to absorb European funds.

Keywords: administrative capacity; absorption capacity; European funds; Romania; rural; Central and Eastern Europe

1. INTRODUCTION

This paper¹ examines the determinants of municipalities' absorption capacity, with a special focus on local governments' administrative capacity in rural Romania. We focus the analysis on Romania as a case-study example of mechanisms working in a new EU member state and former communist country. As there are similarities in the challenges of implementing EU funds especially in the countries from Central and Eastern Europe, the analysis might prove useful for this cluster of countries as well as for the level of public administration closest to the citizens – municipalities, located in the rural area of residence.

Although we are far from assuming the absorption of EU funds as a goal in itself, we remain concerned, on the one hand, about the low level of state absorption capacity and, on the other hand, about the determinants of differences in the levels of municipalities' absorption capacities. Whereas

there is a rich case literature on state level administrative capacity in Central and Eastern European countries² (Boeckhout et al., 2002; Tăulescu, Pătruți, 2014; Palinko et al., 2013; Surubaru, 2017; Tosun, 2014; Tiganasu et al, 2018; Verheijen, 2006; Vet et al., 2011) or the county's role in absorption (Goschin et al, 2012), there is a lack of research at the level of the capacities required for beneficiaries to absorb European funds. In addition, this paper centres on the units that are likely to have the lowest level of administrative capacity (relative to urban municipalities).

There are several reasons to consider this research not only timely but also relevant to both the past and the current programming periods. Despite improvements made in the last period, the process of absorbing EU funds in Romania revealed structural bottlenecks on both the offer and the demand sides. Parts of the bottlenecks have been identified by this research using the demand-side perspective. Of course, the most important question of the impact of the implemented projects cannot be rightfully addressed without a prior analysis of the distribution of funds between municipalities, especially in the rural area of Romania. This analysis contributes to studying the funds' distribution as it considers the most important funds available for the rural area through the National Rural Development Plan (mostly ignored by previous analyses focused on structural funds).

The next part of the paper introduces Romania's institutional framework of public administration, and the third part outlines the critical questions relevant to the studied relationship. The fourth and fifth sections define the research terms, the data and the measurement. The sixth section presents the results grouped around the roles of various factors. The last section presents the concluding remarks.

2. ROMANIAN INSTITUTIONAL FRAMEWORK

Romania's system of local public administration involves two tiers of government, with urban and rural municipalities on the one hand and county councils in the county seat municipalities on the other hand. Rural Romania features strong territorial fragmentation, with 2861 communes, 302 localities of which have fewer than 1500 inhabitants. There are only 463 communes with more than 5000 inhabitants. Formally, there are no subordinate relationships between the two levels; in practice, the system of local public finances creates a type of asymmetric relationship consistent with the arguments developed by the resource dependence theory (Marion, 1999; Pfeffer, Salancik, 1978). This relationship includes the financial resources required for co-financing European-funded projects. The county councils are entitled to distribute

part of the equalization funds for the support of local development projects, including European-funded projects.

The institutional framework for managing European funds³ includes 8 Management Authorities, 4 Authorities for Certification and Payments, an Audit Authority and 90 Intermediary Bodies (county offices, regional centres, centres, national agencies and ministers).⁴ Overall, the low level of administrative capacity is acknowledged as a core concern for Romania and is viewed as a contributor to the country's low absorption of EU funds (Council of the European Union, 2013). The characteristics of public administration in Romania are related both to its poor programming capacity—i.e., its 'inconsistent legal framework, frequent recourse to emergency ordinances'—and to its poor development in the field of human resources management—i.e., its 'a lack of skills, a lack of transparency in staff recruitment and high management turnover rates' (ibid.).

3. RAISING CRITICAL QUESTIONS

At first glance, the relationship between the applicant's administrative capacity and its absorption capacity is straightforward. These are two types of organizational capacities that are directly proportional: the higher the level of the municipality's administrative capacity, the higher its level of absorption capacity. However, various questions arise when considering the type of applicant, the type of application (area of project funding), and the process of application.

Added complexity is the elusiveness of the concept of administrative capacity in itself, along with the challenge of establishing causality, which means that if a municipality has a European-funded project, it might be more likely to attract specialized personnel and therefore continue the 'virtuous' circle of absorbing more European funds.

Several delineating remarks should be made here. First, when analyzing the absorption capacity of local authorities, we focus on municipalities. However, the 'winners' of European funding are first projects and second municipalities or partnerships between municipalities and other entities. Therefore, the pair consisting of the applicant and the project represents the main unit of analysis. Consequently, several distinctions can be made depending on the type of both the applicant and the project.

An applicant can be either a single or a multiple entity and in the latter case, there is also an attribution problem. An applicant for European funding can be a single municipality, a municipality in partnership with a non-governmental organization or another municipality, or a company (or all three, as in the case of Local Action Groups). If a project is approved,

documentation (or most parts of it) can be prepared or submitted by a larger, more experienced municipality. To make an additional distinction, even if the municipality applies for funding as a single entity, its overall documentation can be prepared by a consultant. Therefore, it is unclear whether the question about the types of capacities is legitimate.

