
THE CURRENT STAGE OF EU FUNDS ABSORPTION BY FINANCING PROGRAMMES - AS ROMANIA'S PERFORMANCE IN PROJECT MANAGEMENT PRACTICE

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Abstract:

We hear more often talking about a "project society" within the meaning of society that are frequently used to carry out projects and programs, to perform unique processes of medium and high complexity; the necessity for a culture project to pass through the Romanian society from the central and local public institutions, the private sector, to small communities. It is the society we live in and the realities we face.

This article, besides being a current analysis of data on how available funds so necessary to Romania have been accessed and used by beneficiaries, creates a premise for a future study which aims to analyze the difficulties faced by beneficiaries in the management of projects in the Central Region.

The article is an analysis of operational programs in order to identify the degree of access and the status of European funds absorption until the 30th of September 2011. Operational programs are analyzed both in terms of projects submitted, approved and contracted, and also in terms of amounts incurred and paid to beneficiaries. The purpose of this article is to measure performance in project management practice by analyzing the results obtained by Romania in accessing European funds.

Keywords: projects, European, funds, management

1. Introduction

This article is the starting point of a study aiming to identify the existing problems and difficulties in accessing European funds in the Central Region. The study assumes that there is a correlation between the degree of maturity of project management in the Romanian society in general and the Central Development Region in particular, and the results in the management of EU funds.

Project management must be considered in future a strategic power because it gives the organisation an advantage over the competitors, makes a stronger competitor. This advantage has the effect of increased performances of the project, more precise costs and programmes, and also the increased ability to recognise problems early. Moreover, the ability to manage a project portfolio, to select the projects whose results will best meet the requirements of the organisation is improved. The strategic power is an ability that gives a competitive advantage. (Verzuh, Eric, 2003)

Project management has also entered a new perspective, where projects should now be regarded from a strategic perspective, in the context of a business or enterprise that should provide value both to the customer and to the Parent Corporation and managers begin to **focus more on business**. (Kerzner, H., Saladis, F.P., 2010)

In this situation, the study responds to current needs, pressing the Romanian society, which is unable to cope with management of funds provided by the European Union 2007-2013. At the moment, Romania does not know any benefit from European funds, as it contributes to the EU budget by 3.1 million per day, while absorbing European funds only about 1.5 million per day. To attract all the money it receives, Romania should have an absorption rate of 8 million per day. Romania will contribute to the EU budget with 10.2 billion euro in 2007 - 2013, while the structural funds that can be accessed are almost double, that of 19.67 billion euro.

An important role of absorption capacity is played by the public institutions involved in the management of European funds. For Romania to meet the objective of economic and social convergence, strategies and policies must be implemented correctly and also resulting in an increased rate of absorption.

The article starts with the statement and analysing the main project financing programmes. Each Operational Programme is analysed for the projects submitted and the money spent until the 30th of September 2011. The article also contains a comparison of the programmes according to the degree of absorption of funds.

2. Presentation and analysis of the main financing programmes

Structural and Cohesion Funds (SCF), or Structural instruments are financial instruments that the EU acts to eliminate economic and social disparities between regions, in order to achieve economic and social cohesion. Operational Programs are the documents presented by a Member State and adopted by the European Commission to define a development strategy in accordance with a coherent set of priorities whose achievement is to appeal to a fund.

Operational programs are fund management strategic documents, detailing the development priorities for each sector and to promote regional development. An Implementation Framework document was developed for each operational program by the Management Authority detailing the respective Operational Programme for the implementation.

The main financing programmes of projects from structural and cohesion funds are:

- Regional Operational Programme (ROP);
- Sectoral Operational Programme “Increase of Economic Competitiveness” (SOP-IEC);
- Sectoral Operational Programme Human Resources Development (SOP-HRD);
- Operational Programme Administrative Capacity Development (OPACD);
- Sectoral Operational Programme Transport;
- National Programme for Rural Development and European Cooperation Programmes (cross-border, transnational and interregional).

The Regional Operational Programme aims to diminish the interregional and intra-regional disparities, as well as those from the urban and adjacent rural areas, by offering support to the creation of various integrated labour force markets and a better usage of regional synergies.

