

THE EUROPEAN UNION COHESION POLICY IN ROMANIA – STRATEGIC APPROACH TO THE IMPLEMENTATION PROCESS*

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Abstract

Achieving economic, social and territorial cohesion by reducing existing disparities between regions through investing in infrastructure, human resources and diversification of regional economies remains a major goal for the EU Member States. The achievement of this goal would not be possible without the development and implementation of regional policy strategic instruments at national and EU level.

This study presents the role, the essential elements, and objectives of instruments such as the Community Strategic Guidelines on Cohesion, the National Strategic Reference Framework, and the Romanian Operational Programmes for the programming period 2007-2013. Since the success of the cohesion policy is tied to its implementation, we also present the management and control system applicable for the operational programmes.

The final part of the study deals with issues concerning the payment rate of Structural Funds in Romania, with a focus on the main challenges of the implementation process.

An important task for the Romanian government is to remove the obstacles that brake the effective implementation of the Cohesion policy and the absorption of Structural and Cohesion Funds.

Keywords: EU, Romania, cohesion policy, implementation, regional policy strategic instruments.



1. Introduction

The cohesion policy of the European Union represents the main instrument for transposing into practice the principle of solidarity between EU Member States. Also, it contributes to the achievement of its fundamental objectives, namely, to support the aims of economic growth, the improvement of the social and territorial cohesion by reducing the economic development disparities between regions¹ and by fairly disseminating the benefits of the single market within the European Union, while enhancing the overall competitiveness of the EU economy (Neal, 2007, pp. 171-173; Armstrong, 2007, pp. 421-424; Leonard, 2005, p. 172). The added value of the cohesion policy is important because it represents additional investments in infrastructure, human resources, modernization and diversification of regional economies. Thus, an additional economic growth and a higher employment rate² are achieved; the beneficiary Member States and regions are supported in their efforts to quickly reduce the disparities to the average EU economic and social development level. The cohesion policy contributes to the improvement of the institutional capacity and to the modernization of public administration, increasing transparency and encouraging good governance.

The strategic approach of the cohesion policy and the development of programmes is based on three main elements, which correspond to the three levels of decision making and action, namely the EU level, the national level and the programme implementation level (European Commission, 2008c, pp. 28-29); thus for the implementation of the cohesion policy are used strategic instruments such as:

- Community Strategic Guidelines on Cohesion, proposed by the European Commission, following a close consultation with the Member States and adopted by the European Union Council, following the consent of the European Parliament (Council Decision 2006/702/EC);

1 The economic and social disparities in the EU are substantial (Neal, 2007, p.177; Watts, 2008, pp. 224-227) and have widened significantly after the accession of the Central and Eastern European countries in 2004 and 2007. In 2007, within the EU-27, per inhabitant regional GDP ranges from 25.58% of the EU-27 average in Severozapaden in Bulgaria to 334% in the capital region of Inner London in the UK. The top 5 of EU regions is completed by Luxembourg (275%), Brussels (221%), Hamburg (192%), and Praha (172%) from the Czech Republic, which is by an increasing margin the region with the highest per inhabitant GDP in the new Member States; Bratislavsky kraj from Slovakia is on the 12th position with 160% of the EU-27 average. In Romania, the wealthiest region is București-Ilfov with 92.20% of the average EU-27 regional GDP, followed by the Vest development region (48.23%), the Centru development region (42.25%) and the Nord-Vest development region (40.15%). The least developed region in Romania in terms of regional GDP remains the Nord-Est development region (26.64%), the Sud-Vest Oltenia development region has 32.70% of the EU average, followed by the development regions Sud-Est (33.78%), and Sud-Muntenia (34.17%) (European Commission, 2010b, pp. 74-77).

2 In this context it should be mentioned that, according to estimates, the financial instruments of the cohesion policy can stimulate economic growth in the new Member States on an average of 6% and can help to establish 2 million new jobs.

- National Strategic Reference Frameworks (NSRF), developed by each Member State³ in accordance with the Community Strategic Guidelines on Cohesion, respecting the principle of partnership and serving as a reference tool for preparing the programming of the Structural Funds;
- Operational Programmes (OP), representing the documents submitted by the Member States (MS)⁴ or regions of the MS and adopted by the European Commission, which set out a development strategy in accordance with a coherent set of priorities (Leonard, 2005, p. 174), for the achievement of which a structural fund is needed, or in the case of the ‘Convergence’ objective, it calls for the Cohesion Fund (CF) and the European Regional Development Fund (ERDF). Each operational programme focuses on several priority axes, which are the strategic priorities of the operational programme, consisting of a group of related operations that have specific measurable objectives. The importance of the strategic priorities cannot be neglected, since they underpin the development of concrete operations and define criteria by which projects are selected. The potential beneficiaries and the great public have the right to be informed about the selection criteria and the selection process.

2. The EU strategic level – the Community Strategic Guidelines on Cohesion

Ensuring the proper implementation of the operational programmes is a complex process that requires appropriate planning. The Community Strategic Guidelines for economic, social and territorial Cohesion have the role to serve as a framework to guide Member States in their effort to prepare National Strategic Reference Frameworks and Operational Programmes for the period 2007-2013. The strategic guidelines set common targets to be achieved by all operational programmes. Financial resources must be allocated for interventions that support research and innovation, information society, sustainable development, energy efficiency and human resources development⁵.

According to the Community Strategic Integrated Guidelines for economic growth and employment⁶ (Mihuț and Lauritzen, 1999, pp. 142-144; European Commission,

3 The Member State has five months, after the adoption of strategic guidelines by the EU Council, to submit the NSRF to the Commission. After receiving the NSRF, the Commission has three months to formulate observations. Then, the Commission makes a decision on certain points of the NSRF of each Member State: a) list of operational programmes; 2) allocation of each fund for each programme; 3) the expenditure level guaranteeing the principle of additionality for the convergence objective.

4 In the framework of the Convergence objective, Romania will implement seven operational programmes, funded by the ERDF, the European Social Fund (ESF) and the Cohesion Fund: Human Resources Development OP (ESF), Administrative Capacity Development OP (ESF), Regional OP (ERDF), Increase of Economic Competitiveness OP (ERDF), Transport OP (ERDF, CF), Environment OP (ERDF, CF); Technical Assistance OP (ERDF).

5 We note that in the regions eligible for the Convergence objective for these priorities should be allocated 60% of the total resources available and for the other regions this share is 75%.

6 The European Employment Strategy (EES) has been developed in order to encourage exchange of information and has an important role in formulating the guidelines. Launched in

2007, pp. 5, 17-22) of the revised Lisbon Strategy, the operational programmes which are supported by the cohesion policy should target their resources towards priorities (European Commission, 2005) such as increasing the attractiveness of the Member States, regions and cities, by improving accessibility, by ensuring quality and the appropriate level of services and by preserving the environment; encouraging innovation, entrepreneurship, and knowledge-based economic growth through research and innovation, including new information and communication technologies; and create more jobs and a genuine improvement in their quality, by attracting more people on the labour market or entrepreneurial activities by improving the adaptability of workers and enterprises and by increasing investment in human resources. Three basic guidelines correspond to the above priorities, each of them covering specific aspects of these fields.

Thus, the first basic guideline, entitled 'Making Europe and its regions a more attractive place for investment and employment' sets specific orientations regarding the expansion and improvement of transport infrastructure, with a special role granted to the Trans-European Transport Networks ('TEN-T projects'), and for the strengthening of synergies between environmental protection and economic growth⁷, as well as approaching the problem of intensive use of the traditional energy sources in Europe⁸.

The second basic guideline, entitled 'Improving knowledge and innovation for economic growth', establishes specific orientations designed to improve and better target investment in research and development (R&D) and to facilitate innovation and encourage entrepreneurship; promoting the information society through diffusion of the information and communication technologies (ICT) in the EU economy and to improve access to financing.

The third basic guideline, entitled 'The establishment of more and better jobs' sets out three action priorities for the employment policies of the Member States, namely

1997, EES has a central role in coordinating the EU policies, thus trying to find solutions or best practices which could help creating more and better jobs. The European Employment Policy, which is an example of the Open Method of Coordination in European policy-making has the following components: 1) Integrated Employment Guidelines; 2) National Reform Programmes, established by every Member State, which describe how these Guidelines are going to be designed and implemented at national level; 3) Joint Employment Report, which is adopted by the Commission and the Council, aimed for evaluating the progress at national and Community level, according to the employment guidelines; 4) Recommendations for each Member State on employment policies, adopted by the Council, after the proposal of the Commission. These recommendations have to be taken into consideration by Member States in the process of developing their national reform programmes.

