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DIFFICULTIES FOR ROMANIA IN THE PROCESS OF IMPLEMENTATION OF THE REGIONAL OPERATIONAL PROGRAMMES. CASE STUDY: SOUTH-EAST REGIONAL DEVELOPMENT

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Abstract:
EU funds are treated as a unique opportunity for new Member States to accelerate the process of catching up with EU standards of living. Unfortunately, Romania cannot boast with notable performances in the absorption of EU funds. According to the latest data provided by the Authority for Structural Instruments (ACIS) at the end of the semester the absorption reached nearly 9% in relation to the allocation for 2007-2010. This analysis aims to identify the difficulties faced by beneficiaries in the implementation of regional operational programs at the level of the regions of development and setting priorities to overcome them.

Keywords: *structural instruments, absorption, cohesion policy, strategic planning, decentralization.*

JEL Classification: P48, R11, K34

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1. Introduction

This study represents in a concise manner an analysis of the status of implementation of regional operational programs, and their contribution to achieve the priorities set by the National Strategic Reference Framework 2007-2013, to the implementation of cohesion policy objectives set out in the Community Strategic Guidelines for Cohesion and objectives set by other packages, such as the European Economic Recovery Plan.

The analysis describes a number of socio-economic relevant developments since the time of development of the programming documents and their impact on the strategy approved, including capturing the economic and financial crisis effects on the implementation of structural instruments.

Also, the management of the structural instruments are presented alongside regional beneficiaries of these funds as well as the solutions set up to be implemented by the actual authorities with a view to overcome difficulties and accelerate absorption.

2. Absorption of EU Funds

For 2007-2013, the Structural and Cohesion Funds, programs for the new Member States amounted to a total of EUR 173.9 billion (2008 prices). Because past experience has shown payments typically spread over two more years, the proposed annual payment profile in terms of GDP runs up to 2015 (Table 1).

Table 1: Payment profile for new Member States, 2007-2015

% of GDP	2007	2013	2015
Bulgaria	1.1	2.2	1.9
CZ	1.2	1.9	1.7
Estonia	1.1	1.9	1.6
Cyprus	0.2	0.4	0.4
Latvia	1.0	2.4	2.0
Lithuania	1.1	2.2	1.9
Hungary	1.0	2.9	2.6
Malta	0.5	2.6	2.4
Poland	1.1	2.2	1.9
Romania	0.7	1.5	1.3
Slovenia	0.6	0.9	0.8
Slovakia	1.1	1.9	1.6
All NMS	1.0	2.0	1.8

Source: Commission services
European Commission, *Five years of an enlarged EU Economic achievements and challenges*, Brussels, 2009, p. 209.

The fields of intervention cover a wide range of policy programmes. Infrastructure investment receives the largest share of funds, more than 60% of the total budget for most new Member States, while investments in human capital and R&D are usually the second or third largest entries (15 and 10 % respectively).

The essential precondition for the EU cohesion and structural funds to achieve their objective of enhancing real convergence across EU countries and regions is that they are smoothly absorbed by their beneficiaries. As far as the funds for the 2000-2006 programming period are concerned (Table 2), the absorption of Structural Funds by both the new and old Member States has been very similar (the rate of absorption being 94% for the ten countries that joined in 2004, as against 91% for the old Member States). By contrast, as compared to the four old cohesion countries (Greece, Ireland, Portugal and Spain), the pace of spending from the Cohesion Fund and ISPA was fairly modest for most new Member States (52% versus 73%, Table 2).

Table 2: Absorption rates in programming period 2000-2006

	Structural Funds	Cohesion Fund and ISPA		
	Absorption Rate (%)	Absorption Rate (%)	Amount spent per year 2004-2008 (mio Euro)	Amount to be spent per year 2008-2012 (2) (mio Euro)
BG (1)	na	40	58	132
CZ	91	66	141	104
EE	95	68	51	34
CY	85	59	6	6
LV	95	71	90	51
LT	95	68	98	67
HU	94	55	133	165
MT	95	80	4	1
PL	94	54	499	651
RO (1)	na	52	181	248
SI	94	64	28	23
SK	95	70	96	57
NMS	94	57	1 436	1 539
OMS	91			
OMS (3)		73	1 631	1 254

Source: Commission services
European Commission - Five years of an enlarged EU Economic achievements and challenges, Brussels, 2009, p. 203.

