PUBLIC FINANCIAL EVALUATION OF THE 2007-2013 EUROPEAN SOCIAL FUND PROGRAMMES IN ROMANIA

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Abstract: *The European Social Fund allows the European Union Member States to address the key European priorities through the European funding. In the period 2007-2013, the ESF-funded programs aimed to reduce disparities in the living standards and prosperity in the EU regions and the Member States and, therefore, to promote economic and social cohesion. Achieving these objectives depends on the correct management of the ESF-funded programs and on obtaining the highest absorption rates. Romania faced difficulties in implementing the programs financed from the ESF in the period 2007-2013, and therefore this paper performs a financial evaluation of the Sectoral Operational Program Human Resources Development.*

Keywords*:* Absorption rate, European Social Fund, Financial evaluation.

JEL Classification Codes: F63, H83, N24.

1. INTRODUCTION

The European Social Fund (ESF) is an important financial instrument to support the creation of jobs and better career opportunities for the EU citizens. The fund operated through investments in human capital for the period 2007-2013. According to the European Commission's assessments, the European Social Fund has provided strong support for the implementation of the EU Member States' priorities for smart, sustainable and inclusive growth. According to the macroeconomic simulations, the European Social Fund has had a positive impact on the GDP and labor productivity of the EU Member States.

A number of Romanian authors have highlighted the potential positive impact of European funding for the Romanian economy and the difficulties in attracting these funding sources (Pociovălişteanu and Dobrescu, 2009; Balogh et al., 2015). Zaman and Georgescu (2014) showed that Romania failed to register a high absorption rate due to the low level of reimbursements and the slow pace of financial execution of interim payments, respectively the settlement of the beneficiaries’ expenditure statements.

This paper makes a financial evaluation of ESF-funded programmes in Romania, for the programming period 2007-2013, with the aim of revealing an objective outlook of how the non-reimbursable financial allocations were made and the evolution of reimbursement value.

2. THE EUROPEAN SOCIAL FUND - THE EUROPEAN UNION'S MAIN INSTRUMENT FOR IMPROVING PROFESSIONAL SKILLS AND PERSPECTIVES

The ESF currently operates in accordance with the Regulation no. 1303 of 2013 on defining the common provisions and the Regulation no. 1304 of 2013 on the European Social

Fund. The objectives of the ESF are: improving employment opportunities, strengthening social inclusion, combating poverty, promoting education, skills and lifelong learning, and developing active inclusion policies. According to the regulations of Regulation no. 1304 of 2013, the ESF finances the following actions with investment priority:

- **increasing employment, job quality and encouraging staff mobility, by:**
  - ✓ financing independent activities, entrepreneurship and creation of new enterprises;
  - ✓ supporting the inactive people and those looking for a job, by facilitating their access to the labor market;
  - ✓ promoting gender equality between men and women in all areas of activity, in terms of career development, access to jobs and encouraging equal pay for the work performed;
  - ✓ supporting the adaptation of entrepreneurs, economic agents and workers to the changes in their field of activity;
  - ✓ promoting the active aging process respeting the optimal conditions of health;
  - ✓ encouraging the integration of young people on the labor market;
  - ✓ applying measures to stimulate the transnational mobility of workers and the mobility programmes.
- **encouraging the social inclusion, supporting the measures to combat poverty and discrimination by:**
  - ✓ promoting the local development strategies of communities;
  - ✓ measures to combat discrimination, promoting equal opportunities and gender equality;
  - ✓ supporting the socio-economic integration of the isolated and disadvantaged regions;
  - ✓ promoting the inclusion process;
  - ✓ supporting the social entrepreneurship and the professional integration activities within the social enterprises.
- **supporting and making investments in the field of education, in order to train and acquire professional skills and competences and lifelong learning, by:**
  - ✓ preventing and decreasing the early school leaving rate;
  - ✓ increasing the degree of equal access to the process of training and lifelong learning of all age groups, improving the level of knowledge, skills and professional skills;
  - ✓ increasing the quality and level of efficiency of the tertiary training, as well as the equivalent, through measures of improving the access to education, the level of participation in education, especially for the disadvantaged categories;
  - ✓ encouraging education and creating systems for training on the labor market, facilitating the process of transition from learning to work.
- **increasing the institutional capacity of the public authorities by:**
  - ✓ making investments from the ESF resources to strengthen the capacity and efficiency of services and public administration;
  - ✓ increasing the degree of efficiency and capacity of the specialized institutions in the field of education, in order to train and lifelong learn and employment.