7 Investments in the environment can contribute to economic development in three ways, namely, they can provide long-term sustainability of economic growth; can reduce health costs for remediation or compensation; and can stimulate innovation and the employment.

8 We consider it important to reduce dependency on the traditional energy sources through improved energy efficiency, e.g. by establishing development models with low energy consumption or support projects to improve energy efficiency for buildings and the use of renewable energy sources, for example wind, solar or biomass.

to attract and retain more people on the labour market, along with modernizing social protection systems; improving adaptability of workers and enterprises and increasing the labour market flexibility, promoting investment in human capital through better education and upgrading skills, adapting education systems and training to the demand of the labour market.

The basic guideline expresses the need for a special focus on the investments aiming to improve government efficiency⁹ and the education and health¹⁰ infrastructure.

These guidelines form a single framework, which Member States and regions are invited to use when developing operational programmes, particularly for the assessment of their contribution to fulfilling EU objectives regarding cohesion, growth and employment.

3. The National level – the National Strategic Reference Framework (NSRF)

The National Strategic Reference Framework (NSRF) is a new type of instrument of the system for the implementation of cohesion policy programmes, applicable to the financial programming period 2007-2013. The NSRF defines mainly political priorities and proposes key elements for implementation. The NSRF applies to the convergence objective and to the regional competitiveness and employment objective, but on the initiative of the Member State its applicability may be extended also to the European territorial cooperation objective. The EU legislation (art. 27 of Council Regulation no. 1083/2006), establishes the basic guidelines for the NSRF elaborated by the Member States, namely the partners and stakeholders who are involved in drafting the document; an analysis of the socio-economic situation, of the strengths and weaknesses of the entire territory, identifying the regional disparities, weaknesses and the potential for development and taking into account the development trends of the EU and world economy; a definition of the chosen strategy¹¹; the list of the operational programmes

9 In the field of administrative capacity development, guidelines were determined referring to the establishment of policies and quality programs, and monitoring, analysis and impact assessment of those programs through the development of studies, statistics, surveys and scenarios, and by supporting coordination between departments and encouraging dialogue between the relevant public and private entities; strengthening of the administrative capacity by implementing policies and programmes, including the assessment of the efficiency of laws against fraud and the law enforcement, the identification of training needs, career reports, social audit procedures, the implementation of the principles of open government, staff training and management.

10 With respect to the health of the working population, the existing guidelines uphold targets which have in view the prevention of health risks in order to increase productivity through organizing information campaigns on health, providing knowledge and technology transfer thus filling the gaps in health infrastructure and promoting effective health service, including modern methods such as telemedicine or e-health services.

11 It includes thematic and territorial priorities. Where appropriate, the priorities include measures for sustainable urban development, diversification of rural economies and of the areas dependent on fisheries.

for the convergence and regional competitiveness and employment objectives; the indicative annual allocation of each Fund for each programme, details of the NSRF contribution to the Lisbon Strategy priorities. These latter specifications involve the assessment of the contribution of the expenditure made under the convergence and regional competitiveness and employment objectives to the achievement of the priorities of the EU in promoting competitiveness and employment, including the accomplishment of the objectives of the integrated guidelines for economic growth and employment. For the regions covered by the Convergence objective, there should also be mentioned the information on the coordination with the EAFRD (European Agricultural Fund for Rural Development) and the EFF (European Fisheries Fund) and information allowing verification that the principle of additionality is respected; moreover there could be mentioned operation plans to reinforce administrative efficiency.

The National Strategic Reference Framework for Romania¹² (European Union, 2007, pp. 5-7, 64-66) for 2007-2013, establishes as strategic objective for the investment of the EU funding the reduction of the economic and social development disparities between Romania and other EU Member States by generating additional GDP growth ranging between 15-20% by 2015. There have been established five thematic priorities to achieve this objective, namely:

1. Development of basic infrastructure (roads/highways, rail transport, and river/sea transport) in accordance with European standards, which is an essential condition for launching and sustaining economic growth, and improving social cohesion;

2. Increasing the long-term competitiveness of the Romanian economy. Romanian companies need to overcome the reliance on low labour costs and make a major step in the 21st century economy. In this context, the Structural Funds are available to develop better access to funds, commercial exploitation of research results and active participation in the knowledge economy;

3. Development and more efficient use of Romania's human capital. Although unemployment is relatively low in Romania, there is substantial evidence of skills shortages and mismatches. Improving the quality of education, of the vocational training and of lifelong learning programmes and the application of an active policy on the labour market will help to equip employers and employees with skills that enable their full participation in the economic transformation process which is already underway and will be accelerated through the use of the structural funds;

4. Developing an effective administrative capacity. For successful implementation of the programmes based on Structural Funds and for fulfilling the overall goal of modernizing Romania it is essential to continue the efforts to achieve an improved and efficient government. Therefore, the NSRF includes a specific operational programme which is focused on this field and each operational programme has reserved resources to improve the implementation of the respective programmes;

12 Romania submitted to the European Commission the National Strategic Reference Framework (NSRF) in February 2007.

5. Promoting balanced territorial development. We note the fact that economies that have a rapid growth rate will distribute this increase unequally between regions, in the case when there is a lack of any coordinating and balancing intervention. This will lead to increased divergence between regions of the Member State, which is manifested by increasing regional disparities (Armstrong, 2007, pp. 428-429), leading to inefficient peripheral regions that do not reach their potential and some regions with congestion economies. Thus, achieving balanced regional development contributes to counterbalance these adverse effects and ensures that all regions of Romania will benefit from European Union's financial support.

Concerning the expected impact on Romania of the EU cohesion policy in the period 2007-2013/2015, a number of key indicators and targets have been identified to monitor the implementation of the National strategy and the effects of EU financial assistance. This monitoring process is not quite easy because it is difficult to separate the precise impact exercised by the Structural Funds in a Member State which is in rapid economic transformation. However, the macroeconomic impact studies led to the establishment of relevant indicators to measure the effects of the cohesion policy, and these indicators will be monitored throughout the course of the programmes and after their conclusion. Thus, the key performance indicators for Romania are¹³: a) increase in Gross Domestic Product (GDP) by 15-20% more than would otherwise have been the case without the contribution of the Structural Funds; b) the growth of gross capital formation by 28% more than the baseline scenario; c) increase of labour productivity expressed as Gross Domestic Product (GDP) per employee by 5.5% per year; d) an increase of 23% of employment in the trade sector; and e) the establishment and maintenance of at least 150,000 – 200,000 jobs.

For the 2007-2013 programming period all the regions in Romania are eligible for the Convergence objective. The financial package allocated for Romania in this period is approximately €19.2 billion under the Convergence objective and €455 million for the European Territorial Cooperation objective. To these resources Romania's contribution is added, which will amount to at least €5.5 billion, including private sources, in accordance with the additionality principle, to complement the EU investments. Thus, the total investments in Structural and Cohesion policy is planned to reach approximately €25.2 billion during the programming period 2007-2013. In this context, special attention

13 We underline that there are also specific indicators, which correspond to the thematic priorities, among which we mention: 1) developing basic infrastructure through the achievement of a target of 1400 km of new or upgraded roads; an increase from 52% to 70% of the population linked to water services and 40-50% reduction in primary energy intensity compared with 2001; 2) competitiveness of the economy – increasing the research and development expenditure from 0.4% to 2.0% of GDP, increased accessibility to broadband network from 3.5% to 40% of the population; 3) human capital – the employment rate to increase from 57.4% to 64% of the population (age group 15-64 years); proportion of the age-group with upper secondary education to rise from 70.5% to 80%; 4) administrative capacity – more confidence in public administration, increasing to 33% (central) and 60% (local) of the population.

should be given to the issue of absorption and effective spending of the Structural and Cohesion Funds, considering the fact that Romania has to pay its contribution to the EU budget independently of the payment rate of the Structural Funds.

