

EUROPEAN STRUCTURAL FUNDS MANAGEMENT. A COMPARATIVE CASE STUDY ON ROMANIA AND POLAND

Leonard - Constantin PESCARU

42nd Support Communication and Informatics Center/Communication and Informatics Command, Braşov, Romania

The Structural European Funds management is a topic of great interest for each European country that became or intends to become a European Union (EU) member. The paper presents an extensive comparative case study between Poland and Romania's approaches to the aforementioned subject. Poland was chosen as a landmark/reference for the comparison with Romania's accomplishments, because of its remarkable achievements since it entered the EU, being one of the most eloquent models of best practices on regionalization and European funds accessing. The good territorial reorganization along with the creation of a proper legislative framework and specialists' training created the most successful European model of the last decades.

Key words: *Structural European Funds, European Union, Poland, Romania.*

1. INTRODUCTION

European Structural Funds management is a topic of great interest for each European country that becomes a European Union (EU) member. For this case study Poland was chosen as a landmark/reference because of its remarkable achievements since it entered the EU. It might be the most eloquent model of regionalization and European funds accessing.

The good territorial reorganization along with the creation of a proper legislative framework and specialists training (the best example being that of Elzbieta Bienkowska [1]) created the most successful European model of the last decades.

2. A COMPARATIVE ANALYSIS OF ROMANIA'S AND POLAND'S APPROACHES REGARDING THE USAGE OF EUROPEAN STRUCTURAL FUNDS

Before 1998 Poland had 49 administrative units, much like the counties in Romania. The government

led by Jerzy Buzek [2] decided to implement an administrative reform. Poland's territorial division started in January 1999 [3] and was based on a new three level model: *gmina* [4], *powiat* [5] și *województw* [6] that worked on self-governance and decentralization principles. Within the new administrative division, the communes and districts are local governance units, the region's status being that of a management unit responsible with the application of the regional policy, being the highest ranking territorial unit with mixed governance between the central government and the self-governance (autonomy). Poland has 16 regions much like the autonomous regions of Spain and Italy. The region collects the income taxes from both individuals and the private sector.

Poland's 16 region model in which the power and the responsibilities flow from the central administration towards the regional and local ones show a clear vision of a centralized administration system. The 16 regions contain 379 districts

and 2478 communes. Each region chooses a *sejmik* [7] and an executive led by a *marszałek* [8] chosen within the regional Parliament with overall majority. The government has its own representative at the regional level by the name of *voivode* [9]. Here we can see some connection with the Romanian administrative and executive structure, having the County Council as Parliament representative led by a president and the *Prefect Institution* having the administrative authority.

In this way the Polish autonomous regions receive substantial decision power for regional economic development, especially starting with the 2007-2013 programs when regional operational programmes [10] unfolded at the level of each region. Starting with 2010 the Science Council is founded and has the task of coordinating regional and national policies. With Poland's accession to the EU, the European Funds represented most of the regional policies' budget (supplemented by state budget funds). From 42.1 billion Euro during 2007-2013, Poland used over Euro 16.6 billion to implement the Regional Operational Programmes [11]. Most of the funds were conceived for regional development, in other words the EU money was used for roads, hospitals, education managed by the regional authorities. These authorities directly negotiate with the European Commission (EC). The Regional Development Ministry takes part at these negotiations but does not dictate the regions what to do. Although Poland received Euro 42.1 billion for 2007-2013, 25% of this amount has been managed at regional level.

Unlike the first financing term, 2004-2006, when the regional authorities had restricted control (certain Operational Programmes

were partially managed by regions), for the 2007-2013 term the regions had total control over 25% of the European Funds. Poland and Italy are the only countries that negotiated an extra instrument given as award for the countries with the greatest expenditure of funds within the Operational Programmes. Thanks to this mechanism the Polish received extra funds from the EU.

In Poland, the democratic behavior and civil society development along with the increase in economic activities would not have been possible without the decentralization process and the administrative reform, accomplished in two stages within 10 years: 1989-1999.

Similarly to Romania, the public main rules and structure of Polish administration were created in 1944 and 1989, according to political principles and circumstances of the time. The centralized system was based on the domination of ministry and departments' structure. Before 1989 there were two levels of public administration, the central region and the local region, both of which were controlled by the state. The system was extremely centralized and not so efficient for local and regional representatives.

