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CONSIDERATIONS REGARDING THE ABSORPTION CAPACITY OF THE STRUCTURAL AND COHESION FUNDS, THE ADMINISTRATIVE AND FINANCIAL DECENTRALIZATION AND THE QUALITY OF THE GOVERNING ACT IN ROMANIA

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Abstract

The paper analyses the implementation of the cohesion policy of the EU, highlighting the nexus between the absorption capacity of European funds and the political and administrative factors in Romania. The deficiencies registered in the process of absorption of European funds lead to the conclusion of rethinking the regionalization process, an administrative and financial decentralization, in order to transfer competences from the central administration level to the local public administration authorities. By studying a series of indicators calculated at the level of the EU member states, the Global Governance Index in Romania, as well as the strategic needs and objectives of the current budgetary exercise 2014-2020, the conclusion may lead towards the fact that the act of governance represents a key factor for the construction and institutional management and the efficient absorption of the European structural and cohesion funds; as a result, the close relationship between the quality of governance and the effective administrative capacity is obvious.

INTRODUCTION

The main successful condition for the successful management of European funds is the administrative capacity of the national authorities. In this regard, the European Commission mentions, even the dependence between the quality of governance and the absorption capacity of the structural funds, good governance being considered as having an essential role in the performance of the Member States in what represents a sustainable, sustainable economic-social development, as well as in the development of a modern public administration. (European Commission, 2014).

Unfortunately, in Romania, the management of these funds has proved to be a faulty one due to several factors, of which we mention: the specific of the public administration, the different management styles, but especially the lack of experience. Also, the internal governance issues have affected the administrative capacity for the implementation of the economic, social and territorial cohesion policy of the European Union.

BRIEF REFERENCE TO THE SITUATION OF THE ABSORPTION OF EUROPEAN FUNDS IN ROMANIA (OCTOBER 2019)

According to recent information provided by the Ministry of European Funds (<http://mfe.gov.ro/situatia-fondurilor-europene-la-11-octombrie/>), the data are presented as follows:

- 9.92 billion euros entered Romania through the Cohesion Policy and the Agricultural Policy (out of the allocation of 31 billion euros), amounts to which are added another 6.88 billion euros direct payments to farmers;
- The total value of the open financing lines, represents approx. 94% of the total allocation of Romania, and represents 26.03 billion euros;
- 44.5 billion euros represents the value of the projects submitted for these financing lines;
- Approx. 25 billion euros is the total value of the financing contracts signed.

Furthermore, the contracting rate has increased more than 15 times, from 5% in 2016 to 88.56% of the allocation, at present; Romania's absorption rate is about 32% compared to the EU average, which is 36%.

In these conditions, the increase of the administrative capacity is significant in the process of regional development, with all the particularities generated by the situations specific to each development region. The deficiencies registered by the current administrative and political system in Romania in the process of absorption of European funds lead to the conclusion of the rethinking of the regionalization process, an administrative and financial decentralization in order to transfer

competences from the central administration level to the local public administration authorities (General strategy for decentralization, 2017-[https://www.mdrap.ro/strategia-general-a-de-descentralizare-\(sgd\)](https://www.mdrap.ro/strategia-general-a-de-descentralizare-(sgd))). Through decentralization, the local public administration can benefit from new skills in agriculture, environment, culture, health, tourism education, youth and sports.

The impact of European funds on Romania's competitiveness

Through the Structural and Cohesion Funds, the EU seeks to promote the sustainable development of the Member States, concentrating significant amounts of money in key areas, which positively influences national competitiveness and economic growth.

Within the POSDRU 2007-2013, the EU-funded priority axes targeted A1. Education and vocational training in support of economic growth and social development based on knowledge, A2. The correlation of lifelong learning with the labour market, A3. Modernisation of the Public Employment Service, A4. Promoting active employment measures, A5. Promoting social inclusion. Out of a total of 19.2 billion euros for all operational programs, for POSDRU the amount of 3.4 billion euros, i.e. 17.70% of the total, was allocated.

Regarding Romania's progress in attracting POSDRU funds, the interim and final reports (February, 2017), point to a series of difficulties that have prevented the attainment of a high degree of absorption. First, for the first part of the implementation period, 2007-2009, the main challenges were the lack of experience in the elaboration of the European financing projects, the economic crisis, as well as the poor information among the potential funding applicants. Thus, the 2007-2009 interval is characterised by very low POSDRU absorption rates, between 0% and 3%, the first financing call being opened in 2008. Secondly, in the next implementation phase, multiple cases of fraud, bureaucracy issues, response time, clarifications in the Applicant's Guide, mechanism for granting pre-financing were confirmed.

