

THE USE OF EUROPEAN SOCIAL FUND IN SOCIO-ECONOMIC INTEGRATION. CASE STUDY: ROMANIA

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Abstract

Our paper analyses the 2007-2013 and 2014-2020 funding periods in terms of budgets, targets, measures, types of Operational Programmes, accession rate, concrete impact and further recommendations, all from youth employment perspective, with more insight on Romania's case. This topic is of most interest since the member states use the ESF to design, develop and implement custom-made actions adapted to their national priorities and needs. The ESF can be viewed as a pillar of ensuring the socio-economic integration of the Member States in the context of the European Single Market.

Keywords: European Social Fund, Europe 2020, Employment, Youth, Romania

Introduction

If "Europe was and has to remain (...) a model and an ideal of welfare and economic development"¹, then, from our perspective this scope can be achieved only if the situation that the employability rate will be high enough to:

1. The social assistants are no longer a burden for the state. This objective can be achieved by reducing their number throughout a series of functional and integrated measures, such as creating new job opportunities, along with capacitating the able for working people, but unemployed (professional training).

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¹ Adrian Marino, *Pentru Europa: integrarea României: aspecte ideologice și culturale*, Iași: Polirom, 2005, p. 19

2. The citizens are satisfied by their social status and they are active citizens, both productively and participatory in the decisional process. The impact of this aspect is the growth of participation and quality of life at local level, with effects at European level, as well.
3. The youth can achieve their personal and professional development potential. This means that the society has the basis to ensure the sustainability of the proposed economic measures, both on short and long term.

But, this vision is achievable only if there is a convergence between the employment policies, the youth aspirations and the market needs. This triad represent the central pillar for ensuring the economic and social convergence within European Union, solely because there is a convergence between the proposed and implemented measures and the planed effects, both at society and individual level, in the context of increasing level of competiveness at global scale. Thereupon, this article analyses to what extent the European funds (for Romania - POSDRU 2007-2013 and POCU 2014-2020) are correlated to the real need of labour market and if the POSDRU results are relevant enough to argue a correct implementation of the non-reimbursable funds accessed by Romania.

Consequently, regarding that both in European Union and in Romania the unemployment rate among youth is a thorny problem, the level being “unacceptable high”², with an employment rate of 22,5% in 2014³ in Romania. Moreover, the Europe 2020 Strategy establishes as a major objective for the population aged 20-64 years to increase the employment rate to 70% for Romania, as compared to 65,7% as it is in the present. This is a difficult goal to achieve considering that one of the major challenges is the adaptation of this workforce to the new requirements of the labour market,

² European Commission, Youth on the Move – An Initiative to Unleash the Potential of Young People to Achieve Smart, Sustainable and Inclusive Growth in the EU, Bruxelles, 2010, p. 2, [http://www.mae.ro/sites/default/files/file/Europa2021/Tineret_in_miscare.pdf], accessed on: 20.01.2016

³ National Institute of Statistics, Employment and Unemployment in 2014, Press Release, 2014 [http://www.insse.ro/cms/files/statistici/comunicate/com_anuale/ocup-somaj/somaj_2014r.pdf], p. 2

characterized by innovation, competitiveness, mobility of transversal skills, especially digital skills⁴.

On the same note, given that there is a discrepancy between the European Union and the USA and Japan regarding the university graduates⁵, the Europe 2020 Strategy outlines as the main objective to achieve at least the 40% rate of tertiary graduates in the population aged 30-40 years⁶ (for Romania the target is 26,7%⁷).

The Social dimension of European Union is to ensure the cohesion and social convergence of all components of social policy on security and social transfers, access to education and training, decent housing and jobs, non-discriminatory access to the labour market regardless of gender, ensuring equal opportunities etc. In this respect, there has to be researched to what extent these social policies are effective and what are their costs relatively to their results. Thus, the article examines the situation of Romania within the Lisbon Agenda and the Europe 2020 strategy - mid-term review (2010-2015, the implementation of EU funds which are designed to ensure the social cohesion, and it analyses the funds established for 2014-2020.