The primary distinction between types of projects is the distinction made ‘hard’ and ‘soft’ projects. By ‘hard’ projects, we refer to physical infrastructure projects, whereas by ‘soft’ projects, we refer to projects targeting the development of local strategies or human resources. Correspondingly, there might be a difference in the required specialization of the personnel preparing and/or implementing project proposals.

Furthermore, the application process considers organizational capacity as a process variable and is focused on the project’s status. Therefore, distinctions are made not only among the various phases that lead to submission of the project (project drafting, acquiring the necessary approvals, conducting feasibility studies, drafting the proposal, etc.), but also among the various results (and phases) of project selection. In the latter case, one project can be in five different situations based on the approval/ rejection of the application and that of funding: (i) approved and funded, (ii) approved and not-funded (on the ‘reserve’ list); (iii) approved but secluded; (iv) initially rejected but finally approved;⁵ and (v) rejected both initially and finally.

4. DEFINITION OF TERMS

Administrative and absorption capacities: dependent or independent variables

Definitions of the term administrative capacity have in common the idea of ‘the abilities the public bureaucracy does or should possess’ (Addison, 2009: 1). However, this term has not been established as a core concept of a social science (ibid.). This paper is focused on the concept of administrative capacity as an antecedent of performance, a subject of investigation that could bring it closer to the centre of social sciences, especially public management and public administration (ibid.).

The literature of European integration develops the concept and corresponding methodology in the ex ante evaluations of structural funds absorption. In this context, the first definitions have been developed in a study for DG Regio/ DG Enlargement as an analysis of candidate countries’ capacity to efficiently use structural funds (Boeckhout et al., 2002). In this field of study, the administrative capacity, together with macro-economic and financial absorption, represent dimensions of the state absorption capacity,

which represents ‘the ability and the skill of the central and local authorities to prepare suitable plans, programmes and projects in due time, to decide on programmes and projects, to arrange the co-ordination among principal partners, to cope with administrative and reporting requirements, and to properly finance and supervise implementation, avoiding irregularities as far as possible’ (Boeckhout et al., 2002: 2). Under this model, the administrative capacity has the following three key dimensions in a hierarchic model: structure, human resources, systems and instruments. Structure precedes human resources, which in turn precede systems and instruments (Vet et al., 2011: 49). A similar model was developed, also at the state level, by Verheijen (2006). We are more inclined to use Verheijen’s dimension of policy (instead of structure) for strategic planning, whereas for the human resources dimension, we use the personnel qualifications and the consideration of the system of additional benefits for employees working on structurally funded programs. The e-government capabilities used under the term of systems and instruments are simply at a too low level in Romania. Therefore, we instead use indicators showing computer usage by municipalities’ employees.

At the demand level, administrative capacity is less researched. Studies of Estonia and the Czech Republic show significant differences in levels of administrative and financial capacities (as abilities of project co-financing) between small and large municipalities (Šumpiková et. al, 2004; Tatar, 2010; Lorvi, 2012). In this case, administrative capacity is defined as the ability to participate in the process of structural funds programming, submitting the applications, co-financing, implementing, monitoring and evaluation (Lorvi, 2012: 4-5). A special distinction is placed on the project phase-there are specific needs for administrative capacities in the programming phase, as opposed to the implementation or financial control stage.

Dependent variable: absorption capacity

This study uses absorption capacity as a specific type of organizational effectiveness in terms of the municipalities’ abilities to absorb European funds. Thus, it is a resource-system perspective in which organizational effectiveness is viewed as ‘the ability of the organization to exploit its environment in the acquisition of scarce and valued resources’ (Yuchtman, Seashore, 1967: 393). Although the key unit of analysis is at the level of individual organizations, the environment is an open system and plays an active role. Both individual action (of the organization’s manager, the mayor) and collective action (of the organization as a whole) are key for attracting resources. The environment is viewed not only as an integrated collectivity of organizations, with dynamic social and politic forces, but also as a social construct of subjective meanings.

The term organizational capacity can be defined depending on the following matters: i) level of analysis, ii) phase of the project cycle, iii) dimensions, and iv) function. As a phase of the project cycle, the definitions of organizational capacity as either a result or an impact are centred on the problem of organizational effectiveness (Bryan, 2011). In addition, with reference to a specific dimension or a function of resource attraction, these definitions are similar to absorption capacity (ibid.).

Absorption capacity at the state level is a measure of the performance usage of funds, which includes not only the programming capacity of structural funds (developed especially in sectoral and regional operational programs) but also that of implementation, measured in the absorption, contracting, efficiency and effectiveness of funds usage. The concept of administrative capacity has been developed especially at the system/society level and focuses on ex ante evaluations of absorption capacities for the new state members (Boeckhout et al., 2002; Oprescu, coord., 2006; Verheijen, 2006).

