Abstract

This paper aims to examine the experience of the four “Cohesion Countries” of the EU-15 – Ireland, Spain, Portugal and Greece and to identify their best practices as well as a series of drawbacks in the implementation of the EU structural assistance. The resulted conclusions can be taken as useful lessons for the EU’s New Member States with regard to their efforts to absorb the EU funds and to reduce the discrepancies between their development level at national and regional scale and the EU average (the so-called “catching-up” process). A special emphasis will be put on the case of Romania, considering the authors’ research results in this field and their recent calculations focused on the absorption of the pre-accession funds, especially the Phare assistance. Their findings will be the source of several considerations and proposals for increasing Romania’s absorption capacity in the 2007-2013 programming period.
**Background**

In the last five years the largest enlargement of the European Union took place, ten new member states (NMS), mostly from Eastern and Central Europe joining it in 2004, followed by Romania and Bulgaria in January 2007.

As a consequence of the 2004-2007 enlargement, the EU population has increased by more than one quarter and its surface by more than one third. With almost 500 million citizens, the EU generated approximately 31\% share of the world’s nominal Gross Domestic Product (GDP) in 2007. However, the combined GDP of all new member states has added only 11\% to the GDP of the EU-15, whereas the GDP per capita is 13\% lower than before enlargement (Table 1). Compared to the EU average, the GDP per capita is 35\% higher in the US and 15\% higher in Japan.

**Table 1: Impact of successive enlargements of the EU**

<table>
<thead>
<tr>
<th>Enlargement</th>
<th>Population</th>
<th>Surface</th>
<th>GDP</th>
<th>GDP/capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 9 (73)</td>
<td>+ 33.4%</td>
<td>+ 25.4%</td>
<td>+ 32.2%</td>
<td>- 0.9%</td>
</tr>
<tr>
<td>EU 10 (81)</td>
<td>+ 3.7%</td>
<td>+ 7.9%</td>
<td>+ 2.34%</td>
<td>- 1.33%</td>
</tr>
<tr>
<td>EU 12 (86)</td>
<td>+ 17.5%</td>
<td>+ 33.4%</td>
<td>+ 11.3%</td>
<td>- 5.5%</td>
</tr>
<tr>
<td>EU 15 (95)</td>
<td>+ 6.28%</td>
<td>+34.9%</td>
<td>+ 6.5%</td>
<td>+ 0.2%</td>
</tr>
<tr>
<td>EU 25 (04)</td>
<td>+ 19.6%</td>
<td>+ 18%</td>
<td>+ 8.9%</td>
<td>- 8.9%</td>
</tr>
<tr>
<td>EU 27 (07)</td>
<td>+ 6.5%</td>
<td>+ 8.5%</td>
<td>+ 2.04%</td>
<td>- 4.03%</td>
</tr>
</tbody>
</table>

**Source:** Eurostat, 2007

If the population and the GDP per capita are considered, it can be easily noticed that the NMS have brought about an important burden for the EU: their population represent approximately 21\% of the total population of the EU, whereas in all cases the GDP per capita is below the EU average. The worst situation is recorded by Bulgaria and Romania with less than 40\% of the EU average. By contrast, GDP per capita was 142.55\% in Ireland and 131.91\% in the Netherlands (Luxemburg apart).

Moreover, substantial economic and social disparities are recorded across the EU not only between states but also between regions. The distance between the richest and the poorest regions (NUTS 2) is about a factor of ten. The latest available data show that on the high end Inner London accounts for 303\% of the EU average of GDP per capita, while Romania’s North-East and Bulgaria’s Severozapaden have 24\% and respectively 27\% of the EU average (Table 2).

The unprecedentedly high amplitude of interregional disparities at the enlarged EU level offers a special significance to its cohesion policy in the 2007-2013 programming period. The economic and social cohesion policy is addressed in terms of two interrelated components, namely the vertical cohesion, referring to the alleviation of social disparities and the solidarity with the disadvantaged social groups, and the horizontal cohesion, which concentrates on the regional disparities decrease and the solidarity with the lagging regions’ population. Based on this approach, the EU’s regional policy is closely related to the horizontal dimension of the cohesion policy and is supported by the EU
funds via allocations for convergence – competitiveness and employment – European territorial co-operation objectives of the current financial exercise. During 2007-2013 the EU’s cohesion policy ranks first in terms of expenditure and coverage: cohesion for the first time surpasses agriculture as the largest area of expenditure undertaken by the EU (Leonardi, 2006). In a total budget amounting approx. €862.4 billion, cohesion policy accounts for €307.6 billion (35.6%), that is an average annual expenditure of €44 billion, compared with €41.8 billion allocated to market-related expenditure and direct payments to agriculture.

