EU Funds Absorption: Case of Romania

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Abstract: Article studies the absorption of European funds in Romania for the two post-accession periods: 2007-2014 and 2014-2020 and highlight the situation in Romania regarding the amount and evolution of European funds received (in relation to its contribution to the EU budget), the structure of these funds, the evolution of the absorption during the two intervals by program type and Romanian areas of development as well as difficulties encountered and the solutions adopted to overcome them. The analysis is based on primary statistical data provided by the Romanian Government and the European Commission, as well as studies and reports on national particularities and problems of absorption of European fund in Romania. In addition, a qualitative analysis of legislative and institutional framework aims to point out weakness and causes that hindered the absorption of funds. Paper highlights the increase of funds absorption in the current financial framework compared to the previous and emphasizes weaknesses in the Romanian institutional framework. The fact that many of the difficulties manifested in the first stage after adhesion were counter through appropriate solutions, enable better management of funds, which places Romania to the EU average in terms of rate of absorption. These solutions concern the improvement of administrative capacity (information, transparency, implementation, relationship with beneficiaries).

Keywords: *Absorption; Accession; Administrative capacity; European funds, Romania.*

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1. Introduction

The absorption of European funds is a challenge for each of the Member States, but even more so for those that have recently entered. Statistics show, for example, that states that later joined the EU have a lower absorption rate of funds. The causes of this absorption difficulty are of a different nature and are manifested both at European and national level. Our analysis aims to highlight the role of administrative capacity in ensuring the absorption of funds, respectively the competencies of the public administration for the design and management of European programs.

The administrative absorption capacity can be improved through a series of measures specific to knowledge management, a field that enjoys a special interest in the context of the transition, globally, to a knowledge economy.

In the field of public administration, knowledge management involves an organizational approach – focused on building a structure of collaboration and learning – and a participatory one – aimed at attracting other stakeholders, public consultations at European level being, from this point of view the broader tool of action.

The paper addresses the issue of absorption of European funds by presenting in stages the problems encountered in each multiannual financial framework and the results obtained in them, to underline the increase in absorption capacity as a result of improving administrative capacity by integrating specific actions of knowledge management in administration.

The presentation of the political and institutional context that marked the process of absorbing funds and detailing the results for each of the three multiannual financial framework aims to ensure the best possible comparability of data and understanding the evolution of the phenomenon. The fact that the article does not address the management capacity at national and local level of other categories of funds, does not exclude their need and does not minimize the importance of attracting them.

2. General considerations regarding the conditions for EU funds absorption

The literature regarding the absorption of EU funds includes, first, a broad set of regulations, laws and decisions that ensure the European and national allocation management of these funds. Gradually, they were added studies on absorption capacity, impediments faced at European and Member State level, social and economic effects. But, these studies have their limitations due to the vast coverage of funds, differences between countries

and regions, the difficulty of building adequate indicators for analysis of absorption capacity and impact of European funds.

As a general definition, the capacity to absorb European funds refers to the extent to which a country is able to consume financial resources that have been allocated within the multiannual financial framework. Therefore, absorption rate of European funds is calculated based on amounts reimbursed by the European Commission to the Member State; these amounts correspond to expenses incurred by national beneficiaries of projects from European funds, validated and settled by national administrative bodies, with respect of well defined stages that will be detailed below.

Absorption capacity of a country depends on several factors manifest both at European and national level. It was also observed that there is a link between the level of economic development of a region and its ability to absorb European funds, so just states and least developed regions facing the greatest difficulties in terms of absorption capacity. The most frequent obstacles in this respect include the difficulty of co-financing, lack of staff with experience in European funds, poor cooperation between local partners (Popescu, 2015).

In terms of capacity to absorb EU funds, studies have highlighted a number of influencing factors that can be grouped into three board categories: macroeconomic capacity, financial capacity and administrative capacity (Popescu, 2015). Absorption capacity is closely related to country's GDP, stability of price, interest rates and exchange rates, as well as the economy capacity to respond to additional costs, such as theses on labour market. Financial capacity means primarily the extent to which administrative institutions can co-finance programs and may encourage others (private) entities to participate and to support these programs. Finally, the administrative capacity is the extent to which the authorized institutions can support the funds absorption, the skills needed for designing and managing programs.