Three factors (macro-economic, financial and administrative capacities) are grouped around the funds' offer side. The demand side is represented by the beneficiaries' project pipeline capacity. Therefore, the performance of the usage of EU funds is a relationship (function) between absorption capacity (demand and offer of funds) and the three Es (efficiency, effectiveness, economy) (Sumpikova (2006: 3)).

A 2006 evaluation (Oprescu, coord.) shows that Romania remains in an early stage of preparation for structural funds absorption. Still, the key problem of this evaluation model is that it is entirely based on programmatic documents and regulations that only partially reflect the implementation process.

Independent variable: administrative capacity

Capacity as a reflective measurement (as labelled by Addison, 2009) has been studied through factor analysis. The available data showed that the variables do not allow for this type of analysis (low value of KMO). Consequently, the conceptualization of administrative capacity becomes problematic as a latent variable that has a direct effect on organizational or bureaucratic performance, as previously stated by Addison. To use the definitions developed in the literature, we have used a summative index, which is explained in the next section.

5. DATA AND MEASUREMENT

The analysis is based on a series of quantitative and qualitative data collected from 2009-2012. The quantitative data sources are represented by surveys and administrative data sources, whereas the qualitative data sources include interviews with experts and representatives of rural municipalities (mayors, accountants, experts in public procurement, etc.).

The census of municipalities has been carried out in the project on *Local Authorities' Access to European funds*,⁶ funded by the Soros Foundation Romania. The data have been collected from August-November 2009 by a consortium of the Romanian Centre for Economic Modelling (CERME), the National Centre for Training in Statistics (CNPS) and the Research Institute for Quality of Life (ICCV). Data collection has been conducted with the support of postal questionnaires and field interviewers, and the total response rate is 94%.⁷ The responses provided by the municipalities' representatives have been cross-checked against the official data provided by each Management Authority. The typology of the municipalities identified in this research has provided a sampling criterion for the quantitative survey from 2012. The typology included the following three categories of municipalities: i) without European funding; ii) only Structural Funds; and iii) Structural Funds and other European funds.

The survey, Local Development through Structural Funds, has been conducted on a probabilistic sample of 140 rural municipalities from all of Romania's development regions. Data have been collected from August-September 2012. The selection of localities from this sample followed the typology of localities identified in the above-mentioned census.⁸ The response rate was 96%.

The model of administrative capacity developed in this research was used in the 2012 survey based on a desk review and the following qualitative data sources: interviews with representatives of rural municipalities conducted from April-June 2012 in six communes from the counties of Giurgiu, Vrancea and Bacau. The six communes included every type identified in the 2009 census.⁹ In addition, there have been interviews with key experts¹⁰ conducted from April-July 2012 in Bucharest.¹¹

Data on the fiscal capacity and status of externally funded projects in the course of implementation have been used; they were obtained from the local budgets published by the Ministry of Administration and Internal Affairs (2007-2012).¹²

The study's dependent variable is the municipality's administrative capacity, measured as the number of approved European-funded projects from 2009-2012.

The following variables are included to test several influences on the distribution of EU funds to municipalities:

- Administrative capacity, measured as a summative index based on the following indicators: i) planning capacity (whether the municipality has a local development strategy for the period of 2007-2013); ii) human resources management capacity — a) it has specialized personnel for drafting EU-funded projects; b) it has a position designated to be responsible for accessing European funds and c) there is a motivation strategy for the employees working on European funds, and iii) systems and instruments (more than half the hired personnel use the computer for current tasks).¹³ We expect that we will also find a high level of absorption capacities in communes with a developed administrative capacity (Stănculescu et al., 2009; Toth et al., 2010; Wegener et al., 2011).
- Mayor's years in office. This is a dummy variable that takes a value of 1 when the mayor's number of consecutive mandates is higher than two. It tests the hypothesis that municipalities with more experienced mayors are more likely to attract European funding, in line with previous studies (Veiga, 2012).
- Same party — a dummy variable that takes a value of 1 when the mayor's political affiliation is the same as that of the ruling government. We expect that municipalities with the same political affiliation as the ruling party are more likely to receive European funding.
- Fiscal capacity is measured as the own revenue share of total revenues, and we expect that municipalities with a high level of fiscal capacity will have significantly higher chances to attract European funding.¹⁴
- Territorial distribution. A commune from the North-East development region of Romania and a commune from North-West region are included. A previous analysis shows that the development region is a factor in European-funded projects' chances of success (Toth et al., 2010).
- Working in partnerships. We expect a positive correlation with this dependent variable, as the eligibility criteria also promote the collaboration capacity of the municipality. This type of capacity is viewed in a manner that is consistent with previous studies in the field of organizational ability (Bryan, 2011) and, based on the eligibility criteria, can be viewed as a type of coercive isomorphism (Frumkin, Galaskiewicz, 2004).¹⁵