In order to ensure employment, social and economic progress, social inclusion and protection, the European Union operates through three mechanisms/ instruments⁸:

1. Legislation instruments - such as treaties, directives, recommendations, communications;
2. Political instruments - such as the European Semester, multi-level governance, the open method of coordination;
3. Financial instruments - such as providing grants, the European Programme for Social Change and Social Innovation.

Hence, this article refers to the last of them in order to shape and to better understand the complexity of European funds, basing this research on a number of primary documents and secondary, using techniques of

⁴ European Commission, Youth on the Move – An Initiative to Unleash the Potential..., 2010, p. 2, [http://www.mae.ro/sites/default/files/file/Europa2021/Tineret_in_miscare.pdf], accessed on: 20.01.2016

⁵ *Ibidem*

⁶ *Ibidem*

⁷ The objectives for Europe 2020

⁸ European Commission, Flipbook on Youth, [http://europa.eu/pol/pdf/flipbook/ro/employment_ro.pdf], accessed on 18.03.2016

qualitative research (analysis, synthesis, comparison) and quantitative (statistics). The purpose of this work is to investigate the evolution and impact of European funds on the Romanian society, focusing on increasing employment among young people.

The research methodology analyses official implementation and evaluation reports for 2007-2013 on Structural Operational Programme Human Resources Development (POSDRU) and programme guidelines for 2014-2020 on Operational Programme Human Capital (POCU). Thus, this paper uses a mixed methodology, qualitative and quantitative, by analysing secondary sources from reports, statistics, state recommendations elaborated at national and European level.

Types of EU Funds

With the Lisbon Treaty, the European Union sets several objectives, amongst achieving total employment rate and social progress, promoting economic, social and territorial cohesion in order to ensure sustainable development and economic growth. Thereby, for 2007-2013 programming period there were established three main objectives: the “Convergence”, “Regional Competitiveness and Employment” and “Territorial Cooperation”. To achieve them, the European Commission (EC) has provided these countries with financial assistance through the Structural Funds. Communities Union structural funds are available to cover a wide range of areas where interventions can be made to develop and modernize them. Such covered areas are from infrastructure to agriculture, from environment to offering professional reconvention for retaining the unemployed. For 2007-2013 there are three financial instruments, which are called structural funds: European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund. The convergence objective was financed from all three funds and the aim was to increase the employment rate especially in less developed regions. The Regional competitiveness and employment objective was financed through ERDF and ESF with the declared purpose of enhancing competitiveness and attractiveness of less developed regions, as well as enhancing the employment rate. And the last objective, Territorial cooperation, funded by ERDF, envisaged strengthening cross-border and inter-regional

development from coastal development to rural development or relations between SMSs and environmental issues⁹.

EU Funding for Romania during 2007-2013

The total amount allocated to Romania through Structural and Cohesion Funds for the programming period 2007-2013 was over 19 billions Euro: over 12 billions Euro for the Convergence objective, out of which over 6 billions Euro allocated from Cohesion Fund and almost 0,5 billions Euro are assigned for the Territorial cooperation objective¹⁰. Below we present several indicators for the absorption rate for Romania during 20107-2013.

Operational Programmes 2007-2013	Financial allocation (EUR)	Expenditures statements sent to EC (current absorption rate)		Reimbursements from EC (effective absorption rate)	
		Value (EUR)	%	Value (EUR)	%
		1	2	3=(2/1)*100	4
POS CCE – Sectorial Operational Programme Increasing the Economic Competitiveness	2.536.646.054	1.921.495.382	75,75	1.498.392.916	59,07
POAT - Sectorial Operational Programme Technical Assistance	170.237.790	137.529.290	80,79	137.529.290	80,79

⁹ Vasile Ionel Popescu, Constantin Liviu Popescu, "Absorption of European Funds in Romania During 2007-2013", *International Conference on Marketing and Business Development Journal*, Vol. I, No. 1/2015, pp. 359-365.