Almost 82% of the total budget for cohesion policy is allocated to the objective of convergence of the member states and the regions. Its key aim is to promote growth-enhancing conditions and factors leading to real convergence\(^1\) within the EU. This objective covers the member states and the regions whose development is lagging behind.

\(^{1}\) Real convergence refers to the narrowing of development gaps: similarity of per capita GDP, nominal wage levels, equilibrium of real exchange rates and related to this, price levels and tradable/non-tradable price ratios. Nominal convergence is also employed, aiming at the narrowing and finally closing the gaps in macroeconomic stability currently existing between NMS and incumbents: it focuses on the Maastricht criteria on inflation, interest rates, fiscal variables and exchange rate stability.
The targeted regions are those NUTS 2 regions of a GDP per capita less than 75% of the EU average. They are funded from the European Regional Development Fund and the European Social Fund. At the same time the member states whose Gross National Income (GNI) is less than 90% of the EU average benefit from the Cohesion Fund.

In this context it is obvious that the NMS are the main beneficiaries of the renewed cohesion policy: all of them receive allocations from the Cohesion Fund while 51 regions out of 55 NUTS 2 regions in the NMS are funded under the Convergence objective. Among them, Romania benefits 19.67 billion Euros from the Structural and Cohesion Funds, which means an amount of approx. 911 Euros assistance per capita.²

At present, the biggest challenges all these countries have to face refer to their capability of spending the allocated funds and ensuring and effective use of these funds (Constantin et al., 2008). The answers are usually addressed in terms of the absorption capacity, which defines the degree to which a country is able to effectively and efficiently spend the financial resources allocated via European Funds³. In other words, it expresses the ability of an EU member state to ‘digest and consume’ the funds in order to foster its development and thus to improve its economic and social performance (NEI, 2002; Horvat, 2004).

Based on these overall considerations, this paper aims to examine the experience of the four countries of the EU-15 which benefited from the structural assistance not only via Structural Funds but also via Cohesion Fund – Ireland, Spain, Portugal and Greece (usually named “cohesion countries”) and to identify their best practices as well as a series of drawbacks in the spending of the EU funds. All of them can be taken as useful lessons for the NMS with regard to their efforts to absorb the EU funds and to reduce the discrepancies between their development level at national and regional scale and the EU average (the so-called “catching-up” process).

A special emphasis will be put on the case of Romania, considering the authors’ research results in this field and their recent calculations focused on the absorption of the pre-accession funds, especially the Phare assistance. Their findings will be the source of several considerations and proposals for increasing Romania’s absorption capacity in both quantitative (the absorption rate) and qualitative (the economic and social effects) terms for the 2007-2013 programming period.

² In the case of Romania, the amount of structural assistance per capita is lower than in other MNS (e.g. Czech Republic – 2,627 euros per capita, Hungary – 2,461 euros per capita, Estonia – 2,555 euros per capita, etc., as a result of the maximum 4% of GDP (of each country) allocation rule.

³ The absorption capacity can be addressed from the perspective of the institutional system created in each member state in order to manage the funds (the supply side) as well as from the perspective of the beneficiaries of these funds (the demand side). The demand side mainly expresses the ability of the potential beneficiaries – public or private – to generate appropriate and acceptable projects (possible to be financed). The supply side is determined by three main factors, leading to three components of the absorption capacity, namely macroeconomic, administrative and financial absorption capacity (NEI, 2002; Horvath, 2004).
The question of absorbing the EU funds in Romania

Prior to 2007, Romania created the administrative-institutional framework (management authorities, intermediate bodies, national payment authority, monitoring committees etc.) and prepared all programming documents (National Reference Strategic Framework, Operational Programmes etc.) for ensuring the access to the EU allocated funds. Undoubtedly, preparing strategies and programmes, creating the legal and institutional framework represent major steps for Romania in the European integration process but the most difficult time for most strategies, plans, programmes is when they must be turned into action.

Under these circumstances, the EU has had to ensure that the financial assistance provided to Romania will be effectively, rationally used and all institutions involved are fully committed to offer a promising response to the three new priorities of the economic and social cohesion policy, namely convergence, regional competitiveness and employment and European territorial co-operation.

