

EU Structural Funds Absorption in Romania: Obstacles and Issues

*Authors**:

Gheorghe ZAMAN,
Anca CRISTEA

A*bstract.* Romania's absorption capacity of EU structural and cohesion funds is based on the degree of implementation of Sectoral Operational Programmes (SOP) 2007-2013 within SOP Environment plays a central role in view of its complex relationships (horizontal and vertical) with other SOPs.

The present paper analyses the absorption capacity of SOPs in Romania, paying a special attention to SOP Environment, which can be considered an important tool for improving eco-efficiency standards and greening the economic growth.

The research is focusing on causes and factors of weak absorption of Structural Funds in Romania under the current economic crisis circumstances as well as on some ways of improving the situation in the future.

Keywords: absorption capacity of EU financial instruments; causes and obstacles to absorption; net contributors

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1. SOP Environment and European Environmental Standards

SOP Environment 2007-2013, through its priority axes and major fields of intervention, is a complex instrument influencing eco-efficiency parameters, at

* Gheorghe Zaman, Ph.D., Professor, Corresponding Member of the Romanian Academy, Scientific Researcher I, Institute of National Economy, Romanian Academy, e-mail: gheorghezaman@ien.ro; Anca Cristea, Ph.D.Lecturer, The Ecological University of Bucharest, Faculty of Economic Sciences, e-mail: lcanacristea@yahoo.com.

macro and microeconomic levels, in accordance with the objectives of the EU Structural and Cohesion Funds and EU Strategy 2020 for an **intelligent, green and inclusive economy**, harmoniously combining economic efficiency, social justice and inclusion with environmental protection and natural capital preservation.

The complex analysis of SOP Environment highlights not only the multi and intra-disciplinary nature of the research regarding environmental and sustainability issues, but also the role, of various intensity and extent, of such issues in the **alignment to the EU's European environmental standards** and the requirements of Chapter 22 "Environment" of the Community acquis, and the Community directives and other regulations concerning environmental policies, in general, and environmental fees policies, in particular.

In fact, the elaboration and implementation of SOP Environment in Romania, following the analyses performed, directly confirms one of the fundamental conclusions according to which the matter of satisfying eco-efficiency growth requirements at all levels is not necessarily related exclusively to certain economic and financial fields and mechanisms and technological systems, but also to their correlated entirety within the dynamics, with singularizations, of various intensities at various points in time. Consequently, the optimal solution to increase eco-efficiency in Romania is to use the consistent and compatible combination of the standards and norms regarding environmental protection and quality, regularly adapted and updated according to the changing reality, and the environmental fiscal policies and tradable green certificate system. Practically, all projects under the priority axes of SOP Environment must take into consideration ISO 14000 quality and environmental management standards, in correlation with other ISO 9000 standardization areas.

Given its location, complexity and length, SOP Environment may be considered the most complete general environmental standard in Romania that, directly or indirectly, imposes environmental and sustainable development regulations, good practices, strategies, policies and mechanisms in Romania, its time horizon going beyond the 2007-2013 financing periods.

The projects financed under SOP Environment have the direct and/or indirect obligation to comply with the **Community environmental standards**, and the sustainable development strategic objectives at the EU level, which are essentially the main eco-efficiency factors among the regulatory, legislative and institutional drivers involved.

In our opinion, SOPs in general, SOP ENVIRONMENT, in particular, have the greatest impact on eco-efficiency, especially through the regulatory leverage mechanisms and the Community restrictions compelling Romania to commit to

the **achievement of environmental standards** and embrace good practices in several major fields of intervention (especially water economy and integrated waste management, etc.).

2. Structural Funds Absorption Capacity

For Romania it is important, especially taking into consideration that our country suffered the greatest crisis impact between 2009-2011, to **use to the highest possible level** structural and cohesion funds, which are a complementary source of environmental investments and eco-efficiency and economic competitiveness growth, to reduce the gaps between Romania and EU developed countries.

Unfortunately, Romania occupies the last positions in terms of structural funds absorption level. In comparison with other EU member countries this has a negative impact upon the performance indicator of sustainable development and convergent process.

