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Corina Cace, Sorin Cace, Cristina Iova, Victor Nicolăescu

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Absorption capacity of the structural funds. Integrating perspectives¹

*Dr. Corina CACE**, *Dr. Sorin CACE***, *Cristina IOVA****,
*Dr. Victor NICOLĂESCU*****

Abstract

Structural funds absorption by the member states can be seen within a wider context of the absorption capacity as it is described and analyzed both worldwide and in Europe.

This study reveals the different approaches of the absorption capacity by presenting the architecture of funds administration from the perspective of the international aid and from the perspective of the European policy of convergence. Within the context in which most European Union member states experienced difficulties in EU structural funds absorption during their early years after accession, the paper shows the essential operational coordinates of the capacity of absorption, the hierarchical levels of operation (European and national), as well as the factors and mechanisms for the specific implementation of the funds that have been granted. The identified elements were integrated and the EU model of structural funds implementation was generated, showing a diversified pattern of action within the administrative systems of the member states.

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* Associate Professor, Head of Teacher Training Department, Academy of Economic Studies, Str. Piața Romana, nr. 6, sector 1, Bucharest, Romania, Tel: 021.319.19.00, fax: 021.311.75.59, Email: corina.cace@dppd.ase.ro

** Senior researcher, Institute for Quality of Life Research (ICCV), Romanian Academy, Calea 13 Septembrie, no 13, sector 5, Bucharest, Romania, Tel: 021.318.24.61, fax: 021.318.24.62, Email: corsorin@mailbox.ro

*** General Director within Ministry of Labour, Family and Equal Opportunities – Managing Authority for Sectoral Operational Programme Human Resources Development, Phd program, Calea Plevnei, no. 46-48, sector 1, Bucharest, Romania, Tel: 021.315.02.09, fax: 021.315.02.06, Email: icristina@fseromania.ro

**** Ph.D. in Sociology, Associate Lecturer to Faculty of History, University of Bucharest, Head of Regional Drug Prevention, Evaluation and Counselling Center 1 Bucharest, Unirii 37A Bvd, sector 3, Bucharest, Romania, Tel/Fax: 021.316.44.11, Email: victor1972ro@yahoo.com

The perspectives of the structural funds absorption capacity focus on two fundamental aspects of the convergence policy: to identify the modalities by which the allotted funds are absorbed to the long-term general interest of the Europeans and to avoid associating them within to constraining vision of absorption specific to the international aid.

The conclusions of the paper discuss the future research approaches into the stage of structural funds absorption by the new EU member states and into the possible existence of a “saturation point” in the absorption of these funds, phenomenon already observed in other states benefiting of international aid.

Keywords: absorption capacity; European Union; structural funds; European model; community funds administration.

Structural funds and gap diminishing

The accession of Romania to the European Union, as of January 1st, 2007, is an important landmark for our country both in terms of full assumption of the statute of new member state, and in the perspective of continuing the European support of financing the modernization of the Romanian society and diminishing the gaps from the European average.

The essential problem which Romania had to address during the post-accession period refers to the concrete way in which we will know to use to resources made available to us according to the European procedures, reason why most of the public agenda should refer to European funds absorption.

From this perspective, the applicability of the “*knowledge-based society*” should be expressed by a process planning based on the related European practice, on the positive practices and on the obstacles met by the “group of 10” which had accessed the joint European area before Romania and which had initiated and developed this process. Also, within the context of competitiveness accepted as progress factor within the European family, the post-accession strategy to be promoted, anchored in the reality of the financial crisis, will have to make rigorous use of the early experience and success results of the “older member states” in the efficient use of the resources allocated for the various European policies. It is noteworthy within this context to remember that during June 28-29, 2007, the Rome Treaty anniversary was celebrated in Potsdam, as well as 50 years of “investment in people” by the European Social Fund. The decades of the mentioned half century show that the structural funds experienced a very dynamic process, adjusted to the societal, political and economic changes, during which different financing schemes were employed, as shown in *Table 1*.

Table 1. Chronological evolution of the European structural instruments

Period/Year	Action
1957	The signatory states of the Treaty of Rome mention in the preamble to the treaty the need "to consolidate the unity of their economies and to ensure the harmonious development by diminishing the differences between regions, as well as the gaps confronting the less favoured regions".
1958	Establishment of the two Sectoral Funds: the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF).
1975	Establishment of the European Regional Development Fund (ERDF) to redistribute part of the budgetary contributions of the member states to the disfavoured regions
1986	The Single European Act sets the bases for an authentic policy of cohesion meant to compensate the taxes imposed by the single market which burdened the southern member states and the less favoured regions
1989-1993	The Brussels Council of Europe reformed in February 1988 the way in which the Solidarity Funds worked, changing them into "Structural Funds" with a budget of 68 billion ECU (1997 prices).
1992	The European Union Treaty, which entered in force in 1993, regards cohesion as one of the major goals of the Union, in parallel with the Economic and Monetary Union and with the Single Market. The treaty also stipulated the establishment of a Cohesion Fund designed to support environmentally friendly projects and the transportation from the less affluent member states.
1994-1999	The Edinburgh Council of Europe (December 1992) allocated almost 200 billion ECU (1997 prices) for the cohesion policy, i.e. one third of the community budget. A new Financial Instrument for Fisheries Guidance (FIFG) completes the Structural Funds. The Berlin Council of Europe (March 1999) reformed the Structural Funds and changed partially the functioning pattern of the Cohesion Fund. These funds will benefit of over 30 billion euro each year between 2000 and 2006, totaling 213 billion euro for seven years. The Instrument for Structural Policies for Pre-Accession (ISPA) and the Special Pre-Accession Program for Agriculture and Rural Development (SAPARD) are designed to complete the PHARE program, established in 1989, to support the economic and social development and the environmental protection in the candidate countries from Central and South-Easter Europe.
2000-2001	The Lisbon Council of Europe (March 2000) adopted a strategy focusing on labour force employment designed to make the Union "the most competitive and most dynamic knowledge-based economy worldwide by 2010". The Göteborg Council of Europe (June 2001) completed this strategy by linking it to the sustainable development.
2004	On February 18, the European Commission presented its proposals for the reform of the cohesion policy for the period 2007-2013: „A new partnership for cohesion: convergence, competitiveness, cooperation".
January 28 2005	The last regional statistics confirm the European Commission proposals for the Structural Funds for the period 2007-2013
January 2006	Agreement of the Council of Europe for the financial perspectives: enforcement of the Cohesion Policy 2007-2013

