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DEBATE ON ROMANIA INTEGRATION IN EUROPEAN UNION

Case study

Keywords

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Abstract

The purpose of this paper is to analyze the current state of Romanian integration into the European Union through the analysis of statistical data related to the absorption way of structural and cohesion funds available in 2007-2013 (absorption indicators and economic competitiveness indicators: Gross Domestic Product, employment rate, unemployment, population). In addition there are analyzed the structural and cohesion funds available for Romania in 2014-2020, for each category of available operational program and also the measures that must be implemented for Romania to adapt in a performance way to Europe 2020. The analysis results are considered as prerequisites for the development of an underlying model of investment decisions in the integrated sustainable development of Romania.

Introduction

The European Union is set up with the aim of ending the frequent and bloody wars between neighbours, which culminated in the Second World War. As of 1950, the European Coal and Steel Community begin to unite European countries economically and politically in order to secure lasting peace. In 1957, the Treaty of Rome creates the European Economic Community (EEC), or Common Market. This single economic market has developed continuously until today reaching 28 partner countries, with a population of 507 069 000 inhabitants and an area of 4.493.700 million square kilometres. The initially economic construction gained new values since 1992 when after the Maastricht Treaty arose the EU. From a purely economic partnership, the EU reached an organization that founded European's development policy. Today, the EU operates as a state with laws, treaties, conventions adopted voluntarily and democratically by all members.

EU policy aims to facilitate the mobility of people in the union by removing border controls, creating a single economic market with free movement of goods and services, ensuring national and international peace and security, keeping European identity and diversity in the context of globalization, ensuring an integrated regional development (human resources, infrastructure, economic competitiveness, environmental, and administrative capacity). Underlying instruments of EU regional policy are the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund (CF). Integrated into the EU in 2007, Romania is a European country with full rights and obligations. Thus, in 2007-2013, Romania has benefited from EU instruments for integrated regional development. Sustainable development of Romania will continue in 2014-2020, Romania is still

eligible for these structural and cohesion funds.

The paper objective is to develop a statistical analysis of the data on structural and cohesion funds available for Romania in 2007-2013 and their implication in Romania's development. Statistical analysis based on indicators of absorption of European funds and economic competitiveness indicators (GDP, unemployment, employment, actual population). In addition there are analysed two aspects: the structural and cohesion funds available for Romania in 2014-2020, for each category of available operational program; the measures that must be implemented for Romania to adapt in a performance way to Europe 2020 (development of a smart, sustainable and inclusive growth).

The methodology used in this research paper is a bibliographical research and a statistical research. Through this methodology the data for the study have been collected, processed and analysed. The data are presented in statistical tables, this is a method which allows the description of indicators on which the performed analysis is based, and the establishing of the existing connections between its component elements.

The paper's objective will be attended by following the issues and aspects presented in each chapter: (1) an overview of the European Union policy in Romania, (2) European structural funds in Romania, (3) the statistical analysis of Romania after seven years of EU integration, (4) results and discussions, and (5) conclusions.

1. European Union policy in Romania

Romania was the first country of post-communist Europe to have official relations with the European Community. Since the Romanian Revolution of 1989, EU membership has been the main goal of every Romanian Government and practically every political party in Romania. Romania signed its Europe Agreement in 1993, and submitted its official application for membership in the

EU in 1995. During the 2000 years, Romania implemented a number of reforms to prepare for EU accession, including the consolidation of its democratic systems, the institution of the rule of law, the acknowledgement of respect for human rights, the commitment to personal freedom of expression, and the implementation of a functioning free-market economy.

Romania became an EU partner in 2007. Starting by this year Romania is part of EU cohesion policy, and she received structural and cohesion funds for sustainable development (reducing gaps between regions, improving infrastructure and environment quality, reducing unemployment rate, growing the employment rate thru creating new jobs, development of a new economy, green economy, based on competitiveness). This policy aims to counter the crisis and improving access to finance.

