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ROMANIAN ADMINISTRATIVE CAPACITY OF EUROPEAN FUNDS ABSORPTION¹

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Abstract: *The capacity to absorb European funds is part of a state complex integrated administrative capacity, a component of a state as a whole. The analysis in this article starts from the theoretical development by studying the reports made by the Romanian Government, correlated with the European Union reports on funds and Romanian legislation. This analysis of the EU's structural funds, highlights the importance of accessing them and the degree to which Romania and member countries benefits of income support.*

European funds are meant to supplement a member of the Union funds to the extent that they are accessed through the projects. Money allocated on type of operation is distributed in amounts proportionate to that state needs. Money distributed will be justified by their realization of infrastructure projects, environment, transport, human resources development, rural and regional development.

Theoretical research lay the foundation for determining administrative capacity in Romania from the first time of defining the concept until now. Empirical research reveals the degree of absorption of which is that Romania has in comparison with some EU countries, former socialist countries present democratic states.

The absorption capacity of European funds determine the strength of a state administrative management issues in the management of monetary dated. Power in handling management administrative problems can be efficient in higher manner and it's represented by cost-benefit analysis and the degree of satisfaction of citizen interest. As public services are financially supported and developed, the degree of citizen satisfaction is greater in an implemented decentralized administrative system.

Key words: administrative capacity, structural funds, economic development, funds distributions

JEL Classification: H4, F3, D73

1. ABOUT THE ADMINISTRATIVE CAPACITY

Administrative capacity is defined in the Decentralisation Law Framework, 195/2006, art. 2 letter. b and is the body of material, institutional and human resources available to the administrative-territorial unit, and the actions they carry out this exercise established by law.

Antonie Iorgovan claimed that the administrative capacity of public administration bodies, their ability to understand issues in administrative legal relations claimed by the realization of their powers (Iorgovan, 2005). Administrative Bodies can be explained as the category which means all

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the duties of administrative bodies, departments or individuals and their performance limits (Iovănaș, 1977).

The literature gives new meanings of the concept of administrative capacity, equated with the concept of decentralization and development of public services. Transfer of responsibilities in the provision of public services is often accompanied by decentralization of political powers and fiscal decentralization (Ghobadian, 2009). Studies show that decentralization is an effective solution to meet the local needs of central planning. By improving the definition and correlation of income from taxes, to increase the benefits of decentralized financial system, compared with the centralized system.

In Romania were introduced with the Operational Programme Administrative Capacity Development, by priority axis I, program structure and process improvements of public policy management cycle. National Strategic Reference Framework 2007 - 2013 (NSRF) aims to improve the strategic approach to regional policy and economic and social cohesion in Romania and achieve coordination with the European Commission policies, in particular the Lisbon Strategy, which develops policies for economic growth and creating jobs (PO DCA 2007). Social progress has led to changes in public services provided by state powers. Long-term changes have occurred in the twentieth century, which are visible at a structural level. With the financial crisis of 1929 came the Great Depression and administrative. Now we face another financial crisis than other failure of the administrative system and new financial and economic rehabilitation attempts.

Development of administrative capacity requires structural and organizational changes in governments to improve the formulation and implementation in order to obtain the best results. Public policies are instruments through which government implements all measures taken to attempt to solve the problems of national interest. The Government policy seeks effective approach in solving problems of a public nature. The Government develops policy regarding legislation, regulations, decisions and actions of the administration. According to the Ministry of regional development and tourism, public policy is a series of activities carried out by specialized central public administration, primarily aimed at public policy problems identified. Policy documents are: plan, strategy and policy proposal.

2. THE ADMINISTRATIVE CAPACITY OF ABSORPTION EUROPEAN FUNDS

The administrative capacity of absorption of European funds can be defined by capacity building in local government and civil society to design and implement development projects.

2007-2013 EU budget periods began on 1 January 2007 when the funding scheme for this period has been modified and new programs were launched.


