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Abstract
This article approaches the issue of corruption and the way in which it negatively affected the accession rhythm and the management of cohesion and Structural Funds granted to Romania, for the period 2007-2013. The European funds represent the most important measure taken by the European Union, in order to help the Member States further develop and modernize; these funds also contribute to the harmonization of economic development between different countries, but the way in which the states actually manage these funds is strictly their responsibility. By means of analysing the data extracted from national and European reports, this article shows the evolution of European funds absorption, granted to Romania, for the period of time between 2007-2013, till the end of 2014. By applying statistical techniques, it has been identified the influence European funds had on national economy, as well as the influence that corruption had on the rhythm of accessing structural and cohesion funds.

Keywords: corruption, economic development, Structural Funds, absorption rate, operational programmes.

1. INTRODUCTION

The European Commission granted European funds to Member Countries in order to help their economic development. The main concerns of the European Commission have been: the harmonization between the different levels of economic development and reducing regional disparities. Romania is one of the Member States that have benefited and still benefit from these development and modernization opportunities.

The main objective of the National Development Plan (NDP) 2007-2013 was reducing the disparities of socio-economic development between EU Member Countries and Romania. It was estimated that between 2007-2013, Romania would have recovered 10 % from the gap that separates it from the EU,
reaching 41% from the EU average, from the point of view of GDP per capita. (Romanian Government. The Ministry of Public Finance). This estimation proved to be totally unrealistic.

The national development priorities for the period between 2007-2013 were the following (Romanian Government. The Ministry of Public Finance, 2012): raising economic competitiveness and knowledge-based economic development (POSCCE – Sectoral Operational Programme – Raising Economic Competitiveness), development and modernization of transport infrastructure (Sectoral Operational Programme – Transport), protection and improvement of environment (Sectoral Operational Programme – Environment), human resources development, employment and social inclusion (Sectoral Operational Programme – Human Resources Development), strengthening the administrative capacity (Sectoral Operational Programme – Administrative Capacity Development), rural economy development and raising productivity in agriculture (National Rural Development Programme), reducing the development disparities between different regions of the country (Operational Regional Programme).

This article analyses to which extent the European funds contributed to the economic development of Romania, to the GDP growth and also the extent of labour employment. There is still a great debate on the access capacity to the European funds, starting with 2007, when Romania became a EU member, but no efficient solutions were found and implemented so as to improve the absorption capacity of these funds. This issue becomes more and more important, on the verge of a new financial year when the experience gained in the last 8 years should positively influence the absorption capacity of the funds granted for the period 2014-2020.

This article analyses the way in which the objectives set in the National Development Plan 2007-2013 were carried on (to which extent the European funds contributed to the economic development of Romania, to which extent they helped the GDP growth and the labour employment rate): it identifies the absorption rate of the Structural Funds, granted to Romania for the period between 2007-2013, till the end of 2014, and the extent and the way in which corruption affected the absorption of Structural Funds in Romania.

2. THEORETICAL ASPECTS REGARDING STRUCTURAL FUNDS AND THEIR ABSORPTION CAPACITY IN THE ECONOMY

The Structural Funds are „financial instruments by which the EU acts in such a way for removing the economic and social disparities between regions, with the purpose of achieving the social and economic cohesion” (Balogh and Negrea, 2009).
In the case of the period between 2007-2013, there were 3 financial instruments commonly known as Structural Funds: European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund (CF).

In the period between 2007-2013, Romania benefited from 7 Operational Programmes (OPs). According to European funds information portal, Operational Programmes are „strategic documents framed by the Member State and approved by the European Commission which include the set of multiannual priorities that can be co-financed from the Structural Instruments, European Investiment Bank funds, as well as other funds” (http://eufinantare.info/por.html).

The absorption capacity of Structural Funds represents „the degree in which every country is able to effectively and efficiently spend the financial resources granted from the Structural Funds” (Oprescu, G., Constantin, L.D., Ilie, F. și Pîslaru, D., 2006). Accordingly, the absorption capacity of funds identifies with the applicants’ capacity of achieving and implementing projects in an efficient and fair way, so that it would attract fundings from European funds.