Table 1. Structural funds absorption level within Sectoral Operational Programmes in Romania

Operational Programme	Dec. 31, 2009 (%)	Febr. 28, 2011 (%)	April 30, 2011 (%)	May 31, 2011 (%)
Regional Operational Programme	12.87	16.96	18.85	21.50
Sectoral Operational Programme Environment	13.87	7.25	8.96	9.86
Sectoral Operational Programme Transport	2.40	2.44	2.59	2.61
Sectoral Operational Programme Increase of Economic Competitiveness	16.40	10.20	12.25	12.58
Sectoral Operational Programme Human Resources Development	6.54	14.95	18.20	19.10
Sectoral Operational Programme Administrative Capacity Development	1.58	5.71	6.82	7.44
Operational Programme Technical Assistance	1.25	7.42	7.47	8.98
Total	9.58	9.34	11.74	12.40

Source: Calculated using data from the Ministry of Public Finance, 2009 and 2011; primary data: http://www.eu.financiare.info/documente/cit_pr_semname_contractate.

In 2011, the level of absorption of the funds allocated through the SOP Environment decreased compared to 2009, being below the average absorption

level per total economy, (9.86% compared to 12.40%) in May 2011. According to Table 1, the highest absorption level is recorded, on a tapering basis, with ROP (18.85%), SOPHRD (18.20%) and SOPIEC (12.25%). However the highest degree of absorption in Romania is very modest in comparison with the situation in other countries.

Anyway, on the whole, it may be concluded that, until present, the structural funds absorption capacity of Romania is entirely unsatisfactory. To a certain extent, this situation has also been worsened by the negative impact of the economic crisis, which has led to the bankruptcy of a large number of SMEs, or other beneficiary applicants for structural funds, which were forced to give up co-financed projects due to the precarious financing resources available for projects that had already been approved and for which the funding had already been contracted.

Regarding the structure of the projects submitted by applicants, one may notice a **relatively high percentage** (Table 2) of **rejected projects**, of 40.06% on the whole, and 15.5% under SOP Environment. Apparently, the percentage of rejected projects under SOP Environment is relatively low; nevertheless, it should be reminded that, as a rule, this area implies large investment projects, financed by large amounts, projects that required a high volume of work, documentation and data processing.

The high level of rejection of projects financed from structural funds implies a double loss for the applicants; on the one hand, they missed co-financing from structural instruments representing, as a rule, between 50% and 85% of the total investment expenses and, on the other hand, they wasted efforts, work and money for file preparation and compliance with the bureaucratic requirements of SOPs, especially taking into consideration that most of those applying for investments financed from structural funds use services of specialized companies to write their projects, for rather high fees.

Table 2. Status of submitted projects, of which: rejected (A); subject to evaluation (B); approved (C), over the period 2007-May 2011

Sectoral Operational Programme (SOP)	Total projects		A		B		C	
	Nr.	%	Nr.	%	Nr.	%	Nr.	%
Regional Operational Programme	6311	100.0	2324	36.8	2399	38.2	1588	25.0
SOP Environment	424	100.0	79	18.6	145	34.2	200	47.2
SOP Transport	80	100.0	10	12.5	26	32.5	44	55.0

Sectoral Operational Programme (SOP)	Total projects		A		B		C	
	Nr.	%	Nr.	%	Nr.	%	Nr.	%
SOP Increase of Economic Competitiveness	6901	100.0	3515	50.9	1049	15.2	2337	33.9
SOP Human Resources Development	9893	100.0	5195	52.5	1806	18.3	2892	29.2
Operational Programme Administrative Capacity Development	1260	100.0	518	41.1	411	32.6	331	26.3
Operational Programme Technical Assistance	79	100.0	13	16.0	5838	3.0	64	81.0
Total	24348	100.0	11654	47.7	5838	23.4	7456	29.9

Source: Calculated using the data from the Ministry of Public Finance 2009-2011.

To improve the situation regarding the increased capacity to access structural funds in Romania, we have examined the main causes leading to this unsatisfactory situation of absorption, being convinced that the only solution is a firm and consistent action for the removal of such causes, obstacles and challenges.

