

„LUCIAN BLAGA” UNIVERSITY OF SIBIU



Faculty of Economic Sciences

THESIS SUMMARY:

**THE IMPACT OF EUROPEAN FUNDING ON PUBLIC FINANCES IN
ROMANIA**

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Keywords: sustainable financial system, public finances, public budget, budget revenues, European financing, operational programs, the European funds absorption rate, regionalization, administrative decentralization, regional competitiveness, cohesion policy, budget deficit, economical growth.

The aim of the research synthesized by my PhD thesis title „The impact of the European funding on the public finances in Romania", intended that by addressing a topic of great interest and concern, to analyze the effectiveness of external financial resources and efficiency of structural instruments in ensuring the sustainability of the Romanian financial system seen from the perspective of public finance component.

The personal arguments in choosing this topic for my doctoral research refers to the actuality of the topic within the context of cohesion policy promoted by the European Union financial assistance to Member States in order to mitigate the gaps across the Union. Regional development and decentralization are also actual in terms of future absorbing prospects of these funds. These two concepts are convergent with the EU strategic approach on cohesion growth and in particular with the ways of realizing it, represented by European funds accessing.

Cohesion policy represents one of the solutions for exceeding economic and financial crisis because the efficient use of its financial instruments determines strengthen the competitiveness of the European economy, accelerating economic growth and increasing employment rate. Transposition of economic and social cohesion at territorial level is nothing new, but the economic development of the regions highlights that the gaps within states have increased over time. The crisis facing the European Union since 2007 has highlighted a continuing need to have a policy that invests in competitiveness. Such a policy is the cohesion policy and currently, the European Union uses this policy to support Member States and to help them overcome the current crisis, to reduce disparities and help to achieve the objectives set by the Europe 2020 Strategy. Also, the negative effects of the economic crisis on Romania have exerted a major pressure on public finances, contributing to a drastic reduction in resources for investment, both from private and budgetary investors. Thus the structural instruments represent an important element to combat the economic crisis through which it ensures greater accessibility to these funds both for the business environment as well for the public sector.

The doctoral thesis elaboration was made by following a thesis plan, which include the chapters, subchapters and the bibliography, having into consideration the known research methods and the dissemination of research results by participating in national and international conferences and publishing articles in journals rated B +, BDI and ISI Proceedings.

The hypotheses that led the research are the following:

- ✓ the opportunity of accessing and implementing projects financed by EU in order to attract funds to the general consolidated budget of Romania constitutes one the main challenges of the Romanian society, designed to resolve many of the issues which the Romanian economy must solve;
- ✓ the existence of interregional development gaps at Romanian level is an obstacle in accelerating the absorption of European funds and the proper implementation of operational programs;
- ✓ the lack of administrative decentralization and finalizing the process of regionalization constituting obstacles in access and efficient use of European funding;

- ✓ successful implementation of the European funds allocated by the EU to Romania in 2014-2020 and its full accessing depends on the administrative and legislative reform, and on the national interest and capacity to propose viable projects;
- ✓ the need to reduce the budget deficit must be understood and realized by measures that do not further increase the fiscal burden among the population, and the European funding can contribute to solving this problem.

Personal contributions are presented as proposals, recommendations, data processing and analysis presented in this paper and summarized at the conclusions of each main chapter. Also this research presents case studies based on statistical modeling and comparison method and a series of mathematical modeling meant to determining the existence of correlation between different variables studied and verify hypotheses from which the scientific research started.

The main objectives aimed in the thesis refer to:

- identifying manifestation framework of attracting European funds process as well as concepts, principles, procedures and requirements applicable to EU funding allocated from the EU budget;
- highlighting the role that accessing funds has on national public finances;
- analysis of Romania's experience in attracting European funding programs for the period 2007-2013 and identifying the main causes that led to the registration of a low absorption rate of European funds in Romania;
- establishment of a set of recommendations to support Romania's future focus efforts in attracting funds for the period 2014-2020, following the results of the comparative analysis with Poland;
- identifying the current state of regionalization and administrative decentralization process in the eight economic development regions and justification of accelerating this process in improving the absorption of European funds;
- determining regional competitiveness in Romania by applying the HARD matrix;
- the correlation study between regional competitiveness indicator and the absorption rate of European funds;
- formulation of proposals for appropriate measures to be taken to increase the absorption rate of European funds by Romania in order to reduce development gaps at the eight regions level;
- the justification of the role that EU funding has on national public finances, and its importance in ensuring sustainable development and competitiveness of Romania.

To achieve these objectives it was used a complex and varied **research methods** consisting of systemic analysis, comparative and comprehensive approach to the researched subject, depending on the objectives. The methods and techniques used in developing the thesis are: documentation, mathematical and statistical methods, method of interdisciplinary research and comparative analysis, mathematical modeling and synthesis of theoretical and research results using graphics (tables, figures, graphs) as well as analysis of economic models using data series of the Romanian economy.