Note: (1) As Bulgaria and Romania joined in 2007, data refer to ISPA only; (2) assuming a full absorption by the end of 2010 of the 2000- 2006 CF programming; (3) Only Greece, Ireland, Portugal and Spain. Situation as at February 2009.

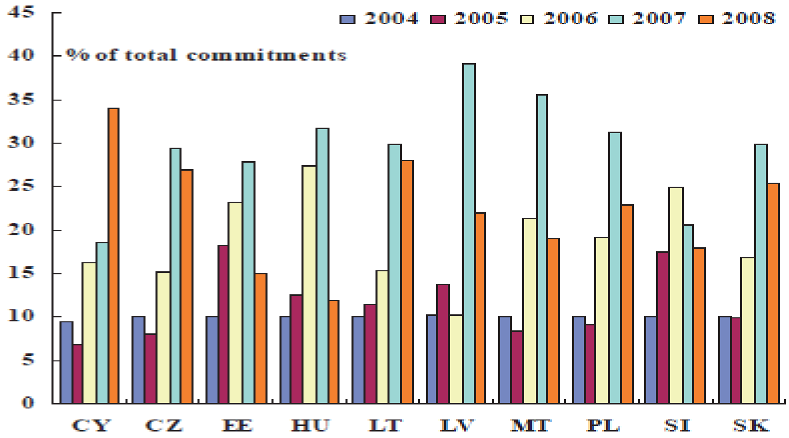
This new Member States poor performance suggests that the speed of spending will have to be increased for Bulgaria, Hungary, Poland and Romania, in the next years, so that, by the end of 2012, the deadline for the 2000-2006 Cohesion Fund resources to be paid to Member States and full absorption costing shall be achieved[1].

It must be stressed that the Member States tend to significantly accelerate their rate of absorption towards the end of the period in which resources from a particular tranche of funds can be claimed. Indeed, this phenomenon has already occurred for the 2004-2006 Structural Funds, and

[1] For details see European Commission, *Five Years Of An Enlarged EU Economic Achievements and Challenges*, Brussels, 2009, p. 207 et seq.

has shown a considerable increase every year since the resources became available (Graph 1).

Graph 1: Structural funds (ERDF and ESF): absorption in 2004-2008



Source: Commission services

European Commission , *Five years of an enlarged EU Economic achievements and challenges*, Brussels, 2009, p. 203.

3. Cohesion Policy 2007-2013 in Romania

In 2007-2013 the European Union provides financial assistance grant to Romania through three structural instruments: the European Social Fund (ESF), European Regional Development Fund (ERDF) and Cohesion Fund (CF).

Allocation of the European Union enjoyed by Romania through these instruments is 19.67 billion euros, plus an estimated national co-financing 5.6 billion. From this allocation, the amount of 19.2 billion euros is for the Convergence Objective, through seven operational programs:

- Sectorial Operational Programme Increase of Economic Competitiveness;
- Sectorial Operational Programme Environment;
- Sectorial Operational Programme Transport;
- Regional Operational Programme;
- Human Resources Development Operational Programme;
- Operational Programme Administrative Capacity Development;

- Technical Assistance Program.

Strategic Programming of structural and cohesion funds was conducted by the National Strategic Reference Framework, based on strategic priorities set out in the National Development Plan 2007-2013.

NSRF strategy implementation is accomplished through the operational programs mentioned.

Regarding the institutional capacity of management of structural instruments, the process of preparation for its development began in 2004, materializing in establishing the institutional framework for coordination, implementation and management of structural instruments, designated as separate structures within the ministries and agencies, on the basis experience in managing funds. Also, were created internal operating mechanisms of the structures, aiming to ensure an effective and rigorous implementation of the funds.