3. Quantitative and Qualitative Analysis of Absorption Capacity in Romania on 31 May 2011

Table 3. Value of submitted and approved projects in the period 2007 – May 2011

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Sectoral Operational Programme	EU Allocation 2007-2013 cumulative		Submitted Projects			Approved Projects		
	Euro	Lei	Total value (lei)	EU contribution (lei)	% EU contribution to submitted projects	EU contribution (lei)	Total projects value	% EU contribution to approved projects as compared with EU allowances 2007-2013
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8=6/2)
Regional Operational Programme	3,726	15,205	50,970	31,598	207.21	10,570	16,713	69.51
SOP Environment	4,512	18,415	32,216	19,724	107.14	13,451	22,029	73.04
SOP Transport	4,565	18,633	36,154	22,020	118.18	3,743	9,390	20.09

Sectoral Operational Programme	EU Allocation 2007-2013 cumulative		Submitted Projects			Approved Projects		
	Euro	Lei	Total value (lei)	EU contribution (lei)	% EU contribution to submitted projects	EU contribution (lei)	Total projects value	% EU contribution to approved projects as compared with EU allowances 2007-2013
SOP Increase of Economic Competitiveness	2,554	10,423	56,565	26,211	251.45	5,348	11,738	51.31
SOP Human Resources Development	3,476	14,186	42,844	40,610	286.27	14,749	15,657	103.40
SOP Administrative Capacity Development	208	848	2,873	2,410	283.96	494	592	58.25
Operational Programme Technical Assistance	170	694	365	280	40.37	233	298	33.60
TOTAL	19,211	76,404	221,987	142,853	182.09	48,588	76,417	61.97

Source: ACIS data and own calculation.

From the Table 3 it is possible to draw a series of conclusions regarding the comparisons between submitted and approved projects in value terms by each category of SOPs. In this context we mention the big difference between the value of the EU contribution for submitted and approved projects, the biggest difference is in the case of regional Operational Programme SOP Transport and SOP Human Resources Development which can be explained by different perception of the beneficiary evaluation and that of EU specialists. At the same time we outline the relatively high percentage of EU contribution to both submitted and, to a lower extent, approved projects.

The largest volume of approved projects value belongs to SOP Environment Regional Operational Programme and SOP Human Resources Development.

Table 4. Contracts/Funding decision with beneficiaries 30 May 2011

Sectoral Operational Programme	Eligible value (lei)			Non eligible expenditure (lei)	Total projects value (lei)	% EU contribution contracted projects as compared with 2007-2013 EU allowances
	Allowed Funding		Own contribution of beneficiary			
	EU contribution	National budget				
SOP Regional	9,640	1,364	877	3,069	14,951	63.40
SOP Environment	12,736	2,516	331	5,175	20,741	69.16
SOP Transport	3,697	1,305	0	4,617	9,619	19.84
SOP Increase of Economic Competitiveness	4,273	732	1,911	1,819	8,737	41.00
SOP Human Resources Development	11,809	1,276	741	427	14,255	53.24
SOP Administrative Capacity Development	404	15	59	6	486	47.68
Operational Programme Technical Assistance	216	3	24	29	273	31.12
TOTAL	42,775	7,211	3,943	15,142	69,062	52.03

Source: ACIS data and own calculation.

The next steps in the absorption funds procedure regard concluded contracts and funding decision with beneficiaries (Table 4). In this stage it is worth to mention the higher level of EU contribution in the case of Regional and Environment SOPs, the SOP Transport being in an opposite situation. The beneficiaries' own contribution to project funding is equal to zero for SOP Transport, which is an advantage for the beneficiaries of structural and cohesion funds. Last but not least, we point out the relatively higher funds allocated to Environment, Regional, Transport and Human Resources Development SOPs.

In comparison with the previous stages (submission, valuation, contracting) the most relevant stage in assessing the capacity of absorption is that of payments to beneficiaries, which reflect the real fund absorption (Table 5).

**Table 5. Payments to beneficiaries,
30 may 2011**

SOP	Prefunding (lei)	Disbursements (lei)		Total payments (lei)	% EU Payment contribution as compared with 2007- 2013 EU allowances
		EU Contribution	State Budget		
SOP Regional	2,096	1,173	231	3,501	21.50
SOP Environment	1,417	358	77	1,893	9.86
SOP Transport	0	486	6	486	2.61
SOP Increase of Economic Competitiveness	496	815	115	1,427	12.58
SOP Human Resources Development	2,265	444	87	2,797	19.10
SOP AKAdminstrative Capacity Development	21	41	4	67	7.44
Operational Programme Technical Assistance	5	57	0	62	8.98
TOTAL	6,300	3,374	520	10,233	12.40

Source: ACIS data and own calculation.