Source: Ministry of the Administration and the Interior, Unit for Public Administration Reform, European Union structural instruments

The directions and initiatives of development financed from structural funds must refer specifically to the needs identified by each region or by the member states, the implementation being made in a decentralized manner (Hontelez, 2003, pp. 9).

The member states together with the European Commission prepare a multiannual program extending on 7 years. Thus, as soon as the general framework is approved, the program starts to be implemented at the level of each member state through (public or private) organisms (Cace, Ionescu, 2006, pp. 75).

Along the years, the contribution of the structural funds increased from 8 billion Euro per year in 1989 to 32 billion Euro per year in 1999. The budget allocated for the period 2000-2006 for the structural assistance was of 213 billion Euro (*Table 2*).

Tale 2 Structural financing for 2000-2006

Structural assistance 2000-2006	213 billion Euro
Structural Funds	195.00 billion Euro
Priority goals	182.45 billion Euro
▪ Goal 1	135.90 billion Euro
▪ Goal 2	22.50 billion Euro
▪ Goal 3	24.05 billion Euro
Community initiatives	10.44 billion Euro
Fishing	1.11 billion Euro
Innovative actions	1.00 billion Euro
Cohesion Funds	18 billion Euro

**values calculated in Euro, at 1999 prices*

Source: Working for Regions, DG Regional Policy, Brussels, 2001

During the *period 2000-2006*, the funds operated in agreement with four principles: (1) *concentration* (focusing on a set of priorities); (2) *programming* (elaboration of strategic plans and less implementation of isolated projects); (3) *partnership* (with the member state, with the governmental sub-national structures and with other stakeholders such as the social partners); (4) *complementarity* (funds spending must be a complement and less a substitute for the expenditure of the member state (Hontelez, 2003, pp. 10).

The next programming *period 2007-2013* shows the position which the European Union granted to the policy of economic and social cohesion by allocating a budget of 308 billion Euro (almost 35% of the whole community budget); three major goals are obvious (Zaman, Georgescu, 2009): (1) *convergence* (251 billion Euro – 81.5% of the structural funds), oriented towards the regions in the EU member states with the GDP per capita 75% lower than the European average and towards the regions ranking below the average European level of changes following the accession of the new members; (2) *competitiveness and regional employment* (49 billion Euro – 16%), intended for the regions that are not eligible for the goal of convergence; (3) *European territorial cooperation* (8 billion – 2.5%),

directed towards transnational cooperation, transboundary cooperation and interregional cooperation.

The Structural Funds and the Cohesion Fund are financial instruments of the policy of economic and social cohesion. These instruments support the reduction of the gap between the development of different regions from the member states and promote, to this purpose, the economic and social cohesion. The general rules for the Structural Funds and the Cohesion Fund were set by the *EU Council Regulation no. 1083/2006 June 2006*, which defines the general framework for the European Regional Development Fund, European Social Fund and for the Cohesion Fund.

In financial terms, these instruments rank second as weight in the European Union budget and they include: (1) *European Regional Development Fund (ERDF)*, set by EU Council and Parliament Regulation no.1080/2006, which supports the sustainable economic development at the regional and local level by mobilizing the local capacities and by diversifying the economic structures in areas such as research and technological development, innovation and entrepreneurship, information society, SMEs, environmental protection, energy; (2) *European Social Fund (ESF)*, set by EU Council and Parliament Regulation no. 1081/2006, which contributes to increasing the adaptability of the labour force and of the enterprises, to increasing the access to the labour market, to unemployment prevention, to a longer active life and to the increased participation of the women and immigrants on the labour market, provides support to the social inclusion of the disadvantaged persons and curbs discrimination; (3) *Cohesion Fund*, set by EU Council Regulation no. 1084/2006, which finances projects for environmental protection and trans-European transportation, projects for sustainable development and projects for the improvement of the air and road traffic management, for urban transportation modernization and for multimodal transportation modernization.

In 2007, at the end of 2000-2006 periods the European Union was preparing to reach a total of 27 member states after the greatest enlargement in the history of the community. As a consequence, the EU population increased by more than a quarter (reaching almost 500 million inhabitants) and its territory increased by almost one third. The economic importance of the European Union, in its largest form, was supported by the 31% of the world GDP. The joined GDP of all new member states was 11% of EU15 GDP, while the per capita GDP was 13% lower than before the enlargement. Compared to the post-enlargement European average, the per capita GDP was 35% higher in the USA and 15% higher in Japan (Constantin, 2008).