¹⁰ The Representative of European Commission in Romania, European Funds in Romania, [http://ec.europa.eu/romania/eu_romania/romania_eu/funds_romania/index_ro.htm], accessed on 10.09.2016

POS MEDIU - Sectorial Operational Programme Environment	4.412.470.138	3.138.270.256	71,12	2.945.575.050	66,76
POR - Operational Programme Regional Development	3.966.021.762	2.567.809.921	64,75	2.567.815.128	64,75
POS DRU - Sectorial Operational Programme Human Resources Development	3.476.144.996	1.894.810.402	54,51	1.726.868.138	49,68
POS T - Sectorial Operational Programme Transportation	4.288.134.778	2.686.323.663	62,65	2.686.323.663	62,65
PODCA - Sectorial Operational Programme Administrative Capacity Development	208.002.622	194.215.274	93,37	170.562.150	82,00
TOTAL	19.057.658.140	12.454.188	65,80	11.733.066.335	61,57

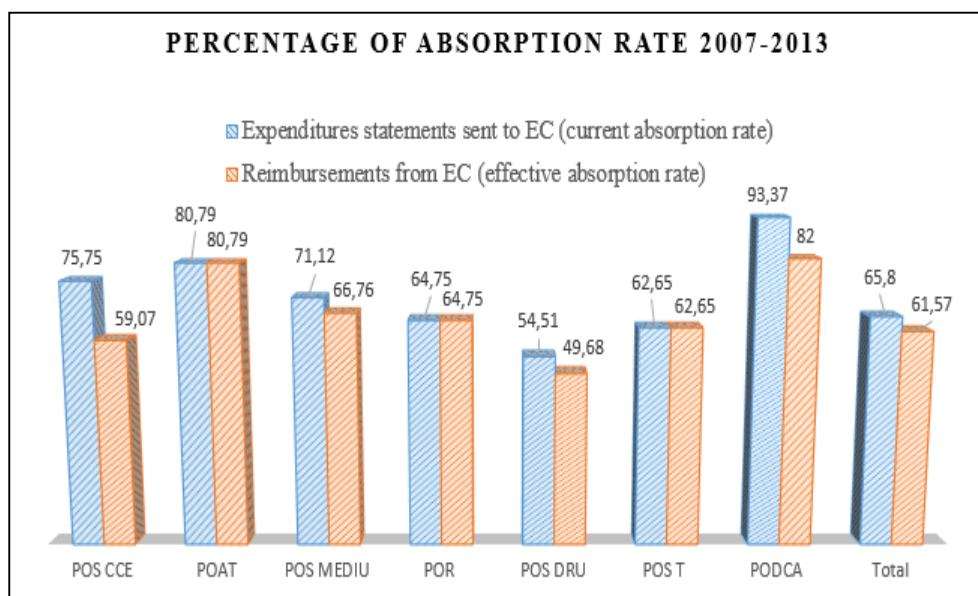
*Table 1. Financial allocation and absorption rate for Romania (2007-2013)¹¹,
Source: The Ministry of European Funds*

After analysing this table, one may conclude that the absorption rate was low, only 61,57%. Amongst the operational programmes with the highest absorption rate we can mention: PODCA and POAT, the rest of them are below 70%. And considering that both funding programmes addressed

¹¹ By 31st of March 2016.

national and local public administrative institutions, one can question the real success of EU funds in Romania in terms of achievement of the planned objectives and results.

Another conclusion is that Romania has to receive cca. 800 million Euro from the EC. The highest rates are registered for POS CCE and PODCA, as presented in the graph below.