-
- Working with consultancy companies. We expect that particularly in the case of municipalities with high levels of fiscal capacity, mayors will outsource all services to highly specialized consultants that can submit feasible project proposals for European funding (Toth et al., 2010: 102). In both cases, the key variable is human resources expertise, whether within or outside the organization.
 - Participating in consultative meetings on the topic of European funds. Presumably, better information on the topic of European funding increases the chances of accessing more projects, and we therefore expect a positive correlation.
 - Previous experience with pre-accession funds. Especially for the case of rural localities in Romania, previous experience with pre-accession funds might prove to be an impetus for post-accession funding, as there is a high level of similarity among the most attractive funding lines for the rural area.
 - Social development level. This index has been previously developed (Sandu, 2011) based on measures of human capital (education stock at the community level), vital capital (average age of people above 14 years old and life expectancy at birth), private material capital (cars and average area per dwelling), public material capital (gas consumption per capita) and an index of the locality's size-residency. We expect that more socially developed communes will have more European-funded projects.

6. RESULTS AND DISCUSSION

6.1 General results

At the national level, the demand level increases during the analyzed timeframe. The number of municipalities implementing European-funded projects increases in the period 2009-2012 compared to 2007-2009. At the regional level, the North-West and North-East regions are among the leaders in this respect. Most likely, most of the European funds approved for the communes in this period involve the Rural National Development Program, Measure 322 (at least at number of approved projects).¹⁶

Initial absorption capacity matters for future capacity levels (Fortin, 2006).¹⁷ Municipalities with structurally funded projects approved in both time frames (2007-2009 and 2009-2012) are primarily located in the 'champion' development regions of the North-West, North-East and South-West and are relatively average-sized communities based on the size of the population (between 3,000 and 5,000 inhabitants).

In this analysis model, absorption capacity is both an independent and a dependent variable. The same model is used for the data from the 2012 survey. In this case, absorption capacity is defined by the number of approved projects.¹⁸ In the 2012 sample, the same type of analysis identifies three categories of municipalities by absorption capacity:

- Only a small number of the municipalities (12.6%) are ‘champions’, meaning they succeeded in obtaining approved European-funded projects in both periods.
- Most of the municipalities (52.8%) are average level, meaning that they have ‘caught up’ from the difference in obtaining European-funded projects in the two periods (i.e., they are without projects approved in 2007-2009, but with projects approved in 2009-2012).
- Approximately one-third of the municipalities are at a relatively low level - the ‘losers’ type. These municipalities have not won any projects at any time during the analysis period.

The next section analyzes the role of various factors in municipalities’ absorption capacity.

6.2 Role of various factors

6.2.1 Administrative capacity

Human Resources

Specialized human resources represent the most important dimension of administrative capacity as a predictor of the absorption capacity for structural funds.

More than two-thirds of the rural municipalities have no employees trained in drafting project proposals. To a greater statistical extent, these municipalities are in the South-West¹⁹ development region, are small communes (fewer than 3,000 inhabitants), and are poor from both the social development and the fiscal capacities perspectives. They are significantly statistically different from the rest of the communes for both analysis periods, as indicated by the projects approved from 2007-2009 and the projects in the course of implementation from 2009-2012.

The relevance of a specialized department depends on the size of the organization.²⁰ For small Romanian rural municipalities, it is highly important to have a single employee, not an entire department, with responsibility for the absorption of European funds.

Participation in training sessions does not mean that the municipality has specialized personnel. There are cases of municipalities with personnel trained in European funds absorption in the analyzed period but who declared that they currently have no such employees.²¹ The reasons for this situation are

twofold: i) stability problems involving the trained personnel, who in some cases have ‘migrated’ to consultancy companies or non-governmental organizations, and ii) problems involving either efficiency or specialized training. The level of administrative capacity depends not only on the timing of the evaluation and the phase of the project cycle (Boeckhout et al., 2002; Šumpiková et. al, 2004) but also on the funding line set as an operational goal.²²

The assignment of a person responsible for European funding increases the likelihood that a municipality will absorb European funds. This position is not a standard one; it can be the accountant, the secretary or the vice mayor. The key function of this position is either to actively search for funding opportunities and general information on eligibility conditions or to draft project proposals, integrate documents, etc. More than one-third of the municipalities included in the 2012 survey have such a position. The length of service for this job position is an average of 7 years. For 2011, activities related to European funding occupied approximately 50% of the working time of the person holding the position.

For the most part, communes have adopted no incentive strategy for employees working on European funds.²³ In the few cases in which there is such a strategy, the benefits awarded to personnel involve either free time or additional bonuses.

Finally, human resources development in the studied municipalities has been influenced both by the national legislation and by the effects of the economic and financial crisis. In 2009, one-tenth of the rural municipalities delayed both employee salary payments and payments for services subordinated to the municipality. The 25% decrease in the wages of public-sector employees, the decline in indebtedness, and a ‘block’ on the hiring process have negatively affected the development of human resources. In 2012, 88% of the mayors interviewed agreed both that ‘they need more people in the municipality for accessing structural funds’ and that changes in municipalities’ available human resources for submitting, assessing and implementing European-funded projects are important.