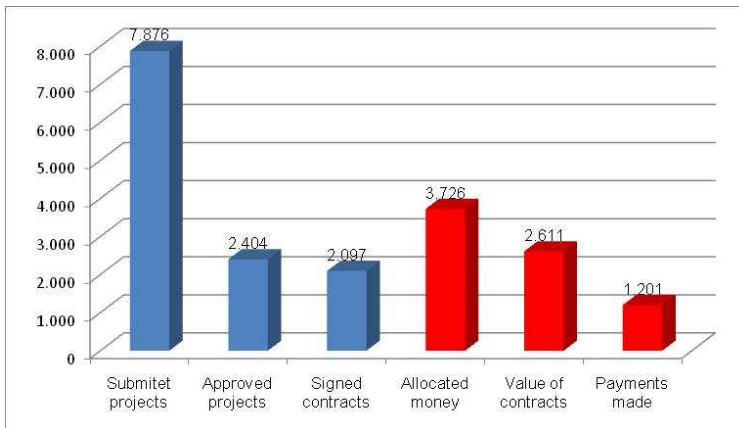


Figure 1. The current stage of submitted, approved projects, signed contracts and ROP payments

This operational programme has until September, 30th this year a number of 7.876 projects, out of which 2.404 approved projects and 2.097 contracts signed with the beneficiaries. This programme has made the biggest payments, 45,99% of the signed projects' value has been paid by beneficiaries. The actual payments to beneficiaries to this date are 31,08% as against the money assigned for the period 2007-2013.

The Sectoral Operational Programme Environment aims to improve life standards and the environment's quality, taking into consideration two long term goals: providing general access to basic public utilities and improving the environment's quality. We can notice that the value of the signed contracts is very close to the allocated money for this programme.

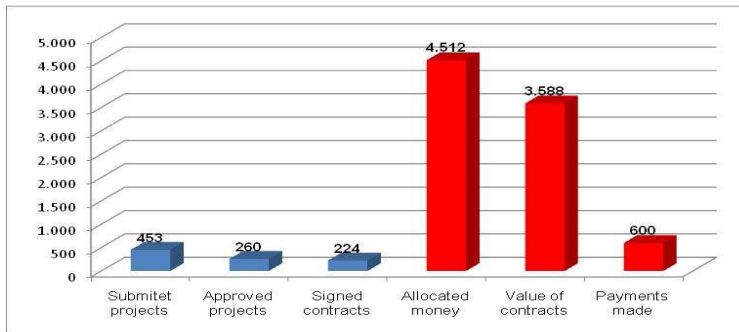


Figure 2. The current stage of submitted, approved projects, signed contracts and payments made through SOP Environment

So far, SOP Environment has 453 submitted projects, 260 approved projects and 224 contracts signed with the beneficiaries. A proportion of 16,72% of the money has been paid to the beneficiaries as compared to what it should have been according to the contracts, as it can be noticed in figure 2. These payments represent 12,98% of the total European funds allocated for the period 2007-2013.

The Sectoral Operational Programme Transport aims investments to improve road, railway, air, river and sea transportation networks. Investments will lead to an increased accessibility to regional, national and international markets, reducing travel time and transport costs for passengers and cargo, as well as to an increased quality of transport services.

Although the importance of investments made by this program is very high, it has the lowest degree of access and absorption of EU funds. 110 projects been submitted through SOP Transport, 56 have been approved and 49 contracts have been signed with the beneficiaries. A percentage of 29,76% payments to beneficiaries have been made from the value of contracts signed and 5,65% of the money allocated for this programme for the period 2007-2013.



Figure 3. The current stage of submitted, approved projects, signed contracts and payments made through SOP Transport

Sectoral Operational Programme “Increase of Economic Competitiveness” primarily supports the consolidation and development of the productive sector and the creation of a business environment favourable for enterprises’ development.

