

CONSIDERATIONS ABOUT ABSORPTION OF EUROPEAN FUNDS IN ROMANIA

EDUARD EDELHAUSER *

ABSTRACT: *The paper is structured in three chapters, first consisting of general information regarding the type of structural fund and their thematic objectives. The second chapter presents the budget, the themes and implementation of European structural and investment funds in Romania at 31.12.2019, from the European Union perspective. The third chapter is based on data provided by the Romanian government at 01.02.2019, for six operational or national programs. The study is based on data collected from an Open data Platform provided by an official website of the European Union and a Romanian Open data Platform provided by the Romanian Government.*

KEY WORDS: *European Funds, Structural Funds, Investment Funds, Absorption Stage, Open Data Platform.*

JEL CLASSIFICATIONS: *M160, O210.*

1. EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

Over half of EU funding is channeled through the 5 European structural and investment funds (ESIF). They are jointly managed by the European Commission and the EU countries. The purpose of all these funds is to invest in job creation and a sustainable and healthy European economy and environment. The Structural Funds have two components: the European Regional Development Fund (ERDF), providing financial support since 1975 for the development and structural adjustment of regional economies, economic change, enhanced competitiveness as well as territorial cooperation throughout the EU; and the European Social Fund (ESF), set up in 1958 and seeking to contribute to the adaptability of workers and enterprises, access to employment and participation in the labour market, social inclusion of disadvantaged people, combating all forms of discrimination, and creating partnerships to manage

* Professor, Ph.D., University of Petroșani, Romania, eduardedelhauser@upet.ro

reforms in employment. The other three funds constituting the ESIF are the Cohesion Fund, which supports exclusively less-developed Member States; the European Agricultural Fund for Rural Development; and the European Maritime and Fisheries Fund (<https://cohesiondata.ec.europa.eu/>).



Figure 1. Five funds make up the ESIF: the ERDF, CF, ESF, EAFRD and EMFF.



Figure 2. The eleven "thematic objectives" set for the European Structural and Investment Funds for 2014-2020

One of the most important fund for Romania is probably the Cohesion fund (CF). This fund is dedicated for transport and environment projects in countries where the gross national income (GNI) per inhabitant is less than 90% of the EU average. In 2014-20, these are Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece,

Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. Administrative capacity is a key concept in the specialized literature dealing with Cohesion Policy implementation and with the governance of Structural and Cohesion Funds. Its theoretical development can enable policymakers and practitioners to further understand why some Managing and Control Institutions or beneficiaries have been more successful than others in implementing EU-funded projects (Bachtler, 2017).

The ESIF mainly focus on 5 areas: research and innovation, digital technologies, supporting the low-carbon economy, sustainable management of natural resources and small businesses.

All these funds are managed by the EU countries themselves, by means of partnership agreements. Each country prepares an agreement, in collaboration with the European Commission, setting out how the funds will be used during the current funding period 2014-2020.

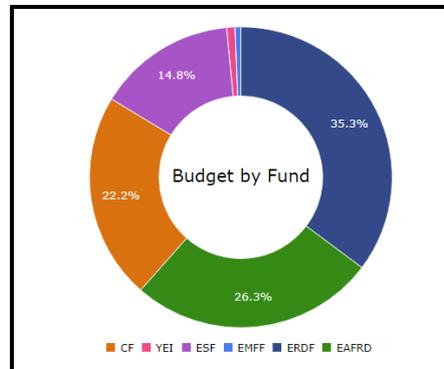
2. COUNTRY DATA FOR ROMANIA THROUGH EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

Romania, through 8 national programs, benefits from European Structural and Investment Funds (ESIF) funding of EUR 30.8 billion euro representing an average of 1.548 euro per person over the period 2014-2020. This chapter includes visualizations on the planning and implementation of the finances available, the EU payments to Romania and achievements at country level.