The funds allocated to support the cohesion policy were limited to 0.45% of the EU GDP, which made Spain, Portugal, Greece and many other new EU members to demand an increase of this level given the requirement for financing the accomplishment of the cohesion policy goals. The reaction of the states which

were net contributors (Germany, Great Britain, Sweden, Austria and the Netherlands) to this proposal was not in favor of increasing this level, while the methodology of allocation restricted the transfer of European funds to just 4% of the member state GDP. In order to facilitate fund absorption by the new member states (Bulgaria and Romania) the highest level of co- financing from structural funds was increased from 80% to 85%, some procedures and regulations became more flexible and the financing rule „n+2” became “n+3”¹ for 2007-2010.

The persisting question within the current context of the financial crisis and after almost three years after accession to the European Union refers to the real benefits for Romania, as member state, from the funds made available by the European bodies. The evaluation of the specialists revealed that the new member states from the Central and Eastern Europe might have 3.9 – 7.3% increase of the GDP, while the older member states might have just 0.1% increase (Brown, Deardoff, Djankov, Stern, 1995).

The optimistic scenarios of the Commission concerning the benefits of integration are completed by the long-term forecasts which evaluate that if the annual speed of GDP growth in the new member states will exceed 5%, while the older community members would have just 2-2.5%, the period necessary for the Central and Eastern Europe states to reach the average European GDP would be in excess of 80 years (Zaman, Georgescu, 2009).

Most certainly, the scenarios for 7% annual GDP growth are no longer valid for the new member states mainly because of the economic and financial crisis, while the older member states will get out of the crisis sooner and without foreign loans. The political and administrative framework is much too fluid in the “new” part of Europe, which puts the problem of the structural funds under the sign of acute priority of using them to cover the historic gaps.

Most EU member states experienced difficulties in the absorption of the European funds during the early years after their accession, mainly because of the lack of a long-term vision of the authorities, because of the insufficient resources to co-finance projects, of the low capacity of the central and local administration, because of the lack of inter-institutional cooperation, of the failure of the public-private partnership, of the limited ability of the human resources, etc (Zaman, Georgescu, 2009, pp.136). The mentioned dysfunctions operate, obviously, in Romania too. However, the administrative system for structural funds absorption can still be activated here by a clear delimitation of the conceptual dimensions of the term “capacity of absorption”, and of the context favourable to Romania in its endeavour to catch up with the western part of Europe.

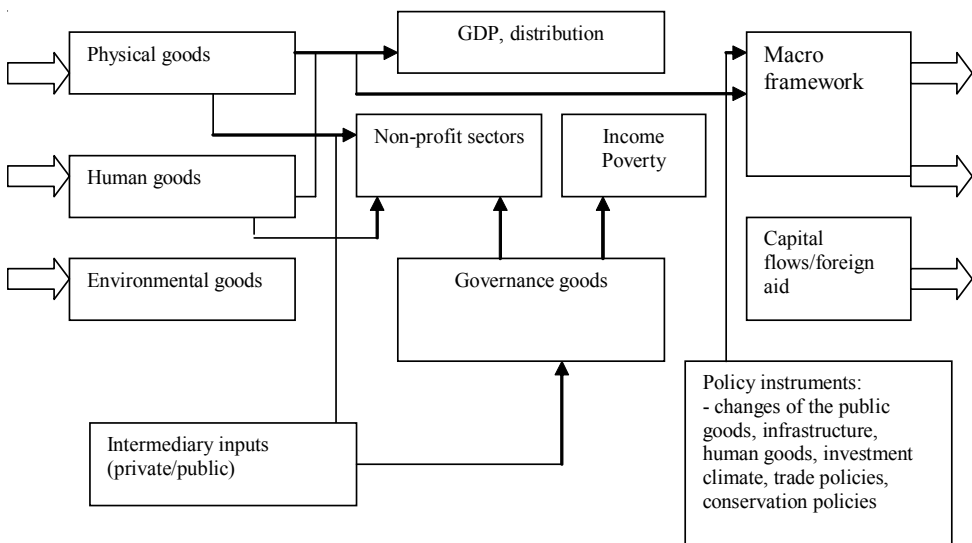
¹ Rule “n+3” supposes that Bulgaria and Romania and the other 10 countries which accessed the EU in 2004 may spend the amounts allocated for that specific year during the next three consecutive years. For instance, the financial allocation for 2007 can be spent no later than 2010.

Integrating dimensions of the absorption capacity

The gaps subsiding within the European Union and the policy of convergence enforced by the institutionalization of the structural and cohesion financing is the material framework of reference for the definition of the capacity of absorption. Additionally, the abundant question marks on the administration of the European funds reveal the idea of a conceptual peculiarity in this area. From this perspective, one may say that there are differences of interpretation at the global and European level.

Globally, the term is taken to refer to the “capacity of the countries on low incomes to absorb productively a large volume of foreign aid”, the central issue here being to prioritize the granted aid (Bourguignon, Sundberg, 2006, pp. 1). The general architecture of such a process applied by the states receiving foreign assistance reveals the need for conceptual and analytical integration of the fundamental concepts from the economy and society (*Figure 1*):

Figure 1. General architecture of an integrative approach of the capacity of absorption



Source: Bourguignon, F., Sundberg, M., Absorptive Capacity and Achieving the MDG's, UNU-WIDER, Research Paper No. 2006/47, pp.7

From this perspective and taking into account the beneficiaries of the international aid, the absorption capacity relates to the general functionality of the particular state, to the adjustment of obvious dysfunctions and to the adoption of minimal administrative and economic standards.