The ESF is considered a dynamic instrument that, over the years, has contributed to increasing the employability and adaptability to the dynamic labor market and supported the social and economic integration of the most disadvantaged people in the EU (Alegre, 2013; Wolff, 2014; Harte et al., 2016).

But the role of the ESF is not limited to investing in human capital, social inclusion activities, raising living standards and combating poverty, but it is considered an important instrument for distributing the financial resources to maintain the political stability between Member States (Brine, 2004).

In the period 2007-2013, the ESF, together with the other financial instruments of European cohesion policy, played a key role in the European Action Plan for Economic Recovery, as well as in the Coordinated European Economic Recovery Plan. The ESF funding focused on six specific priority areas:

- Improving human capital (34% of total funding);
- Improving access to employment and sustainability (30%);
- Increasing the adaptability of workers and firms, enterprises and entrepreneurs (18%);
- Improving the social inclusion of less-favoured persons (14%);
- Strengthening institutional capacity at national, regional and local levels (3%);
- Mobilisation for reforms in the fields of employment and inclusion (1%).

The level of the ESF funding differs from one region to another, depending on the level of its economic development, the actual distribution of funds being different, depending on the local and regional priorities.

3. THE FINANCIAL EVALUATION OF THE 2007-2013 ESF PROGRAMMES IN ROMANIA

The total budget allocated to the ESF 2007-2013 programmes is €115.60 billion, comprising the total EU and national co-funding. € 76.75 billion came from the EU budget, €35.12 billion represented the national contributions from public funds and €3.73 billion represented the national contributions from private funds. Romania benefited from significant financial allocations (€3.73 billion) to support investments in human capital (education and training), access to employment, social inclusion and institutional capacity (Table 1):

Table 1. ***EU budget allocations and the national share for each of the main priorities in Romania and EU 28 (in million €)***

	Human Capital		Access to Employment		Social Inclusion		Institutional capacity	
	EU budget allocations	national contributions	EU budget allocations	national contributions	EU budget allocations	national contributions	EU budget allocations	national contributions
RO	2,160	343	653	126	541	103	200	35
EU 28	35,928	16,699	25,743	13,911	10,162	6,319	1,956	463

Source: European Commission, ESF Ex-post Evaluation Synthesis 2007-2013, 2016

Compared to EU 28, the EU budget allocations were higher for Romania (about 85% of total budget). Both in Romania and in EU 28, most of the funds were allocated to finance programmes in the field of education and training (67.1% of the budget in Romania and 47% of the total budget in EU 28). EU 28 gave more importance to the financing of programmes in the field of access to employment, which benefited from 35.4% of the budget resources, unlike Romania which allocated 20.1% of the budget. Important differences can also be observed in terms of the share of funding for programmes in the field of institutional capacity, which benefited from 6% of the budget in Romania, double the level registered in the EU 28.

According to reports from the end of 2014, Romania was the country with the lowest implementation rate of projects funded by the ESF Programmes (44.1%), in the 2007-2013 period, except for Croatia, which became an EU member state in mid-2013. Unlike Romania, at the end of 2014, the implementation rate of projects financed by the ESF Programmes 2007-2013 was 97.3% in Latvia and 91.8% in Austria. In 2018, the implementation rate recorded around 85%, and the most difficult implementation was registered for the projects in the field of education and training.