Table 1. The list of programs available to Romania is structured by their scope - National, Regional, Interreg Crossborder (including IPA-CBC), Transnational or Interregional programs

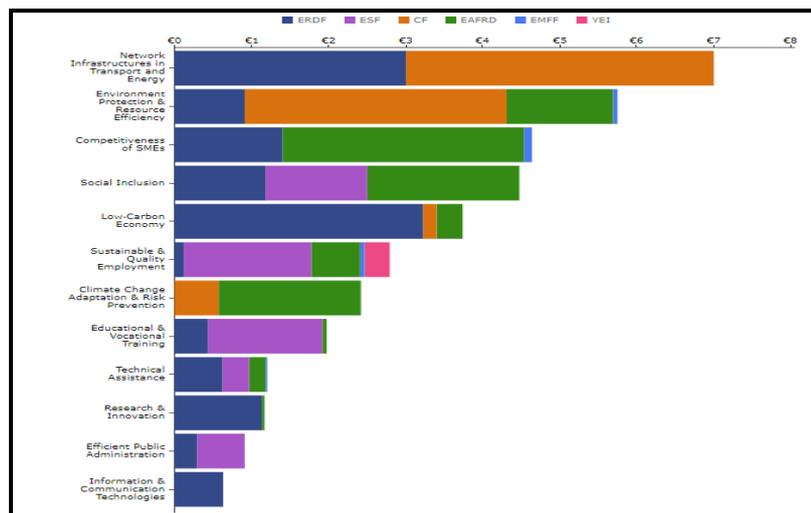
National
Romania - National Rural Development
Maritime and Fisheries - Romania
Human Capital - RO - ESF/YEI
Integrated Regional Programme - RO - ERDF
Administrative Capacity - RO - ESF
Competitiveness Programme - RO - ERDF
Technical Assistance - RO - ERDF
SME Initiative (merged 2018 with Regional OP) - RO - ERDF
Large Infrastructure Programme - RO - ERDF/CF
Crossborder
Interreg V-A - Romania-Bulgaria
Interreg V-A - Romania-Hungary
Transnational
Interreg V-B - Danube
Interregional
ESPO
Interreg Europe
Interact
Urbact
IPA-CBC
IPA CBC Romania - Serbia

There is strong variation between Central and Eastern European countries when it comes to the overall absorption of funding remains puzzling. For instance, Estonia, Lithuania and Poland are among the most efficient with regard to the absorption of funds. Researching how administrative capacity may interact with domestic governance and institutional arrangements has become a critical area of inquiry in order to understand issues of performance. Time and time again, administrative capacity has been identified as a key feature of the successful management and implementation of EU funds. However, the capacity of national authorities to implement European funding instruments varies from country to country and from region to region. Also, a general lack of financial incentives caused many other problems during the implementation stage of the projects. Quite often, domestic internal restrictions and salary caps affected the motivation among personnel and increased staff turnover (Surubar, 2015).