In this context, operating budgetary balances express the relation between the share of a Member State in total allocated EU operating expenditure and its share in 'national contributions'. The operating budgetary balance of each Member State is calculated as the difference between the operating expenditure (i.e. excluding administration) allocated to each Member State, and the adjusted 'national contribution' of each Member State (own resources payments, excluding Traditional Own Resources). Although Romania faces huge challenges in the process of absorption of the Structural Funds, the operating budgetary balance was positive in 2007 (+€595.8 million), in 2008 (+€1,581.0 million), as well as in 2009 (+€1,692.5 million) and 2010 (+€1,245.2 million), showing the net benefits for Romania that derive from the EU budget in the reference period (European Commission, 2010a, pp. 85-86; European Commission, 2011a, p. 75).

4. The programmes' implementation level – Operational Programmes (OP)

The implementation of Structural and Cohesion Funds (Leonard, 2005, pp. 173, 178) within Member States takes the form of operational programmes, reflecting the priorities of the National Strategic Reference Frameworks applicable for the programming period 2007-2013. Each OP is established by the Member State (MS) or the authority designated by the MS, respecting the principle of partnership. As a general rule, the proposed operational programme of the Member State submitted to the European Commission contains mainly the next elements: a) an analysis of the eligible area or sector (namely, a highlighting of the strengths and weaknesses) and the strategy chosen to tackle the identified problems; b) a justification of the priorities established in terms of the EU Strategic Guidelines on Cohesion and the National Strategic Reference Framework; c) information on the priority axes and their specific objectives and key priorities; d) funding plans for the operational programmes, including an indicative breakdown of the planned investment; e) where it is justified, the information on complementarities with measures financed by the EAFRD and EFF; f) the implementation process of the operational programme, including the designation by the Member State of the management, auditing and certifying authorities and description of the evaluation, management and control systems; g) an indicative list of large projects supported by the operational programme. The evaluation by the Commission of the operational programme takes into account the planned contribution to the achievement of the objectives and priorities of the NSRF and the EU Strategic Guidelines on Cohesion. Thus, if the Commission, within two months following the receipt of the operational programme, considers that it does not contribute to the achievement of these objectives, it may invite the Member State to provide any needed additional information and, where appropriate, to revise the proposed programme. The approval of each operational programme takes place within four months following its formal submission by the Member State, starting with January 1, 2007.

We note that, generally, the operational programmes receive funding from a single financial instrument. Within the eligible Member States for funding from the Cohesion Fund, ERDF and the Cohesion Fund shall jointly provide assistance for the operational programmes on environment and transport infrastructure. The operational programmes submitted under the Convergence objective are prepared at least at NUTS 2 level¹⁴ and those submitted under the Convergence objective where the Cohesion Fund contributes have been established at national level. Instead, the operational programmes submitted under the Regional competitiveness and employment objective are established at NUTS 1 or NUTS 2 level, in accordance with the institutional system of the Member State.

EU Structural and Cohesion Funds (Ardy and El-Agraa, 2007, p. 364) are co-financing operational programmes and can provide between 50% and 85% of the financial resources necessary for a particular programme, depending on the eligibility of the Member State or region for a particular objective of the cohesion policy (art. 53 and Annex III, Regulation (EC) no.1083/2006). We underline in this context that in the less advantaged Member States, the EU financial contribution ceiling is set at 85% of the total amount of the investment, while in the more prosperous Member States, the operational programmes eligible under the Regional competitiveness and employment objective are eligible for up to 50% of their budget through EU funding. These ceilings are applicable to each operational programme and may vary from one priority axis to another within the operational programme. The national contribution for the funding of operational programmes may come from public (national and regional) or private¹⁵ sources.

At the beginning of August 2011, the European Commission has made a proposal for the reduction of the national contribution required for the co-financing of EU projects from 15% to 5% of the project value, as an exceptional response for tackling the effects of the economic crisis.

The European Parliament and the Council approved at the beginning of December 2011 the temporary increase of the EU contribution required for the co-financing of EU projects from 85% to 95% of the value of regional development projects funded by the European Regional Development Fund and European Social Fund for Romania and five other EU Member States (Greece, Portugal, Hungary, Latvia and Ireland) worst

14 NUTS (nomenclature of territorial units for statistics) is a standardized system for regional statistics. NUTS is a hierarchical classification, each Member State is divided in a number of NUTS 1 regions, which in turn are subdivided in a number of NUTS 2 regions and these are subdivided in NUTS 3 regions. If available, administrative structures are used for the different NUTS levels and in the absence of such administrative structures, artificial regions are created by aggregating smaller administrative regions. A review of NUTS classification has been conducted in 2006 and a revised version (NUTS 2006 - Regulation (EC) no. 105/2007) entered into force on January 1, 2008. Currently in the EU there are 97 NUTS 1 regions; 271 NUTS 2 regions (this is the generally used statistic level for regional development, in Romania the development regions are in this category) and 1303 NUTS 3 regions (in Romania this corresponds to the county level) (European Commission, 2010b, p. 13).

15 Detailed rules on eligibility criteria and financing rates are set within each operational programme.

affected by the financial crisis. Following this measure, the total financial benefits for these Member States can reach up to €2.9 billion and Romania's savings can reach €714 million, according to the estimates of the European Commission. The reduction of the compulsory national contribution required for the co-financing of EU projects from 15% to 5% of the project value will become effective in the first part of 2012.

The reduction of the compulsory national contribution will accelerate the absorption of the Structural and Cohesion Funds, along with the financial assistance programs and will boost prosperity and competitiveness in these MS. The Commission's plan is exceptional and will end when Member States will cease to receive funds through financial assistance programs, e.g. Romania receives financial assistance from the International Monetary Fund, the EU, and the World Bank (European Commission, 2011c).

Among the procedural issues, we mention that after a first advance payment, the European Commission performs interim payments based on accounts certified by the national or regional authorities and if these accounts cannot be verified or the required management procedures are not properly followed, the EU can suspend funding or even recover the already paid funding. For the 2007-2013 programming period, regular payments can be made until the end of 2015 (European Commission, 2008a, p. 7).

5. The management and control system for cohesion policy

Annually, approximately €50 billion from the EU budget is spent through Structural and Cohesion Funds, emphasizing the importance of Cohesion policy for the EU and MS. The issue of effective and proper spending of Funds for projects financed at national and regional level involved the need for management and control systems for the operational programmes, knowing the fact that the impact of these projects depends on their implementation¹⁶ (European Commission, 2008a, pp. 28-29).

Article 58 of Regulation (EC) no. 1083/2006 which lays down the general principles that guide the establishment of management and control systems (MCS) states that these systems shall provide for (1) the definition of the functions of the entities involved in management and control and the allocation of functions within each institution, while ensuring compliance with the principle of separation of functions between and within such entities; (2) procedures to ensure the correctness and regularity of expenditure declared under the operational programme, along with the development of reliable accounting, monitoring, auditing and financial reporting systems in computerized form; and (3) reporting and monitoring procedures for the detection of irregularities and for the recovery of amounts unduly paid.

The implementation of MCS (Molle, 2007, p. 193) of the operational programme, involves for the Member States the designation of three authorities for each operational programme, namely the managing authority, the certifying authority and the audit authority.

16 For details see articles 58-62 of Regulation (EC) no. 1083/2006 of the Council laying down general provisions on the ERDF, ESF and Cohesion Fund and repealing Regulation (EC) no. 1260/1999.

The management authority can be a national, regional or local public authority or a public or private body designated by the Member State for the management and implementation of the operational programme in accordance with the principle of sound financial management. The managing authority shall be responsible for ensuring that projects are selected for funding in accordance with the criteria applicable to the operational programme, and the beneficiary understands the applicable terms and conditions. It checks continuously the compliance with grant conditions, verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with EU and national rules. The Authority routinely conducts on the spot verifications to determine progress in the implementation process. It ensures that there is a system for recording and storing in computerized form accounting records for each operation of the operational programme and that the data on implementation required for financial management, monitoring, verifications, audits and evaluation are collected and that the certifying authority receives all the necessary information. The managing authority performs corrections or recovers the Structural Funds if irregularities are detected, and is also responsible for drawing up and submitting to the Commission the annual and final reports on the implementation of the operational programme.

The certifying authority is a national, regional or local public authority or entity designated by the Member State to certify statements of expenditure and applications for payment before they are sent to the Commission. According to its general function, this authority is responsible for the drawing up and submitting to the Commission of certified statements of expenditure and applications for payment, ensuring that the statement of expenditure is accurate, it results from reliable accounting systems and is based on verifiable supporting documents, and is in accordance with applicable EU and national regulations. The certifying authority performs checks and if necessary, on the spot inspections and takes into account for certification purposes the results of all audits conducted by the audit authority. It maintains accounting records in computerized form of expenditure declared to the Commission and keeps an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation of the operational programme.