At the European level this term is considered to be vague and within the context of correlating it to the enlargement process, as some authors do, the stress goes to the need to make it operational by components and objectives. Thus, in a general vision, absorption is analysed in relation to elements specific to European Union enlargement (Emerson, Aydin, De Clerck-Sachsse, Noutcheva, 2006): (1) the capacity of the domestic market and of the Eurozone to absorb new members is positive; (2) the labour market displayed effervescence through the migratory flows towards those EU states which opened immediately to the new member states; (3) EU budget has allocations of almost one third for redistributive policies in favour of the poorest regions; (4) The failure of the Constitution may have meant a temporisation of useful institutional improvements, but in its absence the decision-taking processes didn't get stuck in Europe; (5) the capacity of the society to absorb the flow of immigrants is presently in a tensed situation due to the climate determined by the fear of terrorism, Islam-phobia and uncertainty of the European patterns of multiculturalism; (6) EU capacity to ensure its strategic security is in progress of discussing the "final borders".

The European literature has different sources which make reference to the capacity of absorption. They fall into three categories: (1) macroeconomic analyses, such as those elaborated by Hervé and Holzmann (1998); (2) different studies of evaluation and reports drawn and published by the European Commission or by consultants working with the Commission; (3) empirical studies of the absorptive capacity of the European funds at the national level.

One of the first studies elaborated for the theoretical and empirical investigation of measuring the absorptive capacity was elaborated in 1998 by Hervé and Holzmann. The authors have a strictly economic approach when they review the academic literature and bring empirical proofs on the capacity of the less economically developed regions to absorb large amounts of money from the funds allocated to diminish the gaps of development. This study deals with the economic aspects of the absorption problems in general and also tries to bring empirical proofs in the Structural Policies of the European Union. "In the end, the authors achieve a classification of absorption problems based on concept of government failure" (Tomescu, Stănescu, 2009, pp.10).

The European Commission elaborated several evaluations and presented reports (Bradley/Barry (1999); Bradley/Undiedt (2000); Bradley et al. (2001) which reveal the effects of the EU Structural Policies in the member states. These reports should show whether the main goal of the structural policy, that of economic and social cohesion and that of real convergence between the member states and their regions, appears due to this policy. Few of these reports on the progresses of the structural policy also deal with the absorption capacity in the member states which have accessed during the recent years. The third Report of Cohesion

contains studies of the problems related to the absorption capacity (ÖIR, 2003). ÖIR study focuses on the impact of the process of implementation

The Commission has drawn a report on the administration of the structural funds in the member states which focuses on the European Regional Development Fund (European Commission, 2003). There are several periodical reports (1998; 1999; 2000; 2001; 2002), by which the Commission evaluated the candidate countries concerning the fulfilment of the accession criteria. The European Commission ordered a set of studies in 2002 (NEI, 2002a, 2002b, 2002c). Based on country studies (Ireland, Spain, Portugal, East Germany lands) and on sectoral studies (management, programming, implementation, monitoring and evaluation, financial management and control), a set of key indicators and basic indicators was elaborates for the candidate countries to help them administer efficiently the structural funds.

According to these studies, the *absorption capacity* is the degree to which a country is capable to spend, actually and efficiently, the financial resources allocated from the Structural Funds.

Within the European context, it is important to acknowledge that the *institutional factors* which affect the capacity of absorption are manifest both within the European Union and at the national level. The European institutional factors are largely connected to the European Commission and to the fulfilled functions, particularly those concerning the transparency of structural funds allocation and the coherence of funds utilization (Horvath, 2005, pp. 9). At the same level, Bauer (2001, pp. 14-15) stresses the presence of yet other factors specific to the administration such as overloading and lack of vertical and horizontal communication, which hinder the organisational capacities of the Commission. At the national level, the institutional factors identified relative to the absorption capacity are associated the real structure of the economy, to the institutions which set the salaries, to the capacity and capability of the economy, to the organisation of the political system (federal, central etc.) and to the economic policies. Thus, the differences between the capacities of absorption differ from country to country, the national factors being only slightly influenced by the Commission and being articulated to the conditions set by the regulations of the structural funds.

The absorption capacity is considered from two perspectives: (1) the capacity of absorption of the institutional system established by a particular state to administer the funds – *capacity of absorption on the side of the offer* – and (2) capacity of absorption on the side of the beneficiaries of the funds – *capacity of absorption on the side of the demand*.

The capacity of absorption on the side of the offer is determined by *three main factors*:

1. *Macroeconomic capacity of absorption*

- Council Regulation no. 1260/1999 stipulates that the annual amount from the Structural Funds which a member state can benefit of – together with the assistance received from the Cohesion Fund – *must not exceed 4% of the GDP*.
- *Necessity to increase the budget expenditure*. The states benefiting of funds must ensure larger budgetary expenditures from the GDP.
- *Capacity to absorb the macroeconomic effects generated by the additional expenditure that will be made*. This expenditure will determine an increase of the aggregate demand, particularly of its component concerning the labour market.

2. *Financial capacity of absorption*. Capacity of the central and local authorities to provide co-financing for the programs and projects supported by the EU, to plan and guarantee these domestic contributions in multi-annual budgets and to collect them from the different partners involved in a project or program.

