Romanian Pattern in Absorption and Management of European Structural Funds : A Critical Analysis

Susanu, Monica

Universitatea "Dunarea de Jos" Galati, Catedra de finante si Eficienta Economica

14 October 2008

Romanian Pattern in Absorption and Management of European Structural Funds - A Critical Analysis -

Monica SUSANU
susanu_mnc@yahoo.com
Dunărea de Jos University of Galati

Abstract. The decisions in the cohesion policy have a significant impact upon the offer and supply, in a way that, under the influence of the multipliers, they constantly reconfigure the components of the internal consumption (such as investments, private consumption and imports), and the components of the final output and national income as well. Because of the short-term synergy effects of these actions, which determines the structure and the quality of the potential offer, the substantiation of these decisions ensure more importance and complexity concerning the responsibility of the macroeconomic management. The allotting of cohesion and structural funds is one of the significant directions of implementation of the budgetary policy of redistribution through the European Union budget. As essential instruments in making the expenses for structural adjustment and harmonization operations, these funds are meant to homogenize and consolidate an as high as possible social and economic standard in that particular beneficiary states. Since the greatest part of these funds is directed through the central national budgets, these have to be large enough and the governmental management – sufficiently well structured and responsible, so as to ensure both the necessary co-funding in applying the projects, and the implementation of the wish for prosperity of the fund benefiting community.

Keywords: structural funds, cohesion policy, institutional responsibility, access, absorption

1. Introductory notes

According to the data provided by the European Commission, 90% of these expenses are focused on certain structural transformations, while 10% address the cohesion. The redistribution of the budgetary resources at EU level is based upon the same established mechanisms of political and economic nature that similar actions of the national governments are based on. In other words, attention is paid to mutual aid and solidarity, on the one hand, and to maximization of efficiency in the functioning of economy, on the other.

As a result of the enlargement, disparity levels across the EU have dramatically increased. GDP levels also indicate differing regional situations within each objective, and there are also wide regional variations in growth rates. It is also to be noted that disparities in the EU between urban and rural areas generally increased as a result of enlargement.

The Cohesion Policy budget for the period 2007-2013 would amount to € 308 billion, equivalent to 0.37% of the GNI of the EU 27. The new Member States would receive 51.3% of the total cohesion policy resources, which, on average, represent around 3.5% of their GDP.

The new convergence objective (regions where GDP per head is less than 75 % of the EU average, 2000-2002) applies to 100 regions, accounting for just over 35% of the EU 27 population. The new Regional Competitiveness and Employment objective (RCE) applies, in principle, to the rest of the Union (155 regions with 61 % of the EU 27 population). The RCE regions collectively have relatively high GDP levels. However, growth remains weak in many regions and employment rates fall well short of the 70 % target in most of them, which suggests that real needs persist throughout the Union.

Cohesion Policy has been recognized as a key instrument at the Community level, contributing to the implementation of the growth and jobs strategy. The Fourth Report on Economic and Social Cohesion (2007) shows preliminary estimates for period 2000-2013 which suggest an increase in GDP compared to a baseline scenario without cohesion policy, of around 3.5 % in Greece, and 3.1 % in Portugal and larger ones for the new Member States (2004 – 2013): 9 % in the Czech Republic and Latvia, 8.5 % in Lithuania and Estonia, 6% in Bulgaria and Slovakia and 5.5% in Poland. In addition, it is estimated that by 2015 around 2 million additional jobs will be generated due to these levels of investments.

According to one of the European Commission's *Report on Budgetary and Financial Management - Financial Year 2003,* the main **Structural European Funds** are as follows:

§ The European Fund for Regional Development (ERDF), the largest of the four structural funds. It means for the financial monitoring of regional development activities and the corrections of regional imbalances. It most frequently directs resources to "hard" transport infrastructure but also gets into other profit-creating investment such as to help SMEs.

§ The European Social Fund (ESF) is meant for the labor market, the encouragement of mobility among the human production factors and the financing of various forms of training and development of the labor force. Also among the structural is

§ The EAFFG, which was primarily charged with agrarian policy, but within the context of structural policy is competent for evening out regional differences in agricultural production (the Guidance Department, as it is called).

These are called *the traditional structural funds.* The fourth, is

§ The Financial Instrument for Fisheries Guidance (FIFG), with jurisdiction for fisheries inside the EU.

