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TRENDS AND CHALLENGES IN THE ABSORPTION OF EU FUNDS THROUGH THE REGIONAL OPERATIONAL PROGRAM 2007-2013

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Abstract. Absorption of EU funds is, in the third year of integration, a strategic objective of Cohesion Policy and regional development in Romania. The main instrument of this policy - Regional Operational Program - represent the most important means, which it can compare and assess the situation and the forecast made of the projects submitted by the contracted or under contract, signed etc. The total extent of absorption of Structural Funds in Romania is 10.3% (1.7 billion Euros). Although the specific difficulties in implementation, the Regional Operational Program holds first place in terms of accessing funds at a rate of 14% of total EU allocation. This paper present the actual situation of implementation Regional Operational Program, the main problems encountered and how were resolved.

Rezumat. Tendințe și provocări în absorbția fondurilor UE prin Programul Operațional Regional 2007-2013. Absorbția fondurilor comunitare reprezintă, în cel de-al treilea an al integrării, un obiectiv strategic al politicii de coeziune și dezvoltare regională din România. Principalul instrument al acestei politici - Programul Operațional Regional reprezintă mijlocul cel mai important cu ajutorul căruia se poate compara și evalua situația prognozată și cea realizată vis-a-vis de proiectele depuse, de cele contractate sau în curs de contractare, semnate etc. În prezent, gradul total de absorbție a fondurilor structurale în România se ridică la valoarea de 10,3% (1,7 miliarde euro). Cu toate că întâmpină dificultăți specifice în implementare, Programul Operațional Regional deține primul loc în ceea ce privește accesarea fondurilor, cu un procent de 14% din total alocări ale Uniunii Europene. Comunicarea prezintă, sintetic, stadiul actual al implementării Programului Operațional Regional, principalele probleme întâmpinate și modul în care acestea au fost soluționate.

Key-words: *Regional Operational Program, absorption's capacity, Structural Instruments*

Cuvinte cheie: *Programul Operațional Regional, capacitatea de absorbție, Instrumente Structurale*

Introduction

In the first three years of integration into the European Union, Romania has watched from the Structural Funds for Objective Convergence of around 10.3%. Thus, there were about 14,889 projects submitted, of which, those approved were 3887 (26.10%), while signed contracts were 3887 (14.9%). Payments made on behalf of these approved projects were about 3.09% - a very low point if we consider that we are, however, after three years of accession.

The main beneficiaries of these funds were, until now, the following: local authorities and intercommunity development associations (30%), regional companies

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(24%), enterprises (12%), NGOs (5%), ministries and public institutions (16%), other (13%).

Of the seven operational programs, which implement the Structural Instruments in Romania, we can distinguish the Regional Operational Program, which ranks first in the absorption of funds. Next, we present the main aspects of implementing this program, the difficulties encountered to date and how they were solved, etc.

Status of implementation of the Regional Operational Program The physical progress of implementation

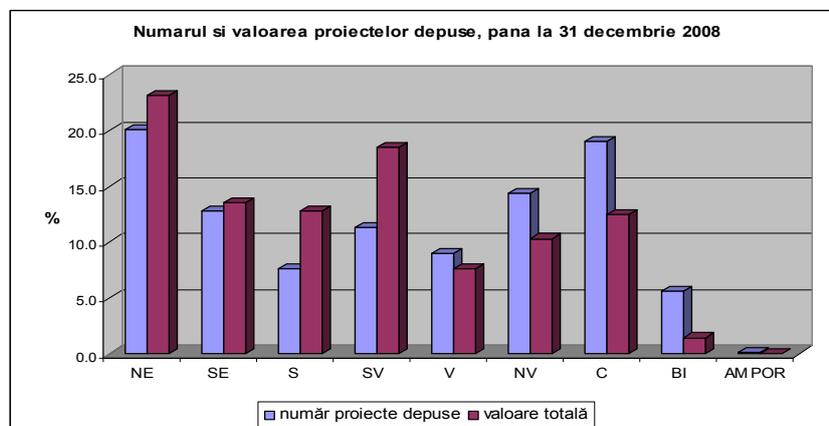
According to the latest Annual Implementation Report 2008, the Regional Operational Program situation was as follows:

- Requests for projects were launched for all axes and areas of intervention of the ROP;
- 1337 projects were submitted for 11 major fields (out of 14), with a total of 3.46 billion Euro (ERDF funding of 2.1 billion Euro);
- Were contracted 40 projects (representing 3% of projects submitted) totaling 352 million Euro (10.1% of the total projects submitted), of which ERDF funding is 251.7 million Euro.