At the beginning of 2010, the European Commission recommended to Romania the simplification of the procedures, to increase the absorption rates, given that Romania was in the last place in this ranking. Moreover, in mid-2012 the European Commission suspended payments to POSDRU in Romania, due to the severe and multiple fraud situations (3746), detected in the monitoring and evaluation phases of the projects. After unblocking the funds, simplifying the procedures and improving the cash flow in the implementation of the projects, the absorption rates increased to 46.55% in 2015.

Taking into account that, both through the Europe 2020 Strategy and the Human Capital Operational

Program 2014-2020, the capitalisation of human capital as a resource for sustainable development is considered (POC 2014-2020); it is evident that the effects of the accumulation of human capital are also felt in terms of national competitiveness.

Correlating the absorption rates of POSDRU funds with Romania's competitiveness scores in the Global Competitiveness Report ranking, Figure 1 was obtained.

The Pearson correlation coefficient is 0.947, which highlights the strong relationship between the effects produced by the financing of human resources development and the national competitiveness score. As the absorption rate increases, there is also an increase in the national competitiveness score, which is however quite low (0.006).

Although no factor influencing competitiveness is uniquely sufficient, human capital is the factor with the most significant effect of training on other production factors. Moreover, given that the European Union financially supports the development of human capital, through operational financing programs, Romania has this possibility, through the existence of political and social or individual will. This opportunity is capable to strengthen Romania's competitive position, weakened in recent years by the economic crisis, tensions in the political scene, mass emigration among the young and/or highly qualified population, as well as by the instability of fiscal-administrative measures.

KEY OBSTACLES AND DEFICIENCIES IN THE WAY OF A BETTER USE OF EUROPEAN FUNDS – as reflected in the literature

Several studies in the literature reveal both key obstacles and shortcomings that have been faced with the efficient use of European funds (Georgescu, 2008; Zaman and Georgescu, 2009; Zaman and Cristea, 2011).

Numerous studies define the administrative capacity in correlation with the management of European funds. According to Bachtler et al., administrative capacity represents organisational structures, the adequacy and quality of human resources and the capacity for administrative adaptation (Bachtler et al., 2013). According to Marinov, administrative capacity is an essential component of good governance, although it is not limited to it (Marinov, 2011).

Also, a number of European studies and official reports of the European Commission acknowledge the role of governance, while others underline the importance of a well-trained staff working in specialized bodies of European funds, emphasizing the role of a qualitatively superior administration (implicitly the achievement of this sine qua non

entails the existence of a perfect symbiosis between administrative and political). According to various authors, the political factors of a state play a key role, so they must be better represented in the analyses of the implementation of the cohesion policy of the European Union (Milio, 2008; Surubaru, 2016).

The memory of institutions and administrative traditions are closely linked to the nation's capacity for public administration reforms (Knill, 1998), a concept recently used by other authors also, in explaining the problems that have arisen in Greece, regarding the application of European Union cohesion policy. (Surubaru, 2016).

THE ROLE OF DECENTRALIZATION AND THE QUALITY OF THE GOVERNING ACT

From the study of the absorption rate in the European Union countries, no definite conclusion has yet been reached regarding the nexus between administrative decentralisation and the absorption of structural and cohesion funds. A good absorption rate is related to the administrative capacity, well-trained staff or to better and more efficient prioritisation of the country's development objectives, so not necessarily a new administrative-territorial division of Romania.

What is imperative for Romania is legislation adapted to the current conditions, the main problem to be solved remains the funds that are managed centrally and not locally. The administrative-territorial units have low financial autonomy, for which they remain dependent, to a considerable extent, on the amounts transferred from the state budget, the major problem of the local authorities being that of the insufficient funds. As it is known their incomes are collected to a large extent from taxes from the citizens, which, to a large extent, are sent to the state budget, they are not available to the local authorities, and the tax collected from the legal entities, with their headquarters or activity in our country, are sent as a whole to the state budget (subsequently distributed to the community from which it was collected, in the form of quotas). So, although the money is produced at the level of local communities, the route of public funds is from top to bottom, from the centre to the periphery. It is necessary to allocate additional amounts to the local authorities and a division of tasks between the centre and the regions. Each ministry should adopt concrete decisions on the functions that can be decentralised and which cannot be decentralised. Unquestionably, the division of responsibilities between the regions and the centre involves work carried out in several stages and over time.

The factors that help us achieve a degree of decentralisation are numerous (historical process, culture with its specificity, ethnicity, educational

background, governing act and its quality at central and local level, etc.).