3. Improving the administrative capacity to absorb funds by integrating the principles of knowledge management

Knowledge management is one of the most recent and innovative approaches in managerial science. It is a process that aims to optimize and develop skills in the organization by implementing a culture of learning.

Knowledge management is based on the ability of employees to accumulate new skills and share them constantly.

Knowledge management applies to any public or private entity, including public authorities and the application of its principles in administration is all the more important due to the specifics of this sector. Thus, the use of knowledge management tools in public administration is justified by its societal orientation of these entities, ie a macro-social coverage and its objectives, respectively the development of society under its many facets (infrastructure, economy, market, culture...).

The main directions towards which knowledge management is oriented are:

- Organizing knowledge to make it as relevant and efficient as possible;
- Systematization and dissemination of knowledge through a source of information constantly updated;
- Mutual exchange of knowledge between members.

In the case of public administration, knowledge is ensured through a double approach: organizational and participatory. In the first case it is about building a system of functional collaboration relations at the level of the institution, but also externally. Building learning networks involves, for example, collaboration and the exchange of good practices through contact with other officials, other organizations or systems of government, as well as with specialists from outside the systems of government. The participatory approach is complementary and consists in the active involvement of the business sector and the civil society in the elaboration and implementation of public policies and services.

On the other hand, the public administration currently faces numerous challenges generated by the tendencies of economic, political and social evolution. For the Romanian public administration, a solution for the integration or management of these challenges is the absorption of European funds. The challenge is not valid only for Romania, but for each of the countries of the European space, but, to a greater extent for those who joined later. From this point of view, capitalizing on the principles of knowledge management in the central and local public administration can considerably increase the absorption capacity of European funds. The principle of learning, the assimilation of lessons from previous experiences, the principle of evaluation, the principle of applying learning in administration practices are some of the directions that are the basis for improving the administrative capacity of public institutions.

4. Methodological approach of our study

The aim of our article is to analyze the extent to which Romania manage to absorb EU funds in the period post-adhesion in terms of its administrative capacity. European funds absorption analysis is quantitative, using statistical data and qualitative, regarding legislative and institutional framework as well as weakness and causes that hindered the absorption of funds.

In quantitative analysis are considered both post-accession multiannual financial frameworks (2007-2013 and 2014-2020) so they can be compared absorption during each multiannual financial framework, after the end of the first one and also between the two financial frameworks, given that the European Commission has come to support new Member States who have not reached a high absorption of funds by applying a delay in disengagement of unspent funds.

Statistical data sources are the database of the European Commission and the Government of Romania (Ministry of European Funds and Ministry of Agriculture), and studies or reports conducted nationwide. The data obtained allow us to highlight:

- The evolution and structure of European funds allocated to Romania during the two multiannual financial frameworks;
- The distribution of EU funds on national operational programs;
- Total absorption of European funds and by operational programs;
- Balance of financial flows in the relationship between Romania and the EU;
- The main problems encountered in absorbing EU funds.

5. Review of political and institutional framework

Funds distributed in the EU to finance projects in the Member States for the period 2014-2020 are known under the collective name of the European Structural and Investment Funds (abbreviated below as ESIF). Commencement of European financing for the period 2014-2020 was preceded by negotiation of Multiannual Financial Framework with European Commission, adoption of regulations at European level and their translation into national law, EC signature of Partnership Agreement with Romania, document that sets strategy for the use of ESIF. Romania was the 11th state which approved this document on August 6, 2014.

The total amount at EU level, of ESIF is 325,145,694,739 € of which 322,145,694,739 € and 3 billion € YEI (art. 91, EU Regulation UE

1303/2013) (EU, 2013). Annual distribution adopted is shown in the table no. 1.