The PhD thesis was structured and elaborated starting from a coherent and unitary approach in five chapters.

The first chapter, entitled *"Reference framework of the organization of public finances in Romania in the context of European integration"* describes the organization

framework of the public finance by relating to current realities imposed by Romania's alignment with European requirements and demands, as well as the role of harmonizing administrative and institutional cooperation. Fiscal harmonization at European level involves a complex process that takes into account not only the harmonization of taxes, but also legislative and institutional harmonization, the latter being a compulsory condition of sustainable public finances at national level.

The main objective of this chapter is to present a more friendly perspective of attracting funds to the general consolidated budget of the state, that contribute to the foundation of a sustainable fiscal policy, capable of supporting economic development, creating jobs and increasing investments aimed to reduce the gaps development between our country and other European countries. The opportunity of accessing and implementing projects financed by EU in order to attract funds at the general consolidated budget of Romania, is one of the main challenges of the Romanian society, designed to solve many of the issues that the Romanian economy, in transition, hesitates to resolve. The allocation of such resources to the general consolidated budget of the state is achieved through a funding mechanism represented by the Multiannual Financial Framework through which are set the financing ceilings of specific funds constituted on the Union level, funding which is achieved by establishing and implementing policies public in the beneficiary states which correspond with European requirements. Access to those funds according with the provisions and policies supported by the European Union is achieved through programming documents and in a well-organized institutional framework that presents the tasks, roles and working procedures well defined.

Extremely important in improving the absorption of these funds is administrative and interinstitutional cooperation because it creates the implementation premises of a sustainable fiscal policy, able to support the harmonization of procedures and processes in the field, in order to achieve national and EU targets.

Cohesion policy represents one of the solutions to overcome the current crisis because the efficient use of its financial instruments determines strengthen the competitiveness of the European economy, accelerating the process of economic growth and increasing employment. Also the negative effects of the Romania's economic crisis exercised a major pressure on public finances, contributing to a drastic reduction in resources for investment both from private and budgetary investors. So the structural instruments represent an important element to combat the economic crisis through which it ensures greater accessibility to these funds both for business and the public sector.

Fiscal measures that have been taken by Romania upon accession to the European Union in 2007 and so far targeted two challenges, to help harmonize national fiscal system with the European one, respectively to combat the effects of the economic crisis on the budget deficit by implementing measures to increase attracting funds to the state budget along with the reduction public sector spending. These measures have proved effective over the medium term, considering that national budget deficit remained within acceptable limits, but by increasing fiscal burden at the population level have been affected living standards and consumption. Another measure of maintain the budget deficit under control consisted in loans contracting from international financial institutions which, however, did nothing but to increase the level of indebtedness, the price that all people will suffer it, especially the borrowed funds were most often directed towards covering the costs of public sector with salaries and pensions, and less oriented to investments capable of generating growth and creating jobs.

Thus, Romania must seriously focus to European funding available through the Operational Programmes of the European Union, it representing a source of external non-reimbursable revenue to the consolidated general government budget. With these financial resources, the state has a number of opportunities to develop socio-economic environment by directing funds to support investments generating economic growth and increasing employment, and the development of national infrastructure to support these investments with a positive impact on population welfare.