The new system inherited a harmful mix between politics and purely administrative functions and it created a hardly distinguishable line between political responsibility and administrative competences. The economic and political transition process started after 1989 led to the rebirth of the local autonomy in Poland. Unlike other ex-communist countries, after 1989 the Polish experts have chosen a different path: the decentralization of the public affairs.

In March 1990 the "Territorial autonomy act" was amended and in May 1990 the first free local

elections in Central and Eastern Europe were carried out. The decentralization process started at the lowest level of the public administration and the role of “*Gmina*” (municipalities) has been strengthened. It was expected that

the newly introduced territorial autonomy units (TSU) would reduce the bureaucracy and the costs of the public administration. Even so, the administrative Polish system was dominated by the centralized bureaucracy.

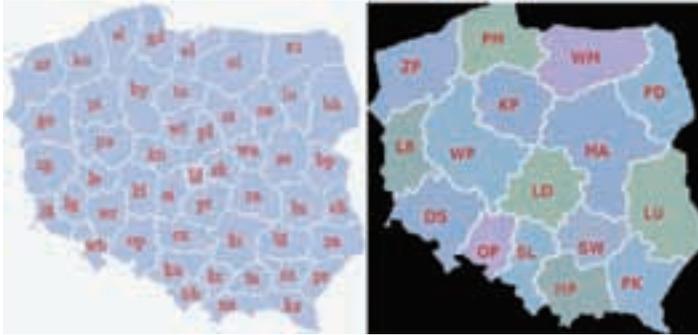


Figure 1: Poland - Territorial-administrative structure between 1975-1998 (left) and starting 1999 (right)

The existence of 49 counties created excessive bureaucracy and this led to an expensive public administration. The second stage for the territorial autonomy started in Poland in 1999 when two more levels of units were created: districts and regions or voivodships. Between them there is no subordination, the commune is independent of the district or the region and similarly the district is independent of the region. The communes and the districts are units of the local public administration and the regions have regional governance units. Poland's decentralization process is an example of political success. The administrative reform facilitated the Polish economy and democracy to operate properly and helped the country in its process to enter the EU. The effects of the decentralization process allowed an efficient public administration management that acts at different levels, so as to improve competition and cooperation between the different levels of the administration.

The 1999 decentralization reform gave the territorial autonomy units

full responsibility for the economic development of the regions. Along with the economic transformation Poland's social and regional discrepancy become deeper and deeper. Similarly to Romania, there are three types of discrepancies: a permanent difference between East and West, the discrepancies between the country capital and the rest of the country and between rural and urban areas. The Regional Development Ministry was established in 2005 to coordinate the regional policies and the EU financing instruments, proving political engagement for territorial development improvement and multi-sector cooperation.

Poland accomplished in a short time advancements towards multi-level governing and focused its regional development Policy on increasing competitively. It should be noted that Poland succeeded in negotiating with the EC so that the Regional Operational Programmes (ROP) were designed to be implemented in each of the 16 regions according to their specific needs.

Even though the R OP includes measures and objectives that cover the development needs at a national level, most priorities differ from one region to another and the implementation differs according to the regional socio-economic status and the development strategy. Most structural funds implementation programmes were handed to regional self-governing entities for project identification, payment inspection, audit, monitoring and certification.

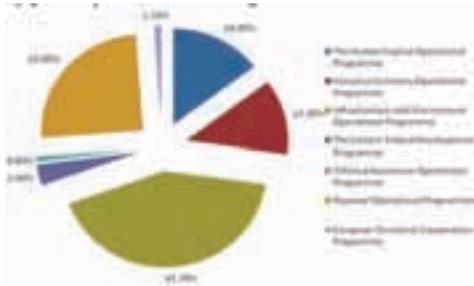


Figure 2: Percentages for the 2007-2013 financial year of a total of 42.1 billion Euro.

As the official website of the Polish Ministry of Infrastructure and Development [12] shows, the one that took over in 2013 from the Ministry of Regional Development, during 2007-2013, 296000 applicants interested in to acquiring funds (both national and EU) for a total amount of 599.9 billion Zloty, representing a total of 142.85 billion Euro were recorded.

Of this total, 97837 contracts were signed with the recipients for a total amount of 94.06 billion Euro, of which 65.49 billion Euro (97.3% of the amount allocated) was from the EU.

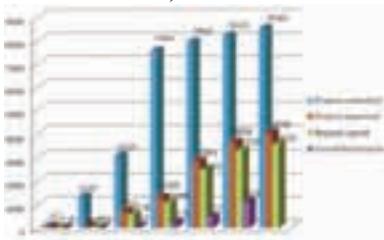


Figure 3: The evolution of the projects submitted within OPR between 2007-2013.