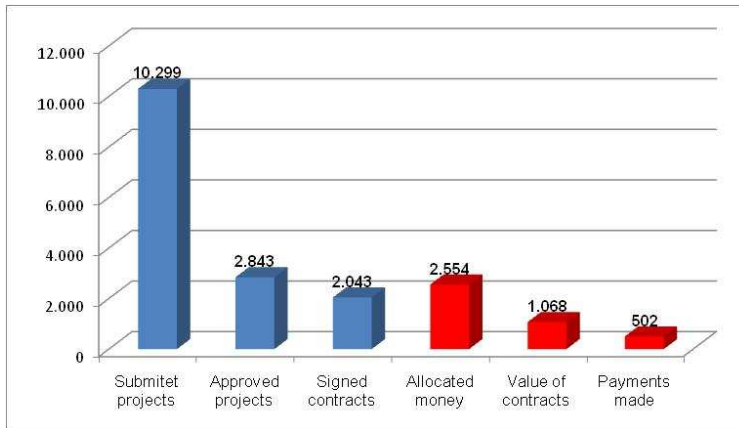


Figure 4. The current stage of submitted, approved projects, signed contracts and payments made through SOP IEC

Moreover, the programme aims to increase energetic efficiency and sustainable development of the energy sector. 10.229 projects have been submitted through this programme out of which 2.843 have been approved and 2.043 contracts have been signed with the beneficiaries. 47% from the signed contracts and 18,66% from the total amount allocated for the period 2007-2013 has been paid to beneficiaries.

The Sectoral Operational Programme Human Resources Development offers support to investments for improving the education and professional training system and it tries to correlate the educational offer to the actual demand of labour force. The labour force and enterprises’ adaptability and also lifelong training will also represent key elements of the programme.

The program has a high access rate funds, equaling ROP and a fairly high rate of absorption. The value of contracts signed is quite high, close to the total amount allocated to this program, namely 80%. The big difference between the high value of contracts signed and the low payments to users is explained by the large number of terminated contracts. For example, through POSDRU, at 31 March 2011 were terminated contracts worth 23.9 million euro. 10.168 projects have been submitted through SOP HRD out of which 2.896 have been approved and 2.121 contracts have been signed with the beneficiaries. Payments to beneficiaries represent 32,68% of the contracts and 25,68% of the money allocated for the period 2007-2013.

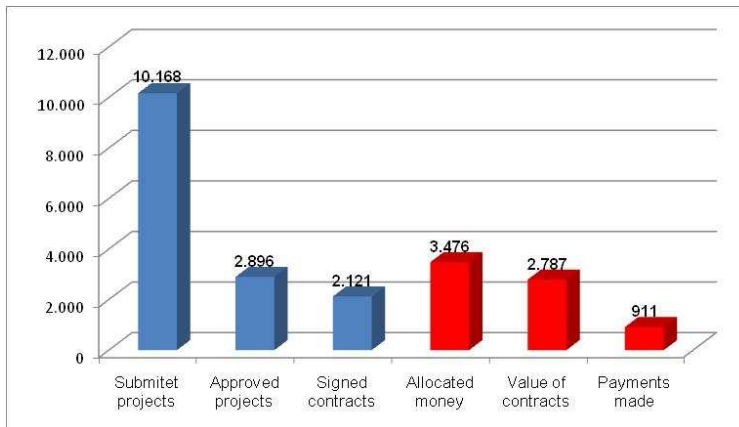


Figure 5. The current stage of submitted, approved projects, signed contracts and payments made through SOP HRD

The Operational Programme Administrative Capacity Development aims to accelerate the public management reform within the public administration through interventions into the public policy cycle (consolidating the public management capacity of the ministries and implementing modern methods in the human resources field for the improvement of individual performances of civil servants) and to support the management reform in the fields that directly contribute to economic growth and job creation.

A number of 1.325 projects have been submitted through OP ACD, only 335 have been approved out of which 318 contracts have been signed with the beneficiaries. 27% of the money from the contracts has been paid to the beneficiaries, and 13,37% has been used from the total amount of money allocated for the period 2007-2013.

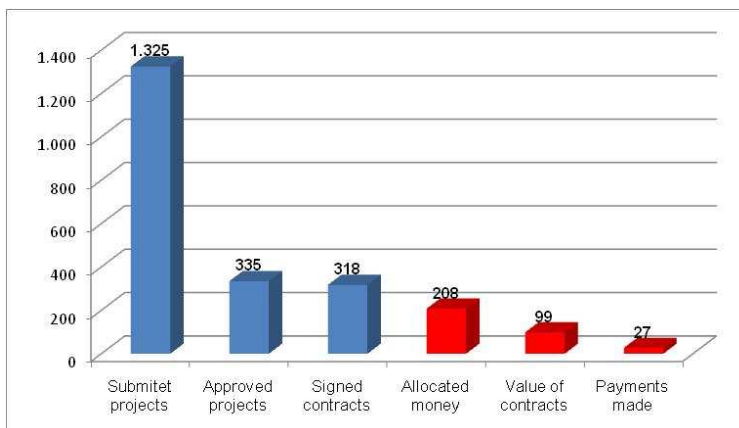


Figure 6. The current stage of submitted, approved projects, signed contracts and payments made through SOP ACD