In particular, the focus is on support for research and innovation, sustainable development and creating a favourable environment for small businesses that are the backbone of the European economy. Parts of the funds are for border and interregional cooperation projects.

Through implementation of the cohesion and regional policy of the EU, it will hope to obtain an integrated sustainable development in Romania. Sustainable development, in the context of Europe 2020 Strategy means to create a smart, sustainable and inclusive growth. It is about delivering growth that is smart, through more effective investments in education, research, and innovation; sustainable, thanks to a decisive move towards a low-carbon economy; inclusive, with a strong emphasis on job creation and poverty reduction.

- Innovation with a target of 3% of the European Union's Gross Domestic Product to be invested in research, development and innovation,

- Employment with a target of 75% of the 20-64 years old people to be employed,
- Climate change and energy sustainability with a target of greenhouse gas emissions of 20% (or even 30%, if the conditions are right) lower than in 1990, the increase of 20% of energy from renewable sources, and 20% increase in energy efficiency;
- Education with a target of reducing the rates of early school leaving below 10%, at least 40% of 30-34 years old completing third level education;
- Fighting poverty and social exclusion, this means that at least 20 million fewer people will be out of poverty and social exclusion risks.

The strategy also, includes seven flagship initiatives providing a framework through which the European Union and national authorities mutually reinforce their efforts in areas supporting the Europe 2020 priorities such as innovation, the digital economy, employment, youth, industrial policy, poverty, and resource efficiency (European Commission, 2014).

The relationship between Romania and EU is an interdependence relation. Romania needs financial resources to increase investment in order to create a competitive and dynamic economy, to achieve a sustainable economic growth, and to reduce development disparities compared to Western countries. The European Union is interested in having a market of goods in our country, and at the same time to maximize its economic benefits from Romania's accession to EU.

Policies of economic integration types are those that have the main objective the creation of common market policies (market integration) and those that take the form of community economic policies (Roman, 2006).

2. European and Structural funds in Romania

2.1. Financial framework 2007-2013

According to the North-East Development Agency, the total amount of structural and cohesion funds allocated to Romania in 2007-2013 is 19,668 billion Euros of which:

- 12,661 billion Euros represent the Structural Funds under the Convergence objective. The beneficiaries of this funds are the regions that have recorded GDP/capita below 75 percent (%) of the EU average, in this category falling seven of the eight development regions of Romania;
- 6,552 billion Euros are allocated by the Cohesion Fund. The beneficiaries of this funds are the regions that have recorded GDP/capita between 75-90 percent (%) of the EU average, in this category falling Bucharest - Ilfov region;
- 0,455 billion Euros are allocated to the European Territorial Cooperation Objective (North-East Development Agency, 2013).

In February 2013, the European Summit on the Multiannual Financial Framework for 2014-2020 of the EU had established for Romania an increase of European Development Funds and Cohesion of 10 percentages. Thus, in 2014-2020, Romania is eligible for structural funds for 21,825 billion Euros (Ministry of European Funds 2013).

EU strategy to reduce economic and social disparities between the regions of Romania is financed by the EU Structural and Cohesion Funds: the European Regional Development Fund, European Social Fund and the Cohesion Fund. The EU's regional development strategy is implemented in Romania through sectoral operational programs:

1. Regional Operational Programme (ROP). These allocations will be used to finance projects deemed to have a major impact in the given context on local

development as facilitators of growth: rehabilitation and modernisation of local transport infrastructure to improve accessibility, education and health infrastructure to ensure human capital formation and healthy population, strengthening the business support structures (industrial, logistics and business parks) to attract investors, support to business creation of micro companies to allow local market to reach a critical self-sustaining mass, valorisation of the local tourism, cultural and natural patrimony by supporting the tourism infrastructure development and related entrepreneurial initiatives, as well as specific measures to support urban centres to function as a knitted network of engines for growth and spill over development opportunities in the neighbouring areas thereby helping to build economic regional links, presently missing in most Romanian regions (Ministry of Development, Public Works and Housing, 2007).