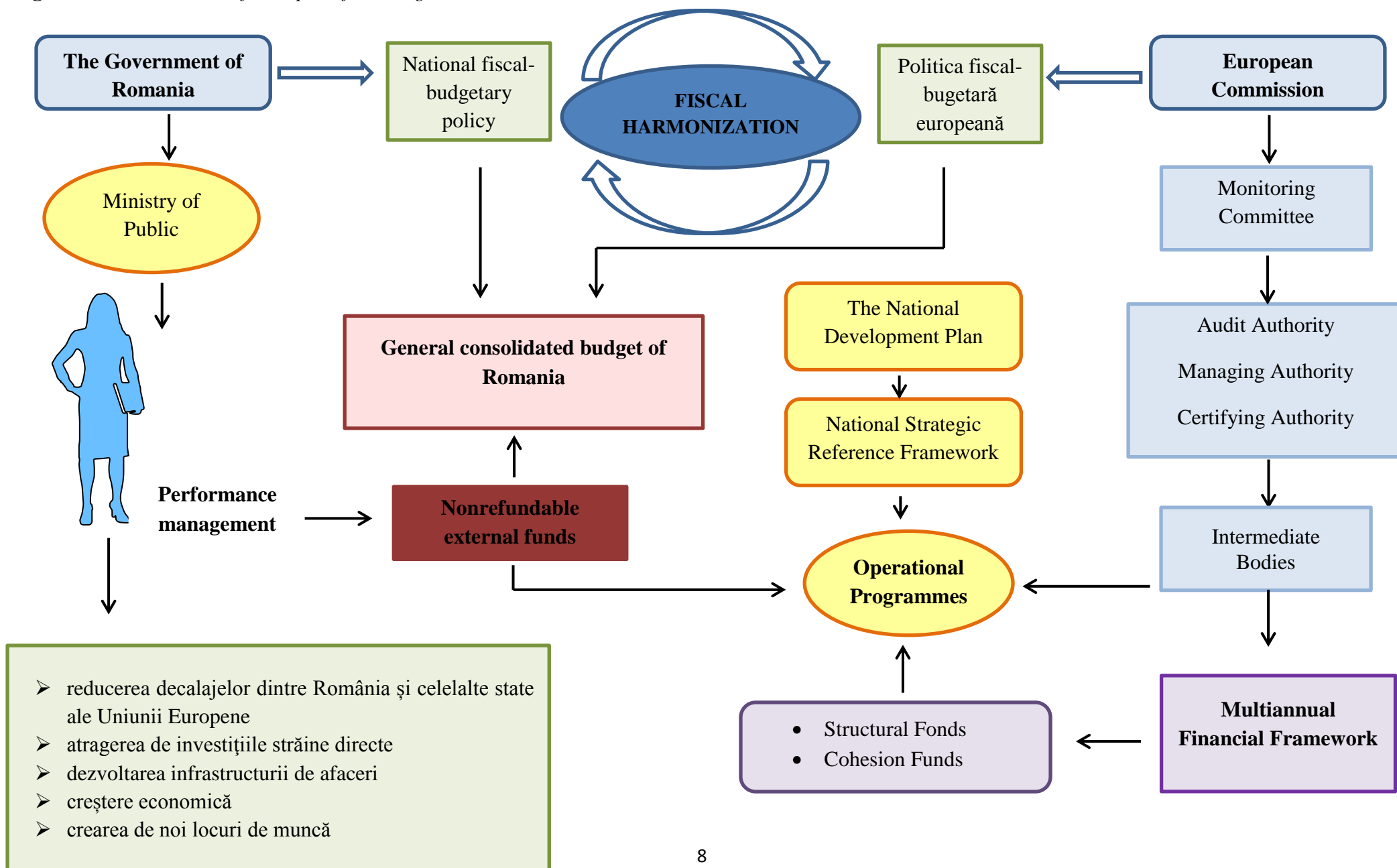
One great advantage of attracting such funds to the general consolidated budget of the state is given by the low cost of thereof, represented by the fact that fiscal pressure on the people does not exist, there are no costs of financing, the sole responsibility of the the managing authorities involved in accessing these funds must ensure that the funding received is used properly and responsibly, so as to avoid any reimbursements and penalties due to the non use of these funds. Also, projects partly financed by the European Union, where is necessary co-financing from the beneficiary state, share of financing is rather small and merely make the beneficiar more responsible, having the role to ensure the correct use of the funds received. Considering the challenges that Romania has to overcome, represented by respect of budgetary restrictions undertaken by the agreements, continuing of demarches of economic and social cohesion in Europe and the resumption of economic growth, to the national fiscal policy is assigned a major role in achieving these objectives.

In this context, sustainability of public finances is a necessary condition for substantiation of national fiscal policy, which must streamline how to use financial levers to attract financial resources to the general consolidated state budget. So the pressure exerted by the public sector spending cuts, especially with staff, it could find its resolving in accessing European funds investments directed towards generating economic growth and creating new jobs. Also in support of this approach can be successfully used funds assigned regarding the professional reorientation and development of new professional skills, facilitating the reintegration of people affected by layoffs in the labor market. the fiscal pressure felt by the population as a result of increasing taxes, affected purchasing power much and the population investment, being affected consumption, even if the measures taken have had a positive effect on reducing the budget deficit.

Another important aspect presented in this chapter was fiscal harmonization, which I believe should be approached not only in duties and taxes, but primarily at institutional and legislative level, which are essential elements for substantiation a fiscal policy. At the same time, the fiscal system performance, the more so that we refer to a union of states, is given by the competitiveness of national systems, especially since they must respond to both their needs and interests, but also to achieve common objectives related to cohesion policy promoted at European level and assumed by signing European treaties.

In the following figure I have intended to capture the interdependence between the concepts outlined along this chapter in order to establish the role that EU funding has on national public finances.

Figure no. 1 – The Role of European financing on the National Public Finance



The future organization of public finance in Romania must take into account a series of adaptations at social-economic realities of national and international, adaptations to ensure the demarches continuation of fiscal harmonization at European level. Considering this desideratum the main challenge for Romania is the assurance and continuous quality improvement of public finances, concept that the European Commission promotes among all member states. The quality of public finances is analyzed from the perspective of the most important elements of the fiscal system, so that reference to this concept brings a lot of information on the economic environment, people's welfare and the economic growth process of a nation, being an ideal barometer in substantiation of a national sustainable fiscal-budgetary policy.

Taking into account the ample context at which should report the national fiscal policy substantiation, we believe that to talk about a sustainable public financial system must take into consideration the improvement of fiscal management at both conceptual and institutional level.