Ministry of Finance, through The Authority for Structural Instruments (ACIS) fulfils the role of coordinator of programming and management of structural instruments.

The coordination mechanism established by this act allows inter-institutional relations to all levels as well as making political, technical and management decisions - the execution.

Institutional system created was assessed by the Audit Commission through missions carried out in 2008-2009, which concluded with the accreditation of management and control systems designed for each of the seven the operational programs, thus attesting the compliance of the implementing procedures with the European rules and standards.

Romania in the first stage of using structural instruments, which means a slower evolution in the early years, followed by a rapid increase in absorption levels increase while advancing in the implementation cycle.

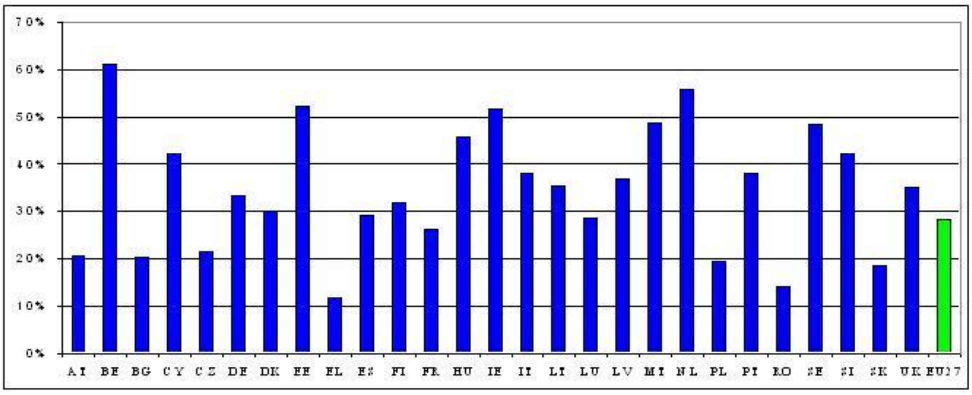
Romania cannot boast with notable performances in the absorption of EU funds. The latest data provided by the Authority for Structural Instruments (ACIS) at the end of March reached for that 8.22% in relation to the allocation for 2007-2010.

In early April, it released an interim report on progress implementing the EU cohesion policy and the implementation of the operational programs for 2007-2013 in the Member States.

Thus, throughout the Union, until now, the reported volume of selected projects is 93.4 billion, representing over 27% of the available resources for the EU.

Through this indicator the breakdown of the states places Romania on the penultimate place with a rate of only 14.1%, the only country with a weaker result, about 12%, being Greece.

Graph 1: Cumulative rates reported for the selection of projects per Member States



Source: European Commission Report COM (2010) 110 final, *Cohesion Policy: Strategic Report 2010 on the implementation of ESA programs 2007-2013* (2010) 360, p.8.

Table 3: Progress in achieving the Lisbon priorities identified for 2007-2013, based on objectives.

	Identified Lisbon			Other priorities identified		
	Planned EU investment (EUR billion)	Funds allocated to projects selected (EUR bn)	%	Planned EU investment (EUR billion)	Funds allocated to projects selected (EUR bn)	%
I.Convergence						
Attractive places for investment and employment	65,883	16,235	**24,6%**	76,579	20,340	**26,6%**
Improving knowledge and innovation for growth	64,599	19,727	**30,5%**			