A relevant criterion for efficiency of efforts made for taking advantage of EU financial instruments is the size of fund absorption capacity calculated as a payment to beneficiary proportion to the total EU allowances in the period 2007-2013. As far as this criterion is concerned it is clear that Romania has so far an unsatisfactory situation. In other words, for the first 5 years of the financial exercise 2007-2013, the absorption capacity is a rather modest (12.4%) in Romania. It turns out that the most probably at the end of 2013 a good part of EU funds allocated to Romania will not be used. In order to avoid this completely unacceptable situation for a country with the weakest economic performance, a radical change in accessing EU funds has to be put in place. In order to improve the absorption capacity and not to lose allocated funds it is necessary not only and more active implication of management authorities and other directly linked to structural funds entities but also the efficient and coordinated contribution of ministries, civil society components, business milieu, R&D institutes as well as of the EU bodies for a better monitoring and implementation of SOPs.

**Table 6. 2007-2013, Multiannual Financial Framework
(end of 2010) (% GDP)**

Country	Outstanding	Decided
Romania	12.6	15.1
Bulgaria	14.5	18.4
Czech Republic	13.2	18.0
Slovakia	12.6	17.4
Greece	6.9	8.9
Slovenia	8.2	11.4
Portugal	9.2	12.5
Poland	12.7	18.6
Hungary	18.3	24.4

Source: Brugel, based on European Commission dates.

The size of MFF of about 348 billion of the EU budget equal to 2.8 percent of the EU GDP is not as powerful an instrument for resource allocation as the national budget. Partial and slow allocation of structural funds to the majority of EU beneficiaries is an evident reality which has to be deeply improved.

**Table 7. Pre-allocated Structural and Cohesion Funds under Multiannual
Financial Framework 2007-2013 (% GDP)**

	2007	2008	2009	2010	2011	2012	2013	Total
Romania	1.07	1.37	2.22	2.54	2.63	2.59	2.67	15.09
Bulgaria	1.67	2.08	2.83	2.91	2.96	2.96	3.02	18.43
Czech Republic	2.41	2.53	2.65	2.6	2.6	2.58	2.6	17.98
Slovakia	1.6	1.53	1.65	1.67	1.52	1.64	1.64	11.40
Greece	1.37	1.29	1.27	1.26	1.35	0.4	0.26	1.82

Source: Brugel based on European Commission data.

The estimates in Table 7 have been elaborated before the economic crisis explosion and they show the annual contribution of pre-allocated structural funds to GDP growth. Unfortunately, these forecasts have been invalidated by the crisis impact, so that the problem of structural funds influence on the EU economics crisis has to be reviewed especially for the case of the countries which are "net contributors" in the sense that they are paying more money to the

EU budget as compared to the volume of funds absorbed by them from EU financial sources.

According to some optimistic estimations, payments are expected to reach a cumulative execution rate of 95 percent by 2015 (Marzinotto B., 2011). Although very attractive, these estimates are not realistic for Romania.

4. Priority Axes of SOP Environment

Our conclusions regarding the difficulties and causes affecting the process of structural funds absorption were based on the statistical and economic information concerning 164 projects contracted under SOP Environment on February 28, 2011, of which:

- Priority Axis 1/KAI¹/ – Expansion and modernization of water and used water systems - 21 projects (RON 11,762,653,031) - 77.5% of the total funds SOP Environment;
- Priority Axis 2 /KAI 1/ – Development of integrated management systems and expansion of the waste management infrastructure - 10 projects (RON 1,610,223,652) -10.6%;
- Priority Axis 2/KAI 2/ – Rehabilitation of historically polluted areas - 1 project (RON 12,680,976) - 0.1%;
- Priority Axis 3/KAI 3.1. – Reducing pollution and mitigating the effects of climate changes by restructuring and rehabilitating town heating systems to achieve the energetic efficiency targets in the localities most affected by pollution - 4 projects (RON 1,153,246,225) - 7.6%;
- Priority Axis 4/KAI 1/ – Development of infrastructure and management plans for the protection of biodiversity and Nature 2001 - 64 projects (RON 366,886,352) – 2.4%;
- Priority Axis 5/KAI 1/ – Protection against floods - 6 projects (RON 89,716,982) – 0.6%;
- Priority Axis 5/KAI 2 / – Reducing coastal erosion - 1 project (RON 27,339,598) - 0.2%;

¹ Key area of Intervention

- Priority Axis 6/ KAI 1/ – Support for SOP management and evaluation - 47 projects (RON 139,820,872) – 0.9%;
- Priority Axis 6/ KAI 2/ – Support for information and publicity - 9 projects (RON 21,548,162) – 0.1%.