At conceptual level should be considered enhancing the quality of public finance concept promoted by the European Commission, so that the fiscal policy of Romania respects a number of principles such as: the principle of transparency, accountability, efficiency and to ensure stable fiscal position of the country. At the same time, fiscal policy should ensure social equity, respectively social efficiency maximization of budgetary resources used.

At the institutional level, increasing the quality of fiscal governance is the main priority, characterized by urgently taking the institutional and legal measures, such as: a new law on fiscal responsibility, developing a fiscal strategy in the long term, the transition to a multiannual budgetary planning by implementing a medium-term budget framework, the introduction of strict fiscal rules, enhancing the role of independent fiscal councils etc.

Romania also needs to align at the Europe 2020 objectives, directed towards promoting competitiveness and employment, sustainable public finances and financial stability. European funding granted to the Member States in order to achieve those objectives are generous, and Romania's development needs are various and multiple, which is why we believe that external grants should be first targeted by submitting projects well-founded and documented, with real impact on Romanian economy sectors.

The second chapter entitled "*Study on Romania's experience in accessing European funds*" presents the general framework for organizing and accessing European funds at European and national level, and through the comparative analysis between Romania and Poland in European funds absorption domain with related programming period, I aimed to identify weaknesses and strengths of each of the two countries, contributing to formulate a set of recommendations that our country should follow in order to attract afferent funds of the multiannual financial framework 2014-2020, thus following the Poland example to become a model in this area and benefit fully from the modernization opportunities, provided by structural instruments.

Following the comparative analysis between Romania and Poland it can be identified some similarities, as well as many differences in the absorption of European funds. As reality shows, in the first years of accession, Member States recorded low rates of absorption of European funds due to lack of experience in the field and because of difficulties in the implementation of eligible projects and weaknesses in funding procedures from the European Commission. This aspect has been verified also by the experience of Poland in the programming period 2004-2006, and by Romania in the 2007-2013 period, but there are major differences on how the two surveyed countries understood the importance of remedying the deficiencies

identified in the absorption process. Poland's response to reported vulnerabilities in accessing and implementing structural instruments was immediate and materialized in measures that have strengthened and made more effective absorption of European funds, thereby paving the way for the funds tranches allocated for the period 2007-2013. These measures were aimed reorganizing and streamlining institutional and legislative framework, and allowed Poland to reach the top of the leaderboard accessing European funding among countries in Eastern Europe and Central, proving its efficiency not only in obtaining EU funds, but also in their spending.

The same praise words can not be assigned and Romania, which despite the weak measures to address the deficiencies identified in the absorption of European funds, they were not constant and responsible in their application. The corruption and lack of transparency in accessing and implementing European funds in Romania has been much discussed, but despite numerous warnings and sanctions that our country has received from the European Commission for non-compliances reported (suspension of payments), no significant reforms or clear measures were made to prevent and stop these irregularities.

Thus, of the total amount allocated to Romania for the period 2007-2013, it registered a contracting rate of 94%, but the rate of payments under the grant contract was only 34%, which shows a significant difference between the two rates. This is largely due to the sanctions that the European Commission has applied to our country as a result of the numerous and repeated non-compliance, reported in the assessments of the country in accessing and implementing European financed programs.

In Poland, the difference between the European funds contracting rate and the European Commission payments rate related to these funding programs is much lower, contracting rate being 95% and payments one of 63%. This was largely due to the measures which Poland has taken to improve the institutional and legislative framework of European funds, and considering the experience of previous programs for the period 2004-2006.

As it can be observed the high rates of contracting European funds have not resulted in high rates of payments to beneficiaries by the European Commission. Failure to achieve contracting rates is largely due to poor management performance and lack of effective institutional and legislative framework, chapters on which Romania is far behind Poland.

For both analyzed countries the main challenges that were faced in the early stage of contracting European funds were given by:

- specialized institutions inefficiency corroborated with low information levels and experience of the beneficiaries in the development and implementation of projects, but also because of the difficult process of personnel training specializing in European funds;
- low degree of information of the potential beneficiaries on the conditions of implementation and operation of the European funds and the lack of predictability of the legislative and institutional framework (repeated changes have discouraged potential beneficiaries) and lack of transparency for practices of accessing and implementing these funds;
- deficiencies in the implementation of structural funds were due to lack of an appropriate legal framework, which was set far too late and was undergone many changes. Thus the lack of continuity in the application of the rules governing the structural funds and the lack of transparency regarding the implementation process led to record very low rates of absorption of EU funds.

- the organizational framework for accessing and implementing the of structural funds was poorly designed and functioned deficient (inadequate control procedures have affected payments negatively to final beneficiaries, reimbursement claims were rejected);
- nondefining the legal framework at the time when the two countries became eligible to access structural funds and lack of beneficiaries experience in applying the new rules have significantly complicated the whole process of the structural funds. The lack of transparency and frequent changes to that has undergone legal framework contributed significantly to the failure of accessing these funds.