The ESF financed two operational programmes in Romania in the period 2007-2013: the Sectorial Operational Programme Human Resources Development (SOPHRD), which was allocated about 94% of the ESF funds and the Operational Programme for the Development of Administrative Capacity. In this context, the ex-post evaluation of the 2007-2013 ESF Programmes in Romania will be based on the data regarding the implementation of SOPHRD. The SOPHRD strategy included the following priority axes: PA 1 Education and training in support of economic growth and knowledge-based development, PA 2 Correlation of lifelong learning with the labor market, PA 3 Increasing the adaptability of workers and enterprises, PA 4 Modernization of the public service of employment, PA 5 Promotion of active employment measures, PA 6 Promotion of social inclusion, PA 7 Technical assistance. Education and training in support of economic growth and knowledge-based development have benefited from the largest financial allocation (Table 2).

Table 2. ***The financial evolution of SOPHRD implementation, in the period 2007-2013***

PRIORITY AXIS		2007	2008	2009	2010	2011	2012	2013
PA 1	Cumulative non-reimbursable financial allocation	0	322	341	885	900.52	870.67*	886.89
	Cumulative value of refunds	0	0	2,44	11,33	40,09	91	256,79
PA 2	Cumulative non-reimbursable financial allocation	0	179	246	470	563.46	530.33*	534
	Cumulative value of refunds	0	0	0,333	6	39,62	96,30	197,24
PA 3	Cumulative non-reimbursable financial allocation	0	181	295	494	491,36*	472,04*	479,87
	Cumulative value of refunds	0	0	2,56	15	77,82	133,6	214,53
PA 4	Cumulative non-reimbursable financial allocation	0	0	25,82	65	91,46	111,98	110,9*
	Cumulative value of refunds	0	0	0	0.667	5.71	17.12	34.16
PA 5	Cumulative non-reimbursable financial allocation	0	183	226	362.35	417	424.97	423.68*
	Cumulative value of refunds	0	0	1,66	7,47	73,43	133.01	222.65
PA 6	Cumulative non-reimbursable financial allocation	0	209	220.42	220.42	393.76	366.77*	382.75
	Cumulative value of refunds	0	0	1,15	6,22	54.90	95.57	155.82

* the lower value of one year compared to the previous year is due to exchange rate differences and terminations
Source: The Management Authority for SOPHRD, Annual Reports on SOPHRD Implementation, 2007-2013

The evolution of the non-reimbursable financial allocations in the period 2007-2013 reveals some important differences between the priority axes of SOPHRD. Only in 2010 (in the middle of the financial programming period) important financial allocations were made for all priority axes (Figure 1). Priority Axis 4 had a considerable delay in implementation, but given the low value of the financial allocation, this delay did not have an impact on the implementation rate, this axis being the only one fully implemented by the end of 2013.