3. *Administrative capacity of absorption*. Capacity of the central and local authorities to prepare plans, projects and programs in due time, to select the best of them and to organize an efficient framework for partnership, to observe the administrative and reporting obligations, to finance and supervise the process of implementation by avoiding any irregularity what so ever.

In agreement with the dimensions of the capacity of absorption outlined above, *Wostner (2008)* developed the concept of administrative capacity, referring to the conditions required to ensure the reimbursement of the EU funds to the beneficiaries (regions/member states). In this direction, the author developed an integrative approach as shown in Table 4.

Table 4. *Coordinates of the absorption capacity*

1. Real capacity of absorption	<ul style="list-style-type: none"> ▪ <i>Real needs function of the set of international goals and engagements that were assumed</i> ▪ Availability of the production factors to identify, organise and implement the projects and programs
2. Financial capacity of absorption	<ul style="list-style-type: none"> ▪ Capacity of co-financing by the beneficiaries of the funds ▪ Capacity of co-financing by the member state
3. Capacity of absorption by programs/projects	<ul style="list-style-type: none"> ▪ Relevance of the strategy and program function of the real needs ▪ Adaptation of the actual instruments of implementation ▪ Preparation of project documentation
4. Administrative capacity of absorption	<ul style="list-style-type: none"> ▪ Capacity of preparation and implementation of the administrative activity by/for the applicants ▪ Administrative capacity of the public administration

Source: *Wostner (2008)*

As one can notice, the capacity of absorption is a wider concept than that of the administrative capacity of absorption, referring to the quality of the entire development policy of the project cycle, including its integrative activities: project planning and generation, selection, implementation, monitoring and evaluation of the progress. The administrative capacity of absorption by the public administration refers both to the instrumentation of EU resources and, from the side of the recipients, to the ability to meet the administrative conditions required to make eligible expenditures and thus to provide the co-financing.

The absorption of the structural funds is regarded as a process evolving through different stages (Zaman, Georgescu, 2009): (1) architecture of programming the structural funds (number of priorities, their content, management by the authorities, intermediary structures and end users); (2) level of the commitment (funds allocated for the projects by the management authorities); (3) payments by the beneficiaries at different stages of the implementation.

The problems with the absorption which may appear in the progress of activities outlined above depend largely on institutional factors, both at the European and at the national level.

Table.5. Factors which influence the capacity of absorption – economic perspective

<i>Institutional factors at EU level</i>	Institutional factors national level
<ul style="list-style-type: none"> ▪ transparency of funds allocation ▪ consistency of using the various funds ▪ bureaucratic administration ▪ lack of vertical communication ▪ deficiencies in the vertical coordination 	<ul style="list-style-type: none"> ▪ real structure of the economy ▪ administrative capacity ▪ political system ▪ economic policies

Source: Zaman, Gh., Georgescu, G., *Structural Fund Absorption: A New Challenge for Romania?*, *Romanian Journal of Economic Forecasting*, 1/2009, 143

In one of the most extensive surveys done for the European Commission in 2003, here sets of indicators which largely determine the efficiency of the implementation systems were determined: (1) actors – at EU level - European Commission, at national and regional level; governmental and administrative structures; at the implementation and management – the Management Authority, the Payments Authority; (2) context and rules – the European pattern of implementation is interpreted in terms of specificity of the national/regional/local context, which presumes a diversity of adaptations; (3) procedures and systems – the implementation instruments are interpreted and used in a different manner within each context.

Specific and particular factors and mechanisms of implementation have been identified within these sets (Table 6); their impact is evaluated with the purpose to

identify the direction of the impact on the structural funds (positive/negative) and the intensity of the impact (high/low).

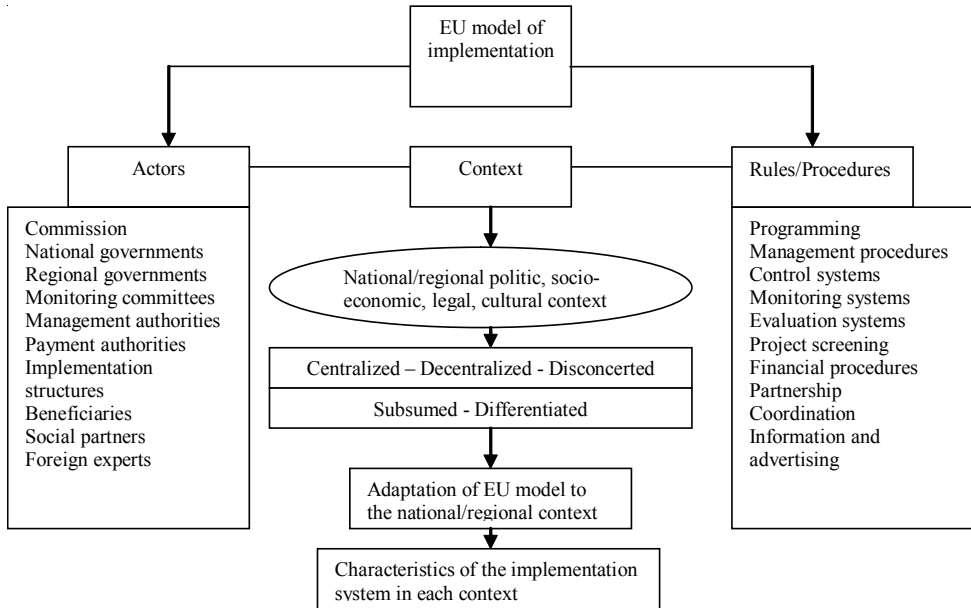
Table 6. Factors and mechanisms of implementation