The Operational Programme Technical Assistance offers support for the efficient and transparent coordination and implementation of Structural Instruments in Romania, mainly aiming the support for implementing structural instruments and coordinating the Programmes; future development and support for the functioning of Single Information Management System; disseminating information and promoting the Structural Instruments. 91 projects have been submitted through this programme, 75 projects have been approved and 71 contracts have been signed with the beneficiaries. A percentage of 54,54% of the value of signed contracts were paid to beneficiaries and 17,64% from the total amount allocated to the programme for the period 2007-2013.

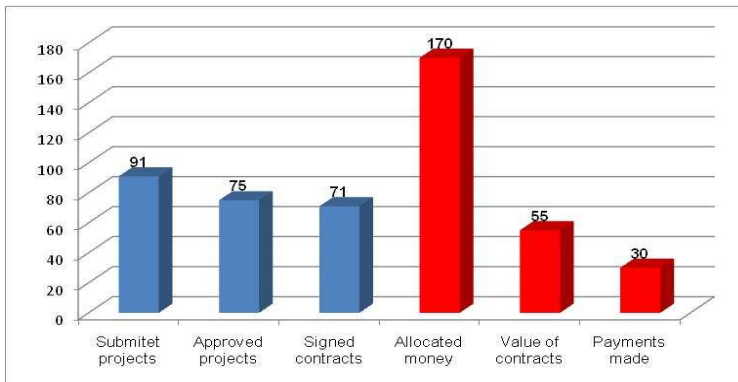


Figure 7. The current stage of submitted, approved projects, signed contracts and payments made through OP TA

Through the **National Rural Development Programme (NRDP)**, European Funds for agriculture can be accessed. The European Agricultural Fund for Rural Development (EAFRD) is a financial instrument created by the European Union to assist member states in implementing the Common Agricultural Policy.

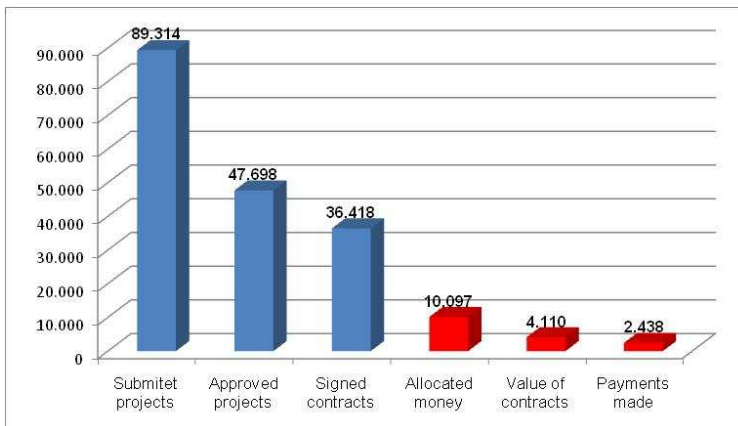


Figure 8. The current stage of submitted, approved projects, signed contracts and payments made through NPRD

The Common Agricultural Policy is a set of rules and mechanisms governing the production, processing and merchandising agricultural products within the European Union and which pays a specific attention to rural development.

RDP has the highest degree of access to funds, the number of submitted projects is high. There were submitted 89.314 projects through NPRD, out of which 47.698 have been approved and 36.418 contracts have been signed with the beneficiaries until 19.08.2011. There have been made payments in a percentage of 59,31% of the value of the signed contracts and 24,14% from the 10 million euro allocated for this programme for the period 2007-2013.

