

# THE ABSORPTION OF EUROPEAN FUNDS IN THE COMMUNES IN TIMIS COUNTY

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## *Abstract:*

*This paper shows the main European funds assigned to Romania in the post-accession period. The study focuses on how the EU funds were raised within the communes in Romania. It examines the types of measures for which grants were allocated, in the period 2010-2014, on a sample of communes in Timiș County.*

*Keywords:* public budget, rural development, European funds

*Jel classification:* E20,H4,H5

## *Introduction*

In terms of the EU, the main directions of employment and social policies are stipulated by the following strategic documents:

- The Lisbon Agenda
- The Revised Lisbon Strategy
- The Integrated Guidelines for Economic Growth and Employment

On a national level, the way in which each EU country implements these guidelines is reflected in the National Reform Programme (NRP). The NRP is both a reporting and a planning document, while also showing the progress made in the last 12 months and the actions to be undertaken over the next year.

The EU regional policy is carried out by national and regional bodies in partnership with the European Commission, a system known as shared management. Unlike annual national budgets, the regional policy budget is set for seven years, making it inherently reliable and a valuable resource for private investments to draw upon. There are three main stages in the investment process.

1. The budget and rules for its use are jointly decided by the European Parliament and the EU Council of Ministers (which brings together national ministers at the European level), on the basis of a Commission proposal.

2. The Commission works with the EU countries as they draw up partnership agreements outlining their investment priorities and development needs. They also present draft operational programmes (OP's) breaking down the objectives into concrete areas for action. These can cover entire countries and/or regions and can include cooperation programmes involving more than one country. The Commission negotiates with the national authorities on the final content of these investment plans. All levels of governance, including civil society, should be consulted and involved in the programming and management of the OP's.

3. The programmes are then carried out by the countries and their regions. That means selecting, monitoring and evaluating hundreds of thousands of projects. The work is organized by the managing authorities in each country and/or region.

Management and delivery of the programmes is, therefore, largely devolved to administrations at national and sub-national (regional and local) levels. EU countries must assure the Commission that the funds are being spent effectively and in accordance with the EU law. They must provide reliable accounting, monitoring and

financial reporting systems and identify the responsible bodies and procedures to ensure an adequate audit trail.

The principles of the EU cohesion policy (2007-2013) have been given in the Community Strategic Guidelines, the European Commission document, through which the development priorities, on a European level, in the next period, have been set. These priorities were taken by the EU countries in their strategic documents, namely the National Strategic Reference Framework and operational programmes.

During 2007-2013, there was a new programming period of structural instruments, based on a set of regulations containing provisions relating to the areas to be funded and the applicable principles and mechanisms of management and implementation of funds.

For 2007-2013, the European Union has assigned €336 billion for the cohesion policy. Structural Instruments consist of the Structural Funds and the Cohesion Fund and are the financial instruments through which the EU acts to eliminate economic and social disparities between regions, in order to achieve economic and social cohesion.

The European Regional Development Fund (ERDF) and the European Social Fund (ESF) are known as the Structural Funds as they are designed to invest in economic and social restructuring across the EU and, thereby, reduce gaps in development between European regions, for example, in terms of the infrastructure and employment. Together with the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), they make up the European Structural and Investment Funds (ESIF's). In addition to the common rules for the ESIF's, there are also some fund-specific rules.

While the Cohesion Fund invests in transport networks and environmental projects, the EAFRD supports rural areas, to make the agricultural sector more resilient, innovative and climate-friendly and the EMFF promotes sustainable and competitive fisheries and aquaculture across the EU.

### Material and methods

In 2007-2013, all development regions of Romania were eligible for financial assistance, awarded under the Convergence and European Territorial Cooperation objectives.

For the period 2007-2013, Romania has been assigned €19.667 billion from the Structural and Cohesion Funds of the EU.

**Table.1** Operational Programmes applied in Romania

Objectives	Operational Programme (OP)	Percentage of the total budget assigned amounts	Structural Instruments	Managing Authority of the Operational Programme (OP)
Convergence	1. Transport SOP	23%	Cohesion Fund and the European Regional Development Fund	Ministry of Transport and Infrastructure
	2. Environment SOP	23%	Cohesion Fund and the European Regional Development Fund	Ministry of Environment and Forests
	3. Regional OP (ROP)	19%	European Regional Development Fund	Ministry of Regional Development and Tourism

	4. Human Resource Development SOP	18%	European Social Fund	Ministry of Labor, Family and Social Protection
	5. Growth of Economic Competitiveness SOP	13%	European Regional Development Fund	Ministry of Economy, Trade and Business Environment
	6. Administrative Capacity Development OP	1%	European Social Fund	Ministry of Administration and Internal Affairs
	7. Technical Assistance OP	1%	European Regional Development Fund	Ministry of Public Finance
Territorial Cooperation	8-13. Territorial Cooperation OP	2%	European Regional Development Fund	Ministry of Regional Development and Tourism

Source: Ministry of European Funds

The 2007-2013 Regional Operational Programme (ROP 2007-2013) is one of the seven operational programmes (programming documents) issued by Romania and approved by the European Commission, funded from the EU Structural Funds - European Regional Development Fund (ERDF). The 2007-2013 Regional Operational Programme aims at an integrated development, on a local and a regional level.