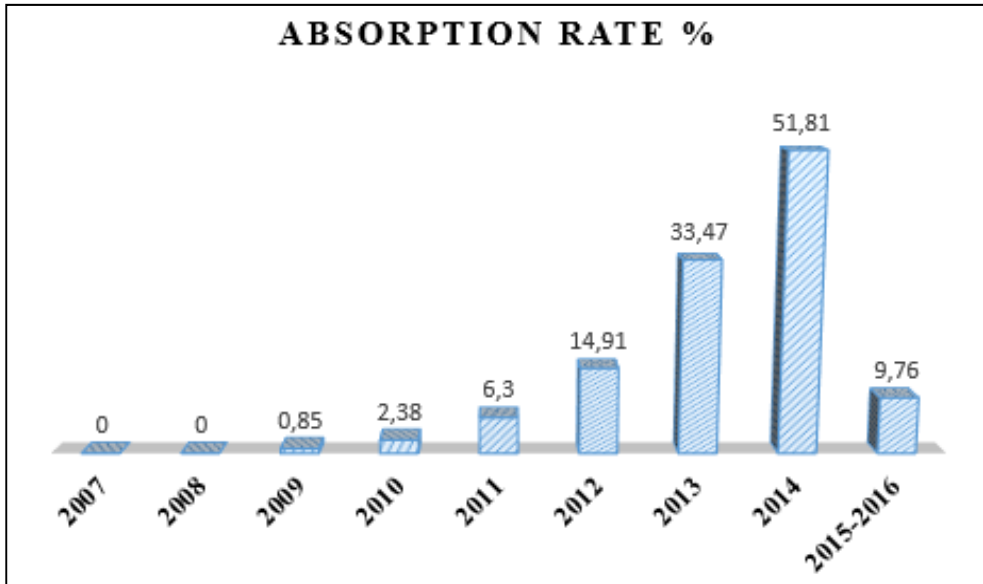


Graph 1. The Percentage of Absorption Rate for 2007-2013

Source: The Ministry of European Funds

The absorption rate by years is presented in the graph below. The highest registered rate was in 2014, after the planned funding period, meaning that Romania continued in 2014 and 2015 to fund projects using EU funding. By the end of 2009, Romania accessed under 1% of the allocated structural funds, as a consequence of being unprepared and not having the administrative capacity to manage the offer and the request regarding EU funds (the government was unable to attract and redirect the EU funds due to its own limitation and the lack of beneficiaries' expertise to absorb the funds). On one side, the Romanian Government had very low financial and

administrative capacity, and on the other side, the possible beneficiaries were unfamiliarised with the new EU post-accession funds. Unfortunately, this trend continues in the new programming period 2014-2020.



Graph 2. The Percentage of Absorption Rate by year for 2007-2013

Source: The Ministry of European Funds

During the 2007-2013 funding period, there have been some serious problems in administrating the funds, and during 2009-2010 five out of seven operational programmes have been stopped as a consequence of irregularities especially regarding the procurement procedures. Discovered irregularities reflected an absorption rate that highlighted a high gap between the absorption obtained as a result of payments to beneficiaries from the budget state, which is 15.6% and the real absorption, from the actual reimbursements from EC, which was three times lower¹². Afterwards, the Ministry of European Funds, mentions that, for instance, for POS CCE, in May 2012, there were over 5.000 projects unevaluated yet, which questions

¹² Bianca Gealămancă, Paul Zai, „Abordări privind absorbția fondurilor structurale în România în perioada 2007-2013”, *Revista Transilvană de Științe Administrative*, 2(33)2013, pp.76-88.

the administrative capacity of the Management Authorities to attract structural funds¹³.

Nevertheless, as reported by the EC in August 2014¹⁴, Romania had several important achievements in relation to employment:

- created more than 8.151 jobs among which 617 research jobs;
- investment aid to 1 253 SMEs;
- provided training, counselling and other type of individual support to over 850.000 people.

On the evaluation report regarding youth¹⁵, POSDRU is the operational programme evaluated from the point of view regarding relevance towards the needs of youth. From this perspective, the general objective of this funding programme was to develop the human capital and to increase the competitiveness, by correlating the education and lifelong learning and ensuring increased opportunities for the participation of a future modern, flexible and inclusive labour market for 1.650.000 persons¹⁶. The specific objectives were focused on: increasing the quality of education and lifelong learning opportunities, entrepreneurial culture, increasing the work force productivity, youth, long term unemployed and non-active persons from rural areas insertion on labour market, improving the employment public services¹⁷. This operational programme had four measures which explicitly addressed youth and seven measures targeting implicitly youth and there was no measure dedicated exclusively for youth. One of the shortcomings of this operational programme, as shown in the report, was that the definition of “youth” was unclear.