Source: <https://cohesiondata.ec.europa.eu/countries/RO>

Figure 3. Total Budget by Fund (daily update): Romania, EUR

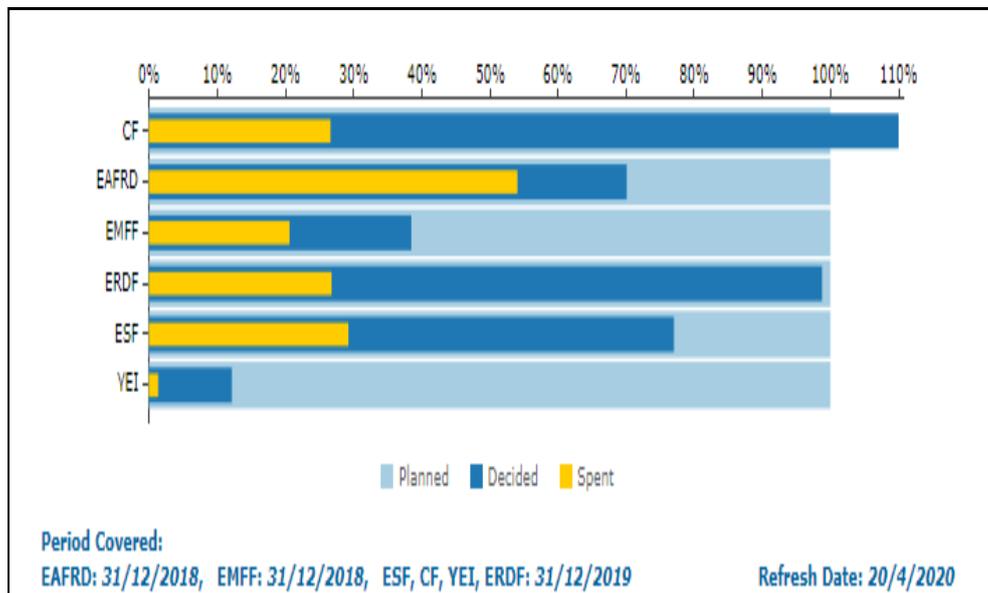


Source <https://cohesiondata.ec.europa.eu/countries/RO>

Figure 4. Total Budget by Theme (daily update): Romania, EUR Billion

The name of the ESIF fund are CF (Cohesion Fund), EARDF (European Agricultural Fund for Rural Development), EMFF (European Maritime and Fisheries Fund), ERDF (European Regional Development Fund), ESF (European Social Fund) and YEI (Youth Employment Initiative).

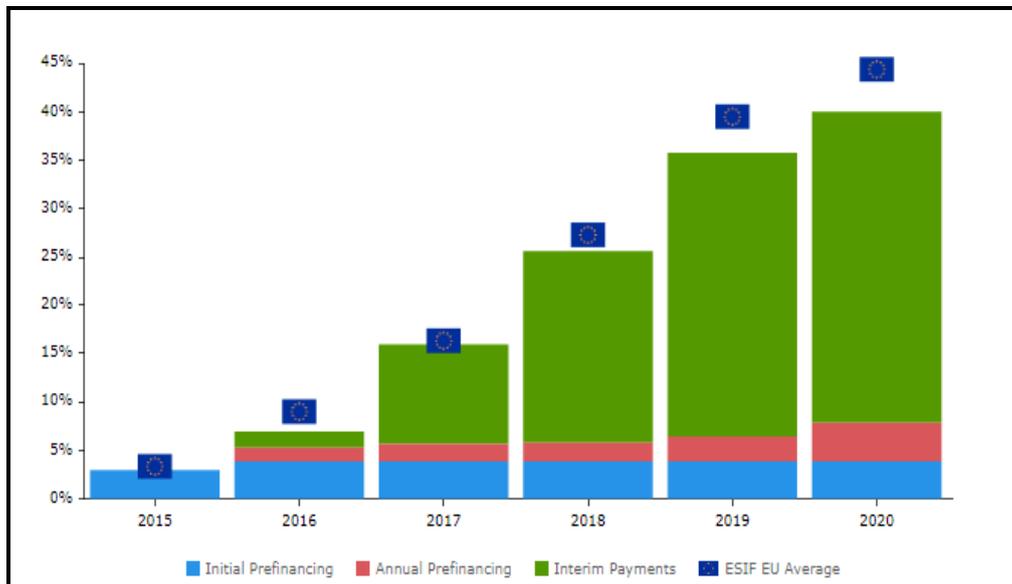
National and regional programs report financial data to the Commission on their progress as **Planned**: Total budget of the program, **Decided**: Financial resources allocated to selected projects (project pipeline) and **Spent**: Expenditure reported by the selected projects. The financial data reporting is expressed in total costs only (i.e. not broken down by the EU or national share).



Source <https://cohesiondata.ec.europa.eu/countries/RO>

Figure 5. Implementation by Fund for Romania, (Total Cost) % of Planned

This chapter presents the cumulative EU payments made up to date to the Countries, for example Romania, from European Structural and Investment Funds (ESIF) for the 2014-2020 period. The visualizations below show the cumulative EU payments to the end of each year (e.g. 2015 includes 2014+2015 payments) and by fund, with a split per type of payment. The figures represent the amounts approved by the European Commission without taking into account eventual delays with the bank transfer.