The major difference between the two countries consists in responsibility and how their governments have understood to address the issue, choosing to exploit or to waste this enormous chance of economic and social modernization, that European funds represents.

Therefore, despite the recent efforts of the authorities to take administrative, legal, institutional or organizational measures in order to increase absorption for the budget year 2007-2013, there were no marked improvements, which means loss of considerable funds by Romania. Poland took advantage of the experience acquired during the period 2004-2006 and proceeded to adopt and implement measures that have resulted in recording a high rate of absorption of European funds and Romania can learn enormously from this country.

Romania's experience in accessing European funds related to the 2007-2013 programming period was not marked by success, as some revealed a number of weaknesses and vulnerabilities of institutional and legislative framework employed in the implementation of structural instruments, materializing into a low rate of absorption of EU Funds. Given this experience, Romania should focus on the following aspects:

- ✓ learn from the mistakes of the 2007-2013 programming period - this experience provided valuable lessons and best practices for the next generation of EU-funded projects;
- ✓ strengthening the capacities of beneficiaries - in most cases, the beneficiaries of EU-funded projects did not have the technical and managerial expertise. This is particularly evident in the implementation process, leading to delays and irregularities. Therefore, the government should provide concrete measures to assist beneficiaries in the implementation of projects financed by the EU through dedicated assistance offices, subsidized textbooks and courses;
- ✓ strengthening the administrative capacity - the lack of administrative capacity was the main reason for the slow implementation of EU funds so far. Romania has accumulated significant experience in the last 7 years. However, the government must ensure that the skills and expertise are constantly updated according to new EU regulations for EU funds Procurement Directive and other relevant EU legislation. This can be achieved by developing an effective strategy of human resources staffing quality, improve staff skills and appropriate remuneration. If the local administration lacks expertise then technical expertise should be contracted;
- ✓ taking the model of other EU Member States which have proved to be efficient in the absorption of EU funds - Romanian authorities should learn from the experience of EU countries with more experience in managing EU funds. Examples tested and best practices from countries such as Poland, Germany or Ireland can and should be applied in Romania;

- ✓ simplification of the EU funds absorption process – there is no need to overload the managing authorities and beneficiaries with excessive documentation and bureaucratic procedures;
- ✓ increased attention to information campaigns. Potential beneficiaries of EU funds, whether public authorities, SMEs and NGOs should participate in information campaigns. This would ensure good and innovative ideas to materialize in projects financed. Moreover, if citizens are informed about funding opportunities for the local community, they will require support from mayors and county councilors;
- ✓ periodic monitoring – the implementation of EU funds should be constantly monitored by national authorities and the European Commission. If the implementation is slow, solutions need to be identified and quickly applied;
- ✓ focus on results - Priority should be given to investments and projects that bring significant improvements and lead to results. The authorities should focus not on how quickly they spend money, but rather the way in which EU-funded projects can help reduce inequalities, raising living standards and poverty reduction;
- ✓ investments in transport and social infrastructure - Government should allocate sufficient funds for roads and quality rail links and social infrastructure such as hospitals and schools. Only by investing in high quality infrastructure, Romania can attract foreign investors and reduce the access barriers to a proper health and education system. Economic and social benefits of infrastructure investments are endless and priceless;
- ✓ focus on the development of national and regional strategic projects – that would represent an integrated strategy and would be implemented among public authorities at local and central levels.
- ✓ use appropriate technical assistance - recommending authorities to outsource complicated assistance;

For the 2014-2020 programming period, Romania has an interest in being a net beneficiary, which means that, as long as it is member state of the European Union, Romania is obliged to contribute to the EU budget and that would be to its advantage to attract the European funds to which it is entitled, in order to ensure a balance between the beneficial Romania's contribution to the EU budget and the Structural Funds absorbed.

The Structural Funds is thus a key resource for the development on short, medium and long term of the Romanian economy. An increased rate of absorption of these funds is a central element of fiscal sustainability in terms of investment strategy and reduce the budget deficit through capital injection in areas of major importance.

In the third chapter, "*The impact of regionalization and regional competitiveness role on the effectiveness of attracting european funds at the general consolidated budget of Romania*", I have studied Romanian regional economic and social development in order to identify the competitive level and the effect which regionalization can have in improving the absorption of European funds. Evaluation of regional competitiveness in Romania was achieved by using "HARD" matrix. "Hard" matrix as it is described in the survey methodology developed by the Group of Applied Economics (2007), requires consideration of three indicators, namely economic indicator, social indicator and technological indicator.

Analysis of regional competitiveness at national level using HARD matrix allows an overview of the regional competitive environment, but with some limitations regarding the

regional development reality. In support of this claim, we draw attention that the technological indicator aggregate to the competitiveness indicator has registered the most significant discrepancies among the eight regions analyzed, significantly influencing the values obtained in terms of regional competitiveness. If we remove from the equation the technological index value, we achieve much lower values of economic and social competitiveness indicator, which assumes a low level of national competitiveness, fact confirmed by international reports on Competitiveness¹ and ones of the European Commission.