2. Sectoral Operational Programme Transport (SOP T). These allocations will be used to finance projects deemed to develop transport infrastructure, which will have significant impact on increasing the economic competitiveness, facilitate the economic integration with the EU, contribute to the actual development of the internal market and allow for the development of the Romanian economy. It is aimed at creating the conditions for increased investment activity, the promotion of sustainable transport and spatial cohesion. The potential decrease of air pollution and noise especially in the cities and increase in the public transport usage which is considered environmentally friendly transport and facilitation of the modal shift of the transport towards a less pollution, such as rail and water transport will have also a positive impact on the Romanian economy from the environmental and health point of view (Ministry of Transport, 2007).

3. Sectoral Operational Programme Increasing Economic Competitiveness

(SOP IEC). The specific objectives of the SOP IEC are: to consolidate and build an environment-friendly productive sector, To establish a favourable environment for sustainable development of enterprises, to increase research and development capacity, stimulate the cooperation between research, development and innovation institutions and enterprises, to increase the energy efficiency and sustainability of the energy sector (Ministry of Economy and Finance, 2007).

4. Operational Programme Administrative Capacity Development (OP ACD). The implementation of the reforms in the public administration sector is an important step for a sustainable improvement in the functioning of this sector. The management of the reforms is part of the entire management scheme from the public authorities, so this key area of intervention can be seen as part of the improving process of the management functions of the public administration

5. Sectoral Operational Programme Environment (SOP ENV). The aim of this programme is to reduce the environment infrastructure gap that exists between the EU and Romania both in terms of quantity and quality. This should result in more effective and efficient services, while taking fully into account sustainable development and the polluter pays principle.

6. Sectoral Operational Programme Human Resources Development (SOP HRD). The general objective of SOP HRD is the development of human capital and increasing competitiveness, by linking education and lifelong learning with the labour market and ensuring increased opportunities for future participation on a modern, flexible and inclusive labour market (Ministry of Labour, Family and Equal Opportunities, 2007).

7. European Territorial Cooperation (ETC) is central to the construction of a common European space, and a cornerstone of European integration. It has

clear European added value: helping to ensure that borders are not barriers, bringing Europeans closer together, helping to solve common problems, facilitating the sharing of ideas and assets, and encouraging strategic work towards common goals.

8. Operational Programme Technical Assistance. The global objective of this programme is to ensure support for the coordination and to contribute to sound, effective, efficient and transparent implementation and absorption of the Structural Instruments in Romania.

The systemic approach of the structural and cohesion funds available for Romania in 2007-2013 and the strategic targets of each operational program are outlined in Figure 1 by using Cybernetic Model. This Cybernetic Model is created on the structure of a technical-economic system, as it was presented by Draghici and Dobrea in Engineering and Management of Investment (Draghici & Dobrea, 2012). The inputs to the system are the sources of funding (operational programs) and informational resources; transformation processes are the stages of contracting and implementation of European projects and the outputs, the tangible results translated into sustainable development are GDP growth, development of transport infrastructure, qualification of human resources, increasing people's access to water and sewerage, economic competitiveness, administrative capacity development. Any technical-economic system has a control mechanism. The adjustment mechanism of the structural and cohesion funds system is represented by the European Commission.

Objectives of the regional and cohesion policy can be achieved through implementing projects by sectoral programs which provide funding. In Table 1 it is presented the financial allocation of resources from the structural funds and cohesion by operational programmes that are available, both for the period 2007-2013 and 2014-2020. In addition, is shown

the positive or negative evolution of the amounts broken down by operational programs.