Source <https://cohesiondata.ec.europa.eu/countries/RO>

Figure 6. Total EU payments all ESI Funds – time series cumulated to the end of each year (daily update) for Romania

3. ABSORPTION STAGE FOR PROGRAMS FINANCED BY THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESIF) FOR ROMANIA DURING 2015 – 2019 YEARS

We have analyzed the absorption stage for programs financed by the European Structural and Investment Funds (ESIF), the European Aid Fund for the Most Deprived (EAFMD) and payments made from the European Agricultural Fund for Rural Development (EARDF) on 1st February 2019 and data were collected from <http://data.gov.ro>.

In 2014 year, European Commission made an allocation of 22.5 Billions of euro for the 6 national (operational) programs of Romania. We have excluded from our study the Romania National Rural Development fund and the Maritime and Fisheries for Romania fund, for this two fund being allocated another 9.3 Billions of euro.

After almost 3 years, 2016, 2017 and 2018 the level of payments for the beneficiaries from the RG is very low. The lowest rate is for Integrated Regional Program and Administrative Capacity (13%), and the highest rate is for Competitiveness Program (23%), other two program having a 17% rate (Large Infrastructure Program and Human Capital).

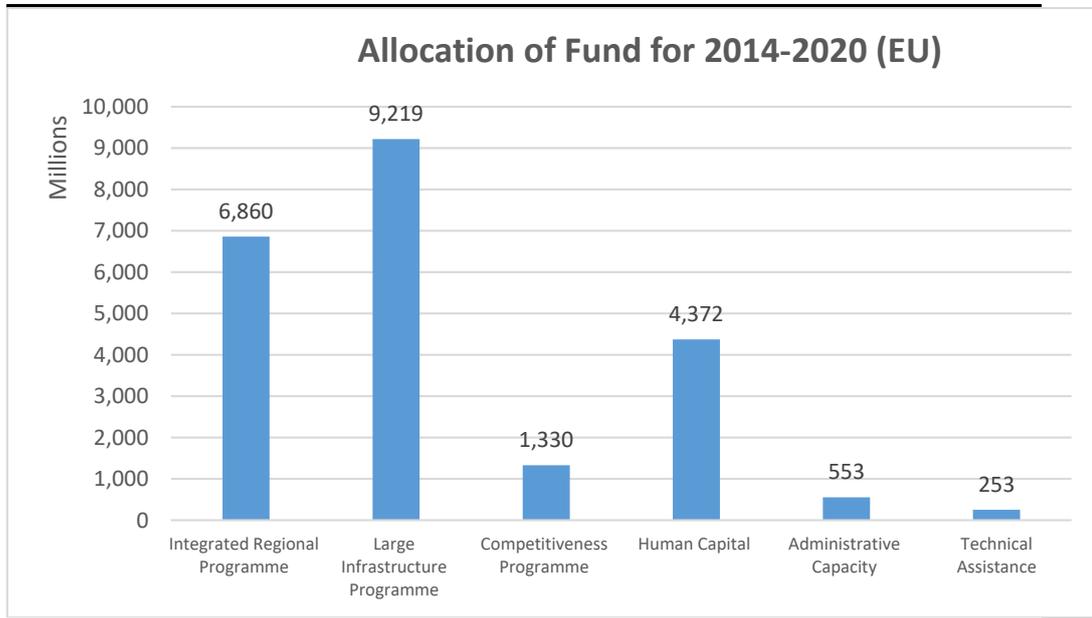


Figure 7. Allocation of Fund for 2014-2020 from European Commission (euro)