Table no. 1. The total amount of ESIF for the period 2014-2020

Annual distribution of commitments	Amount (€)
2014	44,677,333,745
2015	45,403,321,660
2016	46,044,910,729
2017	46,544,721,007
2018	47,037,288,589
2019	47,513,211,563
2020	47,924,907,446
Total	325,145,694,739

Source: EU (2013)

ESIF have comprised five funds categories depending on destination:

- European Regional Development Fund (ERDF), which provide urban and regional development;
- European Social Fund (ESF), which ensure social cohesion and good governance;
- Cohesion Fund (CF), which ensure economic convergence for the least developed regions of the EU;
- European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF).

YEI (Youth Employment Initiative) add these five categories of ESI Funds.

After signing the partnership agreement followed approval by European Commission of operational programs (between November 2014 and July 2015), accreditation of management authorities (based on designation by the Romanian Government and assessment by the Audit Authority) (between December 2016 and August 2017), launching public consultation for projects' guidelines and finally the opening of call for proposals. In Romania, the five ESI Funds for 2014-2020 are divided into eight national programs (abbreviated OP- Operational Program), namely (MEF, 2017):

- Large Infrastructure OP (approved in July 2015);
 - Human Capital OP (approved in February 2015);
 - Competitiveness OP (approved in December 2014);
 - Technical Assistance OP (approved in December 2014);
 - Administrative Capacity OP (approved in February 2015);
- National Program of Rural Development (approved in May 2015);
Regional OP (approved in June 2015);
Fisheries and Maritime Affairs OP for Romania (approved in November 2015).

Regarding the management of EU funds in Romania is provided by the Ministry of European Funds (MEF), Ministry of Regional Development and Public Administration (MRDPA) and Ministry of Agriculture and Rural Development (MARD) by Management Authorities.

The role of Management Authorities is to receive, from project beneficiaries, invoices of expenses incurred in the projects undertaken. After reimburses these expenses, the Management Authority sends bills as a statement of expenditure to the Certification and Payment Authority (CPA) of the Ministry of Public Finance who apply for reimbursement by the European Commission. Once repaid, the amount is considered absorbed by Romania.

Distribution of operational programs by categories of funds and institutions involved in their management is represented in Figure no. 1. Within the Ministry of European Funds (MEF) are four management authorities, related to Large Infrastructure OP, Human Capital OP, Competitiveness OP and Technical Assistance OP.

By the Ministry of Agriculture and Rural Development (MARD) are implemented the National Program of Rural Development and the Fisheries and Maritime Affairs OP managed by two different authorities.

Ministry of Regional Development and Public Administration (MRDPA) has management authorities for the Regional Operational Program (ROP) and Administrative Capacity OP.

Figure no. 1. Connection between European funds, Romanian operational programs and Romanian institution involved in implementation of Multiannual Financial Framework 2014-2020

Source: Authors' own conception

The projects submitted by interested entities shall be assessed and, after signing the financing contracts (with the Management Authority) beneficiaries can start the implementation.

Regarding the effective absorption of EU funds, it is done in several steps:

- Payment of the expenses incurred by the beneficiary, as the projects are implemented;
- For amount disbursed to beneficiaries, Management Authority made statements of expenditure which they send to the Certification Authority of the Ministry of Public Finance;
- After checking expenditure, documents are sent to European Commission for reimbursement of amounts;
- After analyzing the documents received, EC reimburse the amount spent on project from European funds allocated.

A distinct situation concerns the money from the European Agricultural Guarantee Fund. This funding is granted through the Agency for Payments and Intervention in Agriculture (APIA) as direct payment per hectare (surface), without the need of European projects.

6. Level and structure of funds received by Romania from the EU budget 2014-2020

In Romania, for the eight operational programs that have been approved it has been allocated 30,882 billion €, i.e. 6.7% of total ESIF for 2014-2020. Structural analysis of the funds received shows that Romania has received more than the average of EU cohesion funds (22.5% in Romania compared to 14% EU average) and funds for agriculture and regional development (26.35% in Romania compared to 22% EU average); on the other side, share is significantly lower than the EU average in terms of ERDF (35% in Romania compared to 43.2% EU average) and ESF (15% in

Romania compared to 18.2% EU average) (table no 2 and no. 3) (EC, 2019a; 2019b).