Priority structure of the 40 signed contracts is shown below:

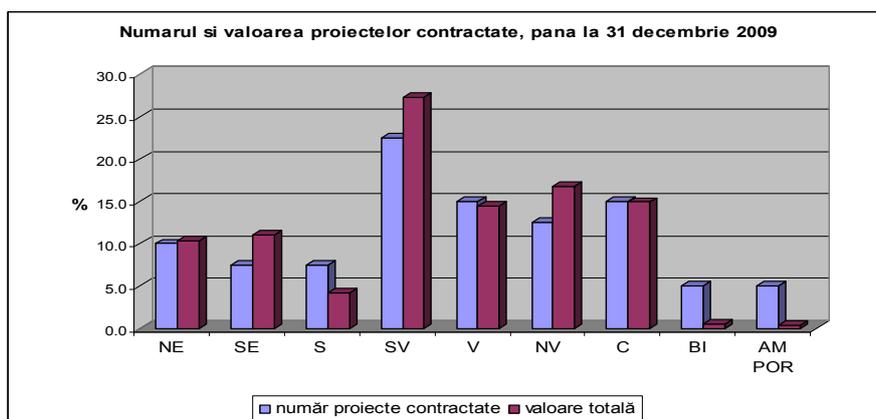
- Priority 2 - a contracted 24 projects for funding, the area of intervention 2.1 Rehabilitation and upgrading of county roads, city streets - including the construction / rehabilitation of ring roads, the total is 326.4 million Euro. According to the objectives agreed by contracts signed by the implementation of these projects will rehabilitate 596.2 kilometers of county roads, 15.5 kilometers and 24.8 kilometers of city streets by ring road.
- Priority 3 - A contract for the financing of intervention area 3.3 Improving the equipments of the operational units for emergency intervention in regional base for equipping the Centre with 127 mobile units;
- Priority 6 - Technical Assistance - 15 contracts for the financing of the Technical Assistance priority axis 6.

By region, the situation is as follows:



(Source: Processing RIA 2008)

Fig. 1 Number and value of submitted projects, until December 31, 2008
 Numărul și valoarea proiectelor depuse, până la 31 decembrie 2008



(Source: Processing RIA 2008)

Fig. 2 Number and value of contracted projects, until December 31, 2008
 Numărul și valoarea proiectelor contractate, până la 31 decembrie 2008

Regarding the field of intervention, most projects have been undertaken to support microenterprises (58.12% of total projects submitted), followed by the road infrastructure (16.08%) and accommodation and leisure (10.77 %). There are areas that, in 2008, have not received requests for funding: urban development, industrial sites, tourism, emergency situations. The value of these projects change the areas classification: first, road infrastructure, which owns 62.4% of the total projects submitted, followed by

accommodation and leisure area with a share of 14.7%, cultural heritage with 6.47% and business structures with 6.01%.

The average value of the submitted projects

An analysis of the average value of the submitted regional projects may highlight certain aspects of how it has changed the implementation of the ROP. The analysis was conducted separately for the intervention field "Supporting microenterprises", where there have been most projects; the other areas of intervention of ROP were analyzed together. Typically, where most projects were submitted, their amount is relatively small. For example, in the Center and North-West regions, where they made most projects for financing microenterprises, projects have the lowest average value per project (154,000 Euro/project, respectively 150,000 Euro / project).

In the South-West and South regions were made the fewer projects, with an average value of 192,000 Euro per project, respectively 324,000 Euro per project. There are exceptions to this rule. Thus, in the North-East, South-East and Center regions, where they made most of ROP projects for funding (except for the field "support microenterprises") are averages per project in an amount of 6.2 million Euro/project, 5.1 million Euro/project, respectively 4.8 million Euro/project.