A study developed under the auspices of the European Institute of Romania aiming to analyze the administrative capacity of absorbing the post-accession EU funds revealed that, at that time, this capacity was still insufficient, due to significant and numerous weaknesses which should have been tackled in the period of time before accession (Oprescu et al. 2005).

The methodology employed was the one conceived by the European Commission at the beginning of 2002 for evaluating the administrative absorption capacity of the candidate countries (at that time) (NEI, 2002). It was applied using a questionnaire elaborated by the study’s authors (Oprescu et al., 2005). The questions were answered by all Management Authorities and most of the Intermediate Bodies. The results of the discussions with officials of the institutions involved, with Romanian and foreign consultants, with officials of the European Commission and its Delegation at Bucharest and other persons interested in this topic were also added. The overall results are presented in Table 3.

Table 3: Evaluation of the absorption administrative capacity in Romania

<table>
<thead>
<tr>
<th></th>
<th>Design</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Structure</td>
<td>Human resources</td>
</tr>
<tr>
<td>Management</td>
<td>A (95%)</td>
<td>C (54%)</td>
</tr>
<tr>
<td>Programming</td>
<td>C (50%)</td>
<td>C (50%)</td>
</tr>
<tr>
<td>Implementation</td>
<td>C (69%)</td>
<td>D (49%)</td>
</tr>
<tr>
<td>Total</td>
<td>B (76%)</td>
<td>C (51%)</td>
</tr>
</tbody>
</table>

Note: A: Strong capacity: system ready for the Structural Funds (at least 90%);
       B: Sufficient capacity, but weak points should be addressed (75-90% from the maximum score);
       C: Capacity not sufficient yet, serious weaknesses must be addressed (50-75%);
       D: Insufficient capacity, there is no base for administrating the Structural Funds.

Source: Oprescu et al. (2005)
These results showed that Romania was still at the beginning of building up its absorption capacity. Though, the comparisons with other former candidate countries – currently EU members at almost the same time before their accession (Table 4)\(^4\) supported the conclusion that the problems still unsolved could get an answer until accession and the delays could be recovered.

**Table 4:** Results of the evaluation of the main indicators by country

<table>
<thead>
<tr>
<th></th>
<th>RO</th>
<th>HU</th>
<th>CZ</th>
<th>SK</th>
<th>EE</th>
<th>SLO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Horizontal evaluation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>C(72%)</td>
<td>B(87%)</td>
<td>B(75%)</td>
<td>C(63%)</td>
<td>B(87%)</td>
<td>C(71%)</td>
</tr>
<tr>
<td>Programming</td>
<td>C(52%)</td>
<td>B(80%)</td>
<td>B(80%)</td>
<td>D(40%)</td>
<td>B(87%)</td>
<td>B(80%)</td>
</tr>
<tr>
<td>Implementation</td>
<td>C(53%)</td>
<td>C(72%)</td>
<td>C(56%)</td>
<td>C(52%)</td>
<td>C(68%)</td>
<td>C(52%)</td>
</tr>
<tr>
<td><strong>Vertical evaluation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structure</td>
<td>B(76%)</td>
<td>B(84%)</td>
<td>B(79%)</td>
<td>B(79%)</td>
<td>A(95%)</td>
<td>B(74%)</td>
</tr>
<tr>
<td>Human resources</td>
<td>C(51%)</td>
<td>C(74%)</td>
<td>C(71%)</td>
<td>D(41%)</td>
<td>B(82%)</td>
<td>C(59%)</td>
</tr>
<tr>
<td>Systems and instruments</td>
<td>D(45%)</td>
<td>C(60%)</td>
<td>C(50%)</td>
<td>D(40%)</td>
<td>C(60%)</td>
<td>C(50%)</td>
</tr>
</tbody>
</table>

**Source:** Oprescu *et al.* (2005) and Horvat (2004)

In the pre-accession period Romania’s institutional framework for regional policy suffered numerous transformations. The resulted instability for the corresponding structures, especially at national level, induced significant delays in the process of preparing Romania’s accession to the EU, being severely criticized within the EU country reports for many years.

At the same time the encountered drawbacks determined various problems regarding the spending of the pre-accession funds, reflected by the absorption rate of these funds. For example, for the Phare funds allocated to Romania between 2000-2006 the absorption rate was 54.44%, distributed by year as shown in Table 5.