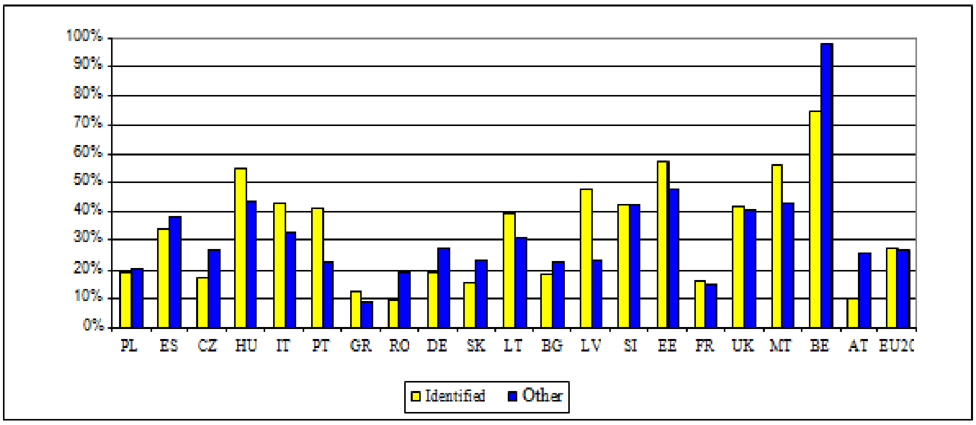
More and better jobs	42,860	11,020	**25,7%**	3,878	0,697	**18,0%**
National Identification	7,972	3,262	**40,9%**			
Territorial Dimension				11,095	3,036	**27,4%**
	181,315	**50,244**	27,7%	**91,552**	**24,074**	26,6%
II Regional Competitiveness and Employment						
Attractive places for investment and employment	2,531	0,827	**32,7%**	7,032	1,695	**24,1%**
Improving knowledge and innovation for growth	18,601	4,740	**25,5%**			
More and better jobs	21,614	6,318	**29,2%**	0,463	0,076	**16,3%**
National Identification	0,714	0,193	**27,0%**			
Territorial Dimension				2,533	0,556	**21,9%**
	43,460	**12,078**	27,8%	**10,027**	**2,327**	23,2%
III. European Territorial Cooperation						
Attractive places for investment and employment	0,947	0,168	**17,7%**	2,913	0,745	**25,6%**
Improving knowledge and innovation for growth	1,971	0,462	**23,4%**			
More and better jobs	0,540	0,079	**14,6%**	0,505	0,137	**27,2%**
National Identification				0,482	0,138	**28,7%**
Territorial Dimension	**3,458**	**0,709**	20,5%	**3,900**	**1,020**	26,9%
Attractive				10,594	2,993	**28,3%**

places for investment and employment						
Total	**228,233**	**63,031**	**27,6%**	**116,072**	**30,413**	**26,1%**

Source: European Commission Report COM (2010) 110 final, *Cohesion Policy: Strategic Report 2010 on the implementation of ESA programs 2007-2013* (2010) 360, p.8.

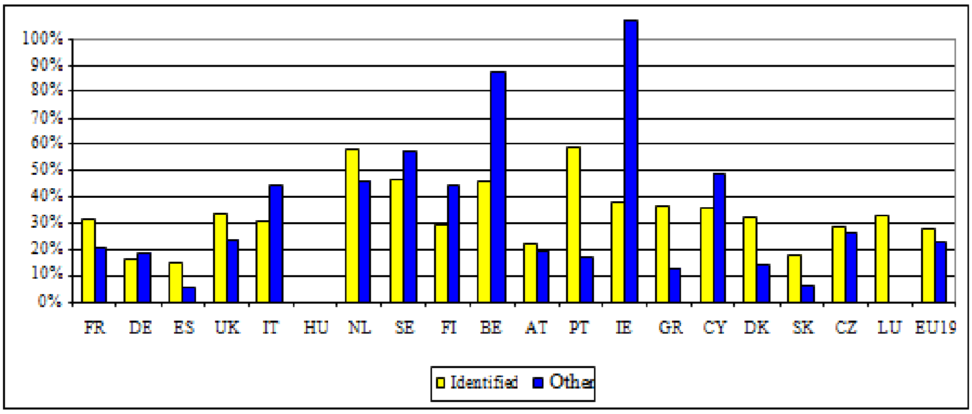
Many Member States now confirm that the discipline imposed by the requirement of "identification" has improved the quality and concentration of programming. The data reported by the Member States also allow analysis of relative progress between unidentified and identified priorities for each Member State. Charts 3 and 4 show the relative progress in identifying the objectives of convergence, respectively, RCE (Regional Competitiveness and Employment). The graph is presented for the purposes of financial importance absolute decrease (from left to right).

