The Impact of the European Funds in Romania. 
The Examination of the Problems and Solutions

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ABSTRACT
The establishment of the European Union marked the beginning of a new era, the EU Member States have in present many benefits in this regard: free market, effective trade, enhanced security, economic cohesion, sustainable development, protecting human rights, job creation etc. With all these positive aspects, the reality of global recession demonstrates, among other things, that there is much to be recovered and that the imbalances between Member States is widening further. To solve these problems the European Commission launched its proposal for the future multiannual post-2013 financial framework which will work towards growth and competitiveness by reducing the budget in some areas and directing the expenditures towards areas of interest for the European Union. To increase the impact of EU funds in Romania, we have to start the analysis from examining the problems and solutions foundation for increasing the capacity to absorb EU funds.

KEY WORDS
Structural funds, cohesion policy, investment partnerships

JEL CODES
M10, R11, R12

1. Introduction
The impact assessment of using European funds is a matter of concern and priority in all EU countries and Romania should focus on this aspect, especially in this moment of the celebration of five years after accession, the need to increase the absorption capacity funds, but also in terms of its interests in the recovery of competitiveness and convergence gap which separates us from other states of the Union. The effects easily noticeable at first, EU Member States contributed to prosperity over the years by creating a market and single currency, and by removing other obstacles to trade and mobility. Thus, limited global financial crisis occurred in 2008 on European countries, the fact that EU leaders have worked to stabilize the banks and other financial institutions from Europe and to build a new strategy for economic growth. One third of the annual budget (1/3 BUE) of 130 billion euro is spent on attracting investment and creating jobs in disadvantaged regions and to provide training for unemployed and low skilled persons. Because of European support, people in countries like Ireland and Spain are much better than they were 25 years ago. However, the contribution of EU funds joined the measures taken at national level, fiscal consolidation, tax reform and macroeconomic policies were supported by structural measures in education and training reforms administratively and social protection, ensuring the availability of educated labor forces that could satisfy market demand. Knowing so many examples of success in attracting European funds for priority national interests, we are asking, "Where does
"Romania fail?", "Is there a real impact of EU funds in the Romanian economy?" or "Where are we going from this point on?".

Given that the strategic objective of the structural funds in Romania is that of reducing the development gaps from the EU countries, the allocation of the funds creates the premises to maximize the economic efficiency of their effects, EU funds in the economy trigger two types of effects: the short-term demand effects and on the long term the effects are on the supply side. In short, the new total demand will not be absorbed only within the region, but also outside it, for example, imports of capital goods (effect of infiltration of the demand), increase the public and private expenditures, and through the multiplier effects the demand impulse is transmitted through the national economy and will be reflected in the increased levels of the economic aggregates (investment, private consumption), and eventually will increase national income. Long-term effects will be visible on the supply side of the regional economy by supporting innovation and private investment, reducing the cost of using capital and increase the productivity. In addition to providing a competitive cost of capital and labor, structural policy takes into account the development of other competitive factors, such as human capital and basic infrastructure. Contrary to the effects of the structural funds on the demand side, supply side interventions have a lasting effect on the regional economy and trigger positive externalities. Investments in four key areas (infrastructure, human resources, R & D - research, development, innovation, private capital stock) are factors of input in aggregate production function. In the economic literature, there is no unanimity regarding the positive effects of structural funds, some economists argue that there is empirical evidence to confirm that investment in infrastructure, research grants or expenditures for education and training would have a major impact accelerating economic growth.

The impact assessment of EU funds in Romania starts with the evaluation of the achievements to date, the steps to be taken in the future, but also with the failures to understand the areas where we need to do more work and change things. One of the positive aspects is the way in which Romania has implemented the EU legislation, taking into account the number of infringement procedures launched against Romania, namely 47 procedures, of which 23 related to delays in communication, we conclude that there is a solid base that contribute to strengthening the European integration. However, the appearance of low absorption of the European funds is the main area of interest and debate, and its evaluation is based on the idea that Romania is a net contributor to EU budget; however, analysis of the end of 2011 reveals the following aspects:

- In the period January 1, 2007 and the end of 2011 Romania has absorbed 11.91 billion euro, and Romania contributed 6.24 billion euro net benefit of Romanian → 5.67 billion euro;
- Absorption of EU funds (structural funds and cohesion)- 6,6% 
- Absorption of rural development funds - 30%

The absorption of the EU Funds in this period of financial crisis may enable a reduction in unemployment, through the employment of the people in the economy, but also the impact on gross revenue (social security and income tax), for example by absorption of:

- 100% of structural funds and cohesion common agricultural policy → an additional of 20,200 persons employed per year → budgetary revenues of 0.98 billion a year
- 60% of EU funds → 16,600 persons employed per year → 0.82 billion euro per year