The audit authority is a national, regional or local public authority or body, which is functionally independent of the managing authority and the certifying authority and is responsible for performing audits in order to verify the effective functioning of controls by the Managing and Certifying Authorities in order to prevent irregular expenditure to be certified (European Commission, 2009a, p. 9). These audits have to be conducted on the basis of an appropriate sample, to verify the expenditure declared, and their findings referring to system weaknesses and irregular expenditure are reported in form of recommendations to the managing authority and the certifying authority. The audit authority is responsible for the submission of an audit strategy to the Commission within nine months of the approval of the operational programme. The authority submits to the Commission by December 31 of each year from 2008 to 2015 an annual control report setting out the findings of the audits carried out during the previous

year in compliance with the audit strategy of the operational programme and reports subsequently any shortcomings found in the MCS. The audit authority reviews all auditing work at the end of the programme period and submits to the Commission a final control report at the latest by March 31, 2017.

Member States are required to report the cases where irregularities have been detected, if these irregularities are referring to more than €10,000 of EU funding. These reports should be submitted at quarterly intervals to the European Commission's fraud prevention office (OLAF). Annually MS have to submit to the Commission the total figures on all the financial corrections and recoveries made in the previous year, including those below the €10,000 threshold (European Commission, 2009a, p. 15).

The audit services of the European Commission regularly perform supervisory controls, examining the overall functioning of national control systems, primarily through auditing the MCS of the MS. These controls include transaction tests at beneficiary level, the control of the funds flow to MS as well as thematic audits. If there are detected important weaknesses or threats to the MCS, the Commission and MS agree on action plans to tackle these problems. If the corrective measures are not implemented by the MS, the European Commission is entitled to interrupt or suspend payments and may also apply financial corrections to recover the previous payments affected by the irregularities found. These measures can take the form of a formal decision, which involves a net reduction in the Structural and Cohesion Funds for the operational programme under investigation, therefore the MS cannot reuse the cancelled funds for other projects. Furthermore, the Commission has the possibility to enforce financial corrections on an extrapolated basis for systemic errors concerning the MCS and flat-rate corrections for system failures or irregularities for which it is difficult to assess the real financial impact, e.g. in the public procurement area (European Commission, 2009a, p. 15).

6. The absorption of the Structural and Cohesion Funds in Romania and the main challenges encountered in the implementation process

Due to its impact on regional development, the process of absorption of Structural Funds is highly complex, has a continuous character and involves important financial, human and administrative resources. In the public discourse, the Romanian public administration has been often criticized for its poor administrative capacity that resulted in a low rate of absorption of the Structural Funds. However, given the fact that Romania participates in the first financial programming period (2007-2013) as a Member State of the EU, considering the specificity of the absorption process of Structural Funds and analyzing relevant data on the implementation process of the Romanian Operational Programmes, we can remark a complex and nuanced overview, which is in a continuous transformation process.

For the 2007-2013 programming period, Romania benefits from the ninth largest financial package for Cohesion policy (see Appendix 1). The EU support for Cohesion allocated for Romania in this period is approximately €19.2 billion under the Convergence objective and €455 million for the European Territorial Cooperation objective.

The share of the seven operational programmes of the Convergence objective in the total financial allocation (see Appendix 2) is as follows: the largest funds are received by the Transport OP (23.76%) and the Environment OP (23.48%), followed by the Regional OP (19.39%), the Human Resources Development OP (18.09%), the Increase of Economic Competitiveness OP (13.29%), the Administrative Capacity Development OP (1.08%) and the Technical Assistance OP (0.88%).

We can notice that for Romania the Structural and Cohesion Funds per capita are significantly lower than for other Central and Eastern European MS¹⁷, which involves chances for a better financial support in the new programming period 2014-2020.

The first stage in the implementation process of the Structural Funds is the preparation of a project portfolio in order to ensure a swift access to the financial resources following the approval and launching of the operational programmes. The institutional system for the management and implementation of the operational programmes was completed in 2009, only in the third year of the programming period, when the European Commission accredited the management and control systems (MCS) for the operational programmes (Government of Romania, 2010, p. 71). The absorption capacity, i.e. the ability to use effectively the received financial assistance, is determined by the capacity of the eligible entities to develop and implement viable, good quality projects. In this context it is important to improve the capacity of public authorities to identify, prioritize, and prepare the appropriate investment projects. The absorption capacity of the public authorities, especially in small and medium-sized localities, is limited by the lack of experienced and appropriately trained staff, there are shortcomings in the skills related to budget planning and project management (Molle, 2007, p. 213).

The Structural and Cohesion Funds are of major importance for regional development in Romania and for the reduction of development disparities to the EU average, and, therefore, most operational programmes enjoyed a great interest from potential beneficiaries. Thus, by the end of 2011, the projects submitted to obtain financing from the Structural and Cohesion Funds have exceeded even twice the amount allocated to the operational programmes. Thereby, the percent of EU contribution to the submitted projects in relation to the total EU allocation for operational programmes in the programming period 2007-2013 is over 200% for the Administrative Capacity Development OP, the Human Resources Development OP, the Increase of Economic Competitiveness OP, and for the Regional OP. The projects submitted for approval exceeded the amount of financial resources allocated for the operational programmes also in the case of the Transport OP, and the Environment OP. The only operational programme which has recorded a lower interest is the Technical Assistance OP, although the effective implementation of this operational programme could positively influence the overall absorption of the Structural and Cohesion Funds.

17 The Structural and Cohesion Funds per capita are €2,573 in the Czech Republic; €2,523 in Hungary; €2,166 in Slovakia; €2,069 in Slovenia; €1,781 in Poland, respectively €915 in Romania and €901 in Bulgaria – see for data on MS population (European Commission, 2011b, p. 37).

Table 1: Project submission for the Romanian Operational Programmes – % of EU contribution to the submitted projects in relation to the total EU allocation for OPs in 2007-2013

Operational Programme	Date	Submitted projects			
		Number	Total value (RON million)	EU Contribution (RON million)	Submission rate (%)
Regional OP	31.01.2011	7,585	48,692	30,955	193.78
	31.07.2011	7,833	51,496	31,811	202.77
	31.03.2012	8,093	55,441	n/a	n/a
Environment OP	31.01.2011	288	30,395	18,570	95.99
	31.07.2011	440	33,277	20,337	107.04
	31.03.2012	465	35,955	n/a	n/a
Transport OP	31.01.2011	70	25,899	15,274	78.03
	31.07.2011	96	36,719	22,360	116.31
	31.03.2012	129	42,602	n/a	n/a
Increase of Economic Competitiveness OP	31.01.2011	7,702	56,338	26,127	238.59
	31.07.2011	9,037	57,562	26,730	248.55
	31.03.2012	11,806	68,990	n/a	n/a
Human Resources Development OP	31.01.2011	8,326	38,364	36,405	244.28
	31.07.2011	10,166	42,851	40,610	277.46
	31.03.2012	10,217	43,257	n/a	n/a
Administrative Capacity Development OP	31.01.2011	1,248	2,250	1,880	210.86
	31.07.2011	1,305	3,083	2,585	295.27
	31.03.2012	1,371	3,675	n/a	n/a
Technical Assistance OP	31.01.2011	75	349	269	36.95
	31.07.2011	87	392	298	41.62
	31.03.2012	102	461	n/a	n/a
Total	31.01.2011	25,294	202,289	129,483	157.19
	31.07.2011	28,964	225,384	144,735	178.91
	31.03.2012	32,183	250,381	n/a	n/a

Source: Authority for the Coordination of Structural Instruments (ACSI) and Ministry of European Affairs (MEA), [Online] available at <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20Iulie%202011.pdf>, <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20ianuarie%202011.pdf>, and <http://www.dae.gov.ro/admin/files/Stadiul%20absorbției%20la%2031%20martie%202012.pdf>, accessed on May 9, 2012.

The second stage in the absorption process of the Structural and Cohesion Funds is the approval of the submitted projects by the Managing Authorities of the operational programmes, following a process of evaluation and selection. The data which has been recorded by March 2012 can be considered encouraging and gives us the hope that by the end of 2015 a larger part of the financial package allocated to Romania will be actually implemented. If we consider the figures for the approval rate, we can remark that the percentage value of the EU contribution for the approved projects slightly exceeds for the Human Resources Development OP and the Administrative Capacity Development OP the total EU funding for these operational programmes for the period 2007-2013. For these OPs practically the last two stages of the absorption process remain, namely the financing contracting, which involves funding decisions and the actual payments to the beneficiaries of implemented projects, followed by the settlement of invoices submitted to the European Commission.