According to Oprescu et. al. (2006), there are 2 types of absorption capacity:

- absorption capacity on the supply side (of funds) - refers to creating an institutional system by a state, which is needed for managing the European funds;
- absorption capacity on the demand side (of funds) – refers to the beneficiaries’ capacity of using those funds allocated to them.

The absorption capacity on the supply side is influenced by 3 factors (Gelămancă B., Zai P., 2013):

- macroeconomic absorption capacity – which is defined and measured according to the GDP; thus, the Council Regulation no. 1260/1999 provides that the annual amount that a Member State may benefit from Structural Funds and the Cohesion one must not exceed 4% of the GDP;
- financial absorption capacity – refers to the capacity of a state to co-finance the programmes and projects assisted by the EU;
- administrative capacity – refers to the capacity and competence of local and central authorities to prepare, finance, implement and monitor the projects, in a successful manner.
The results of an empirical study have shown that there is a loose correlation between the number of projects submitted and the number of approved ones, while the number of future approved projects only slightly depends on the number of submitted projects. (Florescu D., 2009).

According to the Public Policy Institute, one of the main causes of European funds slow absorption is the corruption from public institutions, which endangers the access to these funds (Public Policy Institute, 2010).

The reasons for which Romania has only used a small amount from the European funds are various and different from case to case. Gheorghe Zaman and George Georgescu, 2014 consider that the reasons of slow absorption, by the end of 2013, should be checked at both Managing Authorities and beneficiaries. Among the causes one finds at the level of Managing Authorities, there are: the staff fluctuation, unstimulating payment, inefficient technical assistance, ambiguous provisions in some guides, standards, methodologies, lack of correlation and coordination of operational programmes, excessive bureaucracy, insufficient monitoring of objectives’ sustainability, inadequate performance of financial monitoring system ex-ante and expost. To all these causes, one might add all the incorrect elements found in the process of accessing funds which led to measures of temporary cancellation or total or partial cancellation of Operational Programmes on behalf of the European Commission. At the level of beneficiaries, the causes identified in this study were the poor expertise in drafting projects, the opposite effect of decreasing bureaucracy measures, difficult decision-making process in the case of public local authorities as beneficiaries, inadequate conduct of public procurement procedures, overevaluation of financial and implementing capacity of projects on behalf of many beneficiaries, limited management capacity to 55 works/service contracts from projects and the lack of insuring clauses in what the compliance with quality requirements and execution deadlines of works are concerned. Florescu D., Brezeanu P., Onescu L. (2013) consider that the problem is within the system and there is no improvement solution of funds’ accession rhythm, without fixing this problem.

Another cause of difficult accession of European funds is the long period of time needed for implementing European funded projects and especially the one related to the conduct of public procurement procedures. (Ferenț P., Balogh M., 2013).

In the process of public procurement, a potential fraud indicator, in the case of European funds, is the long period of time needed for public procurement decisions. (Mialțu M.V., Patraș I., 2014).
3. METHODOLOGY

For the purpose of this article, it has been used an analysis of data extracted from national and European reports regarding the state of European funds absorption. The Pearson Correlation was used for identifying the influence that European funds had on national economy; this correlation is a statistical technique which measures and describes the degree of the linear correlation (dependence) between two continuous quantitative variables, normally distributed.


The structural and cohesion funds (SCF) granted to Romania for the period between 2007-2013 might still be accessed only by the end of 2015, otherwise they are lost. At the end of 2014 (31st of December), Romania registered 51.81% absorption rate of Structural Funds, funding projects of 10.73 bn Euro, twice as much than to the end of 2013 and 3.5 higher than to the end of 2012.

\[\text{Cumulative Current Absorption Rate, on Overall Operational Programmes, 31st December 2014}\]


\[\text{Current Absorption Rate at the Level of Operational Programmes (OP), 31st December 2014}\]