The South-West and Western regions received the fewest projects, whose average stands at about 7.1 million Euro per project, respectively 6.4 million Euro per project. These are, largely, strategic projects with a high average value, indicating an increased interest in these regions for projects with significant regional impact. Exceptions to this rule are the South-West and North-West regions and Bucharest-Ilfov. The Bucharest-Ilfov region is characterized both by a small number of projects submitted and the lowest average values of the projects. The explanation for this situation might be the smaller number of potential beneficiaries in this region (only 48 local authorities), compared with other regions (for example, 574 in the Central Region or 557 in the North-East region) and also the beneficiaries lack of interest because of relatively small amounts provided by the ROP, compared to the capital's budget.

Evaluation of projects submitted by ROP

Evaluating projects submitted for funding from ROP takes on average between 6 and 10 months, a relatively large period of time if we consider the high speed actions on the free market and the changes that may occur from the time of submitting the project for evaluation to receiving the results (the money come much later, usually starting at 6 months from the project implementation).

The first two stages of evaluation, administrative compliance and eligibility, can have a duration of two weeks for each phase.

The third step, technical and financial evaluation, has an average duration between six weeks (for projects in the fields of educational infrastructure, business support, cultural heritage and leisure travel) and eight weeks for road infrastructure and social infrastructure projects. In projects of outpatient rehabilitation and specialized equipment, this phase lasts 14 weeks.

The analysis of technical projects holds the longest period of time in the evaluation process. Typically, beneficiaries do not develop them in the first two phases, waiting to obtain the minimum score in the first three stages, to make sure that they will not invest in

developing a technical project that will not be financed. The average duration of the analysis phase of a technical project does not record, for any major area of intervention, less than three months. That means the period required, under normal conditions, to develop a technical project.

Regarding the contracted projects, there are only three areas that have made contracts: road infrastructure area with 24 contracts (having the highest value), followed by ROP management with 9 projects and information and publicity area with 6 projects.

Motivations in rejecting the projects

According to the Annual Implementation Report 2008, a rate of 33.7% of the project was rejected. Rejection occurred in various stages of evaluation. As can be seen from the table below, 5.46% of projects are rejected in the administrative evaluation phase:

1. lack of documentation required in the guide: missing files, no documents - acts of ownership, lack of evaluation study of environmental impact, lack of certificate of accreditation for provided social services, etc. –
2. The documents are incorrect or incomplete - submitted documentation does not meet the standard formats of the applicant Guide, lack of chapters from the feasibility studies, presented certificates or opinions are outdated, lack of annexes to submitted documents, etc.
3. Simultaneous, it is important to point out the large number of cases withdrawn by the beneficiaries, even during the administrative conformity assessment, main reason being represented by observing the lack of documents or finding incomplete documents in the file.

Given the relatively high number of rejected cases, there is need for better training of beneficiaries on how to prepare the file or how to prepare the application for funding. Most projects (15.73%) were rejected in the evaluation phase of eligibility.

The main reasons for rejection were:

- beneficiary's inability to clearly demonstrate the ownership of the subject of the project;
- inconsistency of the project in the ROP's eligible activities;
- exceeding the total maximum amount of the project;
- project withdrawn by the beneficiary in order to amend it.

Such cases are mainly caused by beneficiaries' poor information on the contents of the ROP and regarding the eligible activities for funding. In this situation, we may appeal to an intense process of informing the beneficiaries through a number of seminars. Regarding ownership, the solution might be to accept other forms of property such as concession, loan or right to manage the subject of the project.