<i>Actors</i>	<i>Context</i>	Rules, procedures and technical support
<ul style="list-style-type: none"> ▪ Commission – Policies, priorities and organisation ▪ National government – Policies, priorities and organisation ▪ Regional/Federal government– Policies, priorities and organisation ▪ Management authorities – Organisation ▪ Payment authorities – Organisation ▪ Implementation structures – Organisation ▪ Beneficiaries – Organisation ▪ Social partners – priorities, organisation ▪ Foreign experts - Reports 	<ul style="list-style-type: none"> ▪ Political context ▪ Socio-economic context ▪ Administrative structures ▪ Institutional structures ▪ Form of intervention ▪ Future of the EU - enlargement 	<ul style="list-style-type: none"> ▪ Measures to implement EU dispositions and procedures ▪ Programming ▪ Management procedures ▪ Control systems and procedures ▪ Development and utilization of the monitoring system ▪ Project evaluation and selection ▪ Financial procedures ▪ Partnership ▪ Coordination ▪ Measures to ensure information and advertising ▪ Relationship between the Management Authority and the structures of implementation ▪ Technical assistance ▪ Other activities of monitoring program implementation

Source: OIR, 2003, pp. 30

The detailed presentation of the factors and mechanisms of implementation provides a possibility to make an inventory of them but brings little clarification in terms of practical implementation. Very many times, the complex structures remain in the stage of theoretical analysis and discordances are reported between the actual implementation of the projects which applied for structural funds. With the purpose to systematize the obtained data, the authors also propose a model of implementation of the structural funds using the three sets of indicators (*Figure 2*).

Figure 2. EU model of implementing the structural funds



Source: OIR, 2003

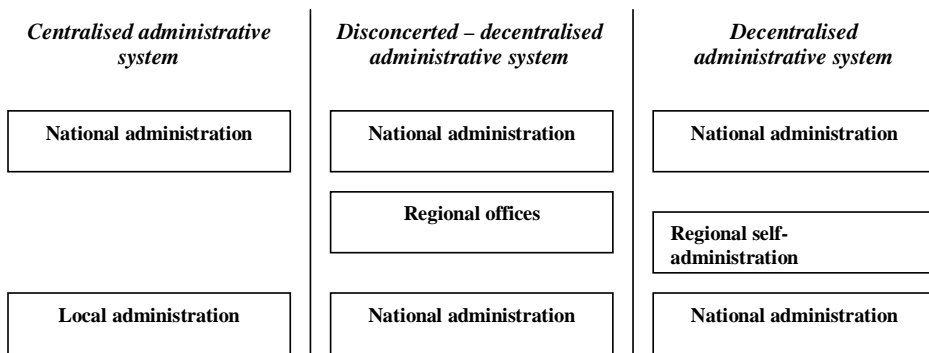
In relation to the factors presented in the table above, the mentioned research concluded that premises exist for the positive implementation of the structural funds: (1) the programming process has a significant value in the generation of harmonized strategy of development between the central and regional authorities; (2) the management structures which were established must support the process of implementation; (3) the use of intermediary specialised structures for project implementation; (4) the use of ex-ante and intermediary evaluations are seen as a strong support for the efficiency and efficacy of the process of implementation; (5) the provisions of funds reimbursement by making payments according to the payment commitments is considered to increase the rate of absorption.

The regional structures of development play a special role in the implementation of the structural funds, but the European institutional diversity leads to different results. Thus, in the states defined by a strongly centralised administration for community funds management (Ireland, Portugal, Greece), the territorial structures play a minor role, while in the countries with a low level of centralisation (Sweden, France, Great Britain) high responsibilities are transferred to the regional offices of the national administration. In the federal states with a

decentralised system, the regional authorities cover partially or totally the problems related to structural funds implementation, as also observed in states without federal systems but which practice the principle of the regional autonomy (Denmark, Austria, The Netherlands) (Zaman., Georgescu, 2009).

Starting from the European model of structural funds implementation displayed in *Figure 3* which shows the way in which a group of actors, in agreement with the rules, procedures and technical systems, implement projects within a given context and which set a typology of the administrative systems which is useful in order to understand the diversity of the European framework of activity at different levels.

Figure 3 Administrative systems in the European Union



Source: OIR 2003

In the attempt to achieve a specific classification of the different systems of implementation, Taylor et al. (2000) proposed another typology based on the “administrative complementarity”, the measure to which the system of structural funds implementation is elaborated together with the national programs. Thus, the following situations are observed in Europe: (1) *differentiated systems* – the policies of cohesion operate outside the context of the national policy (specific for Belgium, Denmark, The Netherlands, Sweden, Great Britain); (2) *subsumed systems* – both the structural funds and the national policies are unified (applied in Germany, Austria and Spain); (3) *composite systems* – the differentiated system is structured from the top of the hierarchy of the national system (France, Finland and Italy).

The conclusions concerning the definition of the capacity of absorption depend. Largely, on the used methodology of research and on the period of analysis of the member states (Wostner, 2008, pp.1). Also, the realist evaluations of implementing

the contracted funding exceed the limits of the experimental approach and should also consider the fact that the results of projects are influenced both by the context within which they are implemented and by the mechanisms activated to produce them. In consequence, it is important to analyse the hypothesis that the results and effects of the programs are generated by the interaction and interrelations between individuals, institutions and organisations (Lion, Martini, Volp, 2006, pp. 316).