Systems and instruments

The definition of administrative capacity includes the use of e-government systems in the systems and instruments dimensions as a relationship between the public administration and citizens. E-government systems are poorly developed and therefore poorly used by the citizens in Romania. In 2012, only 4% of Romanians have sent completed forms for obtaining various types of e-government services (European Commission, 2014).²⁴

Most rural municipalities have a website. In some cases, the municipalities do not have their own website but instead have a home page hosted by another institution (for instance, the County Council). The transparency of a municipality's activities is still very weak.²⁵ Transparency problems relate to information functionality, updates and completeness.²⁶

The share of employees using a computer for daily activities is significantly higher in the North-West development region²⁷ and for municipalities with a high level of fiscal capacity. Municipalities not connected to the Internet in 2007 constitute a significant share of the South-Western development region, which has a low level of social development and available fiscal resources (lower than the average share of own revenues from 2009-2012).

Local development strategy

The performance of public service is considered improved in the process of strategic planning (Boyne, 2001). The characteristics that have been previously developed for planning and its relationship with the performance of public services are as follows: formality, completeness, intensity, quality, comprehensiveness, commitment, implementation and flexibility (Boyne, 2001: 75-76).

Local development strategies have a high level of formality. The municipalities' 2009 census shows that 68% of all Romanian communes have a local development strategy. Average-size communes (between 3,000 and 5,000 inhabitants) with personnel specializing in submitting European funds applications placed in the North-East, North-West and South Muntenia development regions are significantly more likely to have a local development strategy.

Local development strategies have a low level of flexibility. By definition, the planning process assumes a long-term vision for developing a commune. Similar to the operational programs, most of the local development strategies are built for 2007-2013, a time frame marked by changes in environmental factors, the economic and financial crisis, legal changes, local elections, etc. Under these circumstances, the accuracy of planning cannot be very high and correspondingly involves a supplementary update: 'We have a local development strategy, but I don't know whether it is still valid: it's from 2008-2009; it covers the period up to 2013, but it needs to be updated' (Mayor, North-East Region).²⁸

6.2.2 Other factors

In 2007-2009, more than half of Romania's rural municipalities implemented partnership projects. In 2009-2012,²⁹ almost three-quarters of those municipalities developed partnership projects for waste management, rehabilitation or building construction, and water/sewage or integrated projects (similar to those funded for Measure 322).

Consultancy companies develop an absorption capacity, but not always an administrative capacity. There are also technical expertise problems such as 'hard' projects' need for specialized personnel.³⁰ As shown in previous studies, fiscal capacity is an important predictor for a commune's absorption capacity, but in a different sense than expected (Marin, 2014). Communes with a low fiscal capacity (share of own revenues lower than the national average (for 2009-2012)) are more likely to have European-funded projects in the implementation stage (data at the national level).

Communes that are well developed from the point of view of administrative capacity, but which have a low level of social development, are significantly more often from the North-Eastern region, which may be a possible explanation for this region's success in terms of its absorption capacity. However, the stability of relationships needs further testing on a larger number of cases.

6.3 A multiple linear model

A multiple linear regression model shows that in 2009-2012, the determinants of the number of projects approved and funded by European funds included administrative capacity, mayor's years in office, working in partnerships, using consultancy companies, the development region and the commune's social development. In other words, *ceteris paribus*, a rural municipality is likely to have more projects approved for funding from European funds when it has a higher administrative and social development capacity, an experienced mayor (mayor has served more than two consecutive terms), a good collaboration capacity, a location in the North-Eastern region and working with consultancy companies in drafting project proposals. This model is useful for differentiating the importance of various factors included in the analysis, but its validation on a higher number of cases is needed.

Determinants of the number of projects approved for European funding at the level of Romanian communes

Table 1

Predictors	Unstandardized coefficients		Standardized coefficients	t	Sig.	Collinearity Statistics	
	B	Eroare Std.	Beta			Tolerance	VIF
(Constant)	-.395	.629		-.628	.531		
Developed administrative capacity	1.316	.356	.304	3.701	.000	.826	1.211
Mayor's Year in office	.661	.320	.158	2.067	.041	.949	1.053
Working in partnerships	.665	.290	.174	2.292	.024	.966	1.035
Working with consultancy companies	.695	.302	.183	2.305	.023	.886	1.129
Commune from North-East region	.903	.409	.185	2.205	.030	.788	1.269
Commune from North-West region	.166	.452	.029	.368	.714	.917	1.091
Fiscal capacity	-.020	.014	-.134	-1.45	.149	.652	1.535
Participated in consultations on the topic of EF	.289	.473	.048	.611	.542	.890	1.124
Previous experience with pre-accession funds	-.231	.318	-.056	-.728	.468	.933	1.072
Same party of the mayor	.668	.346	.149	1.929	.056	.929	1.076
Socially developed commune	1.161	.395	.265	2.941	.004	.685	1.461

Dependent variable: Number of projects approved for funding in the period of 2009-2012

Data: CERME, *Local Development through Structural Funds*, May-September 2012. (N=135). Linear regression model, metoda Enter, Adj. R²=0,32, Durbin-Watson test of 1,71. Note: Colored cells indicate predictors significant for p<0.05.