The evolution of economic and social regional indicators aggregated to the indicator of regional competitiveness have had no significant evolutions, observing that signaled discrepancies at inter-regional level are maintained throughout the analysis period, 2007-2013, and low levels of competitiveness indicators show a consequence of Romania low performance in attracting funds.

There are three major differences signaled in the regions, these are represented by:

- ✓ differences in development between East and West. The eastern regions had the lowest values of competitiveness indicators;
- ✓ different level of development between the capital city and the rest of the country; Bucharest-Ilfov region was the only region that recorded a over-unitary value of competitiveness indicators;
- ✓ significant differences between rural and urban areas identified by dispersion analysis of employment rate, having as a criterion of analysis the origin environment (rural/urban).

In order to reduce interregional development differences, we recommend increasing the spending for research development to support innovation of regional economies by identifying the specific needs and priorities of individual development, and in the current context of local budgets insufficient, attraction of foreign investment represented by the structural funds appear to be the only viable solution for progress and achieving regional competitiveness.

The logic of the regional competitiveness analysis in Romania in optimizing the European funds absorption started from the premise that a inter-regional competitive environment creates a favorable framework of attracting the highest level of European funds, by the fact that each region identify their own development needs and concentrates its resources in achieving the targets, which generates performance and competitiveness at the national level.

To verify this hypothesis we proceeded to correlate the results obtained for the indicator of regional competitiveness for 2007-2013 with the recorded value of the absorption rate of European funds in the period concerned using SPSS 17 statistical modeling program. The value of EU funds absorption rate was determined by reporting the post-accession amounts of cohesion and structural Funds, published by MFP in net financial Balance of Romania for 2007-2013, at the indicative financial allocation on year according with the National Strategic Reference Framework in Romania.

Pearson correlation coefficient values recorded for the two analyzed variables were very low (-0.168 to 0.177), emphasizing the existence of a direct correlation, but of low intensity. Low correlation between the two variables finds its explanation in the following aspects:

- The level of European funds absorption during the reported period 2007-2013 was very low and the effects felt by the injection of structural funds in the national economy are not felt immediately, but over time;

¹ Klaus Schwab, World Economic Forum - The Global Competitiveness Report 2012–2013, Geneva;

- The volume attracted by cohesion and structural funds is significantly below the needs of development and recovery of intra-regional disparities, which is why regional administrative autonomy is an essential condition to streamline the process of EU funds absorption;
- The granting of post-accession structural funds has coincided with an unfavorable event for national economic development, the economic and financial crisis, which slowed and made more difficult the absorption process, due to the concentration of attention on stopping the immediate effects over the economy and the introduction of austerity measures;
- the direct and positive correlation, although very low, between the indicators of competitiveness from underdeveloped regions such as SE, SW, NE etc., and the annual volume of European funds absorbed during the reported period, signs that the funding needs for development objectives from these regions are vast. A different level of correlation was achieved amongst of regions with higher competitiveness indicator, as the Bucharest-Ilfov and West, where were registered negative correlations, suggesting that absorption of structural funds was not sufficient to stop decreasing trends caused by other socio-economic factors, manifested tendencies in the economic and financial crisis context which overlapped with the post-accession financial Programming 2007-2013. We remark that the economies of more developed regions from economic point of view had suffered more, than the regions competitive lagging, justifying to a certain point the recorded values of correlation coefficients.

In order to overcome the constraints and limitations signaled in each region we consider necessary the development of an innovation strategy for each region, complementary with the National Strategy of Regional Development and National Development Plan, which is closely related to individual development needs and in accordance with the Europe 2020 Strategy which aims at sustainable growth based on knowledge.

But the efficiency of the community funds absorption should be seen as a set of economic, social, institutional and legislative factors, that corroborated and addressed with responsibility for create a favorable socio-economic development and national competitiveness growth in the European Union.

We can not talk about regional competitiveness of a country, as long as regional governments have no legal administrative authority, and dependency of center and allocating of funds based on political affiliation is present. The issue of corruption in Romania must be tackled seriously, being particularly important restructuring of the entire public sector and state-owned companies by removing all elements inadequate that generate privileges and political clientele.

Disfunctionalities found at the institutional framework level and in implementing regional projects financed by the European Union have led to impeding the proper conduct of the Operational Programmes for 2007-2013, being necessary the improvement of the administrative capacity of the Regional Development Agencies for the next financial programming period 2014-2020. The main dysfunctions at which we refer are the centralized module of approach, currently used, which does not allow regions to be able to set priorities according to local needs development, affecting strengthen administrative capacity at local level for the European programs period 2014 – 2020. Also, it can be ascertained the lack of a properly correlation between the objectives set in the National Development Plan and the established objectives at

regional / local level through contracted projects, which led to a level of accessing European funds lower than the programmed level. To overcome these deficiencies identified in the absorption of European funds and to be improved the process of accessing and implementing operational programs related with the future programming period, it is necessary the reorganization of institutional, legal and procedural structure in order to promote and support the regional decentralization.