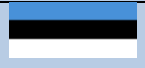



Table 1 - Structural Funds available for EU Member States



Member states	2007-2013			2010		2011	
	Total allocations 2007-2013 Billion Euro	% GDP 2010	% Total	Total allocations 2010	% GDP 2010	Total allocations 2011	% GDP 2011
Bulgaria	6,9	19,3	3,8	1,0	2,9	1,1	3,0
Czech Republic	26,7	18,3	15,0	3,8	2,6	4,0	2,6
Estonia	3,5	25,0	1,9	0,5	3,5	0,5	3,6
Cyprus	0,6	3,7	0,4	0,1	0,5	0,0	0,3
Latvia	4,6	27,7	2,6	0,7	3,9	0,7	4,2
Lithuania	6,9	26,7	3,9	1,0	3,8	1,1	3,9
Hungary	25,3	26,2	14,2	3,6	3,8	3,8	3,8
Malta	0,9	14,5	0,5	0,1	2,1	0,1	2,0
Poland	67,3	19,0	37,8	9,4	2,7	10,0	2,7
Romania	19,7	16,0	11,0	3,1	2,5	3,3	2,5
Slovenia	4,2	11,7	2,4	0,6	1,7	0,6	1,7
Slovakia	11,6	17,6	6,5	1,7	2,5	1,8	2,5
Total	178,1	19,0	100	25,6	2,7	27,1	2,7
Other funds							
Rural development	37,6	4,0	-	5,6	0,6	5,5	0,6
Fishing funds	1,4	0,1	-	0,2	0,0	0,2	0,0
Other funds	217,0	23,2	-	31,4	3,4	32,8	3,3

Source: Data Processing from The European Bank Coordination (“Vienna”) Initiative, The Role of Commercial Banks in the Absorption of EU Funds Report by the Working Group, march Brussels 2011

The amounts to be allocated from the total EU budget for 2007-2013 range from 3.7% GDP, as in Cyprus and 26.2% of GDP for Hungary. In 2010 and 2011 the largest amounts were allocated to the Czech Republic and Hungary.

Table 2 - Absorption of structural funds, compared with other Member States in 2010

	EU Countries	Total allocations 2007-2013 Billions. Euro	Payment in December 2010	Absorption rate
	Estonia	3,5	0,9	26%
	Latvia	4,6	1,3	29%
	Poland	67,3	13,7	20,4%
	Czech Republic	26,7	3,3	12,4%

	Bulgaria	6,9	0,7	10,2%
	Romania	19,7	1,65	8,6%

Source: Data processing from Annual Report 2011 - Council Tax

In 2010 the average rate of absorption after four years of the accession countries is well below average in the region (8.6% vs. 17%). In 2010 we can see an improvement in the contracting process of structural and cohesion funds, the contract rate of 42% against 16% in 2009.

Thomas W. Haase (2009) believes that the administrative capacity is possible by implementing state policies of four measures. These measures aim: making a database with information for monitoring administrative actions, strengthening policies and administrative institutions, strengthening community infrastructure and strengthening of international management. The literature defines the administrative capacity to absorb as part of a system that consists of three factors (Horvat, 2004). The first factor is the ability to absorb macro that can be measured in relation to GDP. Thus, the Council Regulation no. 1260/1999 provides that amounts received by any Member State from the Structural Funds in combination with assistance provided under the Cohesion Fund - should not exceed 4% of national GDP

Financial capacity of absorption is the ability of public authority's access to programs that require financing. According to the author Andrej Horvat, administrative absorption capacity is the capacity of central and local authorities to draw up projects and develop over time, making long-term forecasts to ensure the sustainability of projects. Administrative capacity of absorption also means the development of public-public partnerships, public-private transnational twinning.

According to the decentralization law, the administrative capacity framework is separated into two categories:

- First Category belongs to the administrative-territorial units that have the ability to achieve the necessary administrative powers transferred. Local authorities in these administrative units may fully exercise the powers transferred in terms of efficiency;

- Second Category includes the administrative-territorial units which are unable to achieve the necessary administrative skills for transfer.

In aid of the two categories, but also for improving the first category have developed a series of programs designed to improve the administrative capacity of public authorities. The main drawback of territorial administrative units is the lack of funds for carrying out tasks within their competence. Operational Programme Administrative Capacity Building is one of the solutions

provided by the European Union, along with other types of projects accessed by other programs such as PO REGIONAL, POS MEDIU, POS TRANSPORT, POS CCE, POS DRU, PO AT.

Table 3 - Global Financial Programming of National Programme Developing (NPD) 2007-2013

Billions Euro

NPD Priorities	2007	2008	2009	2010	2011	2012	2013	TOTAL
P1 Competitiveness	651,48	620,72	793,14	882,76	842,95	761,25	682,12	5.234,43
P2 Transportation	2.094,99	2.517,48	2.465,25	2.465,25	1.819,84	1.832,20	1.853,75	14.654,79
P3 Environment	753,18	898,70	1.099,11	1.099,11	1.069,54	810,78	806,23	6.597,98
P4 Humane Resources	711,65	912,51	1.297,08	1.317,59	1.313,22	1.115,85	940,72	7.608,60
P5 Rural Development	1.585,56	1.757,72	2.200,96	2.335,49	2.395,08	2.445,15	2.517,37	15.237,32
P6 Regional Development	1.294,79	1.280,99	1.397,96	1.336,37	1.342,35	1.344,55	1.342,97	9.339,98
TOTAL	7.091,65	7.988,12	9.253,50	9.103,95	8.782,98	8.309,78	8.143,16	58.673,10