§ The Cohesion Fund (CF), was founded for the additional needs to achieve social and economic cohesion inside the EU. This is a financial mechanism of aid only to those members whose per capita GNI is less than 90%. Before the enlargement in 2004, such resources were received by Greece, Ireland, Portugal and Spain. Most of the resources of the Cohesion Fund are channeled towards transport and environmental protection. Unlike the Structural Funds, the resources of which are *supplementary,* the resources distributed from the Cohesion Fund are *conditional.* As soon as a member state passes the mean of 90% p.c. GNI of the Union as a whole, it no longer has the right to these resources.

The Commission has developed new instruments to assist Member States and the regions to improve the quality of projects. Specific initiatives have been developed to promote financial engineering for start-ups and micro enterprises combining technical assistance and grants, with non grants instruments such as loans, equity, venture capital or guarantees: **JEREMIE**, for the promotion of SMEs and micro credit, and **JESSICA,** for urban development. These actions will be undertaken through cooperation between the Commission and the European investment Bank Group and other International Financial Institutions. Also the following scheduled programmer is to be listed here:

The **URBACT II** Programme – it is carried on in the 2007-2013 period and its main objective is to exchange experience among the cities of all EU member states, the programme key-element being the cooperation among the cities that participate in the projects. Taking into account the fact that, since January 1, 2007, Romania is a member state of the European Union, the cities in our country have the possibility of handing in projects to obtain funding for economic and social development, for the development of un-favored areas and for sustainable development in the urban environment. The programme has a budget of approximately € 68 millions.

From this perspective, 10 Romanian cities participate in the *"Aid for cities"* project within the URBACT 2002-2006 Programme. These 10 cities will receive aid in order to draw up the strategies of sustainable urban development which will be used later to implement the projects funded through the Operational Programmes during the 2007-2013 period.

The Joint Technical Secretariat of the URBACT programme has its headquarters in Paris, France. The URBACT Monitoring Committee approved, within the "Aid for Cities" project – corresponding to the present period of programming, the first applications handed in by the following Romanian cities: Odorheiu Secuiesc, Iaşi, Sighişoara, Alba Iulia, Bucureşti (2nd district), Timişoara, Piatra Neam , Săcele, Braşov and Blaj. The support offered by this project consists of supplying an expert that will work with the city or municipality decision-makers that requested the assistance, helping them to define and develop strategies of urban development on various levels (city, neighborhood/area within the city). Urban settlements (with more than 20,000 inhabitants) of new member states as well as cities from old member states, in well-justified cases, were considered eligible for this project.

THE MICRO-CREDIT PROGRAMMER involve a number of 80 micro-credits, with a total value of € 263,396, that were granted till January 1, 2007, when Romania became a EU member, to newly established micro-enterprises and enterprises. The credits were granted by Opportunity Microcredit Romania Office (OMRO), the first micro-funding institution that the European Bank for Reconstruction and Development (EBRD) signed a Loan Agreement with. From the 80 micro-credits, 79 are smaller than € 10,000 and one is larger than € 10,000. Furthermore, 36 of them, with a total value of € 109,449, were granted in the North-West region, and the other 44, with a total value of € 153,947, in the Central region.

At the end of 2006, the European Integration Ministry closed a Funding Agreement with EBRD by which the latter manages an € 18.02 million fund, representing the PHARE budget (€ 13.6 million), to which the national co-funding is added, which for 2005 and 2006 was € 4.42 million. EBRD contribution (up to € 40 million) is also added to these sums as well as a loan of maximum € 20 million from some co-funding banks. According to the Funding Agreement, EBRD closes Loan Agreements with partner institutions which could be micro-funding institutions that grant loans up to € 25,000 or with micro-funding banks that grant loans between € 25,000 and € 50,000.(In order to access a loan, a beneficiary may contact OMRO (http://www.opportunity.ro/), and after this the competent departments for European Business will announce every Loan Agreement closed with a new micro-funding institution or micro-funding bank. The funding programme was created to improve the Romanian entrepreneurs' access to financial services, especially of those from less developed areas and from the rural areas. The micro-credits programme can be accessed till 2010).