Analyzing Table 1 it can be seen that in 2007-2013 a large part of the funds were directed to transport infrastructure and environment, 22% of the total Structural and Cohesion Funds for each programs. About 18% of the funds, 3.726 Billion Euros, were directed to the Regional Operational Programme (ROP). Priority Axis Development of Human Resources received 3.476 Billion Euros. Through Sectoral Operational Programme Increasing the Economic Competitiveness can be developed projects worth 2.554 Billion Euros. To encourage cross border cooperation, for maintaining good neighbourly relations and the development of transnational projects were allocated funds amounting to 1.586 Billion Euros.

2.2. Financial framework 2014-2020

In the 2014-2020 financial frameworks Romania continues cohesion policy through seven operational programs.

1. Large Infrastructure Operational Programme, a program that incorporates Operational Programs Environment and Transport, with an allocation of 9.07 Billion Euros, the comfort allocation as financial framework 2007-2013.

2. Regional Operational Programme recorded the highest increase of funds in relation to 2007-2013 frameworks, with more than 2.744 billion Euros, having for the current session an allocation of 6.47 billion Euros.

3. Administrative Capacity Operational Programme has an allocation of 0.52 Billion Euros, an increase of funds allocated with 0.312 Billion Euros.

4. Technical assistance in the implementation of European projects has an allocation of 0.3 Billion Euros, with an increase of 0.23 billion compared to the 2007-2013 financial program.

5. Competitiveness Operational Programme with an allocation for 1.26 Billion Euros recorded a decrease with

1.294 Billion Euros than in the previous financial framework.

6. Human Capital Operational Programme with an allocation of 3.44 Billion Euros recorded a decrease with 0.036 Billion than to previous financial framework.

7. European Territorial Cooperation recorded a decrease with 1.136 Billion Euros regarding the European funds allocated in this financial framework, having an allocation of only 0.45 Billion Euros (Ministry of European Funds, 2014).

3. The statistical analysis of Romania after seven years of EU integration

3.1. Romania's situation regarding the absorption of European funds

According to the Romanian Ministry of European Funds six years after the beginning of the financial framework 2007 - 2013, Romania's situation regarding the absorption of European funds is dissatisfactory. Of the total structural funds granted for regional development in the period 2007-2013 Romania has managed to absorb a very low percentage, the rate of absorption of structural funds in December 2013 being 33.47 percent of 19,668 billion Euros (Ministry of European Funds, 2014). The performances dissatisfaction regarding the rate of European funds absorption by Romania can have multiple causes: national accounting rules, business uncertainties, uncertainties financial environment, legislative dynamics, lack of consistent process for drafting projects, bureaucracy, corruption,

In Table 2, it is presented the breakdown of EU funds absorption rate according sectoral programs available in 2007-2013 (Ministry of European Funds, 2014).

Analyzing the statistical data presented in Table 2 it can be seen that the most competitive program was the Operational Programme Administrative Capacity Development with an absorption rate of 43.27%. Regional Operational Programme had an absorption rate of EU funds of 40.05%. The transportation projects had attracted in late December 2013 only

32.57% of the total funds available for this sector. Sectoral programs "Increase of Economic Competitiveness and Human Resources Development had an absorption rate of 24.6% each one. Environment is a priority to achieve the targets set by Europe 2020 Strategy. Environmental projects undertaken by Romania in 2007-2013 had attracted at the end of 2013 only 21.57% of the available funds.

The purpose of the regional policy of the EU is sustainable development of regions, removing gaps between EU regions, rising living standards. The economic indicators showing Romania's situation following the implementation of European projects are Gross Domestic Product, employment, unemployment rate, people at risk of poverty, population evolution. The evolution of these socio-economic indicators in 2007-2013 it is shown in Table 3.

