

ATTRACTING EUROPEAN FUNDS IN THE CONTEXT OF ROMANIAN ECONOMY

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ABSTRACT

2,9 billion euro has entered Romania's economy in the last tracked period of 2007-2013. This increased the European funds absorption rate from 56%, to 78%, Dacian Cioloș, the Prime Minister at that time, in Romania.

For the period of 2014-2020, the Ministry of European Funds launched 39 projects with a total worth of over 13 billion euros. The effective fund absorption for 2014-2020 started in May 2016, two and a half years after the budget exercise started, after having sorted the entanglement caused by those who couldn't deliver (a.k.a people who failed with their fund absorption). Meanwhile, 13 billion worth of guides and projects have been launched, regarding, highways and infrastructure, heating and reduction of the school abandonment. At the same time, an accreditation program is being worked on, according to the Ministry's official statements.

The following paper aims to reveal some aspects on the absorption rate of European funds in Romania.

Keywords: European, policy, EU, rate, absorption.

JEL code: O11.

1. Introduction

The Maastricht Treaty of 1992 made economic and social cohesion two of the most important pillars of the European construction along with Internal Market and the Monetary and Economic Union, which lead to the introduction of euro as currency.

This paper aims at revealing the poor situation of Romania's European fund absorption rate and also brings to light the situation in Romania by comparison to other similar regions of Europe.

2. The Regional European Policy

The Regional Policy applied by the European Union, targets all cities and regions of the EU, stimulating economic growth and improving life quality by strategic investment efforts. It is also an active form of support which orientates the efforts towards all less developed regions.

The financing program via UE's Committee has 4 main fields and objectives:

- Research and development;
- IT;

- Growing small and medium business competitiveness;
- Switching to an environmentally friendly economy.

The Policy in cause has positive results. Considering the period of 2007 and 2012 it has helped European countries by:

- Creating 769.000 jobs;
- Investing in 225.000 businesses;
- Financing over 72.000 research projects;
- Ensuring an additional 5 million citizens have access to the Internet;
- Improving life quality in cities through 11.000 different projects

The Regional European Policy is mostly funded by the European Development Fund and the Cohesion Fund. National and regional authorities' alike, working in cooperation with the European Committee, ensure day-to-day operations. This management authorities select, finance and monitor projects which can best serve to cover local needs. They provide information regarding all financing opportunities to all potential people or entities, among which:

- Public institutions;
- Universities and schools;
- Associations and NOGs (Non-government organizations).

By the support given to public investment and a flexible implementation of the EU investment, for example by re-scheduling funds and growing the co-financing rates in countries like Cyprus, Greece, Hungary, Ireland, Portugal and also Romania, the regional policy mitigated the effects of the financial crisis of 2008. Also, in a sustained financial consolidation context, the EU's regional policy became of major importance. Without any cohesion policy, the so desired public investment in less developed countries would have dropped with an additional 45% during the crisis. (Alexandru I., page 140)

The concept of "regional policy" is defined within the European Union as an assembly of structural policies meant to ensure the reduction and deletion, in a higher sense of all differences between the member states. An essential objective of the Regional Policy is gluing the EU economically and socially.

Throughout the world, just as in Europe, there are different types of regions: historical regions, natural regions, high-density regions, under-developed regions, geographical regions, declining regions, planning regions and so on. In

our case, the regional concept considers the region itself as essential to all planning and development processes.

In Europe, the objective of regional development has taken effect over the years on two separate levels:

- Individually, on every European state;
- Generally, on a European scale as a whole.

In Western Europe the national regional policy is older than the one imposed by the UE recently. The first regional policy was issued in Great Britain over 70 years ago, between 1934 and 1937, once the Special Zone rules came into effect. These laws meant rehabilitation for old industrial areas suffering at that time from a high unemployment ratio. Despite this, most national development policies took course after the Second World War when, via the use of central governments, all problematic regions underwent a major makeover. Starting with the 70s, the government gradually stepped down, economic liberation policies taking over; the direct support of companies was replaced by indirect forms of assistance: tax rate decreases, training support, consultancy and services.