We can see in the next diagram that at ROP level the most important time was in 2010 when the number of projects submitted for financing doubled compared to the total number of projects from 2007-2009. This happened because of the economic crisis that hit Europe. In this respect, the EU funds were overall the key to the successful recovery from the economic crisis that affected the entire world. The EU funds alternative led to successive rise both for the number of projects submitted and for the approved and financed ones, their number constantly doubling in the next period.

As it results from the the previous diagram, starting with 2010, the number of rejected projects has been drastically reduced, leading to a corresponding number of approved projects and meaning that upon submission the project would need to meet all the requests from the Applicant's Guide.

However this also means that Romania needed four years to understand the mechanism for EU funds access and that has cost Romania, unlike Poland, 65% of the total amount from the EU.

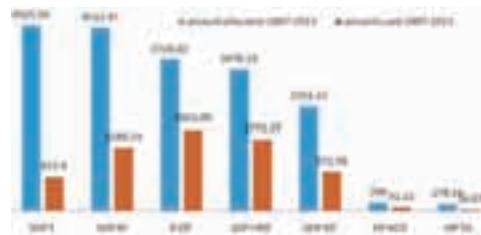


Figure 4: The status of the funds used for each OP during 2007-2013.

Except for Operational Programme Administrative Capacity Development (OP ACD) and Operational Programme Technical Assistance (OP TA) whose share was minimal in the EU allocated funds, the only programmes that managed to utilize reasonably the allocated funds

were ROP and Sectoral Operational Programme Human Resources Development (SOP HRD), a little over 50% of the available amount being used. The Polish model which managed by the end of 2012 to have all the EU allocated amount distributed towards submitted projects has to be implemented so that the financial time 2014-2020 should not be for Romania another missed objective considering the EU funding.

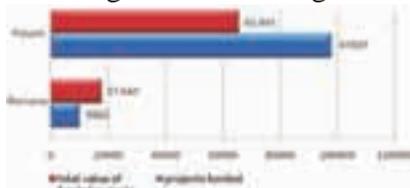


Figure 5: The number and the value of the funded projects during 2007-2013.

Poland is a step ahead compared to Romania due to the 2004-2006 timeframe when it received 8.275 billion Euros from EU funding, over 75000 projects being co-financed during that time. Half of this amount represented infrastructure projects which created a proper environment for Polish economic development. All of this materializes in a significant increase in the workforce market with the creation of new jobs along with the development of the industry and service sectors.

Additionally, another Polish asset was that with the OP creation 60% of the funding was directed towards areas like innovation, education, IT, university and infrastructure.

Characteristic for Poland was the assurance of a proper political climate for development, since politicians understood the advantages of being united as far as the European Policy is concerned. The Elzbieta Bienkowska model, the person that climbed step by step from the position of a EU funding specialist up to becoming Minister of the Regional

Development Ministry respectively the newly founded Infrastructure and Development Ministry and Vice Prime Minister it is to be followed, the directions assigned by her being the basis for EU funding in Poland. Ensuring strategic vision continuity for each Minister involved in accessing the EU funding is one of the essential things that need to be done to ensure the success.

In conclusion, the Polish model could be a starting point in the successful application of the new OP so that the maximum percentage of paid projects from EU funding is achieved at the end of 2020. At the end of the seven years since joining EU, Romania's situation is not the one expected. During this financial time Romania was only able to use a third of the 19 billion Euros. It is an insignificant sum that shows the authorities' inability and carelessness in establishing coherent priorities at the level of central authorities.

Romania needs cooperation at political level and that can lead to the creation of a common framework necessary for EU Policy implementation at the highest level. The expenditure of the available EU funding for 2014-2020 is mandatory since it is enough in accomplishing the strategic objectives established by National Development Plan (NDP) and National Strategic Reference Framework (NSRF) for 2014-2020.

One of the reasons for the small expenditure of EU funding lies in the unjustified delay during the OP developed by each management authority (MA) from within the Ministries responsible with the programs. It is also because of the low feedback at the European Commission suggestions regarding OP accomplishment in Romania.