Graph 3: Identification Lisbon - Convergence Objective: The volume of selected projects as a percentage of totals



Source: European Commission Report COM (2010) 110 final, *Cohesion Policy: Strategic Report 2010 on the implementation of ESA programs 2007-2013* (2010) 360, p.10.

Graph 4: Lisbon earmarking - Regional Competitiveness and Employment volume as a percentage of total projects selected



Source: European Commission Report COM (2010) 110 final, *Cohesion Policy: Strategic Report 2010 on the implementation of ESA programs 2007-2013* (2010) 360, p.10.

4. Regional Operational Programme 2007-2013 in Romania

As stated earlier, in late March 2010 the absorption of EU funds was 8.22%. Note that the data submitted by the EC does not indicate the actual absorption of structural funds and cohesion, the only indicator which precisely quantifies it is represented by the relationship between the actual payments paid to the beneficiaries and the allocation available for a certain period.

The operational program with the highest degree by absorption is the Regional Operational Program (ROP) with 15.14% and the total payments over 90 million lei, which is, in fact, the only program that showed a significant trend in March.

The National Development Plan 2007-2013 in Romania reveals a professional analysis of regional disparities. Thus, the document points out:

- pronounced imbalance in development between East and West;
- sharp underdeveloped regions in the north-eastern border with Moldova and those from southern border with Bulgaria;
- intra-county imbalance;
- economic decline of small and medium-sized cities;

- loss mono-industrial areas and lack of restructuring in the field;
- lack of means for retraining.

Share of GDP per inhabitant, which measures the proportion of the similar index, average, the EU is 19.1% for North-Eastern region and 35.3% for Bucharest-Ilfov region, indicating a reduced convergence with the EU.

The European Commission adopted the Regional Operational Programme on 11 July 2007. The ROP is financing the structural funds allocated of 3.72 billion, plus Romania's contribution of 880 million euros. The amount of funds allocated by the ROP represents 19% of the total funds allocated to Romania for the programming period 2007-2013.

Funds are allocated to different regions, depending on the degree of development and in close coordination with actions under other operational programs to ensure a balanced development of all regions of the country.

The Regional Operational Programme will be implemented through a coordinated central management, with support from the Regional Development Agencies and the Department of Tourism from the Ministry of Small and Medium Enterprises, Commerce, Tourism and Liberal Professions.

The eight Regional Development Agencies (RDAs) have been designated Intermediate Bodies for the implementation of the ROP and are responsible for implementing regional ROP.

ROP 2007-2013 strategic objective is to support sustainable economic and social development and balanced territorial development of all regions of Romania, according to their specific needs, with emphasis on supporting sustainable development of cities - urban growth poles, improving business environment and basic infrastructure, to make Romania's regions, particularly the least developed, attractive places to work, life and leisure.

To achieve the overall objective of the ROP, the strategy is articulated on more specific objectives, namely:

- increased economic and social role of urban centres, a polycentric approach to foster a more balanced development of the Regions;
- improving accessibility in regions and, in particularly, the accessibility to urban centers and their links with surrounding areas;
- improve the quality of social infrastructure of the regions;
- increasing the competitiveness of regions as business locations;
- increase the contribution of tourism to develop regions.

ROP will lead, ultimately to the decrease of the disparities between regions, between urban and rural areas, between urban canters and adjacent areas and within cities, between areas attractive and unattractive to investors, through a better use of regional synergies.

5. Regional Operational Programme - managed by the Regional Development Agency South East

To fund the ROP during the program 2007-2013 about 4.4 billion euros have been allocated, of which 3.726 billion euros (84%) is the European Development Fund (ERDF), representing 19.4% from the total Structural and Cohesion Funds allocated for the Convergence Objective financing in Romania. The remaining funds come from Romanian public funds (14%) and private funds. The total financial allocation for the South East during 2007 - 2013 is EUR 563.4 million, representing approximately 13.25% of the total funding allocated to the ROP. This allocation of funds has a role and voice guidance, as funds can be reallocated from one region to another, depending on absorption capacity.