Table no. 2. Structure of ESI Funds at European level, 2014-2020

ESIF	Total amount (€)	National contribution of MS (€)	EU contribution (€)	% of EU contribution
ESF	120 689 124 297	36 791 379 121	83 897 745 176	18.20
CF	74 818 734 999	11 539 126 714	63 279 608 285	13.73
EAFRD	150 465 874 183	50 386 379 318	100 079 494 865	21.71
EMFF	8 002 559 692	2 265 876 020	5 736 683 672	1.24
ERDF	278 887 849 001	79 770 215 310	199 117 633 690	43.20
YEI	10 346 810 463	1 499 964 519	8 846 845 944	1.92
Total	643 210 952 634	182 252 941 002	460 958 011 632	100

Source: EC (2019a; 2019b)

Table no. 3. Structure of ESI Funds in Romania, 2014-2020

ESIF	Total amount (€)	Romanian contribution (€)	EU contribution (€)	% of funds allocated by EU to Romania
ESF	5 433 971 234	811 053 914	4 622 917 320	14.97
CF	8 158 819 975	1 223 822 998	6 934 996 977	22.46
EAFRD	9 644 992 671	1 516 996 269	8 127 996 402	26.32
EMFF	223 475 750	55 054 379	168 421 371	0.54
ERDF	12 951 834 742	2 225 754 043	10 726 080 699	34.73
YEI	328 905 184	26 667 988	302 237 196	.98
Total	36 741 999 556	5 859 349 591	30 882 649 965	100

Source: based on data provided by EC (2019a; 2019b)

7. Absorption of EU funds in Romania for the Financial Framework 2014-2020

According to statistics from April 2019, of the approximately 31 billion € allocated to Romania for ESIF, were open financing lines representing nearly 91% of the funds and contracting rate has reached 75.3%. In terms of money actually received from the EC, they arose at the same time, 8.6 billion € for ESIF, plus the 6.6 billion € direct payments to farmers by European Agricultural Guarantee Fund (MEF, 2019; “Roxana Mânzatu”, 2019).

Table no. 4. Evolution of contracting rate of ESIF in Romania

	January 2017	August 2017	December 2017	May 2018	April 2019
Value contracts	...	4.4 billion €	9.5 billion €	11.9 billion €	21.6 billion €
Contracting rate	5.00%	15.50%	33.50%	41.20%	75.3%
Growth rate of contraction	-	+210%	+116%	+23%	+81%

Source: MEF (2019); “Roxana Mânzatu” (2019)

Among operational programs, the highest levels of absorption were recorded by the National Program of Rural Development and Technical Assistance Operational Program, followed at a significant distance from Large Infrastructure Operational Program, and Competitiveness Operational program.

Figure no. 2. Absorption rate of European funds in Romania by Operational Program (%) (19.04.2019)
Source: based on MEF (2019)

Table no. 5. Absorption level of European funds in Romania by operational programs (19.04.2019)

Operational programs	Allocation 2014-2020 (euro)	Total amount received from the EC until 19.04.2019 (euro)	Absorption rate %
Technical Assistance	252,765,958	103,458,168	40.93
Human Capital	4,371,963,027	869,396,528	19.89
Competitiveness	1,329,787,234	287,884,890	21.65
Administrative Capacity	553,191,489	100,110,019	18.10
Regional	6,860,000,000	1,217,952,530	17.75
Large Infrastructure	9,218,524,484	2,085,459,514	22.62
Rural Development	8,127,996,402	3,888,288,081	47.84
Fisheries & Maritime Affairs	168,421,371	37,536,370	22.29
Total FESI	30,882,649,965	8,590,086,100	27.82

Source: MEF (2019)

Compared to the situation of other Member States, Romania has a relatively good position: absorption rate is close to the European average (figure no. 3). This rate includes direct payments in agriculture, without which the absorption rate stands at about 21% (antena3.ro, 2019).