**Table 5:** The absorption of the Phare Funds in Romania between 2000-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absorption rate (%)</td>
<td>98.32</td>
<td>99.4</td>
<td>80.33</td>
<td>69.3</td>
<td>46.86</td>
<td>23.66</td>
<td>7.39</td>
</tr>
</tbody>
</table>

**Source:** Calculations by G. Marchis (2009), based on the report regarding Phare funds’ implementation released by the Ministry of Development, Public Works and Housing at the end of August 2008.

It can be noticed that the highest absorption rates have been recorded at the beginning of the period, continuously decreasing afterwards. Though, considering the time when

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\(^4\) Even though there is no significant difference in the analysis method, these comparisons have a certain degree of subjectivism considering that the assessment has been done by two different teams.
these data were published, combined with the n+2 rule and the latest regulations of the European Commission regarding the spending of the pre-accession funds, it is possible that the rates for the latest years to increase when the situation at the end of 2008 will be released.

By region, the situation of the pre-accession assistance via Phare funds, correlated with the absolute level and dynamics of GDP per capita, is displayed in Table 6.

**Table 6:** The distribution of the Phare assistance by region between 2000-2006, combined with the level and dynamics of GDP per capita

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Phare projects</th>
<th>Value of the absorbed Phare funds (million Euros)</th>
<th>Phare absorption rate (%)</th>
<th>GDP per capita 2000 (Euros)</th>
<th>GDP per capita 2006 (Euros)</th>
<th>GDP per capita dynamics (2006/2000)(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-East</td>
<td>170</td>
<td>47.19</td>
<td>51.25</td>
<td>1262.8</td>
<td>2737.4</td>
<td>216.77</td>
</tr>
<tr>
<td>South East</td>
<td>173</td>
<td>29.04</td>
<td>53.22</td>
<td>1586.0</td>
<td>3504.3</td>
<td>220.94</td>
</tr>
<tr>
<td>South</td>
<td>139</td>
<td>36.18</td>
<td>50.49</td>
<td>1418.2</td>
<td>3298.0</td>
<td>232.60</td>
</tr>
<tr>
<td>South-West</td>
<td>115</td>
<td>16.62</td>
<td>41.41</td>
<td>1563.8</td>
<td>3166.2</td>
<td>202.46</td>
</tr>
<tr>
<td>West</td>
<td>119</td>
<td>25.43</td>
<td>57.00</td>
<td>1847.9</td>
<td>4498.4</td>
<td>243.42</td>
</tr>
<tr>
<td>North-West</td>
<td>169</td>
<td>43.50</td>
<td>70.00</td>
<td>1674.1</td>
<td>3792.2</td>
<td>226.52</td>
</tr>
<tr>
<td>Centre</td>
<td>139</td>
<td>19.92</td>
<td>53.97</td>
<td>1930.2</td>
<td>4062.9</td>
<td>210.48</td>
</tr>
<tr>
<td>Bucharest-Ilfov</td>
<td>33</td>
<td>5.31</td>
<td>46.45</td>
<td>3702.3</td>
<td>8524.1</td>
<td>230.23</td>
</tr>
</tbody>
</table>

*Source:* Calculations by G. Marchis (2009), based on the report released by the Ministry of Development, Public Works and Housing at the end of August 2008 – for Phare funds' implementation. For GDP in 2000 and 2006 two combined sources have been used: the Statistical Yearbook of Romania and statistics of the National Bank of Romania (for lei – euro conversion).

*Note:* for the calculation of the absorption rate, both Phare and Romanian co-financing have been considered.

The analysis of these results reveals a series of specific situations such as:

- Bucharest-Ilfov region, even if has the lowest number of projects, a pretty low sum of the absorbed funds and an absorption rate below 50%, has the highest level of GDP per capita,5 increasing its chances to exceed 75% of the EU average of GDP (the threshold for convergence regions). This could be explained by both the major growth potential of the capital region and the big value of other investment sources. On the other hand, even the small number of Phare projects induced significant economic and social effects in this region owing to a well-consolidated business environment.

- North-East region, the least developed region not only in Romania but among all NUTS II regions of the EU has a very big number of projects, accompanied by the

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5 Here it is calculated in nominal terms (the PPP was not considered), just for inter-regional comparisons inside Romania.
highest sum of absorbed funds and an absorption rate above 50%, highlighting the deep involvement of local actors in finding effective solutions in the catching-up process. Though, so far, even if this region doubled its GDP per capita in 2006 compared to 2000, the dynamics is slightly lower than in many other regions, further efforts for creating a healthy business environment, able to attract large scale investments, being still necessary.