2. Institutional responsibilities and expectations

The process of drawing up the National Development Plan (NDP) was started even since May 2004. This was the first document meant to substantiate the access to the Union's Funds as a member State. This plan was the basis of the future negotiations with the European Commission regarding the allotting of non-reimbursable financial assistance for the 2007-2013 periods; its size was three times bigger than the pre-adherence assistance.
The NDP landmarks for 2007-2013 were adopted in a Government meeting in December 2007; the focus was on a more rigorous and profound social and economic analysis, a more thorough delimitation of the goals and of the measures to be taken in order to reach them, as well as on a realistic sizing of the financial efforts according to a logical prioritization of goals and stages.

In spite of the fact that Romania adhered to the European Union starting with January 1, 2007, it was not until the first half of that year that a series of initiatives to set up a legal framework, somehow coherent, regarding the functioning of the payment systems and flows in the shape of Structural Funds for convergence. Thus, a governmental ordinance established the ways of allotting and use of structural instruments and funds for:

§ Co-funding, both from public and private sources;
§ Pre-funding;
§ Funds for non-eligible expenditures;
§ Project related expenditures.

In doing so, the circuit of funds will be more clear and fluid so that there are no payment discontinuities; dysfunctions or even interruptions or blockings in carrying on the projects can be avoided.

The normative act also regulates the responsibilities of the beneficiaries regarding the conditions of keeping and the ways of access to the documents related to projects, as well as the consequences of unbefitting payments made from the three FSC.

The funds allotted to Romania by structural instruments will reach their final beneficiaries either by direct payment from the Certifying and Paying Authority from the Ministry of Finances – as in the case of transportation and environment projects, or indirectly, by the payment units established by the Management Authorities, as is the case of the other POS.

According to the commitments taken in the Complementary Document of Position, Chapter 21, the institutional framework was created to coordinate, implement and administer the structural instruments by adopting Government Decision no. 497/2004, with the subsequent modifications and additions, which designated institutional structures harmonized with the specific Communitary structures. Built as a result of a unitary approach, the Institutional Framework was meant to be a structure that abides by the principle of segregation of functions and the development of mechanisms and procedures that allow efficient and rigorous use of funds.

Thus, by means of the Authority for Coordinating the Structural Instruments, The Ministry of Economy and Finances fulfills the role of national coordinator of structural instruments, ensuring at the same time the development of the institutional, legal and procedural framework necessary to implement these funds, as well as the coherent and efficient functioning of the entire administrative system. The € 19.7 billion planned to be allotted to Romania starting with the first year after the adherence till 2013 were to be implemented by 7 sectorial and regional operational programmes, to which 8 more territorial cooperation programmes with other states are added.

A Management Authority was designated for the sectorial and regional operational programmes within each corresponding ministry; this authority is responsible for administering and implementing each of them as follows:

§ The Ministry of Economy and Finances – for the Economic Competitiveness Growth Sectorial Operational Programme, as well as for the Technical Assistance Operational Programme;
§ The Ministry of Transportation – for the Transport Sectorial Operational Programme;
§ The Ministry of Environment and Sustainable Development – for the Environment Sectorial Operational Programme;
§ The Ministry of Labour, Family and Equality of Chances – for the Human Resources Development Sectorial Operational Programme;
§ The Ministry of Development, Public Works and Residences – for the Regional Operational Programme;
§ The Ministry of Internal Affairs and Administrative Reform – for the Development of Administrative Capacity Operational Programme;

According to the specificity of the operational programme, the relationship between the Management Authority and the beneficiary is subject to interference from Intermediate Bodies, central or regional, which can overtake – by a previous agreement – a series of functions from the management authority, although the final responsibility of implementing the programme still resides with the latter.

At the same time, the Ministry of Economy and Finances also fulfills the function of Certifying and Payment Authority, responsibility on the basis of which it draws up and hands in the payment requests and receives from the European Commission the sums related to Structural and Cohesion Funds; it certifies the declarations of expenses in order to hand in the payment requests to the European Commission as well. Constituted as an independent body, the Audit Authority was associated to the Court of Accounts having the responsibility of doing the system audit, checking the operation on a sample basis, as well as doing the final audit of the structural instruments. The Certifying and Payment Authority is responsible for certifying the sums mentioned in the declarations of expenses sent to the European Commission and for receiving the funds transferred to Romania from the three SEF: The European Fund for Regional Development, The European Social Fund and The Cohesion Fund.