7. CONCLUSIONS

This paper examines the determinants of municipalities' absorption capacity with a special focus on local governments' administrative capacity in rural Romania. It adds knowledge to the under-researched topic of the capacities needed by beneficiaries to absorb European funds. The paper integrates theories, concepts and methods from the sociology of organizations and public management. It raises critical questions, introducing important delineating remarks mostly related to attribution problems related to 'winning' a European-funded project: projects versus municipalities; single municipality versus a consortium of partners, the role of consulting companies, etc.

The analysis is based on a series of quantitative and qualitative data collected in 2009-2012. The study's dependent variable is the municipality's absorption capacity, measured as the number of approved European-funded projects in 2009-2012. A multiple linear regression model shows that, *ceteris paribus*, a rural municipality is likely to have more projects approved for funding from European funds if it has a higher administrative and social development capacity, an experienced mayor (with more than two consecutive terms), a good collaboration capacity, a location in the North-Eastern region and works with consultancy companies in drafting the project proposal. This model is useful for differentiating the importance of various factors included in the analysis, but its validation on a higher number of cases is needed.

In conclusion, the paper opens the door for validating the results on a larger representative sample of rural municipalities and comparing the influence of various factors in urban municipalities. However, one of the key questions related to European-funded projects, in particular in Romania's rural areas, is represented by the impact on citizens' quality of life. Future research could explore this topic related to the 'winners' of European funding.

Notes:

1. This article is based on the PhD thesis submitted in December 2014 at the Faculty of Sociology and Social Work, University of Bucharest, coordinator: Dumitru Sandu.

2. EU accession of post-communist countries develops the topic of administrative capacity. The 'bureaucracy criterion' (i.e., the Copenhagen criterion) is one of the most difficult to measure and assess and thus, 'administrative capacity remained an elusive concept' (Dimitrova, 2002: 178). The same source states that according to a Commission source, 'we never found a way to judge administrative capacity among the existing member states. It was only in the case of the Central and Eastern European candidates knocking on our door that we erected the barrier of administrative capacity' (ibid.).

3. This analysis does not include the institutions responsible for the horizontal management of public procurement or the institutions responsible for European-funded programs related to territorial cooperation.

4. The financial management and control authorities responsible for managing the final certification level for expenditures are organized within the Ministry of Public Finances, the Ministry of Agriculture and Rural Development, and the Romanian Court of Accounts.

5. An applicant with a project initially on the 'reserve' list is not able, for specific funding lines, to submit an appeal, whereas a project initially rejected can submit an appeal and, in a second phase of project selection, become eligible.

6. Database available here: <http://datedeschise.fundatia.ro/baze-de-date-de-cercetare/>.

7. The research has been based on two questionnaires: the general questionnaire with questions on demographic and infrastructure indicators, disadvantaged groups and social protection, partnerships/associations of municipalities, decentralization, information on European funding and absorption of European funding; the second questionnaire, the project fiche, has been completed for each project, regardless of the state of the project. Overall, the research completed 3000 general questionnaires and 5197 project fiches.

8. Specialized field interviewers assisted in the completion of the questionnaire.

9. Interviews have been conducted with mayors, secretaries, accountants and those with responsibility for accessing European funds.

10. The experts included representatives of local public authorities, Management Authorities/intermediary bodies, financial institutions involved in the management of European funds and experts from academic and consulting environments. Overall, 12 experts have been interviewed.

11. I have also conducted an analysis of the websites for the sample of municipalities included in the quantitative research from 2012 for the period of September-December 2012. In addition to the existence and functionality of the municipality web page, my website monitoring has also envisaged publishing the following categories of information: i) local development strategy; ii) local budget; iii) local council decisions; iv) declarations of assets and interests; v) forms; vi) working program/audiences; and vii) contact information.

12. Database available here: http://www.dpfbldrap.ro/sit_ven_si_cheltuat.html. The analysis considered indicators for own and total revenues, personnel, investment and total expenditures, and expenditures for externally funded projects.

13. In this way, we compute an index with values between 0 and 5. Municipalities with a low administrative capacity have values lower or equal to 2, and the average level is placed at 3, whereas developed municipalities have values between 4 and 5.

14. Autonomous own revenues are own revenues not including sums from grants deducted from personal income tax for local budgets' equalization. These are the types of revenues over which the local authority holds a high degree of control. For each period analyzed, (2007-2009) and (2009-2012), I have computed an average of these revenues. In this way, the indicator better reflects the evolution for the entire time frame and reduces the influence of fluctuating revenues during financial crises.

15. Dabrowski (2010) considers partnerships in European funds absorption as a type of mimetic isomorphism that further develops into a reflexive isomorphism.