– In between there are regions with both higher (North-West) and lower (South-West) absorbed funds and a moderate amplitude of inter-regional inequalities in terms of GDP per capita. Yet, it is the South-West region that mostly worries, at least for two reasons: the lowest growth of the GDP per capita, associated with the lowest absorption rate of the Phare funds (the only one below 50%). At the opposite pole is the very successful West region, which has the highest GDP per capita in 2006 after Bucharest-IIfov, the highest growth index for 2000-2006 among all regions and the highest absorption rate of the Phare funds (the value in absolute terms is smaller since the West region has the smallest number of population). In fact, as Table 1 confirms, the West region is the only one among the NUTS II regions of the EU which succeeded to exit the group of the “fifteen lowest” in 2005.

Considering the results presented above, the factors which determined them should be carefully considered and correlated with the experience of the other NMS as well as of the four cohesion countries of the EU-15, so as learn from both positive and negative experiences and find the most suitable solutions. As mentioned from the very beginning, this article concentrates on the latter category of countries.

**Good and bad practices regarding the use of the structural assistance in the EU-15 Cohesion Countries**

Based on a retrospective analysis of the Cohesion Countries that benefited from the structural assistance within EU-15, a series of lessons can be learned by Romania as well as the other NMS with regard to the effective use of the cohesion policy instruments. A lot of problems were connected to the quantification of the economic impact of the cohesion policy, including the impact of the Structural and Cohesion Funds on regional development. The analysis results point out that the funds were used in different manners in different programming periods, connected to their specific objectives and targeted fields.

An inquiry into the “Community history” of the Cohesion Countries shows that Ireland represents a good practice example of using structural assistance. The regional policy of the European Union played an essential role in the Irish economy’s impressive transformation. Until 1973, the European support under the Structural and Cohesion Funds represents about 17 billion Euros.

The European financial assistance has to be analyzed in connection to specific national factors which supported the convergence process, as follows: the budget consolidation, the fiscal reform and the policy of wages’ moderation. These factors were supported by the social partners as well. As a result, the economic efficiency of the Irish economy at international level has grown, as well as the foreign direct investments.
Moreover, the macroeconomic reform was accompanied by the special structural assistance for education and training. The reform of the social protection system enabled the development of a well trained human capital according to the market’s demands. Thus, the success of employing the Structural and Cohesion Funds in Ireland was ensured by promoting a stable and coherent macroeconomic policy which was supported by the civil society.

The Irish model highlights the role of the Structural and Cohesion Funds in achieving the socio-economic convergence. These funds were directed to sustainable regional strategies and policies which were designed by the corresponding administrative structures and agreed by the civil society as well.

The evolution of the European assistance for Ireland during the three programming periods between 1989 and 2006 is presented in Table 7.

Table 7: The Structural and Cohesion Funds in Ireland by programming period (million Euros)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. National Development Plan – Total funds, of which:</td>
<td>12275</td>
<td>16800</td>
<td>57111</td>
</tr>
<tr>
<td>2. Co-financed investments</td>
<td>8339</td>
<td>10383</td>
<td>7680</td>
</tr>
<tr>
<td>3. Structural and Cohesion Funds</td>
<td>3672</td>
<td>6921</td>
<td>3739</td>
</tr>
<tr>
<td>4. (2) as % of (1)</td>
<td>67.93%</td>
<td>61.80%</td>
<td>13.45%</td>
</tr>
<tr>
<td>5. (3) as % of (1)</td>
<td>29.91%</td>
<td>41.20%</td>
<td>6.55%</td>
</tr>
</tbody>
</table>

Source: http://www.iro.ie/EU-structural-funds.html

During 1989-1993, the strategic priority was the promoting of the national development. The European Regional Development Fund was implemented starting from 1975 as well. At that time Ireland was considered as a single NUTS II region and was supported by the ERDF (O’Leary, 2003a).

The national development strategy was implemented during the second programming period too. The accomplishments of the previous period were consolidated by means of the objectives and measures established by the National Development Plan and the Community Support Framework, the two basic programming documents.

According to the Irish Institute of Economic and Social Research, the investments via the European Funds generated a GNP average rate of growth of 2% and a positive impact on employment during 1994-1999 programming period. At the same time some changes occurred with regard to regional development policy. The main result was the establishing of eight Regional Authorities which had to implement the regional development programmes at the NUTS III level territorial structures.