Status of implementation of Regional Operational Programme 2007-2013 - South-East Development Region, on 17 December 2010 is as follows[1]:

132 contracts grant were signed, the amount requested is over 246 million euros, of which:

- Key areas of intervention 2.1 Rehabilitation and upgrading of county roads, city streets, including construction / rehabilitation of ring roads - 15 contracts, the total amount requested for business 138.65 million EUR;
- Key area of intervention 3.1 Rehabilitation, modernization and equipping of health services - 8 contracts worth a total of 18.31 million euros requested;
- Key areas of intervention 3.2. Modernization and equipping of social services infrastructure - 11 projects were contracted, the amount requested 6.55 million EUR;

[1] See RDA, *Report South East Regional Operational Programme 2007-2013 Status of implementation* - South-East Development Region, on 17 December 2010.

- Key areas of intervention 3.3 Improving the equipment has operational bases for interventions in emergency situations - one contract worth 9.61 million requested of euro;
- Area of Intervention 3.4 Rehabilitation, modernization and equipping of educational development and university continuing vocational training infrastructure - 26 projects were contracted, the requested amount was EUR 20.36 million;
- Key areas of intervention 4.1. Sustainable development of support structures of regional and local businesses - 1 contract worth 0.36 million requested;
- Area of Intervention 4.3 - Support the development of micro - 48 contracts the requested amount was EUR 4.67 million euros;
- Key areas of intervention 5.1 Restoration and sustainable valorisation of cultural heritage and setting up / modernization of related infrastructure - 8 contracts worth a total of 27.56 million euros requested;
- Key areas of intervention 5.2. Creation, development, upgrading of infrastructure for the sustainable natural resources and improve the quality of tourism services - 14 contracts, worth a total of 20.03 million euros requested.

Absorption rate (ERDF and state budget funds paid to the AM POR) is over 16% of the amount outstanding at the regional level.

The relatively slow rates of absorption immediately after accession can be explained in part by the natural project cycle: it takes time to prepare investment programmes and project proposals, organize public tender procedures and start up the selected projects. The accelerating absorption profile may also reflect a slow but steady building up of the administrative and financial capacities of Member States[1].

The analysis finds that the funds attracted investment mix. Spending on infrastructure as well as on training and education appears generally productive, even though the returns on education are likely to take a considerable time to materialize. On the other hand, measures supporting cultural, sport-related or social housing projects generally have little impact on growth. Moreover, certain types of interventions, such as State aid for large companies, have often been found to be

[1] See European Commission, *Five years of an enlarged EU Economic achievements and challenges*, Brusels, 2009, pp. 207-208.

counterproductive or may potentially involve huge deadweight losses and should be made only in special and properly justified cases[1].

Fourth, the role of the macroeconomic policy is crucial to creating a stable framework for the economic development of Member States.

Stable macroeconomic conditions have a direct positive impact on economic agents by reducing the economic uncertainty that these agents face.

Failure to fulfil the objective of developing the SME sector due to the large administrative burden, and the lack of the judiciary quality, make the legal and fiscal business environment less uncertain. One of the most important reasons behind a slow pace of EU fund absorption by Romania is the global financial and economic crisis.

Economic and financial crisis that began in 2008 changed the economic landscape of the EU. In 2006 and 2007, when they prepared national strategic reference frameworks, the economic growth was around 3%, while from the summer of 2008, GDP contracted sharply, initially as a result of financial crisis. Since then, employment has fallen and unemployment rose higher. In addition, reduced consumption and investment are substantial and debt is higher in many Member States.