During the implementation of POSDRU the term “youth” meant wither persons aged 15-24 years old, or students, or there is no specific definition in the programme guide. As a consequence, there is very difficult

¹³ Ministry of European Funds, The Absorption of Structural and Cohesion Funds, 2014, [http://www.politicaromaneasca.ro/files/documente%20noul/Absorbtiafondurilorstructurale_sidecoeziune.pdf], accessed on 10.09.2016

¹⁴ European Commission, Cohesion Policy, August 2014, [http://ec.europa.eu/regional_policy/sources/information/cohesion-policy-achievement-and-future-investment/factsheet/romania_en.pdf], accessed on 10.09.2016

¹⁵ *** LOT 2: Ad-hoc Evaluation of POSDRU Intervention on Youth Report, [<http://old.fonduri-ue.ro/posdru/images/downdocs/raport.lot.2.pdf>], accessed on 10.09.2016

¹⁶ *Ibidem*, page 12, accessed on 10.09.2016

¹⁷ *Ibidem*

to evaluate the achievements of this funding programme regarding youth, especially because there were several proposed standard activities which involved adults as well, such as training activities¹⁸.

Specific Area of Intervention – explicit measures for youth	Indicator	Achievements
DMI ¹⁹ 5.1	The number of long term unemployed participants in integrated programmes - youth	157%
DMI 2.1	The number supported students in the transition from school to work	81%
	The number of career counseling services beneficiaries	31%
DMI 1.2	Students who benefited from operations financed in higher education institutions	20%
DMI 6.2	The number of participants in training/ retraining programs for vulnerable groups - young people leaving the state child protection system	10%

Table 2. Results concerning youth by areas of intervention

Source: LOT 2: Ad-hoc evaluation of POSDRU intervention on youth report

As shown in the above table the first two areas of interventions had the highest specific indicator rates, but there are two shortcomings mentioned in the report²⁰:

¹⁸ *** LOT 2: Ad-hoc Evaluation of POSDRU Intervention on Youth Report, [<http://old.fonduri-ue.ro/posdru/images/downdocs/raport.lot.2.pdf>], page 58, accessed on 10.09.2016

¹⁹ In Romanian, DMI refers to Major Area of Intervention. POSDRU had seven priority axes, and each of them has several Major Area of Intervention.

²⁰ *** LOT 2: Ad-hoc Evaluation of POSDRU Intervention on Youth Report, [<http://old.fonduri-ue.ro/posdru/images/downdocs/raport.lot.2.pdf>], page 146-147, accessed on 10.09.2016

1. The data for a series of specific indicators could not be used to draw relevant considerations;
2. Each of the aforementioned areas of intervention was launched during 2007-2013 for several times with very different results from 0% to a higher percentage in achieving the specific indicators regarding youth.
3. These are preliminary results by the end of March 2015 as detailed in the aforementioned report.

To conclude, POSDRU had several achievements, but as a consequence of poor definition of terms and specific objectives and indicators targeting youth, the achievements made in this regard could not determine relevant considerations. For the next funding period, improvements should be made in terms of programmes guides and establishing relevant indicators which address real problems connected with country strategies.

EU funding during 2014-2020

There are eleven thematic objectives for the 2014-2020 financial framework²¹ regarding technology and innovation, access to IT&C, the competitiveness of SMEs, the agricultural and the fisheries and aquaculture sectors, low-carbon economy in all sectors, climate change and risk prevention and management, environment and resource efficiency, transport and infrastructure, labor market, social inclusion, education, training and vocational training for skills and lifelong learning, and, the last one is focusing on strengthening the institutional capacity of public authorities and stakeholders and efficient public administration.