The necessity and the importance of regional decentralization is justified by the fact that in order to be increased the European funding absorption should be set strategic priorities at regional level, accompanied by an assessment of projects that bring added value by the fact that they correlate the real specific needs for regional development with the objectives undertaken in the National Development Plan.

The lack of administrative and territorial decentralization represented an obstacle to increasing the absorption of European funds, by the lack of effective collaboration between central and regional governments. The main irregularities revealed in the process of collaboration between institutions responsible for the absorption and management of structural funds are:

- lack of ability to formulate specific objectives and the modalities of achieving them, which corresponds with European and national development strategies;
- inappropriate application of the principle of subsidiarity: the policy of the fund allocation has a centralized approach, there was no mechanism capable of "ensure a direct connection between the development objectives of the region, necessary funds to accomplish them and the projects identified at the regional level"¹;
- financial allocation from the center has not fully covered operating costs of the projects implemented and as a result the financial pressure has fallen on the shoulders of local authorities to co-finance expenditure associated with the projects implementation.

Accelerating the decentralization process of public administrations is essential because currently, the central administration apparatus collects funds from the counties, but redistribution is achieved discretionary, and the attributions of County Councils have no a legal framework necessary to fulfill them. Therefore we can say that Romania is still present the lack of efficiency and transparency, corruption and politicization, and high dependence of counties at the centre.

The reforming of the political class and collaboration between parties to achieve a common goal: economic and social cohesion and sustainable development, represents a key factor of stability in the management of European funds and to achieve a better absorption process. One of the great advantages of decentralization of public administration is to manage them effectively, corroborated with the improvement of collaboration and competitiveness among the various administration levels.

Improving the absorption of European funds falls both to the government and civil society shoulders, it should collaborate and work together to ensure a favorable climate for this process.

To remedy these previously reported shortcomings we formulated some proposals as follows:

¹ Ministry of Regional Development and Tourism - "The assessment of the administrative regions in regional development", December 2011, page 7;

- granting the normative autonomy to regions, providing the ability to issue its own rules and regulations regarding operation of the systems they manage;
- granting financial autonomy, which would give freedom to negotiate directly with the European Commission Operational Programmes. The expected effect of this approach would be that the management of these funds at the regional level to increase nationally regional competitiveness;
- regulating and setting administrative rules should be the responsibility of a local parliament and executive council (according to the model offered by Poland and that proved to be efficient);
- public affairs decentralization;
- support and encourage public-private partnership based on competence and not on political clientele;
- establishing clear competences of regional and municipal administrations;
- regional management of an European funds part (25%) - which would streamline the process of absorption and eliminate the bureaucratic aspects and would decrease government spending at national level.

The advantage of increasing the rate of European funds absorption consists of the negotiating possibility of an additional instrument consisting of additional funds granted as a prize by the European Commission to the countries with the best performance in absorbing funds, and this implies that the regions have to prove to be competitive.

To reduce development disparities at the national level, the increasing efficiency issue of the EU funds absorption remains topical, so that completing the process of administrative-territorial regionalization and increasing intra-regional competitive environment remain a priority for Romania.

The main challenges that Romania has to confront, in order to improve attracting European funds are represented by:

- strengthen cooperation in all government levels, municipal and regional ;
- cooperation between the public and private sectors;
- strengthen the regional governments capacity;
- supporting the responsibility among regional representatives;
- monitoring and supporting the implementation of regional and sectoral strategies;
- determination and motivation of staff involved in managing European funds;
- institutional system strengthening and eliminate corruption and excessive politicization;
- modernization of the institutional architecture of the mechanism for attracting structural funds;

Accelerating the absorption of EU funds is an important measure that should be supported by policy instruments and of public institutions responsibility, that have ongoing EU-funded projects: regional and local administrations.

In the fourth chapter, entitled *"The role of European financings on the public finances in Romania - implications on the general consolidated budget of the state"* we aimed to analyze the Romania relationship with European funding, to surprise the importance of this financing source at the national budget revenues and how the responsible approach and complete attraction of these resources can make an essential contribution on keeping certain

limits assumed for one of the the most important indicators on that is founded the public finance policy, which is the budget deficit. Also, to quantify the direct costs upcoming for Romania, through its membership position, we proceeded to the realization of forecasts based on the rolling of four scenarios that were influenced by developments of two crucial indicators of economic policy, namely: GDP growth rate and the rate of European funds absorption. In the last part of the chapter, we conducted a review of commonly used mathematical models, of the assessment of the impact of the structural and cohesion funds on the economic and social development at regional and national level, and we wanted to try through mathematical modeling, using multiple linear regression to analyze the existence and nature of the correlation between the effective absorption rate and it's registered effect on the economy .