Source: National Plan of Development 2007-2013, Romanian Government, Ministry of Public Finance

Operational programs offers the opportunity to access European funds by the central government and local authorities for sustainable development and improving administrative capacity. Government of Romania counts on priority areas to strengthen organizational effectiveness processes in public administration and improve the quality and efficiency standards in public service delivery. From the opening lines of financing, Romania has reached only 13% of European funds available for 2007-2013. The effective absorption after advance payment is lower, reaching a level of 3% in 2011.

On 31 March 2010 Ministry of Finance said that the amount paid by project beneficiaries of European funds was almost 3 billion. The amount reported in the period 2007-2009 increased by 2%, totaling approximately 12.41%. According to data submitted by the Ministry of Finance, in 2011 the number of approved projects is 8505. Payments made to beneficiaries of 11341.77 reached mil.

Table 4 - The situation of the projects submitted by type of operation to 31.7.2011

Types of programs	No. projects submitted	Projects rejected	Projects being evaluated	Projects approved	Contracts / funding decisions with beneficiaries	Payments to beneficiaries (million)
PO REGIONAL	7.833	2.512	1.740	2.190	1.855	3814,34
POS MEDIU	440	88	116	234	208	2077,56
POS TRANSPORT	96	13	32	51	46	552,02

Types of programs	No. projects submitted	Projects rejected	Projects being evaluated	Projects approved	Contracts / funding decisions with beneficiaries	Payments to beneficiaries (million)
POS CCE	9.037	3.696	1.319	2.730	1.859	1538,91
POS DRU	10.166	5.195	1.806	2.894	2.116	3209,84
PO DCA	1.305	531	430	332	315	76,18
PO AT	87	13	0	74	69	72,92
7 PO	28.964	12.048	5.443	8.505	6.468	11341,77

Source: Data processing from www.fonduri-structurale.ro, accessed at 15th of August 2011

According to the table we see that there is a significant difference between the degree of access to projects on Regional Human Resource Development Program, unlike SOP Transport and Technical Assistance Program. Of the total number of project submissions by 31 July 2011, only 8,505 were approved, the number is lower than the rejected projects totaling 12,048.

CONCLUSIONS

Administrative simplification is an issue on the agenda of OECD countries. Romania wishes for modern government: decentralization, sustainable development, strengthening of administrative capacity, improvement of public policies, more transparent decision-making, improving the quality of public service.

Even though there have been changes at the legislative and the administrative structure, Romania's administrative capacity cannot be fully defined, depending on a number of factors that cannot be predicted accurately. In terms of administration are necessary to adapt processes to enable it to mitigate bureaucracy and focus on economic policies to promote competitiveness.

The need to redefine the administrative capacity is needed both from theoretical perspective, especially in practical application. Administrative capacity can be viewed from several directions. Various authors, including administrative capacity Nelissen argue that efficiency can be defined in terms of performance and is represented by local government capacity to act on problems. Administrative capacity is influenced primarily by legislative barriers, demographic, political influences, ecological factors, new consumer demands. The author defines the administrative capacity by using a simple mechanism in the form of a triangle and considers new types of government, assessing the legal context, economic and political and social values. Equilibrium of

this type of government that determines the administrative capacity is given by the point where three lines intersect at right angles of the triangle JEP (legal-economic-political).

The main drawback of territorial administrative units is the lack of funds for the tasks they have to do. Operational Programme Administrative Capacity Building is one of the solutions implemented by the European Union, along with other types of projects accessed by other programs. Government of Romania counts on priority areas to strengthen organizational effectiveness processes within the Romanian public administration and improve the quality and efficiency standards in public service delivery.

In the analysis undertaken we find that capacity to attract European funds Romania is low. Compared with the degree of absorption of Poland, the Romania absorption rate is minimal. Poland is a former communist state after accession to EU structures to work towards development by attracting funds provided. In 2008 the Polish government launched a package of financial stabilization and economic development plan. The package includes measures for financial stabilization and economic growth, with a value of 91.3 billion zlotys. In 2010 Poland has initiated a new program called Better Legal generic Programme Regulations. The main objective of the program is to implement measures to ensure the creation and operation of effective regulation, stable and transparent economy. Main working tools for achieving this objective are to improve the process of creating new laws and regulations to improve and simplify the existing economic.

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