2. Documents' and money's circuit

The sums coming from the national contribution for POS are included, according to their nature, in the MFP budget, in the budgets of the Management Authorities or in the budgets of territorial-administrative units which have the quality of beneficiary. The MFP budget is used to distribute the sums representing public co-funding from the state budget, the sums for pre-funding, the sums necessary for the continuation of funding the projects in case the Communitary funds are temporarily unavailable, the sums necessary for transfer of funds.

The territorial-administrative units, i.e. the economic operators of local subordination, as beneficiaries, will include in their own budgets the sums for local co-funding and for non-eligible expenses for implementing the projects. The sums necessary for pre-funding or co-funding the top-priority directions of technical assistance of the Operational Programmes and for funding the non-eligible expenses will appear in the budgets of the main credit coordinators having the role of Management Authorities. These budgets will be also used to allot funds for settling certain debts towards the EU budget due to negligence and irregularities or the increase due to delay in recovering the sums from the beneficiaries. The related expenses for the projects implemented by beneficiaries from the public sector are comprised still in the budgets of the Management Authorities. The suggestions for budgetary credits to ensure these sums are established on the basis of the approved projects and of the estimation of the quantum of the projects pending approval.

The budgetary credits approved and not spent are redistributed on the justifiable proposal of the local public authorities. The funds that remain available in the ACP accounts or in the accounts of the Payment Units at the end of the budgetary year are carried forward to the next year, with the same destination. The pre-funding sums, awarded to a beneficiary, are recovered by the end of the project. Pre-funding is awarded to ensure the financial resources necessary to begin carrying on the contracts and these resources can be used to pay the invoices in advance. The recovered pre-funding sums are re-used for pre-funding other projects. At the same time, provided the beneficiary does not produce any justification regarding acquiring goods, services or execution of certain works within six months or another term stipulated in the contract, the pre-funding is given back to the budget from which it was awarded. MFP distributes and introduces in the budgets of credit coordinators, which administer communitary funds, the changes determined by reallocations among the priority axes of the same Operational Programme or among Operational Programmers.

The beneficiary of project co-funded from structural instruments has to keep in good conditions all documents referring to the project and to allow access to them for the control and audit institutions, for the services of the European Commission and of the European Court of Accounts. The beneficiary will give back the entire sum he was awarded for the implementation of the project (both from structural instruments, and from co-funding from the state budget) provided he did not abide by these conditions. Whenever the institutions qualified to control discover irregularities in using the funds or the fact that they were not used according to the destination established in the contract, the Management Authority has to recover the sums paid unjustifiably whether they came from structural instruments, or by pre-funding or co-funding.

All non-eligible expenses related to projects are supported by the beneficiary. The documents proving and justifying the payments have to be carefully kept for many years after the completion of the project: for instance, for a project carried on in 2007 the beneficiaries should expect to be verified till the end of the year 2018. The controls can be done by several bodies, including the European Court of Accounts. Any lack of a justifying document, for certain funds, leads automatically to the obligation of reimbursing the respective money.

3. The specificities of the Romanian framework

There are three mechanisms of transmission of the cohesion policy, with long-term effects:

a) increasing the stock and the physical infrastructure, which is an input for the whole productive activity;
b) increasing the stock and the quality of the human capital, by educational and training investments, which generally represent an effective factor to increase labor productivity;
c) financial assistance for the SMEs, by stimulating the initiatives to invest, the research and innovation and the systems of management and marketing, finally making to increase the productivity of all the factors, while reducing the production and capital costs.

Therefore, one can explain the aggregation of the measures of cohesion policy through different categories with distinct economic significance, which is to support the relevance of the three transmission mechanisms:
1. – investments in the technical infrastructure;
2. – investments for the improvement of the human capital;
3. – direct financial support for industry, services and agriculture.

Consequently, a distinction among the possible financing sources is quite necessary, as an important operation in the activity of accessing and absorption of the EU funds:
§ transfers from EU as subsidies for public authorities;
§ co-financing through public and private sources, as stipulated in the Structural Funds Treaty.