There are cases when the approval rate slightly exceeds 100%. However, for those operational programmes new calls for beneficiaries to submit projects on some of the priority axes are still launched; this is due to the fact that additional resources will be available for those operational programmes, among other things due to the fact that the managing authorities are required to recover the full pre-financing granted to beneficiaries, if the beneficiaries do not send any request for reimbursements within four months of the receipt of the pre-financing for their projects. For projects for which beneficiaries do not submit within six months after the receipt of the first installment of the pre-financing, requests for reimbursements at least in the amount of 20% of the pre-financing granted, the managing authorities must recover the unused amount of the pre-financing.

Other two operational programmes have registered high approval rates, exceeding 90% of the total available EU funding, namely the Environment OP, and the Regional OP, while the Increase of Economic Competitiveness OP has an approval rate which exceeds 70%. The lowest approval rates are recorded by the Transport OP (57.57%) and the Technical Assistance OP (40.81%).

Table 2: The approved projects for the Romanian Operational Programmes – % of EU contribution to the approved projects in relation to the total EU allocation for OPs in 2007-2013

Operational Programme	Date	Approved projects		
		Number	EU Contribution (RON million)	Approval rate (%)
Regional OP	31.01.2011	1,309	8,977	56.20
	31.07.2011	2,190	11,548	73.61
	31.03.2012	3,104	14,716	90.83
Environment OP	31.01.2011	170	9,342	48.29
	31.07.2011	234	14,207	74.78
	31.03.2012	328	17,867	91.06
Transport OP	31.01.2011	40	2,990	15.27
	31.07.2011	51	3,857	20.06
	31.03.2012	77	11,430	57.57
Increase of Economic Competitiveness OP	31.01.2011	2,333	5,193	47.43
	31.07.2011	2,730	5,615	52.22
	31.03.2012	3,313	7,914	71.25
Human Resources Development OP	31.01.2011	2,626	14,253	95.64
	31.07.2011	2,894	14,749	100.77
	31.03.2012	2,999	15,160	100.30
Administrative Capacity Development OP	31.01.2011	306	398	44.70
	31.07.2011	332	494	56.46
	31.03.2012	397	981	108.51
Technical Assistance OP	31.01.2011	59	216	29.62
	31.07.2011	74	252	35.21
	31.03.2012	86	302	40.81
Total	31.01.2011	6,843	41,371	50.23
	31.07.2011	8,505	50,724	62.70
	31.03.2012	10,304	68,370	81.84

Source: Authority for the Coordination of Structural Instruments (ACSI) and Ministry of European Affairs (MEA), [Online] available at <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20iulie%202011.pdf>, <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20ianuarie%202011.pdf>, and <http://www.dae.gov.ro/admin/files/Stadiul%20absorbției%20la%2031%20martie%202012.pdf>, accessed on May 9, 2012.

The approval of the selected projects is followed by the signing of contracts with the beneficiaries, thus opening the way for payments to be made to them in the project implementation process. The figures for the contracting rate, which is expressed as the percentage of the EU contribution to the contracted projects in relation to the total EU allocation for the operational programmes in the programming period 2007-2013, follow the trend evidenced by the approval rate. Accordingly, there are three operational programmes with a contract rate exceeding 80% – the Environment OP, the Human Resources Development OP, and the Regional OP, while the contract rate of the Administrative Capacity Development OP exceeds 75%.

Three operational programmes are recording contract rates that are below the national average. The Increase of Economic Competitiveness OP has a contract rate of over 45%, while the Transport OP and the Technical Assistance OP have recorded the lowest contract rates, which are exceeding 35%. One of the main challenges for Romania in the current programming period is to accelerate the implementation process of the Transport OP, which is the most important OP in terms of the allocated financial

Table 3: The contracted projects/funding decisions with beneficiaries for the Romanian Operational Programmes – % of EU contribution to the contracted projects in relation to the total EU allocation for OPs in 2007-2013

Operational Programme	Date	Contracted projects		
		Number	EU Contribution (RON million)	Contract rate (%)
Regional OP	31.01.2011	1,091	8,608	53.89
	31.07.2011	1,855	10,303	65.68
	31.03.2012	2,723	13,449	83.01
Environment OP	31.01.2011	154	8,441	43.63
	31.07.2011	208	13,560	71.37
	31.03.2012	259	17,543	89.41
Transport OP	31.01.2011	33	2,751	14.06
	31.07.2011	46	3,706	19.28
	31.03.2012	62	7,801	39.29
Increase of Economic Competitiveness OP	31.01.2011	1,516	3,363	30.72
	31.07.2011	1,859	4,563	42.43
	31.03.2012	2,275	5,007	45.08
Human Resources Development OP	31.01.2011	1,998	11,717	78.62
	31.07.2011	2,116	12,058	82.39
	31.03.2012	2,468	12,687	83.94
Administrative Capacity Development OP	31.01.2011	279	322	36.21
	31.07.2011	315	423	48.36
	31.03.2012	354	709	78.42
Technical Assistance OP	31.01.2011	59	216	29.62
	31.07.2011	69	238	33.31
	31.03.2012	77	266	35.94
Total	31.01.2011	5,130	35,421	43.00
	31.07.2011	6,468	44,854	55.45
	31.03.2012	8,218	57,462	68.78

Source: Authority for the Coordination of Structural Instruments (ACSI) and Ministry of European Affairs (MEA), [Online] available at <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20iulie%202011.pdf>, <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20ianuarie%202011.pdf>, and <http://www.dae.gov.ro/admin/files/Stadiul%20absorbției%20la%2031%20martie%202012.pdf>, accessed on May 9, 2012.

resources, and the failure to implement this OP makes it impossible to achieve the targets set in the National Strategic Reference Framework related to the development of transport infrastructure, which will have negative implications on the productive integration of Romania into the EU single market.

The last stage of the absorption process consists in the actual payments to the beneficiaries of the implemented projects and the settlement of invoices, which reflect the implementation process, after they are submitted to the European Commission.

From May 2009 until mid-2011, the beneficiaries who have won Structural Funds supported projects could get a pre-financing amounting to 30-40% of the eligible value of the project contract or the completed financing order/decision signed between the Managing Authority/Intermediate body and the beneficiary (articles 13-14, Order of the Ministry of Finance no. 2548/2009); before May 2009, the available pre-financing amounted to 20% of the eligible value of the project contract. This pre-financing was provided in a single installment. Over the programming period the procedure has changed and the beneficiaries received a first installment of 10% of pre-financing and the remaining 20% was received if the beneficiaries demonstrated through supporting documents that they have spent at least half the amount of the received 10% of pre-financing.

The European Commission has allocated up to 15% of the value of the contract as advance payments for the pre-financing of projects, the government covering the difference up to the remaining value of the pre-financing.

In July 2011 a new Order of the Ministry of Finance has been adopted, providing that pre-financing is granted for a share of up to 10% of the value of the eligible project contract, in at least two installments, with the exception of major projects for which the granted pre-financing share is up to 20% of the eligible project value (art. 1 par. 2, Order of the Ministry of Finance no. 2359/2011). This measure may reduce the financial resources available for beneficiaries to start the projects that may affect the overall implementation of the operational programmes¹⁸. From the viewpoint of the responsible authorities, especially the Certifying Authority, the measure of reducing the available pre-financing was required by the fact that many beneficiary companies and entities that have accessed pre-financing, have not sent the invoices in order to make the disbursements at the Managing Authorities, therefore these authorities cannot send these documents to the European Commission, for the spending to be reimbursed. This particular problem is one of the main causes for which the expenditure declared to the European Commission and the related reimbursements as percentage of the total volume of EU Structural and Cohesion Funds allocated for the programming period 2007-2013 are at a very low level, i.e. approximately €1,260.23 million at the end of March 2012, which means only 6.56% of the €19,213,036,712 total EU allocation, fact

¹⁸ To address this issue, in March 2012, the government increased the maximum rate of the pre-financing from 10% to 20% for those projects that have full grant funding and for those projects which have an eligible value less than 1 million RON.

noted repeatedly by Commission officials. The highest intermediary payment rate was recorded by March 2012 for the Regional OP (11.73%), while the lowest intermediary payments were received for the Environment OP.