Figure no. 3. Absorption rate of EU funds by EU countries (April 2019) (%)

Source: MEF (2019)

Regarding European Agricultural Guarantee Fund, Romania received an allocation for 2014-2020 in the amount of 11,283,069,589 €. Absorption of money from European Agricultural Guarantee Fund at the end of 2018 reached an effective rate of 44.88% of the amount allocated to Romania (Zamfir, 2019). In April 2019, the rate of absorption reported by ministry of European Funds, in case of European Agricultural Guarantee Fund was 58.60%, or 6,612,024,779 €.

By counties of Romania, the absorption of European funds was better achieved in more developed counties. In terms of values of contracts signed for financing, the first county was Ilfov (over 10 billion RON),

followed by capital – Bucharest – (6.83 billion RON), Constanta (5.9 billion RON), Cluj (4.53 billion RON), Bihor (2.36 billion RON). (Munteanu, 2019). As such, the Bucharest-Ilfov region is first according the value of signed contracts, a similar situation with the previous financial framework.

In the Center region, just two counties have attracted funding more than 1 billion RON: Alba (1.5 billion RON) and Brasov (1.1 billion RON). The poor absorption is recorded in the south: in Teleorman county contracts were signed only for a value of 199 million RON (Munteanu, 2019).

Causes who delayed absorption of European funds for the current financial framework were foreign (late approval of the programmatic documents at EU level, delay in establishment and accreditation of national management authorities), but mostly domestic. In the category of internal problems with great influence we could mention:

- Frequent changes in public procurement legislation;
- Requirements and deadlines regarding the achievement of projects documentation;
- Difficulties in Romanian electronic system of EU funds management;
- Changes in government, including the ministries involved in managing European funds;
- Delays in completion (up to financial framework end) of the projects started, some of high calibre, with a risk of disengagement of expenditures. Un example is the project of Infrastructure of Extreme Light – Nuclear Physics Magurele (project ELI – NP), the largest European investment in research in Romania, part of a pan-European infrastructure of research attended by Romania, Czech Republic and Hungary and whose funding amounts to 800 million € (“Risk of disengagement”, 2019).

To avoid disengagement of some expenses, there were used a series of technical solutions. An example is giving up its intention to build three regional hospitals (Cluj, Craiova and Iasi) by Regional Operational Program and orientation to purchase ambulances, easier to achieve than designing and building hospitals.

8. Absorption of EU funds in Romania for the Financial Framework 2007-2013

Previous multiannual financial framework (2007-2013) included both post-accession and pre-accession funds. This is because the funds allocated to Romania for pre-accession period (2000-2007) have a contracted rate of 90% and an absorption rate of 70% at the end of period concerned. (Anghelache et al., 2019).

Table no. 6. Funds received by Romania from the EU budget for the financial framework 2007-2013 (million €)

Category	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
A. Pre-accession funds	812.26	747.68	618.74	273.17	132.61	43.90	31.02	2659.38
B. Post-accession funds	787.45	1,894.67	2,311.50	2,020.46	2,488.98	3,398.24	5,526.19	18,427.11
of which:								
- Structural and Cohesion Funds (SCF)	421.38	648.45	917.84	505.54	708.36	1,170.92	2,963.12	7,335.61
- Funds for Rural Development and Fisheries (EAFRD + EFF)	15.13	578.75	565.93	760.48	883.05	1,090.05	1,229.99	5,123.38
- European Agricultural Guarantee Fund (EAGF)	6.89	461.87	575.93	663.78	768.95	991.27	1,174.70	4,643.39
- Others (post-accession)	344.05	205.60	251.80	90.65	128.62	146.00	158.38	1,324.72
Total	1,559.71	2,642.35	2,930.24	2,293.63	2,621.59	3,442.14	5,557.21	21,086.49

Note: EFF = European Fisheries Fund. EAFRD =European Agricultural Fund for Rural Development

Source: MEF (2017)

Regarding the evolution of the absorption, it was very slow: 2.96% at 31.12.2009, 8.62% at 31.12.2010, 15.1% at 31.12.2011, 21.85% at 31.12.2012 and 36.5% at the end of 2013. In 2014, the absorption rate reached 52.3%, and at 31.12.2015 attained 74.3% (Gherghina, 2017).