The largest volume of funds was allocated for the expansion and upgrading of water and used water systems, which are indeed an area of priority for Romania, only 50% of the country having water supply and sewerage system.

The integrated waste management and pollution reduction by restructuring and rehabilitating town heating systems are also fund allocation priorities.

The total value of the projects on February 28, 2011 was RON 15.184 bln. (100.00%), of which:

Bln. RON

- Financing granted from EU funds	RON 9.357 (61.63%)
- Financing granted from the National Budget	RON 1.893 (12.47%)
- Beneficiary's contribution	RON 0.247 (1.63%);
- Non-eligible expenses	RON 3.686 (24.27%)

In the case of both SOP Environment and other SOPs, the main volume of allocation of funds is coming from EU Structural and Cohesion Funds which are considered as an important factor for Romania to overcome the economic crisis. The question which is very delicate is the extent to which allocated (promised) money for the whole period 2007-2013 can be absorbed by Romania in reality. The answer to this question represents a very controversial unknown both theoretically and practically. That is why we consider as justified the proposal of some specialists to create a "EUROPEAN FUND FOR ECONOMIC REVIVAL IN CRISIS COUNTRIES" based on the significant volume of structural and cohesion funds pre-allocated under the budget 2007-2013 which remain uncommitted or undistributed.

5. Obstacles and Difficulties in Implementing SOPs in Romania

Management authorities responsible at the sectoral level with the implementation of SOPs, and the beneficiaries of structural funds financing, faced complex and numerous problems, among others due to the fact that the launching of these

programmes was a premiere for all factors involved and, second, due to the additional adverse impact of the crisis.

5.1. The stage of SOP implementation commencement and structural projects was confronted with various difficulties, starting the project portfolio preparation and launching the application, and continuing with the launching of evaluation and commencement of implementation by the beneficiaries, especially for large projects, and ending with budgetary projects, at the institutional level, and legislative non-conformity or compatibility.

- The difficulties related to the project portfolio preparation included the following aspects:

Limited capacity of local and central public authorities to identify, establish priorities and prepare projects of special interest and attractive in terms of their impact and quality;

- a) **Insufficient expertise of management authorities** and of beneficiaries, who did not know how to use, with maximum exigency and efficiency, the technical assistance for the preparation of applications through major projects, offered by the European Commission (transport, environment, energy) concerning the quality of documents for project preparation, verification of the analytical and predictive tools of feasibility studies, adapting cost-benefit analyses to the specific characteristics of the various public or private sectors;
- b) **Insufficient financing resources** to cover important areas, such as transport infrastructure of national and European interest, combined with the poor quality of technical assistance and poor capacity of the beneficiaries to efficiently manage technical assistance projects;
- c) **Delays in creating inter-Community development associations**, an institutional preliminary condition in the case of projects related to the sector of water, waste management, operational base equipment for emergency interventions; local authorities are also guilty in this respect, because they failed to provide facilitating methodologies and documents to create such associations, showing lack of determination;
- d) Multiple difficulties were encountered in the case of operations for **identification of land for the location** of certain large investment objectives, such as waste treatment/disposal stations, the legislative modifications allowing expropriations for road infrastructure projects of national interest being made with delay and triggering confusion.

5.2. *The stage of project application launching* was marked by the existence of numerous obstacles and vagueness, among which:

- a) **The lack of medium- and long-term strategies**, prepared in accordance with European directives, has generated delays in project submission and approval, in the area of reclamation of contaminated sites or flood risk management;
- b) The approval of SOPs was not immediately followed by the **opening of financing lines**, the unacceptable delay discouraging applicants;
- c) The preparation of the launch of project applications was hindered by the fact that many management authorities have prepared the **applicants' guides with delay**;
- d) The **late** operation of certain modifications in the national legislation in various areas was not reflected in the applicants' guides, which generated an important delay in the launch of project applications (see the legislation regarding the technical and economic documentation for the commencement and approval of public investments regulated by GD No. 28/2008, which became effective in March 2008).