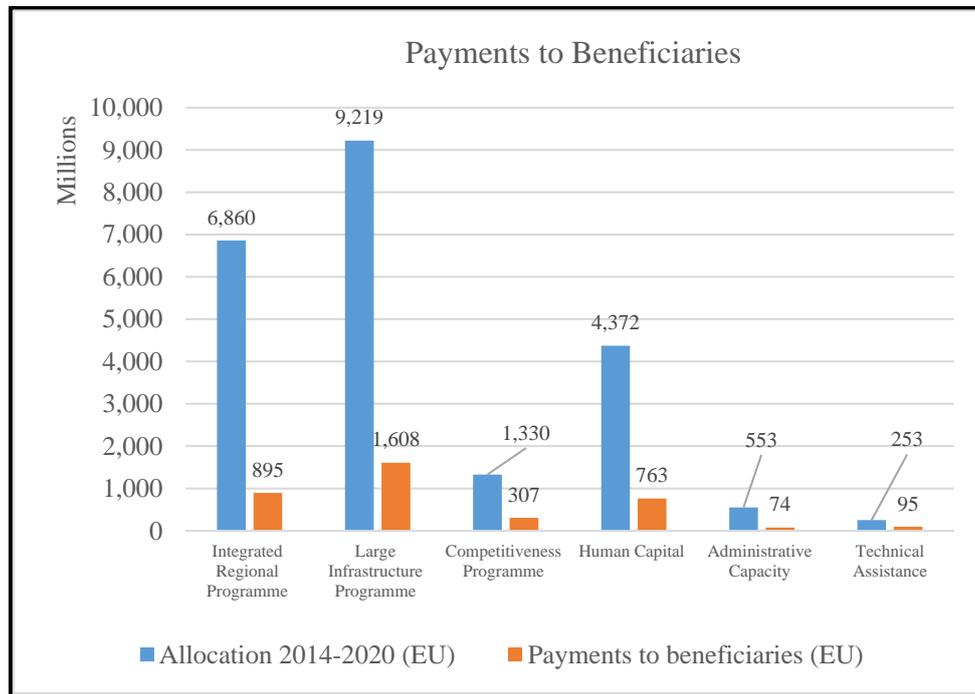


Figure 8. Payments to beneficiaries from Romanian government (euro)

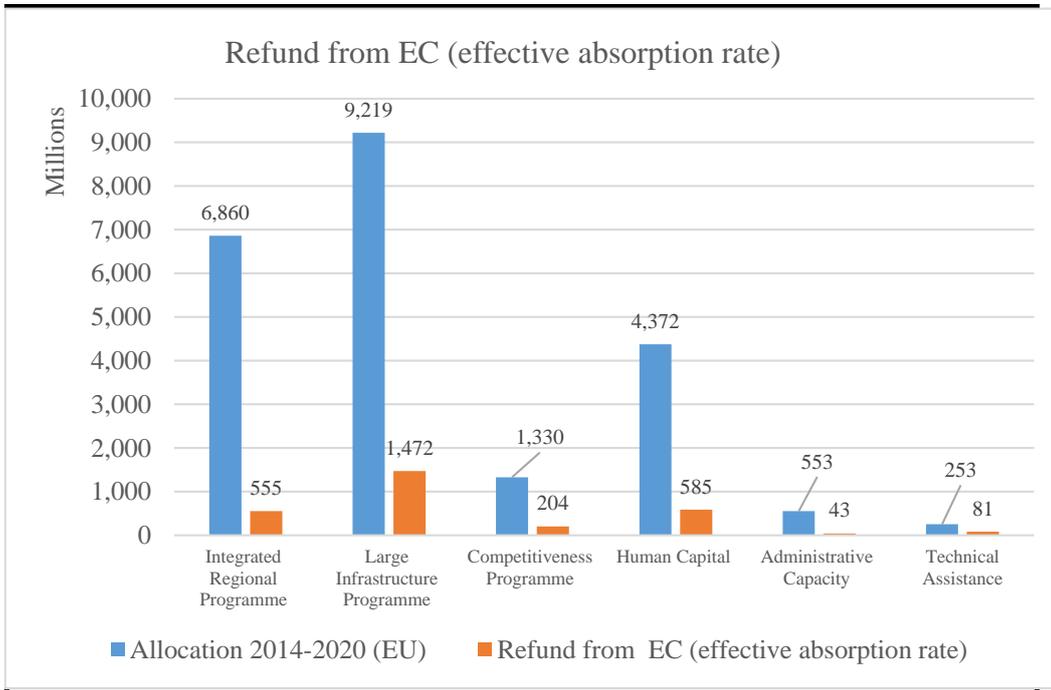


Figure 9. Refund from European Commission - effective absorption rate (euro)