16. This assumption is also supported by the analysis conducted by the Romanian Association of Communes (Acor, 2012).

17. The analysis is at the organization level, not the state level.

18. Greater than or equal to 1. For this example, similar data sources are used - municipalities' answer to the question about the number of approved projects funded from structural funds.

19. The municipalities with personnel trained on the topic of European funds represent a significantly larger share in the North-East, South-East and West development regions.

20. At the time of the research, 5 execution posts were needed, whereas a minimum of 25 execution posts was needed for establishing a general direction.

21. The reasons for this situation are twofold: i) stability problems for the trained personnel who in some cases have ‘migrated’ to consultancy companies or non-governmental organizations, and ii) problems involving either efficiency or specialized training.

22. In the application stage, there is a need to have general information about the particularities of each funding line, the date of the opening of the funding sessions, eligibility conditions, etc. This is usually the type of information delivered in training sessions with a general focus on the topic of European funding.

23. Source: CERME research, *Local Development through Structural Funds*, 2012, N=135.

24. Given the low development level of these systems in rural Romania, we have conducted a series of quantitative indicators, collected through the questionnaires administered in the 2012 survey: i) whether the municipality has a website (1=yes, 0=no); ii) whether the municipality has an Internet connection and if yes, the year in which the municipality was connected to the Internet (before or after 2007, the first year for the current programming period of European funds); iii) the share of employees using the computer for daily activities (of total employees); iv) the share of computers with Internet connections in the total number of computers available in the municipality.

25. Romania has a value of 17 (on a scale from 0 to 100) for the transparent e-government indicator for 2012-2013, under the EU average of 49.. Source: European Commission, 2014, *Digital Performance of Romania*.

26. Some municipalities have a website that is either totally or partially non-functional. The analysis conducted in 2012 identified local council decisions or local budgets executed in 2007-2008 (posted as most recent).

27. Significantly lower in the South-West development region.

28. The formality does not imply that the strategic vision is also transparent. Although most parts of the municipalities have a local development strategy, only 14% have published it. Transparency in the local development strategy is problematic even for a municipality’s employees. Newly elected mayors, secretaries, experienced agricultural agents and local councilors do not know whether the municipality has a local development strategy.

29. Data at the sample level (N=135).

30. There are two key phases in the role of consultancy companies: conducting the feasibility study and drafting the project proposal. The communes used specialized consulting companies for most stages of the submitted projects regardless of project status— approved and finalized, approved and in the process of implementation, submitted, in the process of evaluation, rejected or in the process of preparation. Some respondents say that selecting a consulting company represents a process of organizational effectiveness.

References

1. **Addison, H.**, 2009, *Is Administrative Capacity a Useful Concept? Review of the Application, Meaning and Observation of Administrative Capacity in Political Science Literature*. (London: London School of Economics and Political Science).
2. **Asociația Comunelor din România - Acor**, 2012, *Agenda Comunelor din România - 2012. Orizonturi 2020* [Romanian Communes' Agenda – 2012. 2020 Horizons].
3. **Boeckhout, S., Boot, L., Hollanders, M., Reincke, K., and Vet, J. M.**, 2002, *Key Indicators for Candidate Countries to Effectively Manage the Structural Funds*. NEI Regional and Urban Development. (Rotterdam: Principal Report for EC DG Regio/ DG Enlargement).
4. **Boyne, G.**, 2001, *Planning, performance and public services*. *Public Administration*, 79 (1), pp. 73-88.
5. **Bryan, T.K.**, 2011, *Exploring the Dimensions of Organizational Capacity for Local Social Service Delivery Organizations Using a Multi-Method Approach*. Doctoral dissertation. (Alexandria, Virginia: Virginia Polytechnic Institute and State University).
6. **Council of the European Union**, 2013, *Council Recommendation of 9 July 2013 on the National Reform Programme 2013 of Romania and delivering a Council opinion on the Convergence Programme of Romania, 2012-2016*. 2013/C 217/17.
7. **Dąbrowski, M.M.**, 2010, *Europeanisation of Polish regions: impact of the European Union's structural funds on sub-national institutions and regional development policy practice*. Doctoral dissertation. (Paisley, Hamilton: University of the West of Scotland).
8. **Dimitrova, A.**, 2002, *Enlargement, Institution-Building and the EU's Administrative Capacity Requirement*. *West European Politics*, 25 (4), pp. 171-190.
9. **European Commission**, 2014, *Digital Performance of Romania*.
10. **Fortin, J.**, 2010, *A tool to evaluate state capacity in post-communist countries, 1989–2006*. *European Journal of Political Research*, 49 (5), pp. 654-686.
11. **Frumkin, P., Galaskiewicz, J.**, 2004, *Institutional isomorphism and public sector organizations*. *Journal of Public Administration Research and Theory*, 14 (3), pp.283-307.
12. **Lorvi, K.**, 2012, *Unpacking administrative capacity for the management of EU Structural Funds in small and large municipalities: Estonian case*. [Online] Available from: <http://hum.ttu.ee/failid/HKAC2012/Lorvi.pdf> [Accessed 21st July 2012].
13. **Marion, R.**, 1999, *Resource Dependency: The Emergence of Order*. In Marion, R. *The Edge of organization: chaos and complexity theories of former social systems*. (Thousand Oaks, California: Sage Publications).
14. **Marin, M.**, 2014, *The role of fiscal capacity in absorption of European funds*. *Calitatea Vietii XXV* (4), pp. 324–336.
15. **Marinas, L., Prioteasa, E.**, 2016, *Spotlight on Factors Influencing the Absorption Rate of EU Funds in Romania*. *Journal of Eastern Europe Research in Business and Economics*, Vol. 2016 (2016), Article ID 500580, DOI: 10.5171/2016.500580
16. **Oprescu, G.** (coord.), **Constantin, D. L., Ilie, F., Pislaru, D.**, 2006, *Analiza capacității de absorbție a fondurilor comunitare în România*. (București: Institutul European din România).
17. **Palinko, E., Svoob, A., Szabo, M.**, 2013, *Enhancing the Financial Absorption Capacity of EU Member States Through the Reconsideration of Current Allocation Rules*. *Transition Studies Review*, 20 (3), pp. 351-366.
18. **Pfeffer, J. Salancick, G.R** [1978], 2000, *Proiectarea și managementul organizațiilor dependente de resurse*. În Vlăsceanu, M. (coord.) *Teorie organizațională, Culegere de texte*. (Facultatea de Științe Politice, București: Școala Națională de Studii Politice și Administrative)