The research studies which focused on the results of the regional strategies and policies implementation reform revealed an increase in disparities between NUTS III Irish regions. As a result, the decentralisation displayed different regional evolutions and generated development disparities between the Irish regions. The uneven rate of the socio-economic evolution of the Irish regions was based on the initial situation of the
inputs and the initial welfare of every region. The Eastern and Southern Irish regions had an advantage in their progress to a higher development level. On the other hand, the Central, Western and North-West Irish regions had to face a lot of challenges to their socio-economic development (O'Leary, 2003b).

As a consequence, during 2000-2006 the priorities of the National Development Plan concentrated on the alleviation of regional disequilibria. With this aim in view, the government proposed the redefining of the regional development policy and a reconfiguration of the territorial structures. The European Commission approved this proposal and the result has been the creation of two separate NUTS II regions, each of them having designated a Regional Authority. This process was followed by new regulations about the ways of managing and administration of the EU funds.

An overall evaluation emphasizes the clear positive influence of the cohesion policy in the case of Ireland. By means of the Structural and Cohesion Funds Ireland succeeded in its efforts for economic recovery and for achieving sustainable high levels of growth and employment.

The use of benchmarking techniques for Ireland has revealed a series of particularities regarding the successful implementation of the structural assistance, as follows:

– The Structural and Cohesion Funds have been integrated into a coherent national policy framework.

– A good timing and fine-tuning represented another very important factor: the substantial increase in the Structural and Cohesion Funds payments lead to a critical point in the economic environment, which required the continuation and the support to the investment process in the detriment of other expenses and a different taxes orientation policy.

– The choice for certain priorities was based on the previously identified particularities, in a clearly objective manner. Thus, 35% of the EU funds allocated to Ireland were spent for human resources’ education and training, compared to an average of around 25% in the other Cohesion Countries, representing an important factor that made Ireland very attractive to foreign direct investments.

– The implementation of the acquis communautaire had very positive effects on the public administration’s development, in areas such as monitoring and evaluation, multi-annual programming and civil society’s involvement in order to create a new way of thinking and action at global and regional level as well.

Another successful example in using the European assistance is Spain, which benefited from 97 billion Euros during 1986-2006 (Table 8).

The two instruments for decreasing regional economic and social disparities – the Structural Funds (84 billion Euros) and the Cohesion Fund (13 billion Euros) – were used

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6 As identified by the second Cohesion Report.
7 Calculated in 2004 prices
in Spain in order to develop infrastructure (51%), human capital (31.6%) and business environment (17.4%) (Fernandez, 2004).

The benefits of spending the Structural and Cohesion Funds consist of the infrastructure modernization, labor productivity improvement, the growth of the GDP/capita and the overall economic development (Canova, 2001).

The European financial assistance was also used for decreasing the negative effects of the structural changes occurred in the Spanish economy, such as those referring to the labor market liberalization and the public enterprises’ privatization.

Going further, the experiences of Portugal and Greece pertaining to the Structural and Cohesion Funds are situated in an opposite register.

The catching-up process for Portugal was relatively slower after its accession to the European Union. In the first years, the Portuguese economy recorded an economic recovery as a result of promoting the exports and the investments in infrastructure. On the other hand the education financing lead to a growth of the human capital stock. Despite these positive effects, the changes in Portuguese economy also determined a decrease in the labor productivity, with negative effects on the economic growth.

Portugal concentrated its European financial assistance on the economic expansion rather than on economic modernization. As a result, a series of problems emerged, such as an inadequate public sector compared to the current objective needs, the increase in budget deficit and fiscal evasion, the low efficiency of the educational system.

Moreover, the political pressures of the influential interest groups from various small towns oriented to a large extent the decisions regarding the allocation of the European Funds towards the rural infrastructure development rather than to large urban infrastructure development, which would have been able to generate new inflows of capital, labor and foreign investments.

At the same time, there are a lot of disputes between the regional authorities focused on the allocation of the Structural and Cohesion Funds at Portuguese regions’ level. These disputes cause big delays in spending the corresponding funds.

Some Portuguese economists consider that the European financial assistance was used by the Portuguese government as an instrument of delaying economic restructuring.