In 2008, the GDP growth in the EU was already very low (0.8%), and in 2009 was an average decrease of over 4% was registered. The recession effects felt particularly strong in the Baltic States, with negative rates between 14% and 18%. Only Poland enjoyed economic growth in 2009 (1.2%). However, projections showed the first signs of economic recovery. Although, a slow growth in the EU is registered in 2010 and all the Member States shall also register a GDP growth in 2011.

In December 2009, unemployment was 9.6% versus 8.2% in December 2008[2]. Some countries have been particularly affected by the crisis. Unemployment has doubled, largely in the last year in Ireland and Spain and has tripled in the Baltic States. Latvia (22.8%) and Spain (18.8%) had the highest rates in late 2009. It is likely that regional disparities in the labour market have increased as a result of the crisis. Given that unemployment is likely to remain high for a while, there is an inherent risk of long-term unemployment and social exclusion.

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[1] Idem, p. 210.

[2] Unemployment rates in December 2009, seasonally adjusted, according to Eurostat.

The economic downturn triggered also an acute deterioration in the business climate and consumer confidence. Total investments decreased by approximately 15% in 2009 compared with the previous year, while consumption decreased by about 3%. Exports of goods and services fell dramatically by almost 20%, and FDI declined in several countries in Central and Eastern Europe[1]. Public spending increased, playing a countercyclical role. This increase was due primarily to the protection offered by the national welfare and incentive plans adopted by many Member States in the European economic recovery plan. It is likely that the combined effect of decreasing unemployment and increasing social expenditures vary substantially across Member States[2].

All this contributed to an unprecedented downturn in the South-East economic development area. The analysis operation registered in Table 4 shows that most of the counties belonging to the South-East area development program have been neglected. The large number of operators has been forced to ceases the activity is another factor that weighed heavily on the analysis of the evaluators regarding the attractiveness of the development area, the unfavourable business environment for the development of horizontal investment.

[1] Hungary, Latvia, Slovakia

[2] **European Commission Report** COM (2010) 110 final, *Cohesion Policy: Strategic Report 2010 on the implementation of ESA programs 2007-2013* (2010) 360, p. 4.

Table 4 - Operations performed on the categories, registries in the period December 1990 - November 2010, per total country and county, all counties share of the country