Within the context of depicting the operational architecture of structural funds administration at the European and national level, the factors and mechanisms of implementation, and the diversity of the administrative systems across the European Union, there are two basic aspects of the policy of convergence that stand out: to identify the modalities by which the allocated funds are absorbed to the long-term general interest of the Europeans; and to avoid associating them to the global vision of absorption specific to the international aid.

Perspectives in the absorption of the European funds

Within the conceptual analysis of the capacity of absorption we have revealed the approach at global level of the foreign aid granted to the countries on low incomes, mentioning that very many times the problems related to the capacity of absorption of these states derive from the early stages when the so-called “wish-lists” are negotiated. Certainly, the problems with absorption of these states differ fundamentally from the aspects identified in the European area, but it is important to know the short-term and long-term constraints of such countries. Thus, at the global level, the concerns regarding the capacity of absorption (referring primarily to the aid for economic growth and poverty alleviation) have in view different types of constraints: 1. macroeconomic; 2. institutional and politic; 3. managerial and technical; 4. generated by the donors (*Ministry of Planning and International Cooperation, 2006*). In terms of the capacity of absorption, the constraints are analysed on the short-term and on the long-term (*Table 7*), which requires the acknowledgement of major disturbances in the progress of the process as such.

At the European level, the discussions concerning the capacity of absorption frame within the Lisbon Agenda of development of a knowledge, research and innovation-based society by 2010. The convergence policy at the European level, observing the principles of competitiveness, focuses on the efficient absorption of the European funds and less on the absorption of just the community aid granted to the less developed regions and states. However, several “problems of absorption” have been identified in the large scale fiscal transfers that may due to various reasons and which can be significant in forecasting the levels of optimal economic growth (Kalman, 2002). Synthetically, these problems refer to: a. administrative problems of absorption; b. interest in profit; use the funds for

consumption to the detriment of investments; c. problems with the time planning; d. the partial information on the accomplished transfers may cause problems to the authority; e. multiple priorities may lead to sub-optimal choices; f. problems determined by the relative changes of the prices induced by the transfers (Kalman, 2002, pp.5-9).

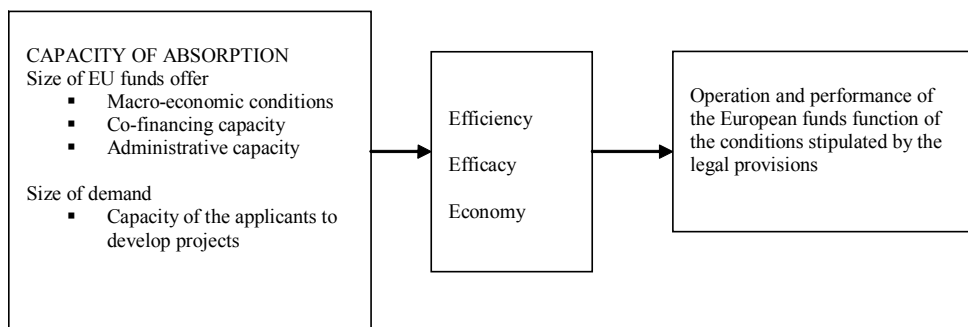
Table 7. Short-term and long-term constraints on the capacity of absorption of the foreign aid

Short-term constraints	Long-term constraints
<ul style="list-style-type: none"> ▪ The increased flows of aid may impact on country competitiveness ▪ Volatility of the aid ▪ Inadequate public systems of accounting and management ▪ Pervert stimulants in official performance which undermine the stimulants for reform ▪ Lack of adequate infrastructure and equipment ▪ Uncoordinated intervention of the donors 	<ul style="list-style-type: none"> ▪ Sustainability of the debt ▪ Major deficiencies of the institutions and processes of the policies, incapacity to stop the loss of resources ▪ Levels of dependence ▪ Technical and managerial abilities of the public officials ▪ Cultural/social factors which determine the demand for services ▪ Difficulties in adopting the change for improved practices

Source: Ministry of Planning and International Cooperation, Republic of Yemen, Aid Absorption Capacity, Consulative Group Meeting, London, November 15-16, 2006, p.2

The functioning and performance of the structural funds, such as the extent to which these funds are effectively and efficiently administered, are an important variable which influences the capacity of absorption both in terms of offer and in terms of the demand. The capacity of absorption will reach its highest levels only the economy, efficiency and efficacy are taken integrally into consideration, as shown in Figure 4 (Wright, Nemeč, 2003).

Figure 4. Relation between the capacity of absorption, the 3E and the performance of the European funds



Source: Sumpikova, M., Pavel, J., Klazar, S, 2006

The modality in which the structural funds are used efficiently and with efficacy, the actual performance, is reckoned to be an output variable which can be measured ex-ante or at the end of the programming period. For the new member states, a pre-evaluation is theoretically possible by reference to the results produced during the pre-accession period. Also, in order to set up the minimal conditions for an adequate management of the structural funds, particular importance must be given to the fundamental elements of the programming stage (structure, human resources, systems and instruments), defined as the input variable, which depends on the European regulations in this field (Zaman, Georgescu, 2009).

Various studies (Ferry (2005); Ferry et al. (2007) show a recent perspective on the particular solutions identified in different regions and member states concerning the systems of absorption of the structural funds. The main conclusion identifies the changes of the past 15-20 years: the systems of implementation became increasingly sophisticated, less centralised and more integrated; minimal evolutions were observed in the systems of selection and contracting which turned more proactive and strategic.