EU funds allocated to Romania during the period 2014 – 2020 are 43 billion Euro: for Cohesion Policy 22,9 billion Euro; for Agricultural Policy 19,7 billion Euro; and from European Fund for helping disadvantaged people 0,44 billion Euro and European Fund for Fisheries and Marine Affairs

²¹ Ministry of European Funds, Operational Programmes, [<http://www.fonduri-ue.ro/po>], accessed on 28.09.2016

0,44 billion Euro. The total allocation by the funding programme is presented below²².

Operational Programme	Value in billions of EUR
Operational Programme Infrastructure	9,41
Operational Programme Human Capital	4,22
Operational Programme Competitiveness	1,33
Rural Development National Programme	8
Operational Programme Support for Disadvantaged Persons	0,44
Operational Programme Technical Assistance	0,21
Operational Programme Administrative Capacity	0,55
Operational Programme Fisheries and Marine Affairs	0,17

Table 3. Total funding allocation for 2014-2020,
Source: The Ministry of European Funds

The envisaged measures for youth during 2014-2020 are addressed through four priority axes (PA): PA 1 – Jobs for youth, PA 2 – Improving the situation of youth from the NEETs category, AP 3 – Jobs for all and PA 6 – Education and competencies. The PA 3 and 6 address implicitly youth, offering support activities for increasing the employment measures for youth, but not only. On the paper everything looks bold, achievable and relevant for the targeted groups. Nevertheless, the current funding period started in 2014, but as stated by Corina Crețu, Romania has started with the left foot:

“For the 2014-2020 period, as we have said repeatedly, it worries me the slow start in the implementation of projects. Until now, Romania has an absorption rate of European funds of 0% in the 2014-2020 funding period.”²³

²² Ministry of European Funds, The Absorption of Structural and Cohesion Funds, 2014, [http://www.politicaromaneasca.ro/files/documente%20nou/Absorbtiifondurilorstructurale_sidecoeziune.pdf], accessed on 10.09.2016

²³ Agerpress, Corina Crețu: It Worries Me the Slow Start in the Implementation of Projects for 2014-2020, August 2016, [<http://www.finantare.ro/corina-cretu-ma-ingrijoreaza-startul-lent-in-implementarea-proiectelor-pentru-perioada-2014-2020.html>], accessed on 15.09.2016

For the new programming period, the Ministry of European Fund plans to take several measures to accelerate the absorption rate:

1. Further simplification and streamlining the implementation of the programs and the projects;
2. Reforming the regulations and procedures regarding the public acquisitions system (standardized documentation, reducing the number of documents required operators etc.);
3. Involving the banking system in the process of accessing and implementing the operational programmes;
4. Achieving 80% absorption rate.

Conclusions

According to the report of Erste Group²⁴ Romania has achieved the lowest EU funds per capita in the EU cohesion policy for the period 2014-2020, 164 euros per inhabitant per year, half of Slovakia and Hungary. The analysis covered six countries in Central and Eastern Europe, namely Romania, Poland, Hungary, Slovakia and Croatia. Romania was also the country with the lowest European funds earmarked for education, research and development: less than 8% of total funding available for the period 2014-2020. Hungary's situation is similar, with an allocation of less than 10%, versus 20% in the Czech Republic, 15% in Poland, 14,5% in Slovakia. With an absorption rate of 90% in 2014-2020, Romania would enhance economic growth by 0.8 percentage points per year, the highest potential in the region, compared with 0.7 points in Hungary, 0.6 points for Croatia, Poland and Slovakia 0.5 and 0.3 points for the Czech Republic, estimated the Erste analysts.

During our research, we have encountered the same problems mentioned in relation with the EU funds absorption in Romania, namely bureaucracy, corruption, poor management from the management authorities, and the lack of experience in project management for the potential beneficiaries of EU funds.

²⁴ Erste Group, EU Cohesion Policy 2014-2020: Will EUR 167bn of EU Funds Give CEE a Boost?, 2014, [https://www.erstegroup.com/content/dam/at/eh/www_erstegroup_com/en/Presse/pressemeldungen/2014/pi20140311-en.pdf], accessed on 28.09.2016

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