County	Total operations performed		of which:					
			Registrations		Entries		Strike-off	
	No	%	No	%	No	%	No	%
0	1	2	3	4	5	6	7	8
Total ROMÂNIA	**14494151**	**100,0**	**2077733**	**100,0**	**11612311**	**100,0**	**804107**	**100,0**
ALBA	219593	1,5	34857	1,7	173199	1,5	11537	1,4
ARAD	342202	2,4	50463	2,4	271498	2,3	20241	2,5
ARGES	350544	2,4	53185	2,6	281318	2,4	16041	2,0
BACAU	337128	2,3	51797	2,5	263140	2,3	22191	2,8
BIHOR	439658	3,0	64509	3,1	353376	3,0	21773	2,7
BISTRITA-NASAUD	175861	1,2	26955	1,3	138625	1,2	10281	1,3
BOTOSANI	136039	0,9	25525	1,2	99675	0,9	10839	1,3
BRASOV	564149	3,9	64230	3,1	478132	4,1	21787	2,7
BRAILA	223374	1,5	29033	1,4	185923	1,6	8418	1,0
BUZAU	250887	1,7	37400	1,8	197411	1,7	16076	2,0
CARAS-SEVERIN	168556	1,2	25129	1,2	131594	1,1	11833	1,5
CALARASI	132759	0,9	20945	1,0	102924	0,9	8890	1,1
CLUJ	641420	4,4	95474	4,6	515413	4,4	30533	3,8
CONSTANTA	618444	4,3	85476	4,1	497101	4,3	35867	4,5
COVASNA	124886	0,9	17765	0,9	100190	0,9	6931	0,9
DAMBOVITA	209023	1,4	38901	1,9	151376	1,3	18746	2,3
DOLJ	389174	2,7	54727	2,6	313040	2,7	21407	2,7
GALATI	368054	2,5	49326	2,4	298451	2,6	20277	2,5
GIURGIU	114386	0,8	17461	0,8	89590	0,8	7335	0,9
GORJ	221475	1,5	24547	1,2	187179	1,6	9749	1,2
HARGHITA	217717	1,5	32600	1,6	174528	1,5	10589	1,3
HUNEDOARA	291210	2,0	42428	2,0	231028	2,0	17754	2,2
IALOMITA	134088	0,9	19281	0,9	105158	0,9	9649	1,2
IASI	479172	3,3	69018	3,3	386782	3,3	23372	2,9
MARAMURES	308685	2,1	52437	2,5	233114	2,0	23134	2,9
MEHEDINTI	147356	1,0	23283	1,1	113606	1,0	10467	1,3
MURES	401284	2,8	51753	2,5	328622	2,8	20909	2,6
NEAMT	308488	2,1	44112	2,1	244377	2,1	19999	2,5
OLT	173578	1,2	28728	1,4	132348	1,1	12502	1,6
PRAHOVA	490241	3,4	69222	3,3	393938	3,4	27081	3,4
SALAJ	128977	0,9	20966	1,0	99617	0,9	8394	1,0
SATU MARE	225823	1,6	35388	1,7	175567	1,5	14868	1,8
SIBIU	315800	2,2	40883	2,0	260133	2,2	14784	1,8
SUCEAVA	343142	2,4	51371	2,5	266906	2,3	24865	3,1
TELEORMAN	155281	1,1	24071	1,2	122175	1,1	9035	1,1
TIMIS	483653	3,3	73439	3,5	385513	3,3	24701	3,1
TULCEA	171378	1,2	21111	1,0	140987	1,2	9280	1,2
VASLUI	180945	1,2	25753	1,2	142616	1,2	12576	1,6
VALCEA	222157	1,5	33462	1,6	173333	1,5	15362	1,9
VRANCEA	177600	1,2	25709	1,2	144017	1,2	7874	1,0
MUN. BUCURESTI	2874202	19,8	384350	18,5	2344065	20,2	145787	18,1
ILFOV	235762	1,6	40663	2,0	184726	1,6	10373	1,3

*** Under 0.01%

Source: Report of the National Trade Register Office - *Operations performed per categories, registries in the period December 1990 - November 2010, per total country and county, each country share per county.*

6. Conclusions

In the context of the overall strategy to maintain relevance in Romania on the implementation of structural and cohesion funds, an absolute priority for the Romanian Government is improving the access and deployment to accelerate absorption, to ensure a quick infusion by capital into the economy in order to minimize the effects of economic crisis, to facilitate the essential investment, with impact on national, regional and local levels.

Local and regional authorities have the task that together with Regional Development Agency might carry out extensive publicity campaigns of the public calls organizing workshops showing explicitly the advantages and disadvantages of attracting European funds and assistance free of the traders in writing grant projects. Moreover, we believe it is worrying that there is an over-concentration of the investments in the capital and developed areas to the detriment of the poor, with high potential medium and on a long term.

The analysis of implemented projects and funding applications for development in south-eastern region, it appears that local authorities do not even do enough projects for local development programs. There are at least two levels of analysis.

On one side, a cause can be a lack of local information, inefficient staff in this field, limited logistics, indifferent administrators leading to low absorption capacity. On the other hand, lack of managerial capacity forecast by the central authorities, inefficiency of the teams in the drafting project, lack of vision and adaptability are likely to lead to long-term losses.

Last but not least we believe that urgent changes must be made regarding the amendment of laws that would allow Romania to fully respect the principle of local financial autonomy as expressions of decentralization. Currently, local budgets are built on local contributions, fees and local taxes, half from VAT collected and 62% from payroll taxes. Unfortunately, budgets are balanced on two principles: solidarity with the poorer areas and stimulating greater development potential. In recent years there have been tensions between the local managers of the public money more developed and the authority counties which redistribute funds. In such circumstances, we believe that the central authority as management of funds, it is not yet ready for an efficient distribution for the money that will come from the EU in the period 2007-2014.

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