Analysis of the role that European financial assistance has on public finances in Romania and implicitly on the general consolidated state budget has revealed the phenomenon complexity and the importance of tackling this issue in a macro-economic context.

Regarding the fiscal policy enforcement tool, public budget implications pursue the affectation the two main components, namely: national public revenues and expenditures. As appears from the analysis carried out in the first part of this chapter, the injection of foreign capital related at the European funding, put our country in the position of a net beneficiary, given that the attracted revenues are net higher to the costs that implies accessing them.

The budget deficit forecast for the period 2015-2020, lead us to the same conclusion, as did the analysis that has as a starting point the context of a complete absorption rates of EU funding for the period 2007-2013. This confirms the significant importance that European funds have on budget and fiscal policy and is sounding among fiscal policy decision makers, on the opportunities that the new wave of Community assistance for the period 2014-2020 brings them, and the role of these structural instruments in reducing the budget deficit and ensure a public national finances sustainable system. Beyond the effort that the beneficiary state must make to become eligible for European funding long-term effects of the injection of capital into the economy are significant and certainly favorable for the overall economic and social development.

The use of forecast, by modeling the variables based on which we intended to analyze the impact of European funding on national budget, has involved the rolling of four scenarios that were influenced by the evolution of two essential indicators of economic policy, namely: the growth of GDP rate and the European funds absorption rate. This scientific endeavor of achieving a forecast of direct future estimation cost charged to Romania through its membership, is not intended to be a real model of forecasting, given the restrictions imposed by the small number of variables studied in model analysis, but we intended to capture the sensitive interdependence between the developments of the main indicators that measure the impact of European financing on the general consolidated state budget. Thus, the scenario that has proved to be the most sustainable and desirable, is the one where the growth rate of GDP and the rate of co-financing are high, whereas even although the costs of the annual budget are higher, the economic growth ensures efficiency with that European funds are used.

Considering the results obtained in the analysis of the main budgetary policy indicators, we can affirm that full absorption of EU funds for the two multiannual financial frameworks for the periods 2007-2013 and 2014-2020 represent one of the main priorities of the Romanian Government, whereas these are a valuable and significant resource for achieving socio-economic development in the medium and long term, they constituting a key element in terms of the public

finances sustainability, through the investment strategy and the non-refundable character of the European funds and reduced costs that accessing them implies.

The use of mathematical models of the impact assessment of structural funds and cohesion on economic and social development at regional and national level are extremely complex given the macroeconomic phenomena that they capture the results obtained from the simulation of various scenarios through these models, which can be used in substantiating the decisions of channeling this factors of production and financial resources, view to adopting optimal measures of the economic policy. However, it should be pointed the fact that these models start from the premise that the investments follows closely the financial allocation established, but reality shows that often there are major gaps between expenditure incurred in the implementation phase and the planned expenditure to be achieved.

The use of simple mathematical models, such as multiple linear regression to evaluate the effects on the national economy by attracting community financial assistance at a given moment, it does not provide sufficient information on their efficient use and the effects that it has on the economy, given the few variables and the unpredictable character in addressing to a such complex and dynamic phenomenon.

In the fifth chapter entitled "*Final conclusions, research results and further research proposals*" we have sintetized the main conclusions emerging from research carried out by which we aim to meet the objectives established in the scientific approach and present the expected results of research and future directions of research that they involve.

Future proposal for research

The results obtained by my doctoral research can provide starting points for further analysis of particular elements characteristic of the specific development needs to each of the eight regions analyzed, by studying the elements that define and customize the needs and directions of individual development, such as size and demographic characteristics, the structure of economic activities, skill levels of the workforce, capital endowment, consumption profile, export potential, the developement level of infrastructure, the autonomy degree in decision-making in relation to the central government, etc. This step is essential in understanding and overcoming barriers and discrepancies of development, reported at regional lecel, constituting a first starting point to increase regional competitiveness and substantiation of priorities pursued by rural development policy.

The interest for the approached theme does not stop here, scientific approach conducted bringing new research perspectives in terms of effectiveness the process of accessing community assistance through the identification of new variables which constitute means of evaluation the implementation method of operational programs. In this regard, we intend in the future research to identify those specific elements of institutional and legislative framework, which corroborated with the associated economy elements already integrated in models of mathematical analysis, to contribute in quantifying the the role that the approaches of modernization of the institutional and legislative architecture to the standards of EU can provide added value and to ensure the proper and effective use of structural instruments. These demarches are intended to be a solution to the recommendation concerning the necessity of a national performant management that is oriented to results that need a legislative infrastructure to support effective and efficient financing of the general consolidated budget of the state.

Another direction in which I intend to orient my future research will be analyzing the opportunity to identify other sources of attracting funds to the general consolidated budget, as well as the identification of other levers that can stop and reduce the phenomenon of tax evasion, and to regulate and respond of the criteria of raising the quality of public finances in Romania.

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