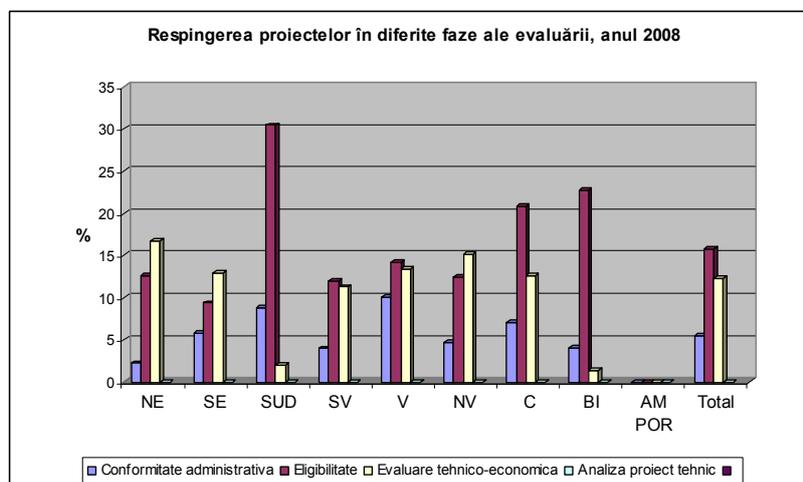


Fig. 3 Rejection of projects in various stages of evaluation, 2008

(Source: Processing RIA 2008, ROP)

Respingerea de proiecte în diferite stadii de evaluare, 2008

Table 1 Motivation of rejecting projects on areas of intervention, in 2008

Motivarea de respingere a proiectelor pe domenii de intervenție, în 2008

Areas of intervention	Administrative compliance	Eligibility	Techno-economic assessment	Analysis of technical project
Road infrastructure	7.44	6.05	6.98	0
Hospitals / ambulatory	25	0	0	0
Social centres	15.15	6.06	0	0
Emergencies	0	0	0	NA
Education	10.52	3.5	1.75	0
Business structures	20	0	5	0
Microenterprises	NA	23.68	18.02	0
Cultural heritage	16	2	2	0
Accommodation and leisure	19.44	5.55	4.16	0
Technical assistance	0	0	0	0
TOTAL	5.46	15.73	12.28	0

Source: Processing RIA 2008, ROP

A number of projects were rejected in the stage of technical and financial evaluation of projects, their share being 12.3% of all projects submitted and reached this stage until December 31, 2008. Reasons for why rejected projects have not accumulated a minimum

score of 3.5 points, required for acceptance, are very diverse and, generally, acting concurrently. They can be divided into four main categories:

- Strategic impact of the project (for example: project implementation does not meet the region's development needs; the impact of project implementation in the region is low; failure to provide sustainability after project implementation, etc.)
- Quality of financial information (such as unrealistic financial projections or unreasonable ones; to not link different currencies, etc.)
- Quality of technical documentation (for example: to not respect the standard contents of the Feasibility Study; technical documentation or business plan developed in a superficially way ; setting unrealistic targets, unsustainable for the project objectives; lack of coherence between different parts of the technical documentation, etc.)
- Technical indicators (for example: internal rate value of return does not justify the project implementation from structural funds; lack of expertise or required studies, etc).

In the assessment phase of technical projects, it is found that, up to December 31, 2008, none of the 62 projects that have run this stage of the evaluation process was not rejected, although this stage is perhaps the most complex and requires the longest period of time.

Contracted projects

By December 31, 2008, 1337 projects were submitted on the ROP. Of these, only 40 are contracted projects. Of the 25 projects for funding from ROP contract, until December 31, 2008 (excluding technical assistance projects) only one is not road infrastructure project: the Center region's project for equipping the regional base for emergency situations. Share of contracted projects in total submitted projects is 3%. The areas with approximately 100% contracting are: emergencies and management ROP, followed by contracted projects on advertising and information (85%) and road infrastructure (11.25%). In other major areas of intervention was not signed any contract.