Another problem that arises during this time refers to the

inexistence of a strong institutional buildup within the chain of the intermediary organisms and regional and local units whose responsibilities are strictly related to the EU funding management. This situation has led to excessive bureaucracy and it rose the time length for submitting and approving the projects for each applicant. In this way a very important aspect is the correlation between methodologies for project implementation, similar projects having different interpretation and approval standards. Following these issues one can notice the poor involvement of central authorities in the creation of a common legal frame, unique, that is able to offer maximum shortcut so that for a project the time from submission at MA until payment would be the shortest.

Another reason for low EU funding expenditures in Romania is the shortcoming related to project management knowledge, the absence of trained managers and the lack of technical assistance regarding EU funded projects. One more reason which obstructed project implementation was the lack of local authority experts regarding EU funded projects. Poland's example where an army of experts were trained and well paid so that the option of working in the private sector would become unattractive was not followed. The few benefits that the local authorities had were canceled when the economic crisis hit Romania in 2008.

The delay in payments and refunds was another reason for the status of the EU funded projects. The gap between certain project steps and budget assignment for the next steps of the projects has led to extreme delays of the deadlines.

The most important reason of low expenditures of EU funding is related

to the unstable political environment; the continuous change of some Ministers without sound political background and who should have been responsible for OP left its mark on the strategies regarding long and medium term EU funded projects.

Regional division must be an important aim for each government. In this respect, providing local authorities with a part of the 2014-2020 funding in order for these to develop projects regarding road, rail and naval infrastructure along with intermodal nodes is essential to any economy.

The low expenditure of EU funding affects the budgets that will follow, the increase in the amount being smaller compared to the EU funding for the other ex-soviet countries. In this manner we receive funding similar to Hungary and Czech Republic, countries with about half of Romania's population and territorial area but which managed to have a far greater expenditure of EU funding in the last financing stage [13].

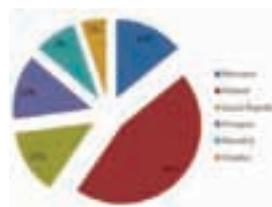


Figure 6: Percentage of CE funding for the financial year 2014-2020 from the total of Euro 167.1 billion attributed to Eastern European countries.

According to a 2013 KPGM study regarding the expenditure rate of EU funding for the last 10 countries that joined the Union during 2004-2007, Romania sits on the last place with an expenditure rate of 12% of the funded projects compared Poland (49%), Hungary (40%), Czech Republic (57%) and Bulgaria (34%).

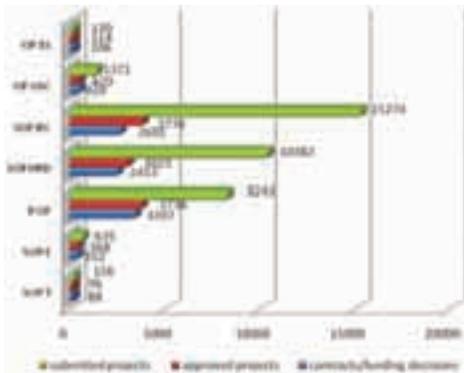


Figure 7: EU funding expenditure status for each OP at 31st of March 2013 [14].

In the previous diagram we can see that during this time enough projects were submitted so that to cover the entire funded amount but as we notice on the in figure 3, these projects were not conceived according to the requirements, the seven steps that each project has to pass sieving many of them. In this manner arises the question regarding the problems that impede the applicants when request project financing: lack of communication with local and national authorities in order to develop a project that covers all requirements for funding, the mismatch with the applicant's guide criteria for each OP or in most cases the lack of funding to start a project which, although it may meet all requirements, it may be disqualified because of the financing. The officials that check and endorse the projects does not check the actual project but only if it meets the requirements for the OP, maybe checking the benefits of each project. The lack of funding disqualifies the projects in the first stage.

Poland solved this problem by funding and allowing each project to start and then checking thoroughly the project's progress, in steps. After each step, according to the project's progress, more funding was to be expended for the project to continue. Unfortunately in Romania this did

not happen so many projects came to a stop from the lack of funding.

3. CONCLUSIONS

In the last report of the Ministry for European Funding, its Minister alleged that on the basis of N+ 3 rules the EU funding of 2011 and 2012 can be used until December the 31st 2014 respectively December the 31st 2015 [15]. This becomes a good thing as it would raise the percentage of the EU funding up to 35%; this would alleviate the bitterness caused by the last place.

Remains to be seen the way in which local and central authorities would have learned their lessons from the last seven years for the next funding. One first step has been made with the Partnership Agreement [16], with which OP and management authorities for each programme were set. Although there were changes in titles, overall the OP remained the same: OP Main Infrastructure (OP MI), OP Human Capital (OP HC), OP Competitiveness (OP C), OP Technical Assistance (OP TA), Regional OP (R OP), OP Administrative Capacity (OP AC), The National Programme for Regional Development (NPRD) and The Operational Programme for Fishing (OPF).