The same trend is reflected in the case of VAT revenues, estimated in annual increase of 0.68 billion euro at an absorption rate of 100% and 0.57 billion euro at an absorption of 60%, and the impact net effect on total revenues, reducing its contribution to the EU budget, means at a 100%
absorption rate an additional 1.2 billion euro per year and a 60% absorption rate is an additional 0.8 billion per year. This macroeconomic impact of structural funds would result to an average growth rate of 2% per year and the complete absorption of EU funds assumes an average economic growth of 4.4% in 2014-2020 period. Also, the absorption of EU funds significantly affect GDP growth – for a 100% absorption would result an increase of 1.8 percentage points of GDP per year, for 80% absorption, is 1.5 percentage points per year, Next, we want to know how it was influenced the employment grade and given the fact that Human Resources Development Operational Programme 2007-2013 is now the second program in the top rates of absorption, after ROP, with approximately 18.20 %, would have to conclude a record of its growth, but unemployment rate in Romania has increased during the economic crisis, to 7.8% in 2010, 4.1 percentage points above the level in July 2008. However, it may be that HRD has an important role in increasing the number of employees, the creation of 20,000 jobs in the project implementation teams, although no data are available showing how many of those who have completed such courses have been useful in finding a job or to increase productivity in companies and institutions they are working in.

<table>
<thead>
<tr>
<th>Operational Programme</th>
<th>Projects submitted</th>
<th>Projects approved</th>
<th>Contracts/ Decision financing</th>
<th>Payments for beneficiaries (total mil. lei)</th>
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</table>

Source: www.maeur.ro

In order to increase the absorption of the European funds in Romania, we have to identify the issues and factors of influence, if left unresolved, could lead to an increased systemic risk at the level of the absorption structure of the funds and therefore is necessary to make proposals to accelerate this process. Among the problems that are found in all operational programs are:
human resources management
operations (procedures) management
communication relationship management

The examination of the European funds absorption problems reveals the following deficiencies:

1. **Structural tools are not focused on mitigating the effects of the financial crisis**, because of the fact that when developing and adopting operational programs this crisis was not envisioned and therefore measures to combat it were not included in the operational programs. In addition, the documents objectives underlying the implementation of EU funds are strategic objectives, compared with short-term goals of national measures to end the crisis. However, structural and cohesion funds can contribute indirectly to improving a long economic-financial situation through the projects executed that without significant co-financing provided by the EU would not be implemented due to lack of financial resources and the fact that projects approved before the crisis set in motion the Romanian economy by buying raw materials, goods and services and employment of people with positive effects on the economic environment and labor market. To resolve this problem, operational programs should be adapted according to exit plans and programs must be analyzed to evaluate whether the exit priorities are consistent with the priorities included in the operational programs.

2. **Low absorption rate, particularly in the public sector.** Of the total allocation of structural and cohesion funds for the year 2007-2013, it shows that 80% public authority and only 20% for private beneficiaries, but the public authorities are those that have developed a limited number of projects and an even smaller number were approved. Although it has a much lower total allocation, small and medium enterprises are proactive, submitting several projects, but, unfortunately, have a high percentage of rejection. Public authorities should follow the private sector and become proactive, to submit more projects, which implemented can help develop those regions.

3. **Heterogeneous accessing of the operational programs axes.** Although in each program has been established general and specific objectives, detailed analysis of each operational program shows that access to funds in the areas of intervention there was not existing and action should be taken in this regard.In the annual meeting with European Commission and the management authorities have been presented the legal actions regarding the European economic recovery plan and the support of the Lisbon agenda for growth and job creation. Among these actions, measures for financing the growth poles and competitiveness are a priority. Also, correlation between programs in areas like human resources, research, development and innovation, rural development, is important for application of the development related policies and programs in achieving the results set. The need for strategic approaches in areas like energy, transport, research, etc., is essential to ensure that small steps to be taken in accessing European funds should result in a strategy whose purpose is to achieve the level of planned development area.

4. **Low level of interest in particular areas**, such as cohesion policy – a new field in Romania, many potential applicants who have the necessary funds for co-financing, do not want to implement a project from European funds because of the lack of knowledge in the field, lack of support throughout the process and during project implementation. Although there are many companies on the market offering consulting services, the price demanded is very high, which
often is not conditioned on the success of the project developed and therefore this is a significant factor in the decision to abandon the development project. A survey on SMEs in Romania noted that only 0.5% have submitted a European funded project, over 3% are in the planning stage of a project, about 7% have contacted a consultant, 30% were informed about these programs, and the remaining 60% did not intend to access grants. For this reason it is necessary a communication strategy that involves not only advertising but rely more on support and information, which we could say that was done by creating Structural Instruments Information Centre.

2. Conclusions
Looking ahead, Romania has started the preparations for the next national programming period by setting up a ministerial working group on the future cohesion policy involving partners at various levels which play a role in the implementation of Structural Instruments in Romania, namely: the Ministry of European Affairs, ministries and managing authorities of operational programs, regional development agencies, local authorities' association in Romania, the NGOs etc.

References
3. "The other side of cohesion" - The Economist magazine, No. 9 (59) -2012.