-
19. Sandu, ,2011, *Social Disparities in the Regional Development and Policies of Romania*. International Review of Social Research, 1 (1), pp.1-30.
 20. Stănculescu, M. S. (coord.), Purtan, R. R., Marin, M., Anton, S., 2009, *Accesul Autorităților locale la fondurile europene*. [Local Authorities' Access to European Funds]. (București: CERME-CNPS-ICCV).
 21. Šumpíková, M., Pavel, J., Klazar, S., 2006, *EU Funds: Absorption Capacity and Effectiveness of Their Use, with Focus on Regional Level in the Czech Republic*. Paper based on an original research for the Grant Agency of the Czech Republic, via the project No 402/03/1221. [Online] Available from: <http://unpan1.un.org/intradoc/groups/public/documents/nispacee/unpan018547.pdf> [Accessed 9th February 2011].
 22. Surubaru, C., 2017, *Administrative capacity or quality of political governance? EU Cohesion Policy in the new Europe, 2007–13*. Regional Studies, 51 (6), pp. 844-856
 23. Tatar, M., 2010, *Estonian Local Government Absorption Capacity of European Union Structural Funds*. Halduskultuur – Administrative Culture, 11 (2), pp. 202-226.
 24. Tăulescu, A., Pătruți, A., 2014, *Romania Structural Funds And Economic Crises: Romania's Absorption Paradox*. Procedia Economics and Finance, 16, pp. 64 – 72, 21st International Economic Conference 2014, <https://core.ac.uk/download/pdf/81966993.pdf>
 25. Tiganasu, R., Încălțărău, C., Pascariu, G. C., 2018, *Administrative Capacity, Structural Funds Absorption and Development. Evidence from Central and Eastern European Countries*. Romanian Journal of European Affairs, 18 (1), pp. 39-59
 26. Tosun, J., 2014, **Absorption of Regional Funds: A Comparative Analysis**. Journal of Common Market Studies, 52 (2), pp. 371–387
 27. Toth, A., Dărășteanu, C., Tarnovschi, D., 2010, *Autoritățile locale față în față cu fondurile europene*. [Local Authorities face to face with European Funds]. (București: Fundația Soros România).
 28. Veiga L G, 2012, *Determinants of the assignment of EU funds to Portuguese municipalities*. Public Choice 153 (1), pp. 215–233
 29. Verheijen, T., 2006, *EU-8 Administrative Capacity in the New Member States: The Limits of Innovation?* (Washington, DC: World Bank).
 30. Vet, J.M., Guijarro, A. F., Koppert, S., McClements, C., 2011, *Assessment of administrative and institutional capacity building interventions and future needs in the context of European Social Fund (VC/2009/066 - 009)*. Final Report for DG Employment, Social Affairs and Equal Opportunities of the European Commission. (Rotterdam: Ecorys).
 31. Wegener, S., Labar, K., Petrick, M., Marquardt, D.M., Theesfled, I., Bucheriender, G., 2011, *Administering the Common Agricultural Policy in Bulgaria and Romania: obstacles to accountability and administrative capacity*. International Review of Administrative Sciences, 77 (3), pp.583-608.
 32. Yuchtman, E., Seashore, S.E., 1967, *A system resource approach to organizational effectiveness*. American Sociological Review, 32 (6), pp. 891-903.