The EU Funds differentiated upon the main three categories of expenditures and financing sources are planned for Romania during 2007 – 2013 as below, in accordance with the directives and objectives of the Framework for the Common Support:

Framework for the common support EU funds planned for Romania during 2007-2013

Euro -millions

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**All years' total**
Total (without agriculture)	1,556	2,313	3,183	3,853	4,138	4,386	4,675	24,104
GECSFEC	1,275	1,854	2,513	3,027	3,264	5,513	3,767	19,213
GECSFDP	216	325	428	517	550	582	633	3,251
GECSFPR	65	134	241	309	324	291	275	1,639
Infrastructure	1,042	1,508	2,024	2,438	2,632	2,821	3,072	15,537
IGVCSFEC	859	1,207	1,594	1,909	2,072	2,259	2,480	12,380
IGVCSFDP	162	246	322	390	415	435	478	2,447
IGVCSFPR	21	55	108	139	145	127	114	710
Production sector	234	378	572	726	762	743	768	4,182
TRIEC	178	283	420	531	558	554	575	3,099
TRIDP	22	31	41	50	53	57	63	318
TRIPR	33	64	112	144	150	132	129	765
Human resources	280	427	587	690	744	822	835	4,385
GTRSFEC	238	364	500	588	634	700	711	3,737
GTRSFDP	31	48	66	77	82	91	92	487
GTRSFPR	10	16	21	25	28	31	32	164

where: EC = contribution to EU
DP = national public sources
PR = private sources

Source: National Statistics Commission

Likewise all countries detached from the ex-soviet block, by the 90's Romania entered a complex process of transformation through transition, a dramatic period unveiling multiple system pathologies, whose analysis never seemed enough even if they were described in numerous studies and research that stirred the analysts' interest. The vast literature of transition keeps surprising new different aspects of the large decorrelation induced by the hyper centralized system, but some of them – and this analysis will address the issue only from the perspective of Funds management – are constantly present in almost every paper:

§ Management practices – low involvement of staff in decision-making, non-transparent recruitment, low functionality of supporting infrastructure;
§ Financial resources – poor cash-flow and budget management, weak internal audit function;
§ Administrative capacity for formulation – inadequate involvement in programmed preparation/very low knowledge of procedures for programmer formulation, almost none of the staff has experience in pre-accession instruments (at any part of the programming cycle);
§ Monitoring of projects and programmers – lack of experience of monitoring staff in pre-accession instruments, inadequacy of monitoring indicators, poor estimation of efficacy of IT systems, low opinion of quality and clarity of monitoring and reporting system;
§ Management and Control of Programmers – expenditure forecasting not efficient/functional, unclear risk and analysis procedures.

The governments of the last two decades have implemented, in a rather chaotic manner and in a rhythm that most often than not followed the election cycles, various policies of social and economic transformation but, unfortunately, neither them, nor their consequences managed to substantially diminish the dramatic disparities which place Romania on the uncomfortable positions of any classification made according to civilization parameters:

§ some changes were desirable while others may have been results of transition pathologies;
§ the initial increase in inequality is a result of polarization and major changes in the middle of the distribution and implies a change of shape;
§ the pattern of changes was determined by the various social deficits, their size and speed and way they were "filled in".

With a strategy remarkably lacking coherence and consistency, the management of the Romanian transition always had stimulated the negative tendencies of change. Many of internal or international good opportunities were often wasted for some narrow, occult and politicians' reasons. The so-called *social peace* had become the officials' magic formulation for the salvation of a flammable present, but henceforth, they sacrificed the future, simply and constantly, because of too many a *fireman* style actions and decisions.

An intense preoccupation is dwelt by the academic staff with a view to offer viable and sustainable models and solutions that would ensure an exploitation of the Funds as comprehensive as possible. It is worth mentioning here the model offered by a group of researchers of CEROPE Foundation (the Romanian Centre for Economic Policies), which concludes with a convincing comparison of the consequences of two distinct scenarios: "with funds" and "without funds" till 2013. The premise of both scenarios is the hypothesis of 100% absorption as well as the fulfilling of commitments taken by the provisions of the National Absorption Plan. Consequently, at the end of a minute econometric excursion, they anticipate the extremely visible negative shock which would happen by reducing to zero – i.e.

in the absence of funds even of the pre-adherence level ones – immediately after the fatidic year 2013. Along with the interventions and position of so many authorized voices and analyses, the above mentioned study is not only an offer, but also a serious alarm signal, given the fact that almost two years have passed since Romania's adherence, and *"transition's pathologies"* are still present in our daily lives.