3.2. Analysis of socio economic indicators

As we can see in Table 3 Romania is undergoing in recession. The statistical data presented in Table 3 are collected from Eurostat Statistics Database and United Nations Conference on Trade and Development (United Nations Conference on Trade and Development, 2013). Romania recorded a low rate of absorption of the European funds, decreasing the GDP, decreasing of FDI, the increase of the risk of people poverty. Romania had to take at the state level, on the one hand, measures to limit the negative effects of economic crisis, but at the same time, measures to back economic activity. Given the situation of economic crisis, we all know that when private investment is restricted because of the crisis, the state has the duty to compensate this investment deficit through a massive public investment (Cotetiu & Nasui, 2010). The Foreign Direct Investment (FDI) is an important element of economic development for any country. The FDI has a great importance for strengthening the economy of countries in transition and for

the integration of this group of countries in the global economy. The FDI leads to the modernization of national economies, especially those in transition through the implementation of advanced technologies, know-how enterprises, the most advanced equipment, and new standards of quality. This generates higher types of economic growth. The transition of ex-socialist countries from central and Eastern Europe to market economies, more or less functional, occurred thanks to the expansion of FDI in the region (Geamanu, 2012).

Statistics of FDI in Romania show a sinusoidal evolution, with periodic increases and decreases, caused by the lack of a real national strategy on investment. It can be said that it has been invested more based on kindness of international funds or financial institutions than based on real needs (Dobrea, 2009).

The steady decrease in population is alarming and is influenced by excessive migration, the aging of population, and low birth rate.

In a few years, Romania will face with serious problems in terms of the balance of payments. The retiree's number is increasing while the active population is declining. Declining the population means lower GDP, lower active population rate, the increase of the risk of poverty among the elderly, Romania becoming a country unattractive to investors (Eurostat, 2014).

4. Results and discussions

Romania's EU integration has meant the introduction of the country in the European cohesion policy. In the period 2007 - 2013, Romania has benefited from EU structural and cohesion funds for 19.668 Billion Euros. Instruments of implementation of structural funds were eight sectoral programs: transportation, environment, economic competitiveness, human resources development, development of administrative capacity, regional development, technical assistance, and European territorial cooperation.

Through implementation of the European projects has been desired the increasing of living standards, translated into GDP growth, reducing the risk of poverty, decreasing the unemployment, growing the rate of employment, attracting foreign investors. At the end of financial framework 2007-2013, Romania faces with major problems. It has managed to attract only a small percentage of the Structural Funds provided, which led to failure to achieve the objectives established.

Between 2014-2020 Romania benefits from European support for integrated sustainable development. EU has set a number of objectives that Romania must fulfil. Development of the next financial framework is under sign of the Europe 2020 Strategy.

The current situation of Romania regarding the sustainable development and objectives that have to accomplish in the period 2014-2020 is presented in Table 4 (Eurostat, 2013).

The structural and cohesion funds available for Romania between 2014 and 2020 must be oriented to accomplish the targets set by EU. The Projects that will be implemented in this financial framework must increase the employment rate from the age group 20-66 years from 63,4 % to 70%. Research, Development and innovation is the main domain that can provide innovative ideas for sustainable development, for creating a green economy, and because of this Romania must increase the percentage of expenditure from GDP for research and innovation from 0.43% to two percent.

A clean and healthy environment means lower greenhouse gas emission and higher share of renewable energy in gross final energy consumption.

A competitive society is characterized by high percentage of people between 30-34 years that are completed tertiary studies, low percentage of people between 18-24 years that are early leavers from education

and training, and low level of people that are in risk of poverty or social exclusion.

Conclusions

Structural and Cohesion Funds are designed for integrated sustainable development of the EU countries, and for creating a competitive economy, a green economy. The low percentage of structural funds attracted by Romania to date has prevented the integrated sustainable development of the country and the reduction of gaps between Romania and the other EU countries. The low rate of absorption of structural funds can be explained by excessive centralization, bureaucracy, corruption, blocking some sectoral programs, lack of transparency in the awarding of tenders, lack of human resources experience in implementing European projects, financing some underperforming projects. Today, Romania is facing with serious problems:

- Continuous decrease of the population number,
- Decrease of the GDP,
- Decrease of the employment population rate,
- Increase the percentage of school leavers,
- Low degree of tertiary education graduates,
- Increase the number of persons in high risk of poverty or social exclusion,
- High emission degree of greenhouse gases,
- Decrease of foreign direct investment,
- Low degree of absorption of European funds,
- Low investment in research and innovation.