5.3. *The project selection and contracting stage* was characterized by the following difficulties:

- a) Relatively long duration of the project evaluation, selection and contracting processes, between 5-10 months from the submission until the result notification, due to the insufficient number of evaluators compared to the number of projects received, delays in contracting external, independent evaluators, launch of several operations under the same priority axis, lack of experience in preparing applicants' projects, especially in the case of SMEs, complex documentation required upon the submission of financing applications, need to request clarification chapters, which delayed the evaluation selection;
- b) Submission of **a very large number of projects**, during the last days before the deadline;
- c) **Significant difficulties** (in terms of financial effort in time) in preparing **financing application files**, especially in the case of applicants from the private sector;
- d) **Rejection** of a large number of projects (approximately 40% of the total number of projects submitted), due to the failure to comply with the eligibility conditions strictly related to the investment activities' infrastructure or financing (NACE Code);

- e) **The economic and financial crisis** between 2009-2011 affected many beneficiaries, especially from the private sector, which had used a certain EUR/RON foreign exchange rate within the projects submitted, a rate which subsequently depreciated, generating significant modifications of the estimated economic and financial parameters; this has led to giving up the implementation of projects in progress, or the submission of new projects, or difficulties in fulfilling the project activities initially established and agreed with the financiers;
- f) Following the project approval at the level of the management authorities/intermediation bodies, there are still several **difficulties due to the beneficiaries' failure to comply with the deadlines for transmission of additional documents** (balance sheet), necessary for the contract conclusion;
- g) The transmission by the beneficiaries of **incomplete or improperly filled out documents**, unavailability of beneficiaries' legal representatives and delays in the execution of the financing contracts, at the level of the management authorities/intermediation bodies.

5.3.1. The stage of project implementation, at the level of the beneficiaries, was hindered by the following obstacles of a bureaucratic or legal nature, by managing/ entrepreneurship incapacity:

- a) **Difficult progress in public procurement procedures**, delays in the contract awarding process due to the lack of guides and good practices for the contracting authorities, adapted to the specific characteristics of the procurement contracts;
- b) **Late preparation of awarding documents** by the beneficiaries/ consultants and beneficiaries' lack of experience in promoting and making large infrastructure investments;
- c) **Different interpretation by the parties involved** (ANRMAP – Romanian National Agency for Public Procurements Regulation and Monitoring, CSSC) of certain aspects related to public procurements, generating delays in the contract awarding process, by the issuance of preliminary decisions/opinions, cancellation of procedures;
- d) **Lack of procurement contracts in certain areas of major importance**, such as the infrastructure (water supply, used water treatment, solid waste, road transportation, railway transportation, etc.);

- e) **High number of public contestations**, plus long terms for the issuance of CNCS (National Council for Scientific Research) decisions in the trials deferred at the Court of Appeal, including the cancellation/re-commencement of public procurement procedures;
- f) **Re-commencement of public procurement procedures** for technical assistance contracts due to the modification of qualification and selection criteria and award criteria;
- g) **Major difficulties in ensuring the financial resources** for starting the projects, or the own contribution, up to the project financing, in particular, as a result of the economic crisis;
- h) **Relatively limited expertise capacity** of central and local administration beneficiaries in preparing and implementing the projects (lack of sufficient and experienced specialized personnel, especially in small localities, lack of strategic planning and scheduling of multi-annual rigorous budgets, poor management in the field of public procurement projects, and poor financial and budgetary management).

5.3.2. Legislative obstacles, having an adverse impact on the structural funds absorption rate, may practically appear in each of the SOP implementation stages, starting with the definition of the vision, sectoral strategies and priorities, until the preparation of applicants' guides, contracting and project implementation.

The current budgetary legislation generates **serious difficulties** horizontally, due to the fact that it contains a number of restrictive provisions hindering the efficiency and clarity of the projects financed from Community funds. First of all, these are legal public finance regulations regarding the conditions for beneficiaries' granting and recovering advance payments to/from the contractors, at the level of local authorities or regional operators. Taking into consideration that advance payments that are not justified by goods, locations or services supplied are recovered by the public authorities, at the end of the year, public institutions' beneficiaries avoid granting advance payments to the contractors because, at the end of the year, most of such advance payments should be recovered.