POR – Operational Regional Programme, POSCCE – Sectoral Operational Programme – Raising Economic Competitiveness, POAT – Technical Assistance Operational Programme, POSDRU – Sectoral Operational Programme – Human Resources Development, POS Mediu – Sectoral Operational Programme - Environment, PODCA - Sectoral Operational Programme – Administrative Capacity Development

On the 30th November 2014, the analysis of Structural Funds approval, on each operational programme (OP), reveals the following data: two OPs have the best results, Sectoral Operational Programme – Environment and Technical Assistance Operational Programme had over 50% approval rate, Sectoral Operational Programme – Environment – 58% and Technical Assistance Operational Programme – 68%, Operational Regional Programme and Sectoral Operational Programme – Administrative Capacity Development – under 40%, Sectoral Operational Programme – Transport and Sectoral Operational Programme – Human Resources Development – under 30% approval rate and the lowest rate, of 20%, in the case of Sectoral Operational Programme – Raising Economic Competitiveness. Sectoral Operational Programme – Human Resources Development is the only OP that has had a decreasing cumulated approval rate, caused by the large number of projects submitted between 2013 and 2014. These numbers still show a low level of projects’ quality and the need to invest in project drafting programmes.

Figure 3 - Cumulated evolution of projects’ approval rate at the level of OPs, until 30th November 2014
Source: adapted from the Ministry of Public Finance, 2014

On 30th November 2014, the analysis of contracting Structural Funds, on each operational programme reveals the following data: Sectoral Operational Programme – Transport registered a contracted rate of 71%, down 20% to the period between 2011-2013, Sectoral Operational Programme – Raising Economic Competitiveness and Technical Assistance Operational Programme registered contracted
rates between 85–90%, Sectoral Operational Programme – Administrative Capacity Development 96.8%, Sectoral Operational Programme – Environment – 98.8%.

![Figure 4](image)

**Figure 4 - Projects’ approval rate, contracting and absorption rate at the level of OPs, on 30th November 2014**

Source: Authors’ own analysis of data from the Ministry of Public Finance, 2014

The funds’ absorption rates have not reached a convenient level, although, unlike the past years, significant improvements have been registered.

![Figure 5](image)

**Figure 5 - Cumulated evolution of structural and cohesion funds’ absorption rate, on OPs, by 30th November 2014**

Source: Authors’ own analysis of data from the Ministry of Public Finance, 2014
The best results in funds’ accessing are registered by - PODCA - Sectoral Operational Programme – Administrative Capacity Development, which is situated on the 1st place, just like in 2013, and has the highest absorption rate, but the best results, in using these funds, were also registered in the case of POR – Operational Regional Programme, Sectoral Operational Programme – Transport and Sectoral Operational Programme – Environment.

The most projects submitted were those registered in Sectoral Operational Programme – Raising Economic Competitiveness, but the projects with the highest values are those registered in the case of POR – Operational Regional Programme, Sectoral Operational Programme – Environment and Sectoral Operational Programme – Human Resources Development. The biggest number of signed contracts were in the case of POR – Operational Regional Programme, but the highest value of the signed contracts is registered in the case of Sectoral Operational Programme – Environment.

The OPs that had the highest impact on national economy were POR – Operational Regional Programme, followed by Sectoral Operational Programme – Environment and Sectoral Operational Programme – Transport.

5. IMPACT OF EUROPEAN FUNDS ON NATIONAL ECONOMY. IMPACT OF STRUCTURAL FUNDS ON THE EXTENT OF LABOUR EMPLOYMENT

The Council Regulation no. 1260/1999 provides that the annual amount of money that a Member State may benefit from Structural Funds and the Cohesion one must not exceed 4% of each country’s GDP.
According to the net financial account which shows the cash flows between Romania and the EU (the Ministry of Public Finance, 2014), by the end of June 2014, Romania had contributed to the EU’s budget with 1% of the GDP, that is 10.2 bn Euro, in order to receive 24.6 bn Euro, out of the 32.9 bn Euro assigned to Romania, which makes it a net beneficiary in relation to the EU.