At the end of 2013, compared with the average rate of absorption of 36.5% for all funds, the best levels of absorption were made for the Administrative Capacity Development OP (50.4%), Human Resources Development OP (POSDRU) (47%) and Regional OP (45.9%) and weakest for Transport OP (24.5%) and Technical Assistance OP (24.2%) (Gherghina, 2017).

Figure no. 4. Absorption of EU funds 2007 -2013 in Romania (billion €)

Source: authors based on MEF (2017, 2019)

Due to low absorption rate, new Member States have benefited from the „n+3” rule for 2011 and 2012 and „n+2” rule for 2011-2013, this delay avoiding automatic decommitment of unspent funds. Therefore, Romania could spend sums allocated for 2011 until 31.12.2014 and those for 2012 until 31.12.2015. The absorption rate increase, as we can see in the evidence of the amount received from the EC in June 2016.

Table no. 7. Absorption of EU funds for the financial framework 2007-2013

Operational Programs	Allocation 2007-2013 (billions €)	Total amount received from EC by June 30, 2016 (billions €)	Absorption rate %
Regional	3.97	3.25	81.9
Environment	4.41	3.74	84.8
Transport	4.29	3.30	76.9
Economic Competitiveness	2.54	2.15	84.6
Human Resources Development	3.48	2.36	67.8
Administrative Capacity Development	0.21	0.20	95.2

Technical Assistance	1.17	0.17	100
Total	19.06	15.16	79.5

Source: based on data from Gherghina (2017)

By funds category, the best absorption rate was obtained for National Program of Rural Development (NPRD), the other two having much lower level of absorption (Structural and Cohesion Funds and Fisheries OP). Regarding the Single Area Payment Scheme, the absorption was made easier because it doesn't require the implementation of programs by beneficiaries.

Table no. 8. Evolution of absorption rate in case of SCF, NPRD, FOP, SAPS (2007-2013) (%)

	2007	2008	2009	2010	2011	2012	2013	2007-2013
SCF	0	0	0.73	1.1	3.6	5.9	15	26
NPRD	0	9.5	23	35	49	52	55	62
FOP	0	0	0	6.8	16	21	28	26
SAPS	96.8	99	98	99.8	99.7	100	98	99

Note: SCF = Structural and Cohesion Funds; NPRD = National Program of Rural Development; FOP = Fisheries Operational Program;
SAPS = Single Area Payment Scheme.

Source: RAS (2014)

In terms of territorial distribution of EU funds, the highest rate of absorption was in Bucharest and Ilfov, followed by the North-East region and North-West region and lowest in the South-West Oltenia and South-Muntenia regions, but the differences aren't very large (except for the capital and its surrounding county).

Table no. 9. Payments situation by operational programs and by development regions for multiannual framework 2007-2013

Region	Total payments	%	Cumulative GDP/ region (2007-2013)	RON European funds to 1000 RON GDP
Bucharest-Ilfov	24,416.6	37.1	988,532.6	24.7

Centre	6,018.7	9.1	425,077.8	14.2
North-East	7,184.8	10.9	396,187.4	18.1
North-West	6,706.6	10.2	429,899.4	15.6
South-Muntenia	5,701.2	8.7	467,746.1	12.2
South-East	6,534.1	9.9	405,096.8	15.7
South-West Oltenia	4,665.8	7.1	296,066.6	15.8
West	4,556.2	6.9	372,936.7	12.2
Total	65,784.0	100.0	3,781,543.4	17.4

Source: Gherghina (2017)