These problems can be solved in the years 2014-2020 through the correct implementation of EU funds to achieve the targets set by Europe 2020 Strategy.

Integrated sustainable development invests equally in the environment, society and economy. These three elements must be the support for building the Romania's

future development, a development based on sustainable development and green economy.

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Appendices

Table 1
European funds allocated for Romania between 2007 - 2013 and 2014 - 2020 by the Operational Programs

#	Operational Programme	Funds Allocated in 2007-2013 Billion Euros	Funds Allocated in 2014-2020 Billion Euros	Evolution of funds Billion Euros
1	Operational Programme Technical Assistance	0.17	0.3	+0.23
2	Operational Programme Administrative Capacity Development	0.208	0.52	+0.312
3	European Territorial Cooperation	1.586	0.45	-1.136
4	Sectoral Operational Programme Increase of Economic Competitiveness	2.554	1.26	-1.294
5	Regional Operational Programme	3.726	6.47	+2.744
6	Sectoral Operational Programme Human Resources Development	3.476	3.44	-0.036
7	Sectoral Operational Programme Environment	4.512	9.07	0
8	Sectoral Operational Programme Transport	4.565		

Note. European funds allocated for Romania: Ministry of European Funds, 2014 and evolution of funds from personal calculations.

Table 2
Absorption rate of the European funds in Romania by the Operational Programs

#	Operational Programme	Funds Allocated for 2007-2013	Absorption Rate
1	Operational Programme the Administrative Capacity Development	0,208	43,27
5	Regional Operational Programme	3,726	40,05
7	Sectoral Operational Programme Transport	4,565	32,57
3	Sectoral Operational Programme "Increase of Economic Competitiveness	2,554	24,60
4	Sectoral Operational Programme Human Resources Development	3,476	24,6
6	Sectoral Operational Programme Environment	4,512	21,57
8	Operational Programme Technical Assistance	0,17	18,93

Note. Management Authority of these programs and Ministry of European Funds, 2014.

Table 3
Evolution of Socio-economic indicators between 2007 and 2012

Indicators	2007	2008	2009	2010	2011	2012
GDP (Million USD)	170.617	204.339	164.344	164.436	189.776	175.985
Foreign Direct Investment (Million USD)	9.921	13.909	4.844	2.940	2.523	2.242
Employment rate (% active population)	64.4	64.4	63.5	63.3	62.8	63.8
Unemployment rate (%)	6.4	5.8	6.9	7.3	7.4	7
People at risk of poverty (% total population)	45.9	44.2	43.1	41.4	40.3	41.7
Population	21.130.503	20.635.460	20.440.290	20.294.683	20.199.059	20.095.996

Note. United Nations Conference on Trade and Development, 2013 and Eurostat, 2014.

Table 4

Romania distance to the national Europe 2020 targets

	Romania current situation	Romania Targets	EU Targets
Employment rate age group 20-64 %	63.8	70	75
% GDP expenditure on research and development	0.42	2	3
Greenhouse gas emissions million tons of CO ₂	51.84	19	20
Share of renewable energy in gross final energy consumption %	21.4	24	
Early leavers from education and training % of population aged 18-24	17.4	11.3	10
Tertiary educational attainment % of population aged 30-34	21.8	26.7	40
Reducing level of people at risk of poverty or social exclusion	240.000	580.000	20.000.000

Source: Eurostat, 2013.