The quality of the governance act is crucial in ensuring a standard of living and well-being for citizens. Due to its importance, global indicators have been developed that have the role of revealing the performances achieved at a given moment and, of course, a comparative analysis between states. Such a global governance indicator is expressed through four, sub-indicators considered most relevant in our case: control of corruption, governance effectiveness, voice and accountability, the rule of law. Romania ranks last in the European Union (value 0.059), the level calculated being 18 times lower than the European Union average and 33 times lower than Denmark, which the country placed on the first position. Only Bulgaria is in a situation close to our country, which is why we consider that neither of the two countries that joined the European Union in 2007 has developed the right way for good practices and experiences in the field of government and public administration.

According to the World Governance Indicators (WGI), which measures six dimensions for 215 states, between 1996 and 2016, the evolution of the governance indicators in Romania is presented in the Table 1.

The six dimensions of the Global Governance Index refer to:

1. Voice and accountability - analyses the democratic ways of choosing a government and the ways in which it will respond for its actions / actions;
2. Political stability and absence of violence - evaluates the perception of the possibility of a government being affected, destabilized or overthrown by violent or unconstitutional means;
3. Government effectiveness - refers to the perception regarding the quality of public services, the independence from the politic, the quality of the body of civil servants, the implementation of public policies and the credibility of the government;
4. Regulatory quality - evaluates the perception regarding the government's ability to issue and implement viable policies, as well as regulations that favour the development of the private sector;
5. Rule of law - evaluates the perception on the observance of the country norms by the state agents;
6. Control of corruption - evaluates the perception of the extent to which the public power is used in order to obtain personal gains. (Șandor S.D., Creța S.C., 2014)

CONCLUSIONS

For Romania, the administrative incorporation, seen as a state of dependency of the administration and

control institutions, vis-à-vis the institutional hosts, is a major problem. The Managing Authorities (MAs), for the most part, have relied on their activity on the support of the ministries to which they belong. It is one of the causes why the process of managing the structural funds has been made difficult, due to the many deficiencies of interaction. Not to mention the *state-in-state* phenomenon due to the special status granted to officials responsible for European funding, perceived as a consolidation of their position. As well as the situation of the Managing Authorities that acted as independent departments in the state administration, which led to disagreements between officials (Surubaru, 2016). We believe that the administrative incorporation of these institutions into national structures has considerably increased their degree of vulnerability. To combat this negative effect, the solution would be the coordinated measures that would enable both the management and control institutions and the internal institutional environments.

Moreover, a number of measures are needed to combat excessive politicization in terms of the use of European funds, measures to enhance project selection independence, support to beneficiaries and ensure transparency in all procedural stages of European funded projects.

The quality governance act is a significant factor for the institutional construction and management, but also for the good absorption of the European funds. Consequently, the close connection between quality of governance and effective administrative capacity becomes evident.

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Figures & Tables

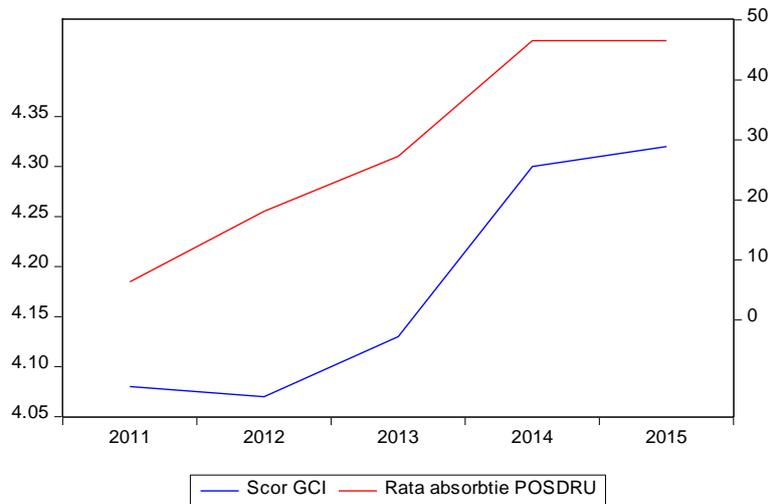


Figure No 1
Correlation between POSDR absorption rates and competitiveness score in the Global Competitiveness Report (2011-2015)
Source: developed by the authors in E-Views

Table No.1.
The evolution of governance indicators in Romania

Indicator	Year	Governance score	Rank (0-100)
Voice and accountability	2006	0,52	62,98
	2016	0,51	63,55
Political stability and the absence of violence	2006	0,15	50,24
	2016	0,27	55,71
Government effectiveness	2006	-0,21	48,78
	2016	-0,17	48,08
Regulatory quality	2006	0,46	64,71
	2016	0,59	70,67
Rule of law	2006	-0,12	50,72
	2016	0,30	61,54
Control of corruption	2006	-0,16	53,17
	2016	0,00	58,17

Source: Data processed from <http://info.worldbank.org/>