*Table 2 Number and value of contracted projects on ROP, at December 31, 2008
Numărul și valoarea proiectelor contractate pe POR, la 31 decembrie 2008*

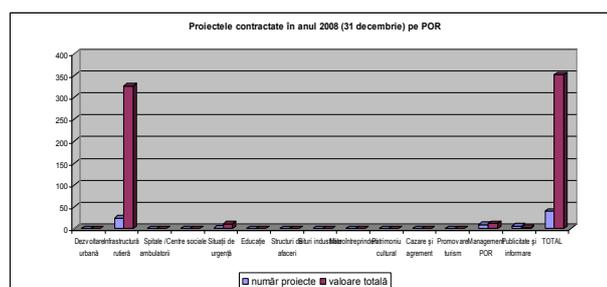
Areas of intervention	Number of submitted projects	Total (million euros)	Number of contracted projects	Total (million euros)	Share of contracted projects from submitted projects (%)
Urban development	0	0	0	0	0
Road infrastructure	215	2159.8	24	326.64	11,2
Hospitals / ambulatory	24	51.4	0	0	0
Social centres	33	24.3	0	0	0
Emergencies	1	11	1	11.02	100,0

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Education	57	128.7	0	0	0
Business structures	20	208	0	0	0
Industrial sites	0	0	0	0	0
Microenterprises	777	130.8	0	0	0
Cultural heritage	50	223.8	0	0	0
Accommodation and leisure	144	508.8	0	0	0
Tourism Promotion	0	0	0	0	0
ROP Management	9	12.24	9	11.75	100
Advertising and Information	7	2.57	6	2.58	85,7
TOTAL	1337	3461.41	40	352	3,0

Source: Processing RIA 2008, ROP

By region, the situation is as follows: on the road infrastructure- the South-West region with 7 contracted projects (29.15% of total), compared with other regions that have taken two to four projects each. In terms of average size value of contracted projects of the seven regions: the North West region with 19.1 million Euro / project, Southeast with 18.8 million Euro / project and Northeast with 16.9 million. These averages of contracted projects are in excess compared with the average recorded in the entire program (13.6 million Euro). In the South West region, although most projects were contracted, they are average (13.5 million Euro per project). In this context, note the regions which have set ambitious targets to achieve in the rehabilitation of roads (km road rehabilitated), namely Southeast, Northeast and Central regions, where average length of roads to be rehabilitated through implementation of contracted projects is over 35 km / project, compared with the average of all 24 contracted projects by 26.5 km / project.



Sursa: Prelucrare RAI 2008, POR

Fig. 4 Projects contracted in 2008 (December 31) on the ROP
Proiectele contractate în 2008 (31 decembrie) cu privire la POR

The role of cities in implementing the ROP

4 topics poles have been formed, involving 10 cities with MA for ROP:

- Cities - Engines of growth and job creation
- Cities - Social Inclusion and administration
- Cities and integrated sustainable development.

In this respect, MA has signed letters of commitment to join the 10 cities (Constanța, Mizil, Alba Iulia, Bacău, Baia Mare, Iași, Satu Mare, Săcele, Timișoara, Sighișoara) in the 9 thematic urban networks. These thematic networks are: URBAMECO, Creative Clusters CO-NET, building healthy communities, Suite, REG GOV - Regional Administration, MILE, NetTopic, HERO.

These programs are financed by the URBACT II Program, within which exchanges of experience on urban development issues are made.

URBACT Program is one of the tools which implement the initiative "Regions – actors of economic change" and aims to disseminate examples of best practices in economic modernization and funding of operational programs of projects developed within these networks.

Experience exchange networks, consisting of their cities and regions (Managing Authorities), make exchanges of experience on specific urban development issues and each city will design and implement of EU funds, through the relevant operational programs, projects and action plans at local level.

By participating in these thematic networks, MA seeks the opportunity to inform and disseminate regarding the experiences and examples of good practice to all stakeholders of urban development issues. Moreover, involvement of MA POR with local authorities facilitates cooperation between different government levels, evidenced by a significant feedback from the cities in terms of development priorities.

Problems identified in the implementation process and way of solving

Table 3. Problems identified in implementing the ROP and possible measures to solve
Problemele identificate în punerea în aplicare a POR și măsurile posibile de rezolvare

The identified problem:	Measure to solve:
<i>High evaluation period</i>	<ul style="list-style-type: none"> • As of January 5, 2009, the stages of administrative check have group themselves with the eligibility verification, which has reduced the total assessment period (on average with 90 days); • Abolition of the Regional Committee for Strategic Assessment and Correlation; • Simplifying the documentation for accessing the funds by the microenterprises (continuous deposition, reducing the required documentation for the evaluation and selection stage).
<i>Difficulties in contracting works / goods / services under the funding contracts signed with the beneficiaries and / or contracting services for the preparation of the projects submitted for funding (economic and technical documentation related to public investment / technical project)</i>	<ul style="list-style-type: none"> • Simplifying the public procurement procedures (GO 34/2006)