The election autumn of this year is still another impediment, which is far from preparing superior absorption conditions: the Funds' mirage inflames many of the speeches full of election promises, Funds' destinations are intensely politicized, just like the indigenous public resources. Actually, the acceleration of accessing procedures is inhibited by the image of the rigorous control from Bruxelles organisms regarding the manner in which every allotted penny by the Union is spent!

4. Solutions in a Romanian manner

Under the circumstance of the National forum for sustainable development and environment protection that took place in March 2008, the NBR Governor signaled in a well documented presentation (Box 1) the shocking difference between the sums *used* from the Funds and those *allotted*:

Box 1:

European Funds Allotted and Used by Romania in 2007

€ billions

	Allotted	Used	Absorption ratio (%) **Total**
Total Structural and Cohesion Funds	1.28	0.42	32.7
The European Fund for Regional Development (EFRD)	0.60	0.18	30.1
The Cohesion Fund (CF)	0.44	0.16	36.8
The European Social Fund (ESF)	0.23	0.07	31.6
Total Funds for Agriculture and Rural Development	0.76	0.02	3.0
The European Fund for Agriculture and Rural Development (EFARD)	0.74	0.01	1.0
The European Fund for Fishing (EFF)	0.02	0.02	100.0
T O T A L :	**2.03**	**0.44**	**21.7**

Source: The Ministry of Economy and Finances

He also illustrated Romania's small Funds absorption ratio as compared to the similar situation in the representative countries from the group of those which adhered to EU in 2004. the conclusion of this presentation is that Romania, unlike the rest of the countries, has a clear position of *contributor* to the Union's budget (Box 2), while the relatively superior degree of absorption confers the other states a certain comfort as *beneficiary* of Funds.

Box 2

Absorption of European Funds

International comparisons after the adherence year

%

Country	**Absorption ratio**	**Net position against EU budget the share in each country's GDP "+"net absorption ; "-" net contribution**
CZECH REPUBLIC	41.5	0.18
POLAND	42.8	0.19
SLOVAKIA	41.6	0.24

UNGARY	42.9	0.38
R O M A N I A	**21.7**	**- 0.36**

Source: The European Commission, Ministry of Economy and Finances

Therefore, the brief analysis from above denotes that there exists a reliable and finely tuned formal and operational, legal and informal framework for the enhancement of the absorption capacity of these Funds. (Even the new EU financial rules that have become operative since May 1, 2007, refer to even more funding opportunities, more transparency and substantially modified administrative formalities. Thanks to them, the European structural funds will benefit in the years to come from a Community funding of € 975 billion. The new rules have been simplified, thus facilitating the procedures of obtaining community subsidies.)

Obviously, there are often deviations from the right use of some practices regarding the public money in other states as well, witness to this standing the numerous investigations of the rightful use of Funds carried on even in those countries that have traditionally implemented the functioning institutions and respect law. In spite of less attractive colors, more an accurate look towards the Romanian realities opens a more enlightened perspective however. An overwhelming financial crisis passes through the nowadays world, with an outstandingly negative socio-economic impact upon many countries, among which Romania is not, fortunately. More or less authorized voices have launched their opinions about the worrying consequences that Romania could bear under the above mentioned international conjuncture. Yet, there are enough reasons for a moderate optimism. The main National Bank's officials' analysis reveal the fact that the 6% rate of economic growth still shows a predictable stability, which can protect the economy keeping it far from the disturbances and threatens of a recession.

The internal supply still maintains solid, despite the growing incomes and the similarities with the west-European consumption pattern, because of better developing conditions ensured by more favorable policy measures and framework for the investment credits. A spectacular growth had knew the investments as a whole, many of them being in course to maturity, but the attention the authorities pay to the infrastructure, give major future increase of all the economic sectors, that should favor the complete valuation of the economic and human potential.

With an accelerate speed, the bank system is continuously increasing and without threatening the Romanian economic environment, too, although operating as part of foreign companies – involved in many of the bankruptcies reported on the American market.