The first post-accession financial framework has faced numerous problems, difficulties and blockages in the absorption of EU funds. ***It was noted primarily lack of administrative experience at national and local level in terms of project management with European funds*** manifested in poor communication with beneficiaries, long period between stages of programs, lack of uniformity and consistency in the evaluation process. Among the priority issues raised in this period we could cite (Anghelache et al., 2019; “EU Funds”, 2016; Gherghina, 2017; Mihăilescu, 2012):

- Lack of transparency of deadlines for applications; schedule which present data on which application forms are disclosed etc. To solve this problem was made an indicative schedule, but that was not always respected.
- Shift terms, which led to delays in the application process and the loss of a large number of potential beneficiaries (who doesn't learned at time about the change of deadlines);
- Changes over time in terms of the necessary documentation and submission dates (which generated many cases incomplete because applicants either did not know the last changes made or did not have time to meet new requirements);
- Insufficient staff in the relevant authorities from the point of view of professionalism and level of motivation;
- Delays in reimbursement of expenses done by beneficiaries. For example, in case of sectorial operation program of Human Resources Development - POSDRU the period stipulated by Management Agency was 45 days after filling the application for

reimbursement; in practice, this period arrived to a average between 90 and 130 day after filling. These delays resulted in the loss of pre-financing for next year. Because of difficulties in making payments to employees, suppliers or payment credits and fees, some beneficiaries were sued.

- Insufficient information to beneficiaries about the conditions to be fulfilled for submitting projects and the lack of specialized expertise in preparing projects led to a high rate of rejection. Thus, compared to the total of 47,024 projects submitted under the seven operational programs, they were rejected 25,014 meaning a rejection rate of 53.19%.
- The large number of approved projects that have not been contracted (24% of all projects approved) one of the reasons being the failure conditions for contracting phase.
- Bad functioning of public procurement legislation.
- Time spent with checking, assessment and selection of grant applications submitted by beneficiaries was much higher than estimated, some contract were concluded even after 6 months – 1 year from the submission of the project. This is also due to insufficient staff for evaluation/selection/contracting within management authorities/intermediate bodies or lack of expertise of staff.
- If Human Resources Development OP (POSDRU), deficiencies in the evaluation and selection of projects; ambiguity of national eligibility rules (which allowed allocation and inefficient use of resources in the implementation of projects), deficiencies in the management control of projects, high costs of consultants, impossible to explain by the activity reports or supporting documents.

9. Absorption of EU funds The balance of financial flows between Romania and EU

Comparative analyze of the trend of funds that Romania received from the EU budget after accession and of EU funds paid indicate a positive balance during the entire period 2007-2018 (table no. 10).

Table nr. 10. The balance of financial flows Romania – EU (million €)

Funds	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2007-2018
Received from the EU budget	1599,71	2642,34	2930,24	2293,63	2621,59	3442,13	5557,21	5981,02	6438,42	7360,88	4818,74	2692,26	48378,18
a. 2007-2013	1599,71	2642,34	2930,24	2293,63	2621,59	3442,13	5557,21	5932,51	5493,30	4540,14	13,30	0	37066,11
b. 2014-2020	0	0	0	0	0	0	0	48,51	945,11	2820,74	4805,44	2692,26	11312,08
Paid to EU budget	1150,89	1268,93	1364,43	1158,91	1296,24	1427,77	1534,77	1619,89	1456,25	1504,70	1499,53	951,60	16233,92
Balance	448,82	1373,41	1565,81	1134,72	1325,35	2014,36	4022,45	4361,13	4982,17	5856,18	3319,21	1740,67	32144,26

Note: * At 31.7.2018; values achieved

Source: MEF (2019)

Figure no. 5. The balance of financial flows between Romania and EU (million €)

Source: based on data of MEF (2019)

Per years, the balance has a higher positive value during 2013-2016, corresponding to the funds absorption from the financial framework 2007-2013, started late due to the multiple difficulties outlined above, as well as to the beginning of fund absorption from the financial framework 2014-2020.