Table 4: Intermediary payments from the European Commission to the beneficiaries of implemented projects within the Romanian Operational Programmes – % of intermediary payments for beneficiaries in relation to the total EU allocation for OPs in 2007-2013

Operational Programme	Date	Intermediary payments (EUR million)	Intermediary Payment rate (%)
Regional OP	31.12.2011	437.24	11.73
	31.03.2012	437.24	11.73
Environment OP	31.12.2011	95.81	2.12
	31.03.2012	152.71	3.38
Transport OP	31.12.2011	154.67	3.39
	31.03.2012	279.86	6.13
Increase of Economic Competitiveness OP	31.12.2011	152.81	5.98
	31.03.2012	164.47	6.44
Human Resources Development OP	31.12.2011	190.33	5.48
	31.03.2012	190.33	5.48
Administrative Capacity Development OP	31.12.2011	18.89	9.08
	31.03.2012	18.89	9.08
Technical Assistance OP	31.12.2011	16.73	9.83
	31.03.2012	16.73	9.83
Total	31.12.2011	1066.48	5.55
	31.03.2012	1260.23	6.56

Source: Ministry of European Affairs (MEA), [Online] available at <http://www.dae.gov.ro/admin/files/Stadiul%20absorbției%20la%2031%20decembrie%202011.pdf>, and <http://www.dae.gov.ro/admin/files/Stadiul%20absorbției%20la%2031%20martie%202012.pdf>, accessed on May 9, 2012.

If we perform an overview on the implementation process of the Romanian operational programmes, we can conclude that many projects were submitted, which exceed by far the EU Structural Funds available for the financial programming period. The number and financial value of the approved projects, respectively of the signed contracts and funding decisions is also high after five years of implementation of the operational programmes. However, there is a huge discrepancy, on average over 50%, between the overall contract rate (68.78%) and the internal payment rate (17.77%) of the operational programmes and this difference is further increasing, if we do not consider the pre-financing accessed by the beneficiaries.

The internal payments represent the funds actually transferred by the managing authorities to the beneficiaries and include pre-financing and reimbursements (from Structural and Cohesion Funds and from the state budget).

If we consider the internal payment rate of the operational programmes, which is calculated as the percentage of the total payments transferred to beneficiaries in relation to the total EU allocation for operational programmes in the period 2007-2013, i.e. it includes the pre-financing and reimbursements from Structural and Cohesion Funds as well as from the state budget, we notice that the Human Resources Development

OP and the Regional OP are the leading operational programmes, with payment rates around 28%. The latter operational programme, though, has been affected in June 2011 by the interruption of payments by the European Commission for Priority axis 2 of the OP ('Improvement of regional and local transport infrastructure'), because of the deficiencies found by the audit mission of the European Commission, which was directed towards checking several county-level infrastructure projects, namely the rehabilitation and upgrading of county roads, funded under Priority axis 2 of the Regional OP. The identified deficiencies are related to the public procurement system of the local public authorities, especially county councils, used in awarding works contracts under Priority axis 2 of the Regional OP. Specifically, the reported deficiencies concern the use of discriminatory selection criteria by the contracting authorities in the selection of contractors, unjustified use of the accelerated procedure and the problem of additional work contracted for similar work. Because of these deficiencies the European Commission has informed the Ministry of Regional Development and Tourism, which is the Managing Authority of the Regional OP, about its decision to interrupt the intermediary payments for Priority axis 2 projects, until the required measures are met. These measures include the proposal to the Romanian authorities to check all works contracts signed by the beneficiaries of the Priority axis 2 projects, and the submission of the findings of the inspections to the Commission and the formulation of proposals for action in order to achieve an effective management and control system in public procurement.

These recommendations have been approached constructively by the Romanian government; thus verifications were ordered at all ministries that manage EU funded projects, involving public procurement procedures. Given the fact that in most cases the public procurement processes are conducted effectively by the authorities of the local public administration, especially county councils or municipalities, the Romanian government ordered horizontal as well as vertical checks. The evaluation process has targeted especially those projects which are involving public procurement and currently need to receive reimbursements from the European Commission. All these measures have led Managing Authorities to suspend the process of sending the invoices related to the implementation of projects financed from Structural Funds for reimbursement to the European Commission, in order to avoid the risk of reduction of these funds, if irregularities related to public procurement procedures are discovered. However, in order to avoid blocking the implementation of the projects, the government will continue their funding from state budget resources and after the ordered checks will be completed, a report will be sent to the European Commission; following reimbursements, the state budget will recover the costs involved by delays caused by the verification of the projects.

In December 2011, the European Commission decided to resume the funding of the projects of the Regional OP, i.e. it resumes de settlement procedure of the declarations of expenditure related to the implemented projects financed from Structural and Cohesion

Funds. This measure was taken following the results of the re-verification of projects conducted by the Managing Authority of the operational programme. Following re-verifications, the Managing Authority has conducted financial corrections to the implemented projects. For the Regional OP, 209 projects had been checked, and in the case of 78 projects suspicions related to the public procurement procedure of those projects were found; accordingly, financial corrections amounting to €12 million have been performed.

The unblocking of the Structural Funds for the Regional OP is the first major success for the Ministry of European Affairs (MEA) established in September 2011, following the recommendations of the European Commission. The government also approved a list of 150 priority and strategic investment projects financed from Structural and Cohesion Funds, for which the implementation process will be tracked and made a priority. The aggregate value of these projects exceeds €14 billion. The list of the projects, including transport and environmental projects which have strategic importance, information on the entities responsible for their implementation and the implementation status of the projects are published regularly on the website of the MEA. Among other measures that were taken by the MEA, we remark the regulations adopted in order to impose strictness for beneficiaries in the implementation process of projects. In this sense, a requirement was established, stating that by the contract/funding decision the beneficiaries have to assume a schedule for the submission of reimbursement claims throughout the implementation period of the projects; this schedule can be changed up to three times. From this limitation are exempted projects that have a total value exceeding 50 million RON and for which implementation requires the completion of more than three public procurement contracts, according to the contract/funding decision. In the case of these projects, a limitation equal to the number of public procurement contracts required for the implementation of the project is established.

The achievement of efficient public procurement procedures is a major challenge in the current programming period. Among the reasons for the difficulties and delays in assigning the public procurement contracts are: the lack of guidelines adjusted to the specific procurement contracts and good practice dissemination at the level of the contracting authorities; delays were observed in the drafting of the award documentation by beneficiaries or consultants; the Transport OP and the Environment OP show the beneficiaries' lack of experience in promoting and implementing large infrastructure projects. This latter problem can be tackled through the development of sectoral models of procurement contracts in the relevant areas, e.g. infrastructure works for water supply, used water treatment, solid waste, road transport, rail transport. Other problems related to the public procurement procedures are the high number of complaints filed against public procurement procedures and subsequently the delay of the proceedings by the Appeal Courts; in some cases this involved the cancellation and restart of the public procurement procedure (Government of Romania, 2010, p. 69).

MEA ensures coordination of strategies in the field of European affairs; coordination of the transposition of the EU acquis; interministerial coordination in formulating Romania's position towards the proposed EU legislation. Thus, the MEA performs tasks in the coordination process and management of European Funds; these tasks can be grouped into several categories: (1) MEA cooperates with institutions which have attributions in the field of public procurement, to ensure an appropriate framework for conducting the public procurement procedures; (2) MEA cooperates with the Audit Authority in order to continuously ensure the compliance of management and control systems related to the operational programmes; (3) MEA cooperates with the Certifying Authority to establish and implement the necessary measures in order to perform a sound and effective financial management of the operational programmes (<http://www.dae.gov.ro>).

The ministry coordinates the Authority for the Coordination of Structural Instruments (ACSI) and the Audit Authority attached to the Court of Auditors. ACSI is the national coordinator of the operational programmes supported from EU funds, while the Audit Authority is an independent body, which performs the audit of the EU Funds supported programmes in Romania. In March 2011 the first measures in order to establish the new institutional framework were taken; the ACSI was subordinated directly to the prime minister, while previously it was placed under the authority of the Ministry of Finance. The managing authorities of the operational programmes are not included in the new ministry, but they will have a more pronounced coordination. MEA facilitates the development of a unitary accessing and implementation system of the Structural Funds, e.g. in the field of public procurement, and plays a key role in representing the interests of Romania in the negotiation process of the EU allocations for Cohesion policy in the next programming period 2014-2020.