Three directions of structural funds implementation took shape during the transition towards the current programming cycle 2007-2013 (Bachtler et al, 2006): (1) most of the member regions/states maintained largely the former structures of implementation in terms of centralised or regionalised approach. The centralised approach is used in Estonia, Lithuania, Latvia, Cyprus, Luxembourg and Malta; the Baltic states and Slovenia undertake efforts to involve more the sub-national structures of implementation, but not at the level of management regionalization too; different approaches are observed in other states: regionalization in Austria and Belgium; non-convergence in Italy; convergence in Finland, France, Germany and Ireland; central-regional mix in Spain; (2) there are trends to strengthen regionalization in certain aspects of the implementation, particularly in the new member states where the available resources are to increase (Czechia, Hungary, Poland, Slovakia). Nevertheless, due to dysfunctions of the administrative capacity and of the sub-national expertise, the central structures of implementation will continue to play an important role; (3) all the programs attempt to find new modalities to rationalise their structures of implementation, a current issue both in the states with low allocations and in the states receiving substantial financing. In the future, in association with the financial crisis, rationalization is expected at all levels of implementation correlated with efforts to improve the relations of cooperation between the central and regional levels.

During the post-accession period, a slowing pace of EU funds absorption was noticed in the new member states after their accession in comparison with the rate observed when they were candidate states.

Under the current context, the problem of the “*saturation point*” in fund absorption should be discussed, which is specific to the countries benefiting of international aid as support to maintain the functionality of those societies. Thus, some transboundary studies have revealed that a certain additional level of the aid, related to the GDP, has in fact little influence on the economic growth. In this respect, the “*saturation point*” represents the functioning of different processes which are generated by the macroeconomic, institutional, socio-cultural constraints and also by constraints from other fields such as infrastructure or human capital (*World Bank, 2004*). From this perspective, the countries with “good institutions and policies” may absorb important funds supporting their economy before the benefits diminish. On the other hand, the countries with a low capacity will reach the saturation point much earlier and the funds for aid become unproductive. No cause for the diminishing benefit arising from the granted aid could be determined exactly so far, but the efficiency of the granted aid is tightly linked to the capacity to absorb the aid. From this perspective, some authors showed that the previous experience in implementing PHARE programs is once more ignored (Arpinte, Baboi, 2009, pp. 46), so that the initiation of consistent debates on the results of pre-accession funds absorption might provide a realistic framework to make efficient use of the structural funds allocated to Romania during 2007-2013.

The absorption capacity is closely connected to the marginal rate of the aid benefit which can diminish naturally as the granted aid increases. Some explanations concerning the “*delay in reaching the saturation point*” refer to the determination of a country to use efficiently the aid irrespectively of its level by combining the political will with the policies and its institutions.

The optimisation of the main constitutive elements of the process of structural funds absorption is an integrating effort which should be done particularly by the new member states within the context in which the absorption rates do not support the long-term process of leveling the gaps from the older member states. Within the context in which the economic and financial crisis will continue to display its strong effects in Romania, the recommendation to intensify the recessive process should also be considered (Iova, 2009, pp. 73), the structural funds being the most workable solution for the new member states of the European Union.

The paradox of the member regions and states which receive the largest financial support but which have the poorest mechanisms of funds absorption should be on the European agenda of priorities.

The history of over half a century of the European policies dedicated to the “*investments in people*” was revealed through the new conception on the individual welfare and, at the same time, the way in which Europe answers this desiderate by new mechanisms has materialized (Arpinte, Baboi, Cace, Tomescu, Stănescu, 2008, pp. 349). Thus, the emergence of an active European welfare

state requires continuing the support to the new member states and the proactive participation of the European structures to stimulate the absorption capacity of the structural funds allocated to these countries.

Observing the increasing interest of the European Commission for the sustainable development, not just within the context of the environmental policies, but regarding all the political decisions (Ekins, Medhurst, 2006, pp. 474), the problem of the capacity of absorption of the structural funds by the new member states demands a more structured and supportive approach at the European level.

The risks of a prolonged status of “second hand” member state, which is gained upon accession to the European Union can become reality; the solution should become proactive and rapidly corrected by interventions from the top downwards in the community area.

Conclusions

The definition of the absorption capacity brings in front the important distinction between the international aid offered to the states in “situations of economic and social distress” and the policy of convergence specific to the European area by which funds specially allocated to the states and regions put into practice this joint decision. If in the first case the purpose is to provide for the functionality of the specific state, in the second case the purpose is to diminish the economic and social gaps in a well defined geographical area in which the principles of competitiveness, knowledge, innovation and research are adopted.

The conceptual clarifications regarding the capacity of structural funds absorption reveals an area which defined its essential operational coordinates (macroeconomic capacity, financial capacity, administrative capacity). The efforts of the researchers to structure the investigated area revealed hierarchical levels at which it operates (European and national), as well as the factors and mechanisms of implementation specific to the allocated funds.

The integration of the identified elements allowed the elaboration of the EU model of structural funds implementation; the European diversity reveals different administrative systems in the absorption of these funds.

The theoretical exercise accomplished by various authors after studies and investigations offer us sufficient arguments to initiate future queries into the stage of structural funds absorption in the new EU member states and to probe the existence of a possible “point of saturation” in funds absorption in other states which benefit of international aid.

If Romania wants to avoid a “saturation point” it has to develop with priority its capacity to absorb the structural funds which are allocated for the period 2007-2013.

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