10. Conclusions

Romania received for the financial framework 2007-2013 about 30.7 billion € from the EU budget, of which 18.43 billion € were absorbed by 31.12.2013, and 12.3 billion € in the period 2014-2016 (31.03.2016). Of these, 14.08 billion € were from structural and Cohesion Funds (SCF) (45.8%), 15 billion € were allocated for rural development, fishing and agricultural guarantees (50% of total payments from the EU) and 1.65 billion

€ (5%) were for other destinations (Gherghina, 2017). The absorption capacity of these funds was slow, but increase gradually, as Romania has managed to overcome the difficulties inherent in the beginning, especially those related to lack of expertise.

In the current financial framework, the rate of absorption registered a slow growth in the first two years, followed by a good performance further, so the absorption current is close to the European average. This situation is due to the experience of the previous financial framework which allowed remedying many of the problems that may occur in the absorption. Basically, learning from the past mistakes it is possible to avoid loss amounts allocated to Romania, but also increase the effective absorption capacity.

For the next financial framework (2021-2027), Romania expects to receive a greater amount of funds from the EU budget (level floated by former Romanian Commissioner Corina Cretu is +13% compared to the previous financial framework) and afterwards be negotiated between the EC and the European Parliament (“Corina Crețu”, 2019).

European Commission identified a number of directions to support Member states in their efforts to absorb European funds in the current financial framework of which can be mentioned: improving administrative capacity, exchange of experts and training experts with learning in programming, implementation, management and financial control of projects, proposals for simplification of public procurement.

Regarding Romania’s case, the comparison of absorption of European funds in the two financial frameworks highlights a progress in term of absorption capacity. It is the result of experience gained in the administrative institutions, embodied in the manner of the various stages of program implementation, transparency, information, relationship with the beneficiaries. However, for the current financial framework it was revealed a number of deficiencies, as we have shown.

Among directions to improve absorption capacity nationwide a particular contribution come to: developing administrative capacity; improving the quality of projects; better coordination between national institutions; the inclusion of regional actors in management programs. Moreover, it was found that Romania lacks a clear strategy regarding EU funds absorption, strategy able to support an additional allocation from the EU budget, as required nationally, but also to provide targeting of funds to sensitive areas of the country (infrastructure, for example). Thus, the current financial framework started without Romania have a list of mature projects that could be implemented immediately, which led to delays in the project proposal, the lack of coordination between institutions, the lack of large

projects. In the meanwhile, this situation led to the funding of low quality projects having little impact. It is therefore desirable to have a better strategic planning on medium and long term, especially in terms of infrastructure.

Our study did not address the impact that European funds had on rural development and the economy in general, on the environment or human resources. In addition, analysis of the effects of implemented projects must consider their continuity during sustainability period for at least five years after their completion (RAS, 2014; Olescu, 2019).

On the other hand, Romania must not only be based in its development on funds allocated by the EU. Analysis of development needs of the country and its strategic objectives need to be correlated with all possible funding sources, so full internal investment capacity can be mobilized (ex. local companies, government funding) as well as external capacity.

Trade balance intra EU of Romania during 2007 and 2018, for example, had a deficit of 96.4 billion € and 2018 public debt reached at 70.8 billion €, both being higher than the cumulate amount of EU funds allocated for 2007-2013 and 2014-2020. Foreign investments during the period 2007-2013 were slightly above the level of EU fund received (32.5 billion € foreign investments).

Meanwhile, strategic vision needs to ensure complementation of funding sources. For example, some analysts have warned of the competition which can arise between EU funds and national ones, so that national programs to finance investments have reduced the attractiveness of European funds because the allocation criteria of national funds are more relaxed, being favorite by mayors (Oprea, 2019). A simplification of bureaucracy in allocating EU funds is therefore desirable both at European and national level.

Therefore, it need a national development strategy who ensure a complementation between EU-funded programs and national funding programs as well as measures to attract and stimulate investments in accordance with the needs of long-term national development.

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