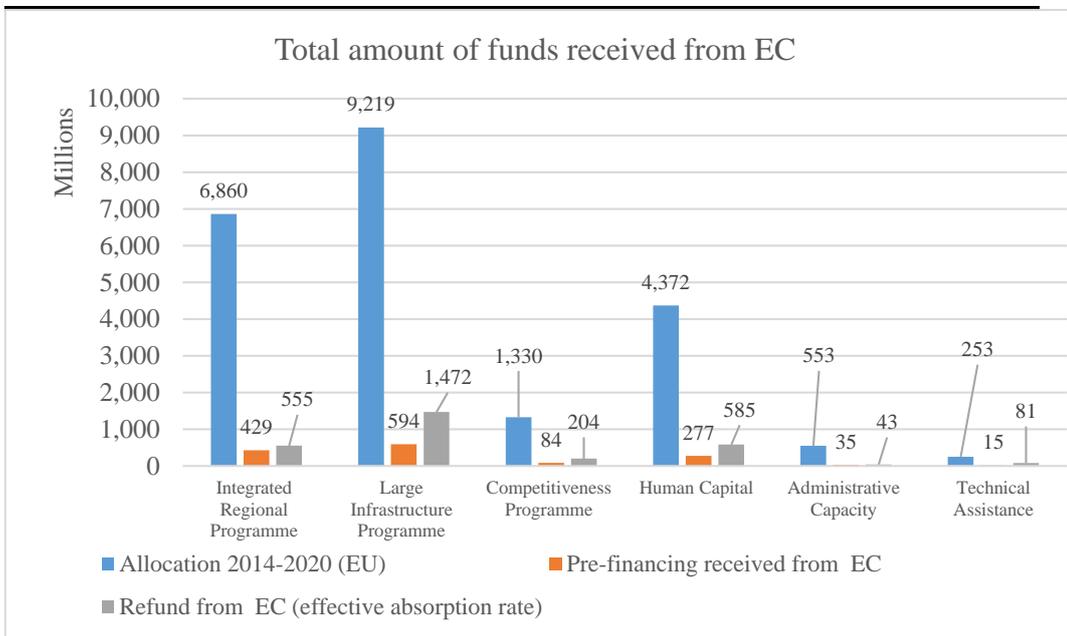


Figure 10. Total amount of funds received from European Commission (euro)

Even the global rate of payment is 17%, in fact the real rate of absorption is 13% consisting of refund made by European Commission. The lowest rate is for Integrated Regional Program and Administrative Capacity (8%), and the highest rate is for Competitiveness Program and Large Infrastructure Program (15%), other program having a 13% rate and Human Capital.

For the refund from EC we have to add the pre financing received from EC.

4. CONCLUSIONS

There is strong variation between Central and Eastern European countries when it comes to the overall absorption of funding remains puzzling. Romania has a short experience in this field, only the 2007-2013 financial exercise. Even if the programs report financial data to the Commission on their progress as Planned (Total budget of the program), Decided (Financial resources allocated to selected projects - project pipeline) and Spent (Expenditure reported by the selected projects), the most important type is the spent fund.

Even if we are at the end of the 2014-2020 period, Romania will have two more years to spend the European structural and investment funds. But we have after three years 2016, 2017 and 2018, because 2015 and 2016 are used for the n+2 formula for the 2007-2013 period, only a global rate of payment of 17%, but in fact the real rate of absorption is lower being 13%, consisting of refund made by European Commission.

It will be probably very difficult for Romania to absorb fund at a 100% rate, in the last 4 years considering that we have to report payments for the 2019-2022 years. But in the current context, a lot of unused funds will be probably allocated and Romania could take this 100% challenge.

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