

EUROPEAN FUNDS MANAGEMENT ANALYSIS—A CASE STUDY OF EUROPEAN SOCIAL FUNDS IN ROMANIA FROM 2007 TO 2013

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Abstract: This article focuses on fund financing management of one of the utmost important European Union funds, the European Social Fund (ESF), and its implementation in Romania in its post adherence period (2007-2013). In this respect, the main aspects regarding the management and implementation of this program in Romania, as compared to other European countries, are analyzed taking into consideration the declared objectives at its launching moment. Through a defective management, these objectives have not reached their target, whereas the educational market of continuous adult education has been strongly distorted from the competitive point of view. Moreover, due to inadequate financial management, many of the involved agencies—private companies, schools, constitutive parts of the civil society, have gone bankrupted—the fact that would lead to a serious social imbalance.

The research part of this article, being implied in the management of the most important strategic projects of this program (projects in qualifications for the spa tourism, agro-tourism, and food industry), presents a critical point of view on ESF management at a national level and highlights a set of proposals and recommendations, so that, between 2014 and 2020, Romania should be aligned with the European standards regarding the performance in implementing programs with non-reimbursable financing.

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Introduction

The European Union (EU), as a counterpart to the USA, the global economic power, has the aim of becoming the world's number one economic power. Therefore, it has assigned a budget for regional and sectoral development at a European level, so that unity through diversity should become an important source of synergistic development within the old continent. Hence, the European Union has exceeded the USA in population and in GDP, but it is still far off in terms of productivity. Therefore, through the European Social Fund, it intends to heavily invest in its human resources, this being practically the only way so as to ensure the same competitive standards the USA is continuously improving.

In Romania, with Europe's laggard in all macroeconomic indicators, financial allocations were provided during 2007 and 2013 in order to solve or improve the main economic issues—economic growth competitiveness by addressing regional disparities in economic development, environmental issues, creation and/or improvement of transport infrastructure in all its constitutive parts, and development of agriculture. If the financial sum of 33.5 billion EUR was spent accordingly, together with another 3.47 billion EUR allocated by ESF by the means of Programul Operational Sectorial Dezvoltarea Resurselor Umane (POS DRU), in 2015. At the end of the projects implementation, Romania should have reached about half of the average productivity of the EU countries. What actually took place, through a defective management of all the European programs, was that the absorption rate only reached a third of the financial allocation, with Romania being the net contributor of the EU budget. In other words, Romania had contributed more than it gained.

POS DRU or Human Resources Development Operational Programme (HRD) is not only the investment in Romania's labor competitiveness, but also an important source of revenue for the state budget, whereas most of the amounts is allocated to salaries. For this reason, every LEU spent for net

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wages means another 84 BANI is contributed to the State budget plus taxes, thus with these charges, the state earns more than those who run the projects. These are rolling out on project applicants' expense, and the financial advance is only 10%. So, the State earns the budget amounts paid to the projects applicants in advance, while refunds are usually made with huge delays and, of course, without interest. Furthermore, we present the main aspects of the implementation of the ESF in Romania, along with the features and proposals of improving the management of these programs.

Program documents

According to the renewed Lisbon Agenda, there have been development and adoption by the European Commission Decision C (2007), 5811/22.11.2007, of the Community Strategic Guidelines regarding the 2007-2013 Cohesion, the European Employment Strategy, the Integrated Guidelines for 2005-2008 Economic Growth and Employment, and the Sectorial Operational Programme of Human Resources Development—POSDRU 2007–2013.

Moreover, POSDRU is designed according to the fourth thematic priority of the National Strategic Reference 2007-2013 Framework (“Development and Efficient Use of Human Capital in Romania”) for the "convergence" objective and policies and national strategies in human resources development. To implement POSDRU, the Framework Document for Implementation of POSDRU (Program Documents section) has been developed, containing detailed information regarding eligible activities, eligible expenditure categories, the categories of eligible beneficiaries and eligible target groups, as well as other relevant information for every area of intervention. Regional action plans for employment and social inclusion (PRAO) are strategic planning documents aiming at developing and implementing employment policy on the regional and local level.

2007-2013 POSDRU

The general objective of POSDRU is aimed at human resources development and competitiveness increase, by correlating lifetime education and learning to the labor market, and by ensuring increasing opportunities of future participation on a modern and flexible labor market for 1.65 million people.

Specific objectives of POSDRU include:

- Promotion of qualitative educational system;
- Promoting entrepreneurial culture, work quality, and productivity increase;
- Facilitating the insertion of unemployed into the labor market;
- Development of a modern, flexible, and inclusive labor market;
- Promoting integration/reinvestment of inactive people into the labor market;
- Improving the employment public services;
- Facilitating vulnerable groups with access to education and labor market.

Requests for projects proposals

In order to implement major areas of intervention of POSDRU, AMPOSDRU or responsible Intermediate Bodies (Ministry of Education, OIR POSDRU, CNDIPT, and ANOF), requests of projects proposals are launched, which intend to:

- Promote education, initial and continuous learning quality, including higher education and research;
- Promote entrepreneurial culture, work quality, and productivity increase;

- Facilitate youth employment and long-term employed in the labor market;
- Develop a modern, flexible, and inclusive labor market;
- Promote integration/reinvestment of inactive people into the labor market, including rural areas;
- Improve the employment public services;
- Facilitate vulnerable groups with access to education and labour.

At the national level, during the period of 2007 to 2013, the status of project requests is presented in Table 1.