For the funding of the ROP, during 2007-2013, there were approximately €4.38 billion, of which €3.726 billion (84%) is funding from the European Regional Development Fund (ERDF), representing 19.4% of the total Structural and Cohesion Funds earmarked for the Convergence Objective in Romania. The remaining funds come from the Romanian public and private funds (14%).[1]

The total financial allocation for the Western Region, in 2007-2013, is €439.67 million, representing approximately 10.34% of the total funds granted for the funding of the ROP. This distribution of funds is indicative and illustrative, since the funds can be reallocated from one region to another, depending on the absorption capacity.

The strategic objective of the 2007-2013 ROP is to support sustainable economic and social development and balanced territorial development of all Romanian regions, according to their specific needs, with a focus on supporting sustainable development of cities, improving the business environment and the basic infrastructure for achieving from Romanian regions, especially from the least developed ones, places suited for work, life and leisure.

The overall aim of the ROP strategy is based on several specific objectives, namely:

- Increasing the economic and the social role of urban centres through a polycentric approach, to stimulate a more balanced development of the regions.
  - Improving the accessibility in the regions and especially the ease of access into urban centres and their connections to the surrounding areas.
  - Improving the quality of the social infrastructure in these areas.
  - Increasing the competitiveness of the regions as business locations.
  - Increasing the contribution of tourism to the development of the areas.

In order to achieve the global objective of the ROP[1], six priority axes have been identified, which are aimed at a balanced development of all regions in the country, through an integrated approach based on a combination of public investments in local infrastructures, active policies to stimulate business activities as well as the support in the recovery of local resources, namely:

1. Support for the sustainable development of cities - potential growth poles;
2. Improvement of regional and local transport infrastructures;
3. Improvement of the social infrastructure;
4. Strengthening the regional and the local business environment;
5. The sustainable development of the regional and the local tourism;
6. Technical Assistance.

Within the 6 priority axes of the 2007-2013 ROP, the following were funded:

- The transformation of cities in which we live: better urban services, including transport, an improved system of social housing and rehabilitation of historic buildings.
  - Ring roads and better roads, both in cities and on a county level.
  - Hospitals, schools, social services and modern facilities for emergency interventions.
- Local and regional business development: preparing the industrial platforms that are polluted and no longer active for new economic activities, support for micro-enterprises.
- Quality travelling services, restoration and promotion of heritage sites, improving the tourism infrastructure.

The study reviews the absorption of European funds belonging to the 2007-2013 Regional Operational Programme, within rural communities in the Western Region of Romania.

In Timis County, we have reviewed the absorption of European funds on a segment of 48 communes (half of the total number of communes in the County). The types of measures, for which European funds have been accessed, the allocated amounts and the timing of projects have been studied as well.

The analysis was based on aggregated data regarding the investment or development objectives financed from European funds, obtained from the annual budgets.

### **Results and discussions**

European funds run by the 48 communes in Timis County, in 2010-2014, were worth a total of 233,819 thousand lei, broken down, by years, as follows:

- in 2010 : 4.192 thousand lei
- in 2011 : 51.903 thousand lei
- in 2012: 85.063 thousand lei
- in 2013: 59.282 thousand lei
- in 2014: 33.379 thousand lei.

The data analysis shows that the priority areas that were granted European funds fall into the major areas of the European cohesion policy, being well known that, unfortunately, rural areas in Romania are underdeveloped in terms of their infrastructure and economically speaking as well.

In Table 2, we present the total number of communes that have reached a certain type of measure in 2010-2014.

**Table no.2** Total number of communes that have reached a certain type of measure in 2010-2014

Nr crt	Programs/Accessed measures	Total number of communes
1	Development strategies of communes	2
2	Improvement of the physical infrastructure and basic services to citizens	9
3	Upgrading roads and bridges	24
4	Introduction of the water supply and sanitation facilities	6
5	Improvement of the educational infrastructure	15
6	POSDRU Human Resource Development	8
7	Development of the local tourism	12
8	Preservation of the local cultural traditions, upgrading community centres	19
9	Cross-border projects	5
10	Other (youth, sports)	3

Sources: Processing of own data

In reality, most communes have accessed funding for integrated projects, especially in the field of infrastructure of public administrations and public services at the local level, including:

- upgrading of roads
- introduction of the water supply
- introduction of the sewerage system
- purchasing equipment for the purposes of smooth running of basic public services.

Therefore, it is difficult to make an analysis of the amounts accessed strictly by type of measures. A structural analysis showing the number of communes that have accessed a type of action in each of the years studied, ranging in Table 3, shows that the majority of the funds were obtained in 2012-2014, due to the inertia approval procedures, implementation and settlement. It is great to notice the fact that many more communes manage to draft and get European projects by means of learning from others or through engaging specialized personnel in the field of European Funds.