At the moment, the national regional development programs encouraged by the European Union benefit on the following (www.welcomeurope.com, accessed on 23rd of April 2017):

- Financial stimuli for investments;
- Technology development endorsement;
- Increased labor force mobility;
- A higher degree of support for little to medium companies so they cope better with the economy under the influence of globalization;
- Encouraging cooperation networks.

On a European level, the regional policy formed around the cohesion concept, one of the major building blocks of the Union itself. Cohesion is clearly defined and it refers to reducing lags between development levels and supporting the regions left behind to gain the difference in comparison to other more developed EU regions. (Rumford, C., page 126)

The main instrument used by the UE for promoting its regional development policy is the Structural Fund. These are the result of all member financial contribution according to their respective economic power evaluated as GDP and once again redistributed back to those countries of the EU that need them the most.

Shape 1 reveals how the Cohesion Policy was applied in the last finished tracked period of appliance – 2007-2013. Out of a total of 347 billion euros available, more than 70% was allocated to convergence, while the least of the 3 directions was received by the so-called European Territorial Cooperation.

Romania received 19.2 billion euros for completing the convergence objective and 455 million for territorial cooperation. Romania's contribution including private funding to the EU's funds will be at least 5.5 billion euros with 7 years further investment plan of 25.2 billion euros.

In context for the 2014-2020 period of time, the Cohesion policy has underwent a reformation process which aimed at maximizing funding impacts and increasing the European

add value of this policy by the use of: strengthening strategic planning and focusing interventions on Europa 2020 general strategy; aiming for performance by improving stimuli system; improving results; supporting the use of new financial tools; consolidation of the government; enforcing the territorial dimension of cohesion; building up partnerships; simplifying the system in charge of applying everything; improvement of the financial management; reducing administrative hold-ups and ensuring financial discipline. All these elements were taken into consideration by the rulebook which governs the cohesion policy planned for the entire period of 2014 to 2020.

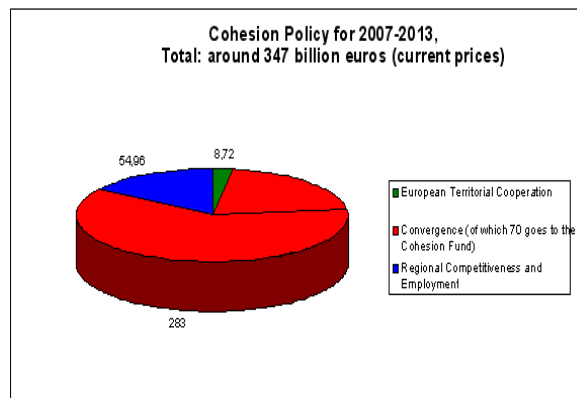


Figure 1. Cohesion Policy for 2007-2013

Source: http://ec.europa.eu/regional_policy/en/funding/

For the latest period, Romania was granted almost 23 billion euros in total (10% less in comparison to 2017-2013)

3. Romania's fund absorption performance

Romania had a bad start when it comes to absorbing European funds. The first alarm signal was pulled by Corina Crețu, a European commissary for regional development, during May last year: "...we are taking part in the 2014-2020 program and we have exactly 0% absorption rate for this financial year. In our opinion, the European Committee we believe the time for negotiations to be long over and the time for implementing and executing programs fully here. Romania is already in a major delay with the absorption rate being at its lowest level possible and also the number of new projects being extremely low. We all know we need highways, modern railroads, and new hospitals. And we must also admit that from a European fund point-of-view, things are pretty bad. The rate of absorption and development must be accelerated from now on."

All European Structural Funds and Investments programs designed for all member states for 2014-2020 have gauged so far a 1,7% absorption rate, with Romania at only 0,18%.

In 2007-2013 by the cohesion policy, Romania was granted a total of 22.4 billion euros which have been absorbed in a 85,8% rate so far (2016). Regarding the Regional Operational Program for the same period, the 27 July 2016 absorption rate was 92,36% including pre-financing and effective payments.

4. Conclusion

Romania is still far behind all other countries when talking about fund absorption rates with a meager 0,18% of the total funds attributed to the Community. Stimulating creation of new projects and drawing in new opportunities for both companies and people to capture more financial resources is a complex process and one which takes a lot of effort and paperwork, a major factor for people not being so willing to even try, as far as Romania goes, at least

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