The Operational Programme for Fisheries in Romania (OPF) contributes to the strategic vision expressed in the National Strategic Plan for Fisheries, namely: “A competitive fishing sector, modern and dynamic, based on sustainable fishing and aquaculture activities which takes into consideration the aspects related to environment, social development and economic welfare”. Until 16.09.2011, through the OPF 166 financing contracts were concluded, 109 million euro worth. The OPF has 307,6 million euro allocated for the period 2007-2013. Only approximately 35,50% of the total amount is being contracted through OPF and 12,05% has been used from the total amount of money allocated for the period 2007-2013.

3. Comparison between Operational Programmes regarding the level of European funds absorption

According to the National Development Plan, Romania benefits of an estimative global amount of 57,8 billion euro for the period 200-2013, for increasing convergence with the European Union, of which 43% is European contribution, 48% funds from national (central and local) public sources, and the remaining 9% are private co-financing related to European funds.

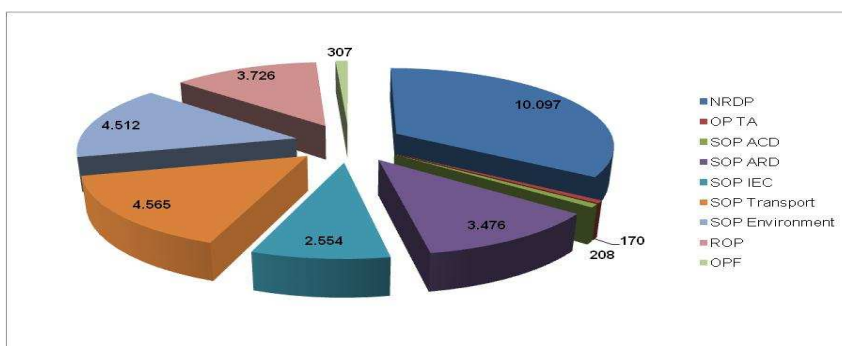


Figure 9. Budgetary allocations during 2007-2013

Figure 9 shows the distribution of the European budget on operational programmes for the period 2007-2013.

If we compare payments to beneficiaries until the 30th of September 2011, the best are the Regional Operational Programme and the Operational Programme Human Resources Development, and at the opposite side, with the lesser payments is the Operational Programme Transport. Observing the evolution of programmes submitted through all Operational Programmes, a reduced rate of payments towards beneficiaries is noticed.

There are programmes in which the value of the contracts is almost equal to the entire amount allocated for the period 2007-2013 (see SOP HRD), yet, payments represent only 32,68% of the contracts.

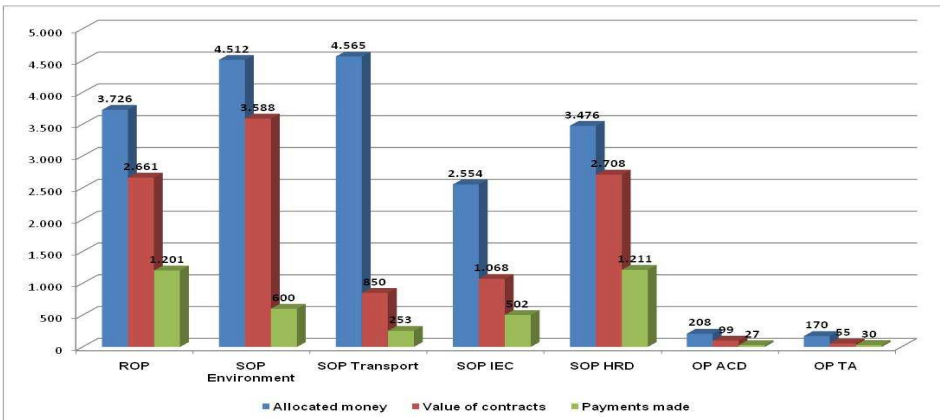


Figure 10. The situation of payments towards beneficiaries

The same conclusion regarding the slow rate of payments is also drawn from table 11. Of the 7 Operational Programmes have the highest level of absorption of European funds, The Operational Regional Programme (31,08%), closely followed by SOP HRD (25,68%). The last place is occupied by SOP Transport, with a level of absorption of only 5,65%.