The impact of European funds on national economy, on 30th June 2014, was measured by comparing the annual amounts of money received from the EU with national macroeconomic indicators (GDP, GDP per capita, unemployment rate, extent of labour employment).

The European funds received by Romania had an unsemnificant share on national economy, next to our contribution to the EU’s budget. For the period between January 2007 – June 2014, the European funds received represented only 1.57 % of the GDP, out of which 0.71 % represented structural and cohesion funds.

By using a statistical technique – the Pearson Correlation, it has been established that there is a moderate relation between the absorbed structural and cohesion funds and GDP per capita - \((r=0.7)\), but instead there is a strong correlation between the share of European funds Romania received (% GDP) and the population employment rate in the period between 2009-2014 \((r=0.93)\).

The structural and cohesion funds played an important influence on Romanian economy in 2013, but a final balance should be done only at the end of 2015.

**Table 2 - Influence of European funds on the evolution of Romania’s GDP and the employment rate, 30th June 2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Funds received from the European Commission by 30th June 2014 (bn of Euro)</th>
<th>Contribution to the EU’s budget (bn of Euro)</th>
<th>out of which Structural and Cohesion Funds absorbed (bn of Euro)</th>
<th>GDP per capita Euro</th>
<th>Contribution to the EU’s budget</th>
<th>out of which, the share of Structural and Cohesion Funds absorbed in the GDP</th>
<th>Labour employment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,599.71</td>
<td>1,155.69</td>
<td>0</td>
<td>5,640.39</td>
<td>0.37%</td>
<td>0.00%</td>
<td>55.80%</td>
</tr>
<tr>
<td>2008</td>
<td>2,542.34</td>
<td>1,288.93</td>
<td>0</td>
<td>5,881.75</td>
<td>1.09%</td>
<td>0.00%</td>
<td>55.09%</td>
</tr>
<tr>
<td>2009</td>
<td>2,932.24</td>
<td>1,364.43</td>
<td>163.31</td>
<td>5,340.27</td>
<td>1.36%</td>
<td>0.14%</td>
<td>55.82%</td>
</tr>
<tr>
<td>2010</td>
<td>2,293.63</td>
<td>1,155.91</td>
<td>292.96</td>
<td>5,598.25</td>
<td>0.95%</td>
<td>0.25%</td>
<td>56.08%</td>
</tr>
<tr>
<td>2011</td>
<td>2,521.58</td>
<td>1,298.24</td>
<td>753.15</td>
<td>6,581.78</td>
<td>1.00%</td>
<td>0.57%</td>
<td>56.15%</td>
</tr>
<tr>
<td>2012</td>
<td>3,402.33</td>
<td>1,429.77</td>
<td>1,654.24</td>
<td>6,482.14</td>
<td>1.55%</td>
<td>1.27%</td>
<td>56.53%</td>
</tr>
<tr>
<td>2013</td>
<td>5,595.85</td>
<td>1,534.77</td>
<td>3,565.93</td>
<td>7,471.06</td>
<td>2.83%</td>
<td>2.61%</td>
<td>59.70%</td>
</tr>
<tr>
<td>2014-1 Sem</td>
<td>3,580.52</td>
<td>1,005.01</td>
<td>363.13</td>
<td>3,171.21</td>
<td>4.09%</td>
<td>0.57%</td>
<td>51.10%</td>
</tr>
</tbody>
</table>

Authors’ own analysis of data from the Ministry of Public Finance, Ministry of European funds and National Institute of Statistics
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Figure 6 - Contribution of European Funds to Romania's GDP, 30th November 2014
Source: Authors' own analysis of data from the Ministry of Public Finance, Ministry of European funds and National Institute of Statistics

Figure 7 - Correlation between Structural and Cohesion Funds absorbed and GDP per capita for the period between 2009-2014, R=0.7 – Moderate Relation
Source: Authors' own analysis of data from the Ministry of Public Finance, Ministry of European funds and National Institute of Statistics