**Table no. 3** The number of communes that have accessed European funds in the period 2010- 2014, by type of measures

Programs/Accessed measures	2010	2011	2012	2013	2014
Development strategies of communes	2	2	-	-	-
Improvement of the physical infrastructure and basic services to citizens	2	4	5	6	4
Upgrading roads and bridges	3	8	10	12	10
Introduction of the water supply and sanitation facilities	2	2	5	3	2
Improvement of the educational infrastructure	1	4	8	5	9
POSDRU Human Resource Development	2	1	-	-	-
Development of the local tourism	2	2	4	6	5
Preservation of the local cultural traditions, upgrading community centres	5	6	9	8	13
Cross-border projects	1	1	3	3	2
Other (youth, sports)	1	-	2	1	1

Sources: Processing of own data

One can note that the number of projects funded by the Operational Human Resource Development Program (POSDRU) is, unfortunately, much reduced during this period, only 3 communes actually benefiting from partnerships with non-governmental associations. The programs that were developed, the Rural Net and the Perspective Rural, were funded by the European Social Fund, measure 5.2 - Promoting long-term sustainability of rural areas, human resource development and employment. This poor involvement of the local government in the retraining programmes of the labour force is closely linked to the economic development in poor rural areas, which will continue to be an obstacle to the economic and social convergence with the EU average.

Public projects with economic implications exist only in Dumbrăvița, which is actually a suburban commune with benefits derived from its proximity to the capital of the county. The Municipality of the commune has raised various types of European funds, even if they were not particularly of a high value, demonstrating an already existing experience in the application procedures for EU funds. They have been translated into:

- The Euro Regional Centre for Youth (completed in 2010),
- The Hungarian Cross-Border Partnership (the commune having a large Hungarian community - 2011, 2013) HURO Projects - PartMedco, local television
- The Euro Regional Centre for Excellence (EuTalent)
- The local business support structure.

We can note that the absorption of European funds in Timis County is extremely low. The reasons are (similar to all levels of government) the lack of specialists or experience in drafting European funds and weak financial power of local authorities, who are not able to co-finance projects or to provide initial payments leading to the early European settlement funds.

In order to help the local communities financially, the Romanian Government approved, in its meeting of 25 March 2015, a new loan from the State Treasury, to provide the Managing Authorities of operational programmes with resources to pay the bills to the beneficiaries of the EU funds. The loan has a value of 600 million lei, which will be made in payments to beneficiaries of the EU funded projects. The amounts paid to beneficiaries will be reimbursed to Romania by the European Commission.

The new funds will be used for payments to beneficiaries of projects implemented in three operational programmes. Thus, for payments to the beneficiaries for the SOP Increase of Economic Competitiveness funds have been granted in an amount of 230 million lei, and to pay the bills to the beneficiaries of the Human Resource Development OP, an amount of 220 million lei was set. At the same time, in paying the beneficiaries of the Environmental SOP, the sum of 150 million lei was allocated.

## **Conclusions**

In terms of the programmes and measures implemented it can be observed that most of the communes in Timis County have accessed funds mainly within the roads and utilities fields, due to the fact that they still have to face the same issues related to the poor development of these sectors of public infrastructure.

The second group of measures is related to education and culture. Culture and tourism have the advantage in terms of rural development in our country, in areas which

are still disadvantaged in what regards economic investments, therefore, nationally, operational programmes in these sectors, especially in rural areas, have been provided.

The main measures that have accessed funds are not very different:

1. Development strategies of communes
2. Improvement of the physical infrastructure and basic services to citizens
3. Upgrading roads and bridges
4. Introduction of the water supply and sanitation facilities
5. Improvement of the educational infrastructure
6. POSDRU Human Resource Development
7. Development of the local tourism
8. Preservation of the local cultural traditions, upgrading community centres
9. Cross-border projects
10. Other (youth, sports)

The conclusion is that the study conducted in the rural communities in Timis County, like in the rest of the country, showed that the absorption of European funds is extremely low. The reasons are (similar to all levels of government) the lack of specialists or experience in drafting European funds and weak financial power of local authorities, who are not able to co-finance projects or to provide initial payments leading to the early European settlement funds.

It is well known that all European countries and the former communist countries in particular have encountered difficulties in the process of absorbing European funds, however, in Romania, the process is quite slow and it should be strengthened, because once the post-accession period is over, the allocated development funds will be reduced, and the accession conditions will become equal to all EU countries.

It should be noted that within the new European financial plan for 2014-2020, relating to European funds, the EU regional policy accounts for the single largest chunk of the EU budget for 2014–20 (€351.8 billion out of a total €1 082 billion) and is, therefore, the Union's main investment arm [3]. These resources are used to finance strategic transport and communication infrastructures, to favour a transition to a more environmentally friendly economy, to support small and medium-sized enterprises (SME's) in becoming more innovative and more competitive, to create new and lasting job opportunities, to reinforce and modernize education systems and to build a more inclusive society.

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