Programme	Handed Projects	Rejected Projects	Approved Projects	Approved Projects (%)	Refunded amounts related to EU allocation (%)
POSCCE	15815	6731	5876	37.15	14.45
POSDRU	14892	5252	3075	20.65	26.17
PODCA	1371	787	449	32.75	38.66
POR	8540	3095	4016	47.02	42.39
POSM	652	172	459	70.40	21.57
POST	168	41	103	61.31	17.65
POAT	161	18	140	86.95	19.73

Source: Authors (adapted from Romanian Government reports)

The question that arises from the analysis of these data is related to the high number/percentage of rejected projects, while we struggle to find projects. Therefore, frauds have been suspected in the process of projects evaluation; award criteria are suspected to be political or corrupted by the officials managing the programs.

Romania still has time remaining to spend the European Funds for the present financial exercise during the next few years following the “N+3” pattern, approved in September 2013 by the European Commission. Practically, the European Funds allocated for 2011 can be spent following the “N+3” rule until December 31, 2014. Those allocated for 2012 can be utilized until the end of 2015.

Aspects regarding the advancement of POSDRU projects

At the end of the 2007–2013 period of POSDRU projects implementation, we can note the aspects that have influenced their course, so that for the next period of 2014–2020, we should see the growth of the absorption degree and of economic and social impact. In order to be more synthetic and suggestive, the analysis will be presented as a SWOT matrix, from the project manager’s point of view.

Strengths:

- They ensured the survival of the educational services market through all its components: Life-long learning providers, students, lecturers, and National Authority for Qualifications;
- They refocused on a part of civil society that attract and develop European projects - unions, employers, professional organizations, and other NGOs, as this is becoming the only source of funding for many of them;

- They trained/retrained/improved approximately a quarter of the working population of the country, being a vector for balancing the supply/demand in the labor market through retraining for jobs required by the market;
- They stimulated the procurement and consumption at a national level through investments;
- They helped to reduce the national economic downturn by a considerable contribution to the state budget (income taxes, social security contributions, VAT, and other taxes and fees).

Weaknesses:

- By offering subsidies to the students, the real purpose of these programs, to invest in people through continuous professional training, was misapplied. In particular, the unemployed were oriented towards the projects that offered high subsidies, this being the main criteria of their choice. In many situations, the value of these subsidies exceeded the unemployment allowance.
- Massive orientation toward fashionable jobs in the field of tourism or economics instead of the actual labor market needs;
- Delays in expenses reimbursement, due to defective management of financing programs, ran projects development into debt, especially through state debts. Project applicants got into state debt because the state failed to fulfil payment obligations, and instead sent them into bankruptcy and foreclosed half of them. This is reflected by the dilution and near extinction of the civil society in Romania, which seemed to be a vital help, but did nothing in the end.
- The management of funding programs changed the rules while the programs were being implemented; inside POSDRU, there have been over 70 instructions and decisions to introduce additional restrictions in projects implementation;
- Lack of professionalism in funding programs, excessive bureaucracy;
- Lack of a loan warranty funds.

Opportunities:

- The increase of the absorption degree due to accumulated experience and strengthening of the institutional capacity of those involved in the management of funds;
- Diversification and development of financing programs.

Threats:

- Bankruptcy of civil society through mismanagement, excessively politicized European funds;
- Reduced absorption by increasing distrust in these programs through lack of interest in attracting European Funds;
- Attracting economic sanctions applied to Romania due to inadequate fulfilment of obligations toward the EU.

For the next financing period of 2014–2020, Romania will receive 39.5 billion EUR, representing 18% higher than the previous amount. The first version of the 2014–2020 Partnership Agreement, which practically represents the way the European Fund will be spent during this period, was sent to the European Commission at the end of 2013 after it had been presented to the Chamber of Deputies, to Victor Ponta, the Prime Minister, and to the Minister of European Funds—Eugen Orlando Teodorovici. This project agreement, sent to Brussels last summer, was heavily criticized by the Commission representatives, being considered as incoherent and without clear priorities. It seemed that after the implementation of pre-adherence, structural, economic and social cohesion programs for

2007–2013, Romania has not learned anything from its previous mistakes, through a defective and corrupted management, thus endangering the country's future through the inability of financial support of some strategies required by the European and global context—strategies financed through these European programs.

Conclusion

With the managerial expertise of the strategic POSDRU programs, on tourism and food industry qualifications, as well as the implementation of ESF in the EU member countries, we underline the following recommendations. Firstly, pre-financing aid of 30% of the project budget should be provided, a practice that has been successful in the period in which it was applied. The threshold for goods purchases should be increased to 30%, so as to allow, on a long-term, the creation of sustainable structures in the implementation of projects and the increase of the attractiveness of these programs.

Secondly, there should be selected a body of expertise project assessment officers following professional criteria, as well as appropriate and consistent remuneration regardless of the intermediate body where they work, without major differences as there is at the present.

With regards to adult vocational training, mixed groups in the adult training should be created for students consisting of employed persons and prospective employees.

Thirdly, a Loan Guarantee Fund should be created to avoid possible financial bottlenecks encountered during project implementation, as well as an institutional framework of cooperation between the project beneficiaries in order to adjust the educational offer and to increase the accessibility of the target audience to these offers.

Last but not least, not only should there be increased in the emphasis of the spirit of partnership between the managing authorities and beneficiaries, but there should also be an increased awareness the mutual benefits represented by the partnership.

To conclude, we have underlined some measures that should be introduced so as to improve the absorption and effectiveness of the implementation of these programs, through which Romania, as an active member of the European Union, should act as a model for development, according to its internal potential and not as a brake on the advancement of the EU.

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