The Human Resources Development OP has the highest internal payment rate (28.85%; the intermediary payment rate reaching only 5.48%); however it is to be noted that for this operational programme there is a very large difference of over 50% between the contract rate and the internal payment rate, which proves that there are major difficulties in the last stage of the implementation of the projects, namely the reimbursement of interim payments by the European Commission. The blocking of the funds is partly due to the fact that the beneficiaries who have accessed pre-financing have not sent the invoices in order to make the disbursements at the Managing Authority; therefore this authority cannot send these supporting documents to the European Commission for reimbursement of the spending. The European Commission does not issue other installments for the intermediary payments unless the appropriate use of the pre-financing is proven with the necessary supporting documents. The implementation of this operational programme was interrupted in 2011 because of problems generated by an alleged conflict of interest involving the Minister of Labour, Family and Equal Opportunities, given the fact that the ministry is the Managing Authority for the Human Resources Development OP. The absorption rate of the Human Resources

Development OP was further affected by the interruption of financing, decided by the European Commission in January 2012, following an audit report of the Audit Authority that found problems related to the management process. This measure increases the budget deficit; until the resuming of payments, the government is allocating from the state budget financial resources for reimbursements to the beneficiaries of the human resources development projects.

The Increase of Economic Competitiveness OP has an internal payment rate which is close to the national average and is followed by the Technical Assistance OP, the Administrative Capacity Development OP, and the Environment OP, with internal payment rates ranging between 12.5% and 14.5%. The below average internal payment rate of the Administrative Capacity Development OP is worrying because this operational programme aims to improve the infrastructure of the public policies and services in Romania, thus having three priority axes: improving public policy and management; improving public services on a decentralized basis, and technical assistance; the latter is aimed to support the efforts made within the first two priority axes. In this context we note that each operational programme has a priority axis aimed to ensure the effective implementation of the programme, providing support for the management of those programmes (strengthening the administrative capacity of the managing authority and intermediate bodies, financing activities related to monitoring, evaluation and control, supporting actions related to advertising and information), and common standards and guidelines that will enable the experience exchange and the dissemination of good practice.

By far, the Transport OP has the lowest internal payment rate (6.98%); however it should be noted that the projects related to this operational programme have a high financial value, thus the implementation process will advance in greater steps if the appropriate measures are taken in the areas where the blockages have been reported, e.g. public procurement procedures, including the appeal procedure on the awarded contracts. Starting from the second part of 2011, especially, we can observe a positive evolution in the commencement of major road infrastructure projects, the submission rate of projects for the Transport OP has already exceeded the total EU allocations for the period 2007-2013 and the contract rate is over 39% of the total EU allocation.

It should be noted that the operational programmes involve a higher financial value than the actual payments from the Structural and Cohesion Funds; we have to consider also the co-financing coming from the state budget and beneficiaries, the implemented projects having a synergy effect in the economy. Therefore, the investments coming from the Structural Funds supported projects is a major opportunity to reduce the effects of the economic crisis by encouraging key investments at national, regional, and local level. Improvements in the accession and implementation system of the Structural Funds remain an important priority for the Romanian government, who through its actions has to avoid the automatic decommitment of EU funds allocated to Romania (Government of Romania, 2010, p. 95).

Table 5: Internal payments to the beneficiaries of implemented projects within the Romanian Operational Programmes – % of payments for beneficiaries in relation to the total EU allocation for OPs in 2007-2013

Operational Programme	Date	Internal Payments to beneficiaries	
		Total payments (RON million)	Internal Payment rate (%)
Regional OP	31.01.2011	2,692	15.86
	31.07.2011	3,814	22.64
	31.03.2012	4,969	27.77
Environment OP	31.01.2011	1,430	7.16
	31.07.2011	2,077	10.45
	31.03.2012	2,746	12.66
Transport OP	31.01.2011	320	1.64
	31.07.2011	552	2.87
	31.03.2012	1,386	6.98
Increase of Economic Competitiveness OP	31.01.2011	1,205	10.35
	31.07.2011	1,538	13.07
	31.03.2012	2,131	16.97
Human Resources Development OP	31.01.2011	2,279	14.95
	31.07.2011	3,209	21.04
	31.03.2012	4,627	28.85
Administrative Capacity Development OP	31.01.2011	49	5.26
	31.07.2011	76	8.12
	31.03.2012	128	13.36
Technical Assistance OP	31.01.2011	43	5.89
	31.07.2011	72	10.08
	31.03.2012	108	14.43
Total	31.01.2011	8,021	9.34
	31.07.2011	11,341	13.25
	31.03.2012	16,095	17.77

Source: Authority for the Coordination of Structural Instruments (ACSI) and Ministry of European Affairs (MEA), [Online] available at <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20Iulie%202011.pdf>, <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20ianuarie%202011.pdf>, and <http://www.dae.gov.ro/admin/files/Stadiul%20absorbției%20la%2031%20martie%202012.pdf>, accessed on May 9, 2012.

If we consider a comparative perspective on the implementation of the Structural and Cohesion Funds in the EU Member States, we can observe, based on official data from the European Commission for the financial execution of the EU budget in 2008 (two years after the end of the financial programming period 2000-2006, when the sum of all transactions since the beginning of the programming period 2000-2006 is added), that the payment rate of five MS is over 82%, all the other MS' payment rates are exceeding 90%, with nine MS having payment rates between 94-95%; the maximal value of 95% has been reached by Lithuania, Malta and Latvia, three MS from the 2004 enlargement of the EU. If we consider the data for the financial execution 2007, the payment rates are between 66% for the Netherlands and 91.92% for Ireland.

Data available from the European Commission on the implementation of the Structural and Cohesion Funds in the financial programming period 2007-2013 reveals, following the first three years of the implementation process, that the payment rates,

which have been calculated based on the financial execution of the EU budget taking into account the pre-financing, were at a lower level compared to the same period of the previous programming period, i.e. in average a payment rate of approximately 20% at the end of 2002, compared to a payment rate of approximately 12% at the end of 2009. The causes of the poor results in the current programming period are explained primarily by delays in the establishment and approval of the management and control systems (European Commission, 2010c, pp. 27-30). According to data from the European Commission (Appendix 1), at the end of 2009, the best payment rates were in Lithuania (21%), Estonia (19%), Ireland (19%), Belgium (17%), and Germany (17%), while the lowest payment rates were in Netherlands (7%), Luxembourg (7%), Italy (9%), Bulgaria (9%), Denmark, Spain, Malta, Romania, and Slovakia, the latter MS with payment rates of approximately 10%. For Romania, according to the Financial Reports 2007, 2008, and 2009 on the EU Budget executed expenditure, there were allocated for Heading 1B (Cohesion) €421.4 million in 2007, €648.5 million in 2008, and €918.1 million in 2009, thus a total of €1,988 million, i.e. 10.1% of the total EU allocation for the programming period 2007-2013 (European Commission, 2008d, p. 38; European Commission, 2009b, p. 60; European Commission, 2010a, p. 57).

The financial resources received by Romania from the European Commission in the period 2007-2009 for Cohesion policy represent primarily advances/pre-financing. These funds were destined to establish the mechanism of absorption of the Structural and Cohesion Funds and to support the operational programmes until the submission of statements of expenditure to the European Commission and the receipt of reimbursements related to the implementation of projects within the operational programmes. In 2010, Romania received for Cohesion policy €512.2 million from the EU budget (European Commission, 2011a, p. 55).

7. Conclusions

For Romania, the operational programmes supported by the EU Structural and Cohesion Funds represent the main resources to accelerate convergence with the average development level of the European Union, thus encouraging the capitalization of the internal potential of the regions and the general socio-economic development at national, regional, and local levels in accordance with the principle of sustainable development. The implementation of EU Cohesion policy in Romania increases the overall attractiveness of the Romanian economy and involves a continuous modernization process through the investments made in infrastructure and in the business environment, encouraging the competitiveness of small and medium sized enterprises, thus encouraging the employment and the overall improvement in skills of the workforce. The cohesion policy encourages and requires the modernization and general consolidation of public administration institutions in accordance with EU standards, promoting transparency, professionalism, fraud prevention, and fighting against corruption (Armstrong, 2007, p. 437). This process involves the promotion of the subsidiarity and partnership principles through implementing multi-level governance,

institutional cooperation, and integrated development, using the strategic planning and modern financial and budgetary frameworks to implement the development policies in key socio-economic fields, thus encouraging sustainable economic growth and the overall competitiveness of the Romanian economy (Government of Romania, 2010, pp. 89-91).