### Table 8: The Structural and Cohesion Funds in Spain by programming period (million Euros)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Infrastructure</td>
<td>1382</td>
<td>3136</td>
<td>3436</td>
<td>49779</td>
</tr>
<tr>
<td>2. Human capital</td>
<td>1110</td>
<td>2049</td>
<td>1856</td>
<td>30840</td>
</tr>
<tr>
<td>3. Business environment</td>
<td>501</td>
<td>836</td>
<td>1369</td>
<td>17103</td>
</tr>
<tr>
<td>4. Total</td>
<td>2993</td>
<td>6021</td>
<td>6662</td>
<td>97721</td>
</tr>
</tbody>
</table>

Source: [http://www.regional-studies-assoc.ac.uk/events/lisbon07/papers/Noferini.pdf](http://www.regional-studies-assoc.ac.uk/events/lisbon07/papers/Noferini.pdf)
decisions, contributing to aggravating various economic problems (Royo, 2006). After its adhering to the Euro-zone, Portugal was often criticized by the European Commission for its big budget deficit; on the other hand, Spain was mentioned as a good practice example.

Different comparative analyses between these two Iberian countries show that, despite the fact that they had similar socio-economic, historical and cultural circumstances in 1986, in terms of the European Funds management Spain is a good practice example whereas Portugal is a negative one.

For example, Portugal used 90% of the European Funds for its infrastructure development, while Spain spent only 70% for this purpose; nevertheless the results are more favorable to Spain.

The Spanish highways are modern and allow a good connection between the poor regions, like Andalucía, and the most developed ones, like Madrid. As a result, the productive activities could be well developed in the poorest regions, in which the costs were smaller. Even more, the big amount of investments in these regions determined the production capacities' growth, the goods market enlargement and unemployment decreasing.

In Portugal there is not a good network able to facilitate the connection between the most and the least developed regions. Above it, the Portuguese transport infrastructure is not rationally connected to the Spanish transport infrastructure, inducing a series of disadvantages in terms of connection with the main European export flows. There are also serious disappointments and accusations about the quality of projects and the quality of highways and roads, so that many people ask “where is the money?” (Paul and Royo, 2003). Even if the Portuguese officials reject the corruption accuses, they agree the idea that the European Funds could have been spent more efficiently.

Thus, one can conclude that the success of the European Funds’ spending depends to a high extent on the compatibility between the national development strategy and the European strategy.

Another example is Greece, which had an accelerated rate of economic growth during 1995-2005. As a result, its GDP per capita rose from 74% of the EU average to 88%. But Greece could have obtained an even greater success if the European money would not have been spent on small projects, accompanied by accuses of corruption (Bratsis, 2003). The Greek experience in using the European Funds can be particularly useful to Romania for the following reasons:

- The public Hellenic administration had to make a big progress in order to adapt itself to the European Union’s requirements, considering the substantial differences between EU’s exigencies and the quality of the domestic environment. The absence of a model and a common mechanism of implementation at the EU level created institutional changes according to the wishes of the Greek political factors and to their interests.
- Another issue regards the institutional top-down/bottom-up approach. Greece aimed at an institutional redefinition, which implied new institutions and proce-
dures, new trainings and responsibilities, and new inter-institutional reports. These elements determined great time losses and a low access to the European financial assistance. The Greek lesson is that the decentralisation is not a panacea; especially when it is realized in a forced manner, in line with artificial reasons related to the use the Structural and the Cohesion Funds.

- The Greek case suggests the necessity of creating simple, effective management structures at central and regional levels, easily to be coordinated, of a good quality and displaying efficient transfer mechanisms of good practices and know-how to all institutions which support the cohesion policy implementation.
- A strong connection between the European Cohesion Policy and national structural reforms should be ensured in order to obtain a good performance (Monastiriotis, 2007).

Lessons to be learned by Romania and proposals for 2007-2013 programming period

An overall conclusion regarding the four Cohesion Countries in the EU-15 suggests important differences in terms of the impact of the Structural and Cohesion Funds on the real convergence across the EU. More specifically, it means that there is a direct and causal connection between the effects of the European assistance and the national policies and strategies.

The success or the failure of the cohesion policy depends on a lot of factors, especially on their synergic effect. Various regional studies offer rather contradictory views about the impact of the cohesion policy on the real convergence. Thus, some authors (Boldrin and Canova, 2001; Ederveen and Gorter, 2002) express doubts about the impact of the Structural Funds on real convergence. On the contrary, others identify a positive effect of the cohesion policy on real convergence at national level (García-Solanes and María-Dolores, 2008) and even at EU level, between the NUTS II regions (Fayolle and Lecuyer, 2000; Fuente, 2003).