The great novelty resides in the new MA setting; if so far every OP used to be in the area of a Ministry, starting 2014 The Ministry for European Funding will become MA for OP MI, OP HC, OP C and OP TA, The Ministry for Administration and Regional Development for R OP and OP AC and The Ministry for Rural Development and Agriculture for NPRD and OP F.

NOTES AND REFERENCES

[1] Polish politician, started her career working in the Affairs Department of the Silesia Voivodship, she was director for the Polish regional development, Ministry of Development between November the 16th, 2007 and November the 27th, 2013, now being the Infrastructure and Development

Ministry (newly created Ministry that contains the former Regional Development Ministry) and vice-president of the Ministry Council led by Donald Tusk.

[2] Polish politician, Prime Minister of Poland between 1997 and 2001, President of the European Parliament (July the 14th 2009-January the 17th 2012).

[3] Voivodship self-governance law, July the 5th 1998.

[4] Commune.

[5] District.

[6] Voivodship / Region.

[7] Regional Parliament.

[8] Marshal - in medieval Poland this was the military leader on the battlefield (na)

[9] Prince, voivode.

[10] During 2004-2006 at the voivodship level just one national programme was carried out - Integrated Operational Regional Programme.

[11] Five national Operational Programmes were carried out at national level: Infrastructure and Environment, Human Resources, Innovative Economy, Eastern Poland Development and Technical Assistance, as well as another 16 regional operational programmes for the 16 voivodships.

[12] The National Cohesion Strategy - level of implementation.

http://www.mir.gov.pl/english/european_funds/european_funds_2007_2013/implementation/strony/level_of_implementation.aspx.

[13] EU Funds in Central and Eastern Europe - Progress report 2007-2012. <https://www.kpmg.com/RO/en/IssuesAndInsights/ArticlesPublications/Press-releases/Documents/EU-Funds-Central-Eastern-Europe%E2%80%93report-2007-2012.pdf>.

[14] Viitorul instrumentelor structurale în perioada 2014 - 2020. Buletin Informativ, Instrumente structurale, nr. 5, aprilie 2013. http://www.fonduri-ue.ro/res/filepicker_users/cd25a597fd-62/bi/CIIS_Buletin_Informativ_Nr_5_aprilie_2013.pdf.

[15] Fondurile europene alocate pentru 2011 și 2012 vor putea fi cheltuite până la 31 decembrie 2014, respectiv 2015. Buletin Informativ, Instrumente structurale, nr. 8, decembrie 2013. http://www.fonduri-ue.ro/res/filepicker_users/cd25a597fd-62/bi/CIIS_Buletin_Informativ_Nr_8_decembrie_2013.pdf.

[16] Ministerul Fondurilor Europene. Acord de parteneriat propus de România pentru perioada de programare 2014-2020.

Al doilea proiect. http://www.fonduri-ue.ro/res/filepicker_users/cd25a597fd-62/2014-2020/acord-parteneriat/AP-10.02.2014.RO.pdf.

ABBREVIATIONS LIST

EC - European Commission
EU - European Union
MA - Management Authority
NDP - National Development Plan
NPRD - National Programme for Regional Development
NSRF - National Strategic Reference Framework
OP - Operational Programme
OP AC - Operational Programme Administrative Capacity
OP ACD - Operational Programme Administrative Capacity Development
OP C - Operational Programme Competitiveness
OP F - Operational Programme for Fishing
OP HC - Operational Programme Human Capital
OP MI - Operational Programme Main Infrastructure
OPTA - Operational Programme Technical Assistance
ROP - Regional Operational Programme
SOP E - Sectoral Operational Programme Environment
SOPIEC - Sectoral Operational Programme Increase Of Economic Competitiveness
SOP HRD - Sectoral Operational Programme Human Resources Development
SOPT - Sectoral Operational Programme Transport
TSU - Territorial Autonomy Units

ACKNOWLEDGMENT

This paper represents an excerpt from my Master's Thesis, which was successfully defended in July 2014 at the Regional Department of Defense Resources Management Studies (DRESMARA), Braşov, "CAROL I" National Defense University.

The Thesis represents the graduation assessment of the Master's of Science program in Organization Resource Management, series 2012-2014.