Besides the horizontal legislative obstacles, there are also sectoral legislation difficulties, regarding inter-Community development associations; the lack of enforcement guidelines regarding the local public administration law, of guidelines regarding the production of renewable energy, the legislative gaps in the field of public utility services, ensuring full compliance with in house rules, set

out at the level of the EU, for awarding water and sewerage services delegation contracts.

5.3.3. Institutional obstacles mainly refer to the accreditation of management and control institutions for all SOPs, the complexity of the procedures and problems related to the recruiting and retention of employees who, for various objective/subjective reasons, leave the job after a certain period of time, primarily due to the large work load, their responsibilities within the MA/IB and poor financial motivation. Employee turnover has an adverse impact on the process of accessing structural funds also due to the uncertainty of the positions occupied by specialized, highly qualified personnel, who may be replaced at any moment by less specialized and qualified personnel, for political reasons.

Besides other causes, **personnel turnover and the promotion according to extra-professional criteria** have generated delays in financing major projects that had received the neutral approval of the European Commission for project implementation, with an adverse impact on the absorption capacity and compliance with the environmental and European standard commitments, provided as Romania's firm commitment under the Treaty of Accession.

The impossibility to occupy vacancies in 2009, due to the effects of the economic crisis, has significantly reduced the capacity to fulfill job duties and the job compatibility, and the compliance with the principle of separation of functions, combined with 25% reduction of salary income for budget employees.

As far as central and local administration beneficiaries are concerned, the main difficulties affecting specialized personnel are the lack of legal regulation regarding a single wage mechanism, lack of stimulation and co-involvement of central public administration officers working within the project team, the project teams' members, the regime of contract-based employees, at the level of central and local administration, taking into consideration labor legislation and public offices.

The *ex ante* verification of the "public procurement provisions, according to the provisions of Tripartite Protocols (MA, ANRMAP, UCVAP – Public Procurements Coordination and Verification Unit) also faces serious obstacles.

The attempt to establish a **hierarchy** of the obstacles presented in this chapter, at a macro-economic level, has no relevance and use, due to the fact that each area, sector, SOP and project has its own distinct characteristics, influencing the hierarchy of the influencing factors and difficulties encountered, and the implementation of the solutions to be applied.

This analysis of the difficulties encountered in the execution of SOP Environment projects shows that these are sometimes accompanied by administrative and bureaucratic difficulties, generated at the level of the EU decision-making processes and laborious procedures.

Final remarks and conclusions

At the end of our paper we would like to mention that the Government of Romania, in accordance with EU decision making entities, took several measures in order to accelerate and improve the absorption process of the structural funds as it follows:

- doubling the maximum prefunding amount from 15% to 30% of the eligible value of financing contract;
- prefunding to beneficiaries receiving state aids up to 35% of the total value of the Grant;
- elimination of the obligation for SMEs to ensure their own contribution (as 4.3-Regional operational program);
- insurance of financial resources for beneficiaries represented by institutions of central public administration, by allocating within the state budget of the whole value of projects;
- modification of fiscal legislation (GEO no. 57/2010) with the aim to facilitate multiannual planning;
- speeding up of tender procedures by improving legislation of public procurements (decrease in the tender duration, the flexibility of the process by using a faster procedure, flexibility of eligibility criteria);
- support program for beneficiaries of structural instruments by guarantying of contracted credits, adaptation of a plan for priority measures. Aiming at acceleration of structural funds absorption by strengthening administrative capacity and strategic plan at the level of each management authority and intermediary organization as regards contract targets and payments until December 2011.

An important measure for improvement of absorption capacity consist in the subordination to the Prime Minister of the Coordination Agency of Structural Instruments which is considered to give a strong capacity of action and implementation to SOPs. More recently, it is intended to set up a new ministry

mainly devoted to a better and efficient absorption of EU structural and cohesion funds in Romania. This governmental intention is not supported by the opposition parties and other representatives of civil society.

The simplification of complicated procedures for public procurements and for better institutional cooperation in this domain is considered as an important factor for improving the favorable premises in the field.

It is worth mentioning, last but not least, the proposal as regards creating a European Fund for Economic Revival of Crisis Countries (Marzinotto B., 2011), taking into consideration that a significant volume of structural and cohesion funds pre-allocated remains uncommitted or undistributed. The main beneficiaries of the respective fund should be EU member-states the most affected by the crisis aftermaths.

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