Though, despite these findings, all authors agree that there are several pre-requisites for the efficient use of the Structural and Cohesion Funds such as: the existence of solid and coherent national policies (macroeconomic, regional and administrative ones); the spatial concentration of the financial resources, oriented especially towards the less developed countries and, within these countries, towards the growth poles, rather than an equalitarian distribution between regions, which could slow down the national growth rate; the elaboration of a development strategy focused on economic growth as well as on employment growth, so as to enable the programmes financed by the Structural and Cohesion Funds to allow the concentration of financial resources on unemployment decrease and diversification of economic activities.

In the specific case of Romania, in the pre-accession period the low absorption of the EU funds was mainly the result of the institutional fragility, the delays and the communication dysfunctions between institutions, the low level of the civil society’s involvement, bureaucracy, the difficult and time consuming procedures of the projects’
submission and approval, the corruption and the inadequate management of the pre-accession funds.

As far as corruption is concerned, various research studies analyzed the possible contribution of decentralization and improvement of local governance to the reduction of corruption, the following problems requiring a special attention: lack of organizational culture, resistance to change of the administration apparatus, public administration’s dependence on political changes (Profiroiu et al., 2006). An issue usually connected with corruption is that regarding the interest groups, more specifically the private ones. In many cases their presence in the public arena is perceived as destructive but more and more political analysts consider them an unavoidable cost in any democratic system. They also explore the favorable circumstances that could make possible the use of the interest groups as a link between citizens and public officials through union and business, trade or professional associations (Popescu, 2007).

Changing the register, the manner in which Romania will use the European technical and financial support will influence the speed of the Romanian economy’s adapting and functioning in accordance with the European system (Ionescu, 2008a). In order to accelerate the European integration process and to increase the absorption capacity from administrative viewpoint, the following solutions and actions can be envisaged:

– A greater concern with the employing and stabilizing of the trained personnel in all departments dealing with regional development and European integration in all public institutions.

– The development of a coherent communication system between the academic environment, research institutes and public authorities in order to elaborate development policies and strategies which have to be scientifically underlain and tested in other Member States (Ionescu, 2008b).

– Organizing informal sessions and conferences on European issues of interest by the local authorities in order to ensure the knowledge of the European and/or local development strategies by the civil society and to consult it in order to identify problems, to find optimal solutions and to establish common action plans. The permanent contact between the local authorities and the citizens will generate the local communities’ participation and involvement in the development strategies’ implementation.

– Large information campaigns on the way of accessing the European funds as well as on the best national projects in order to understand and to assimilate the experience of various regions and disseminate the best practices between them.

– Implementation of a coherent communication system between the public authorities and the business environment connected to the local/regional socio-economic development policies, in order to respond to the local communities’ real expectations.

– Building up a database containing information about the implementation stage and the general impact of the EU-funded programmes and projects, which will make it possible to apply effective benchmarking techniques.
Concluding remarks

The main lesson Romania as well as the other NMS should learn from the successful experiences of the cohesion countries in the EU-15 is that they have open economies, solid internal public policies and administrations able to implement it.

Besides these lessons, a series of problems still need to be solved in Romania, such as increasing and strengthening the administrative capacity, employing an extended partnership framework, promoting a continuing education and training policy, elaborating and properly applying work procedures, etc. From an additional perspective, an efficient pipeline and co-financing capacity needs to be ensured in order to maximize the absorption of the EU funds. A sound financial management and control for all operational programmes is also required, as well as the implementation and the testing at an early stage of corresponding procedures (Raducu, 2006).

To summarize, creating conditions for a higher capacity of absorption of structural funds means that in the process of putting policies into practice all principles – programming, partnership, co-financing, concentration, monitoring, evaluation and control are applied in compliance with the EU rules and the European Commission’s proposals with regard to efficiency, transparency are entirely understood and carefully observed.

For Romania a very sensitive issue remains and effective and efficient way of targeting in the process of employing the financial assistance based, above all, on a very objective, transparent ex-ante project evaluation so as to make sure that the projects of the highest multiplier effects (not only direct, but also indirect and induced ones and not only in short run but also in mid- and even longer run) and good chances of implementation in the required period will be selected. This can create the basis for a healthy regional competition and for a rational vertical and horizontal co-operation at the same time (Constantin, 2006).

The co-operation between central and local administration for carrying out programmes of national interest or local projects exceeding the own funding capacity can be considered in this context, as well as the need of co-ordination between local authorities with regard to their development policies.

As a final conclusion, the experience accumulated in the pre-accession period in terms of strategic planning, investment, financial planning, etc. represent the main “ingredient” for a successful integration in the European space: “Accession is not the final point; it is rather a door to a better future for Romania and its citizens” (Scheele, 2006, p. 1)

References