Actually, foreign capital and management that are operating on the Romanian economy and market greatly stimulated a faster learning and a more rapid getting into the habits of the Western rules, including the European procedures of accessing and absorption financial resources. Continuous increasing characterizes also the financial assets that are mainly flowing on the internal market, showing significant progress of population's capacity of self-learning and implementing investments procedures, as another specific competitive advantage when considering the huge amount of EU Funds. The second half of the past year correction made the exchange rate stable and functioning smoothly, within normally accepted limits on a free market.

The international comparison above, between Romania and other representative newly European countries, with non-satisfactory absorption rates too, should necessarily take into account the duration, which is twice less for our country, as well as their historical and social opportunities, too. It means a promising perspective for Romania, bearing in mind its proved speed of recovering.

Conclusions

One can easily notice a certain slowness, a certain undeclared sluggishness – precisely on behalf of the authorities, in recovering the lost time, in an as complete as possible exploitation of all possibilities to access these very precious instruments of eradicating the so-called pathology of transition. It is an attitude that emanates from alarmingly numerous situations and which emphasizes a deficient use of (any) available resources of public nature.

In the case of the Funds, this unhealthy feature becomes stronger, perhaps due to the constraint or obligation of being accountable for each allocation both *before*, and – especially – a long time *after* the have been already spent.

Simultaneously, access and absorption of the EU Funds means either a great deal of facilities for socio-economic development and progress, and also strictly conformation to the numerous constraints evolved from the management of European resources, under strict European institutions' rules and regulations and especially control(i.e. from the very Union's tax payers); and the management of the internal economy, as to be able to continuously generate resources for co-financing the implementation of all necessary planned projects.

Nevertheless, in the case of Romania, it seems that the genetic code of this nation has its role since it is seemingly predisposed sometimes to consume its energies for purposes that lack perspective and finality. More than a century and a half ago, a Transylvanian thinker (solitarily standing in the pages of the economic history only – Dionisie Pop Mar ian), with an endless regret stated still an implacable truth that is very present in the controversial decades of the recent transition, especially: *"All bad things that are haunting Romania and are destroying its future come from the very fact that the Romanians do not put any politics into economy, and any economy into politics!"*

Indeed, the visionary natures of the great forbearer's words also describe the core of the optimum solution for improving the absorption capacity:

§ a certain *economy* should be inserted *into politics*; i.e. those policies and projections only are to be conceived, debated and applied only, whose realistically anticipated consequences can ensure to a teeth the concordance between the officials' intentions and promises, on the one hand, and their real actions and behavior, a lot different as soon as they have obtained high dignities in administrating the public money, on the other;

§ a certain *politics* should be inserted *into economy*; i.e. the any level decision-makers should be held accountable with a view to ensure the implementation of those practices and measures, coherently and logically putting order among priorities, fully responsible and respectfully carrying about resources and their makers likewise, i.e. the tax payers.

References

1. *Banca Na ională a României – [http://www.bnr.ro];*
2. *Barker, D., CEEN Cosulting GmbH, „International Capacity Measurement Questionnaire", Viena – 2005, available on :[http://ceen-consulting.com];*

3. *Bicanic, I., Franicevic, V., „The Challenges of Real and Subjective Poverty and the Growth of Inequalityin the Economies of Southeast Europe in Transition", summary published in Financial Theory and Practice, 29(1),pp 13-16, 2005;*
4. *CEROPE, Survey „Impactul fondurilor structurale în România – evaluare cu ajutorul modelului HEROM", available on :[http://www.cnp.ro/ro/modelare];*
5. *Comisia Na ională de Prognoză – [http://www.cnp.ro].*
6. *European Commission, Report on Budgetary and Financial Management- Yearbootk - 2003, available on : [http://europa.eu.int/comm/budget/infos/publications_en.htm] ;*
7. *Ministerul Economiei şi Finan elor, [http://www.mefromania.ro] ;*
8. *Puigcerver-Penalver, M.-C., „The Impact of Structural Funds Policy on European Regions' Growth. A Theoretical and Empirical Approach", article from The European Journal of Comparative Economics, Vol.4, nr.2(2007), pp 179-208, available on: [http://eaces.liuc.it] ;*
9. *Pylak, C., „Intelligent Region Management = Intelligent Absorption of EU funds", article fom The Romanian Journal of Regional Science, vol.1, nr. 1, pp. 70-80, 2007;*
10. *Simovic,H., „The European Union Budget ", review article from Financial Theory and Practice 29 (3), pp 245-262, 2005.*