The EU Cohesion policy aims to promote the harmonious development of the European Union and its regions by reducing the regional disparities (art.174, T.F.E.U). The Cohesion policy has been aligned with the priorities of the Lisbon Strategy (Armstrong, 2007, pp. 439-440) and it is a widely accepted goal for the EU Member States to continue and strengthen this alignment with the priorities of the Europe 2020 Strategy, given that the objectives of the Cohesion policy and those of the Europe 2020 Strategy are in full compliance. Due to its multi-level governance and cross-sectoral approach, the Cohesion policy is one of the main tools used to fulfill the integrated objectives of the economic growth model of the Europe 2020 Strategy, which has as priorities smart growth, i.e. the development of an economy based on knowledge and innovation; sustainable growth, i.e. the promotion of a resource efficient economy; and inclusive growth, i.e. encouraging a high-employment economy, and the economic, social, and territorial cohesion (European Commission, 2010d, p. 8).

For Romania it is a great advantage that the main resources of the EU Cohesion policy are focused on the less developed regions and MS, thus combating their difficulty to compete with the more developed regions and MS. The operational programmes supported by the Structural and Cohesion Funds under the Convergence objective allow less developed regions to reduce development disparities related to basic infrastructure, environmental protection, employment, health, education, research and development, information society (Government of Romania, 2010, p. 90) provided that the financial resources are used productively, in accordance with their potential, which is a major challenge even for the more prosperous MS (Armstrong, 2007, p. 440).

In the context of multi-level governance and implementation of the subsidiarity principle, EU Member States are confronted with the problem of division of policy powers and responsibilities between the partners involved at various levels of regional policy: the European Union level, the Member States level, and the regional and local level (Armstrong, 2007, pp. 437, 440; Molle, 2007, p. 192). In Romania the regional tier of the public administration is not sufficiently developed, the development regions, which correspond to NUTS 2 level, lack legal personality and therefore cannot access directly the financial assistance from the Structural and Cohesion Funds. Furthermore, this fact affects the administrative capacity and the strategic planning at regional level, since the counties, which correspond to NUTS 3 level, are administrative-territorial units too small for this purpose. Improvements in accessing and in the implementation system of the Structural Funds involve initiatives such as the establishment of the Ministry of European Affairs, and in-depth reforms such as decentralization and the administrative territorial reorganization of the state in order to achieve the optimal

territorial structures for regional development. Finding an administrative-territorial formula that leads to a state with a more dynamic and efficient development model, including the accessing and implementation of the Structural and Cohesion Funds, is one of the most important tasks for Romania in the coming years.

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Appendix 1

EU support for Cohesion, allocated funding for heading 1B 'Cohesion for growth and jobs' of the Financial Framework (FF) 2007-13 (EUR million in current prices) and implementation (payment rate) of the Structural Funds (SF) by Member State by the end of 2007 (programming period 2000-06), 2008 (programming period 2000-06) and 2009 (programming period 2007-13).

Member State	Allocated funding for Cohesion - FF 2007-13 ¹	SF payment rate by MS by end 2007 ²	SF payment rate by MS by end 2008 ³	SF payment rate by MS by end 2009 ⁴
Belgium	2,257.9	86.73%	90,63 %	17 %
Bulgaria	6,852.9	---	---	9 %
Czech Republic	26,928.7	74.68%	90,64 %	12 %
Denmark	613.0	82.34%	82,34 %	10 %
Germany	26,339.8	90.00%	94,51 %	17 %
Estonia	3,455.8	86.63%	94,95 %	19 %
Ireland	901.4	91.92%	94,44 %	19 %
Greece	20,419.8	81.64%	91,01 %	11 %
Spain	35,217.0	88.10%	90,39 %	10 %
France	14,318.9	82.57%	90,24 %	13 %
Italy	28,811.8	80.53%	85,17 %	9 %
Cyprus	640.0	70.61%	83,73 %	15 %
Latvia	4,620.4	75.27%	95,00 %	15 %
Lithuania	6,885.0	77.57%	95,00 %	21 %
Luxembourg	65.3	76.31%	82,98 %	7 %
Hungary	25,307.4	84.90%	94,11 %	13 %
Malta	855.4	81.73%	95,00 %	10 %
Netherlands	1,907.0	66.00%	84,89 %	7 %
Austria	1,461.1	91.34%	94,90 %	15 %
Poland	67,916.6	75.85%	93,05 %	13 %
Portugal	21,510.6	88.45%	92,73 %	13 %
Romania	19,667.6	---	---	10 %
Slovenia	4,205.3	82.39%	91,82 %	13 %
Slovakia	11,725.6	73.58%	93,31 %	10 %
Finland	1,716.2	87.56%	94,98 %	15 %
Sweden	1,891.3	90.29%	93,91 %	14 %
United Kingdom	10,613.2	84.33%	90,40 %	13 %
Technical Assistance	867.7	---	---	---
Interregional cooperation	444.7	95.00%	95,00%	---
EU total/average	348,417.2	84.96%	90,80 %	12 %

1 Source: http://ec.europa.eu/budget/biblio/documents/fin_fw0713/fin_fw0713_en.cfm.

2 Source: European Commission, Commission Staff Working Document, Annex to the 19th Annual Report on Implementation of the Structural Funds (2007), Parts 4-6, SEC(2008) 2649, Brussels, October 20, 2008, [Online] available at http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/pdf/annex/2007_sf_annex_part2_en.pdf, accessed on August 3, 2011, pp. 3-8.

3 Source: European Commission, Commission Staff Working Document, Accompanying the 20th Annual Report on Implementation of the Structural Funds (2008), Parts 4-6, SEC(2009) 1495 final, Brussels, October 30, 2009, [Online] available at http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/pdf/annex/2008_sf_annex_part2_en.pdf, accessed on August 3, 2011, pp. 3-8.

4 Source: European Commission, Directorate-General for Internal Policies, Member State difficulties with Structural Funds management and control systems in the programming period 2007-13, Brussels, 2010, [Online] available at <http://bookshop.europa.eu/en/member-state-difficulties-with-structural-funds-management-and-control-systems-in-the-programming-period-2007-13-pbBA3210322/>, accessed on August 3, 2011, pp. 29-30.

Appendix 2

Breakdown by Operational Programme of the EU support for Cohesion for the programming period 2007-13 in Romania

Operational Programme	Date	Total (EUR million)	Total (RON million)	% allocation of total amount
Regional OP	31.01.2011	3,726	15,974	19.39%
	31.07.2011	3,726	15,688	19.39%
	31.03.2012	3,726	16,201	19.39%
Environment OP	31.01.2011	4,512	19,346	23.48%
	31.07.2011	4,512	18,999	23.48%
	31.03.2012	4,512	19,620	23.48%
Transport OP	31.01.2011	4,565	19,575	23.76%
	31.07.2011	4,565	19,224	23.76%
	31.03.2012	4,565	19,853	23.76%
Increase of Economic Competitiveness OP	31.01.2011	2,554	10,950	13.29%
	31.07.2011	2,554	10,754	13.29%
	31.03.2012	2,554	11,106	13.29%
Human Resources Development OP	31.01.2011	3,476	14,903	18.09%
	31.07.2011	3,476	14,636	18.09%
	31.03.2012	3,476	15,114	18.09%
Administrative Capacity Development OP	31.01.2011	208	891	1.08%
	31.07.2011	208	875	1.08%
	31.03.2012	208	904	1.08%
Technical Assistance OP	31.01.2011	170	729	0.88%
	31.07.2011	170	716	0.88%
	31.03.2012	170	740	0.88%
Total	31.01.2011	19,213	82,372	100%
	31.07.2011	19,213	80,896	100%
	31.03.2012	19,213	83,538	100%

Source: Authority for the Coordination of Structural Instruments (ACSI) and Ministry of European Affairs (MEA), [Online] available at <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20iulie%202011.pdf>, <http://www.fonduri-ue.ro/upload/Anexa%201%2031%20ianuarie%202011.pdf>, and <http://www.dae.gov.ro/admin/files/Stadiul%20absorbției%20la%2031%20martie%202012.pdf>, accessed on May 9, 2012.