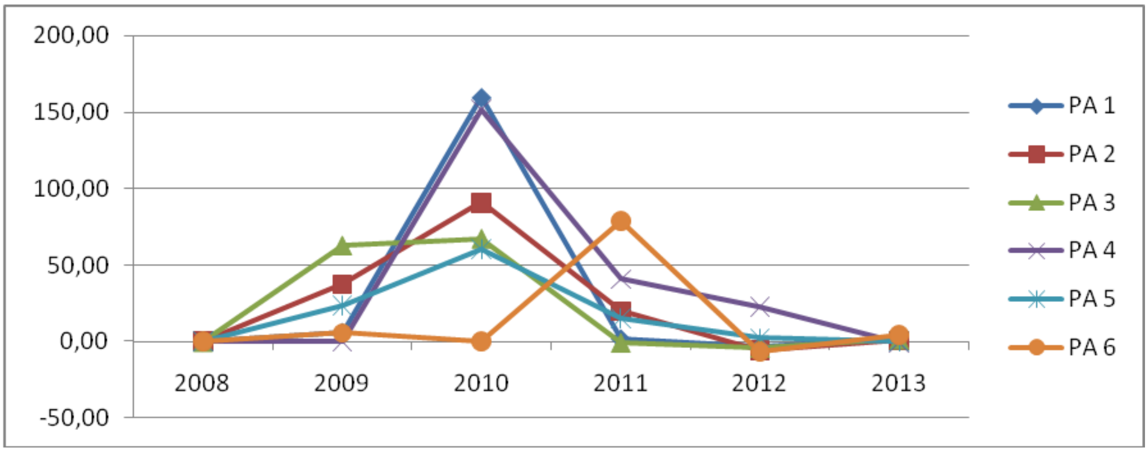

Figure 1. ***The evolution of the non-reimbursable financial allocations based on the chain-based dynamics index (%)***

The value of reimbursements for all priority axes increased significantly in 2010. For the priority axes 5 and 6, the value of reimbursements continued to increase in 2011 as well (Figure 2).

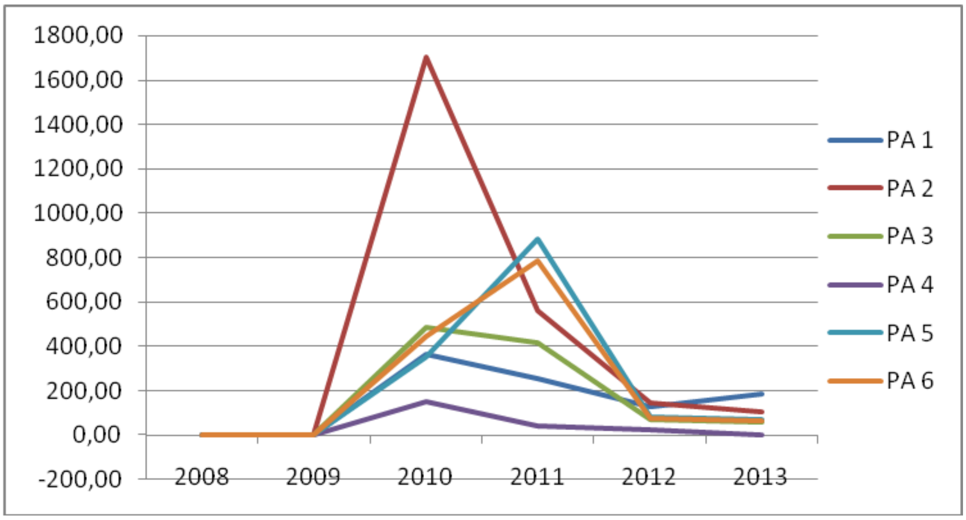

Figure 2. ***The evolution of the value of reimbursements based on the chain-based dynamics index (%)***

The value of reimbursements and, implicitly, the absorption rate, of the financial resources available through the ESF depends on the value of the non-reimbursable financial allocations. Contracting as many projects as possible in the first years from the beginning of a financial programming should increase the chances of a higher absorption rate.

4. CONCLUSIONS

The financial evolution of SOPHRD implementation for the period 2007-2013 can be summarized as follows:

- in 2007 no call for project proposals was launched;
- in 2008 no refund requests were received;
- the most important non-reimbursable financial allocations were made in the middle of the 2007-2013 programming period;
- the important increase of the non-reimbursable financial allocations started in 2010 was accompanied by the increase of the reimbursement value;
- by the end of 2013, the value of reimbursements represents only 41% of the value of the non-reimbursable financial allocations;
- the lowest absorption rate was recorded for the priority axis 1 (about 29%), by the end of 2013.

The ESF funding can contribute significantly to improving the socio-economic indicators at the macroeconomic level, but it is vital to meet the financial performance criteria in implementing the programmes. With an absorption rate lower than 50% by the end of 2013, the implementation of SOPHRD programmes may be considered inefficient from a financial point of view. The causes of this situation must be carefully identified and analyzed, so that the absorption rate of the programmes financed from the ESF will generate the maximization of the added value of the European funding.

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