Figure 8 - Share of European Funds received (% GDP) and Population Employment Rate 2009-2014, R=0.93 – Strong Relation
Source: Authors' own analysis of data from the Ministry of Public Finance, Ministry of European funds and National Institute of Statistics
6. CORRUPTION IMPACT ON THE CAPACITY OF EUROPEAN FUNDS’ABSORPTION

The absorption of European funds assigned for the period between 2007-20113 was negatively influenced by the errors in awarding public procurement contracts, in addition to different interpretation and implementation of legal provisions (Romanian Academic Society, 2014); to these, one might add the extension of global crisis effects, especially the impairment of financial situation of projects' beneficiaries, including public local authorities, given the loose involvement of the banking system to cover the financial gaps. (Gheorghe Zaman și George Georgescu, 2014).

According to Gheorghe Zaman și George Georgescu (2014), the corruption causes the great extent of rejected projects, and it comes from the way in which the European funds are accessed and managed. There are several solutions to fight against these bad consequences: an awarding system for the staff that promoted successful projects and separation of European funds accession from election cycles.

In the period between 2007 – 1st semestre of 2014, Romania contributed to the EU’s budget with 1% of the GDP, that is 10.2 bn Euro for the assigned funds in amount of 32.9 bn Euro. For the same period of time, the amount of money received from the EU reached 24.674 bn Euro, out of which the absorbed structural and cohesion funds represent 6.793 bn Euro.

Due to failure of timely submitting expenditure statements that have to be reimbursed by the European Commission, the total amount of European funds, assigned to Romania, decreased by 189 m. Euro.

Public procurement procedures were affected by the violation of legal provisions (conflict of interests, ambiguous procedures, restrictive criteria, etc.), which triggered financial corrections of 790 m. Euro, for the period between 2007-2013, except for POP – Operational Programme for Fisheries and Sectoral Operational Programme – Environment. According to Art. 98 of Regulation 1083/2006, the amounts resulting from the application of financial corrections are not lost and can be reused by the end of 2015, under the same programmes to finance operations that were not affected by those adjustments/irregularities. (Art. 52, Government Emergency Ordinance 66/2011).

7. CONCLUSIONS

From the point of view of attracting European funds (structural and cohesion ones) assigned to Romania, in the period between 2007-2013, the absorption rate, on 31st December 2014, results from the ratio between the reimbursements and EU allocations and reached a low level, of approximately
51.8% compared to the estimations of the development plans, given the fact that Romania has no more than a year to attract the funds allocated for 2012.

According to European Commission Regulation, Romania will be able to spend only the sum of money allocated for 2012, from the total amount assigned for the period 2007-2014, more exactly 3.511 bn. Euro, by the end of 2015. Between 2013 and 2014, it was attracted 70% from the total amount of structural and cohesion absorbed funds and it is unlikely it would reach a 70% level of the absorbed funds from the total amount allocated for the between 2007-2013, although now Romania has an upward trend.

What is more concerning is the projects' approval rate does not exceed 60%, and that only in the case of one OP, all the others have under 40% approval rate. This situation raises question marks whether the beneficiaries are competent enough to submit eligible projects.

Having in mind the value of financial corrections imposed on Romania, which represent sums of money that are not totally lost, one may say that Romanian economy is affected by corruption and imperfections of legal framework which had a bad influence on the absorption rate of European funds.

The structural and cohesion funds played a small influence on Romanian economy, because they represent only 1% from the GDP, for the period between 2007-2014. Instead, it has been identified a strong correlation between the share of European funds received (% GDP) and the population employment rate (r=0.93) and was found that there had been registered increasing employment rates, of 2 %, from 59% to 61% since 2009 up to 2014, which fully demonstrates the positive influence that Romania’s EU accession had on the emplyment rate.

Romania has managed to recover from the losses registered between 2007-2012, but it still has many responsibilities in what the improvement of European funds'absorption is concerned and has to perform reforms and modernization of public procurement system, next to European requirements, reduce corruption within the public administration, improve the drafting system so that the projects are eligible, because, despite all the problems encountered, European funds are helpful only simply because they are non-refundable (Daniela Florescu, Peter Brezeanu, Lilian Onescu, 2013).

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