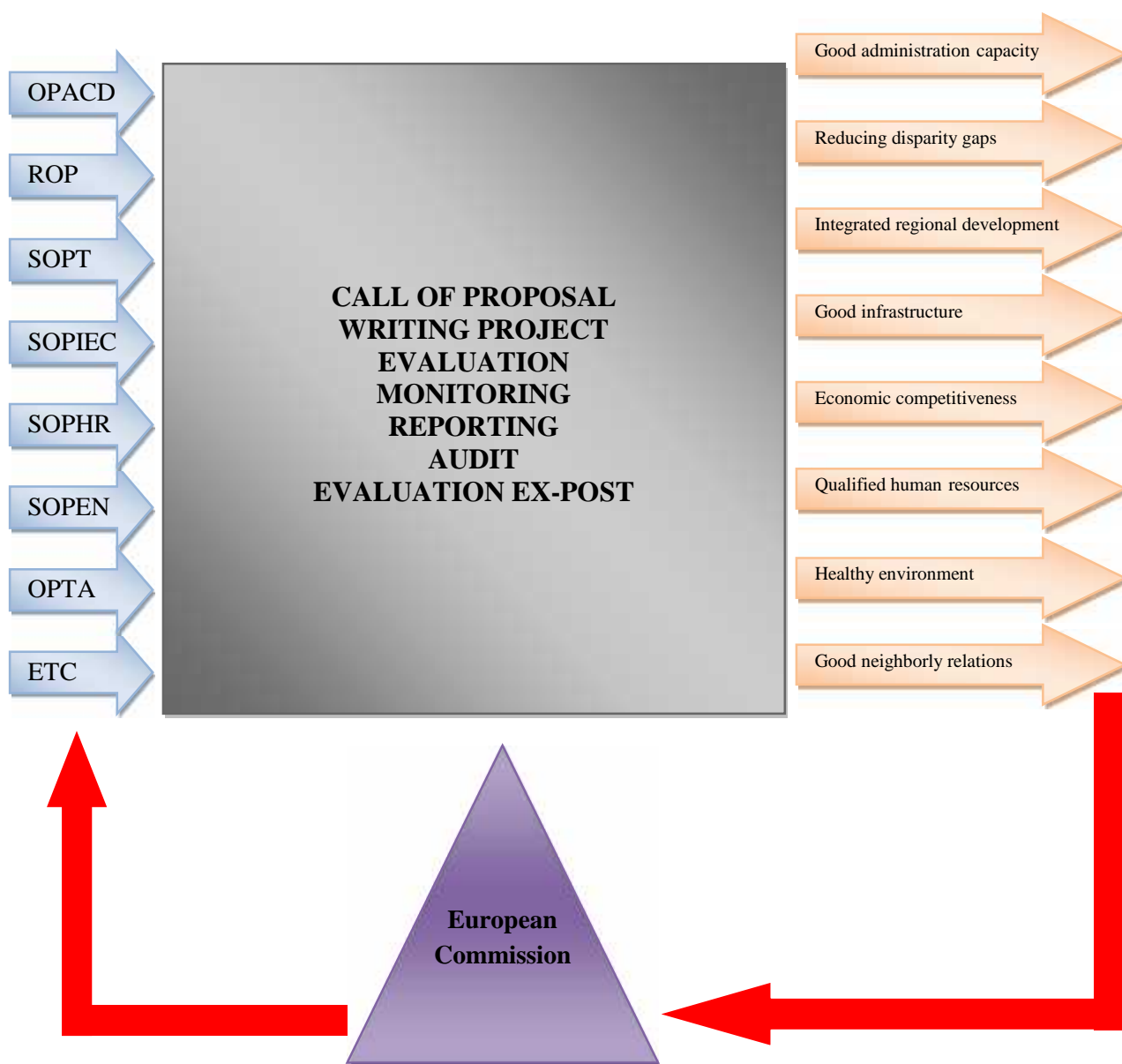


Figure 1. Cybernetic model of European funds.