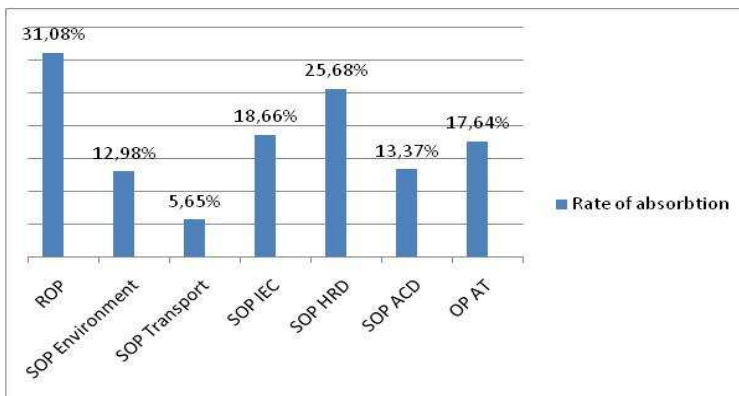


Figure 11. Comparison between Programmes regarding the level of fund absorption

Romania has paid contributions of over 3 billion euro during the three years since it joined the European Union and has received, in exchange, according to recent information, 2,895 billion euro, as a payments to beneficiaries. But, there are still big delays in starting the projects and their implementation for the period 2007-2013 is also late.

Nevertheless, the management authorities announced a great progress of payments to beneficiaries in the past year, meaning 67% in the period 01.01.2011 - 30.09.2011, which shows a high degree of implementation of contracted projects.

4. Conclusions

Ensuring a sustainable dynamically sustainable level of growth and economic-social development, similar to European countries, is an impossible mission without the strategic, institutional and financial support of the European Union.

However, at the 30st of September 2011 Romania had a rate of absorption of European funds of 17% and, although the amounts contracted until this date were high, totalling almost half of all funds, the actual payments are very few until this date. One example is the Management Authority for SOP Transport which, although it has two approved EU projects, worth a billion euro and projects submitted at the SOP-T Managing Authority and also to the EU, worth other two billion euro, it has the lowest rate of absorption so far, of only 5,65%. ROP and SOPHRD are still the "leader" programmes as far as structural funds absorption in Romania is concerned. With payments of 1201 million Euro, respectively 911 million euro, they have absorption rates of 31,08% and 25,68%.

There are some reasons for the large differences between contracted amounts and payments to beneficiaries like: a large number of terminated contracts. Another reason is the fact that in the first part of the project are made procurement procedures and, as a result, costs are higher in the second part and at the end of the project. The acquisitions delay the project and, as a result, extraction time payment is deferred.

Internationally recognized by most countries and economies, infrastructure is a major medium and long term concern, due to the significant influences on the level of competitiveness and the level of attractiveness of international investment flows. And, although part of the funds for infrastructure may also be accessed through the Regional Operational Programme, SOP Transport however is responsible for the greatest part of investments in infrastructure, which, according to the analysis, does not seem to be a priority.

Among the major issues regarding fund absorption is the time lag between the moment of submitting the financing application form and the moment of receiving the answer; the long duration of contracting procedures; delays in repaying the instalments spent by those who run projects; poor communication between management

authorities and intermediary institutions on one hand, and the applicants for financing from structural instruments on the other hand.

The findings of this analysis, which reveal a low rate of absorption of European funds, approximately 17%, is the starting point for beginning a research on identifying the main factors with negative influence on European projects in the Central Region. These results indicate the existence of an immature practice of project management in Romania. Identifying the causes of this low degree of maturity in project management should be a priority for the whole society to turn structural funding into opportunity.

The findings of this study on problems in the management of EU funds in the period 2007-2013 will find application in the next period, namely the period 2014 - 2020, when the Romanian specialists in the project will need to show more professionalism, more effectiveness in management of grants.

Some recommendations for better absorption of European funds in the future: reducing the number of documents required for preparing the file; improving procedures for accessing funds; improving projects' evaluation, public acquisition procedures; increasing the level of professional training; using the commercial banks' expertise for accessing funds; partnerships between public administration and consulting companies and generally increasing the number of public-private partnerships.

Improving the capacity to absorb European funds – which has become a constant preoccupation and concern of the government so far – first of all it involves identifying the main deficiencies, insufficiencies or inefficiencies encountered by the people responsible with writing projects and implementing them.

Note: Researches carried out within the framework of the project POSDRU/6/1.5/S/26, co financed from the Social European Fund by means of the Sectorial Operational Fund Programme „The Development of Human Resources” 2007-2013.

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