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<p><i>Insufficient staff at local authorities level, weak financial reasons, fluctuation of trained staff in managing public funds</i></p>	<ul style="list-style-type: none"> • Specific training programs for beneficiaries of the financing contracts regarding the application of the contractual clauses and the financial management of projects (each Managing Authority); Intermediate Bodies have organized, in 2008, together with representatives of the MA, working meetings with the beneficiaries. In total, have participated in these meetings 738 participants from the potential beneficiary institutions / beneficiary institutions. • Training programs with local public authorities on applying the procurement procedures and managing the works contracts. In this regard, since February 2009, local public authorities that have submitted projects for funding under the Regional Operational Program have been included in specific training sessions for procurement and project implementation, focusing on the acquisition and implementation of the works contracts.
<p><i>Contradictory legislation regarding the intercommunity development associations, lack of regulations in implementing The Local Government Law, nr. 215 / 2001</i></p>	<ul style="list-style-type: none"> • The change of the Implementation Framework Document - to formulate a more flexible eligibility criteria on how to set up IDA – and of the Applicant Guide - through issuing a corrigendum by AMPOR – according to which, the governing body of an Intercommunity Development Association, which approves the project costs, can be any of the ones stipulated in the regulations in force, not only the Board, as originally expected.
<p><i>Financial level to which funding contracts can be signed within a key area of intervention, related to financial allocation determined by the program. Legal basis in which contracts can be signed (commitments) through overcoming the financial allocation by area of intervention (ERDF and national contribution) to 10%.</i></p>	<ul style="list-style-type: none"> • Following the consultations held between the MA - s, ACIS and ACP to develop the final GEO project regarding the financial management of structural instruments, which will replace the current Ordinance 29/2007, was introduced in this legislative act a provision which provides the legal basis for signing funding contracts with beneficiaries over the allocated amounts. The Methodological Norms Project for applying this new law will establish the limit where over contracting is permitted.
<p><i>Preparing proposals for assuming the costs and the individual/global budget commitments, related to ROP's submitted contracts, in 2008 and 2009, given the change, since 2009, in providing the budget amounts of the main credit coordinators, with the role of Managing Authority (especially for cofinancing from the state budget).</i></p>	<ul style="list-style-type: none"> • Following the consultations held between the MA - s, ACIS and ACP to develop the final GEO project regarding the financial management of structural instruments, which will replace the current Ordinance 29/2007, was decided that the methodological norms for implementing this new law include specific provisions by exception to OMFP 1792/2002 and, as annexes, the standard formats specific to the budgetary execution of the amounts necessary to implement the operational programs funded by structural instruments: a proposal to assume the costs, budgetary commitment individually / overall and authorize payments.

<i>Lack of a unified and coordinated approach regarding the exchange rate used in making forecasts of contracting and reimbursement.</i>	<ul style="list-style-type: none">• Within the technical meetings of the MA, ACIS and ACP, it was proposed the development of instructions / procedures by MPF on exchange rate management in operational programs - the exchange rate that is used to estimate contracting, reporting on contracting, the estimates for reimbursement.
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Source: RIA 2008

CONCLUSIONS

In 2008, the work of implementing the Regional Operational Program has improved compared with 2007, when the main activity was the preparation of program implementation, public information on areas of intervention, activities funded from the Regional Operational Program and the categories of beneficiaries of projects and, also, launching the first calls for projects. In late 2007, only 6 funding requests were submitted, totalling 9,369,529 Euro, while, at the end of 2008, were submitted 1.337 projects for 11 major intervention areas, with a total of 3.46 billion Euro.

Although there have been problems in implementing the ROP, we tried to correct and resolve them during the term of implementation. Grievances/problems were on the whole circuit of implementation, from submission to evaluation and contract, but early identification made possible the attempt to solve and to learn them.

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