

## ***Absorption of the structural funds by the local administration of Bucharest***

**Armenia ANDRONICEANU<sup>1</sup>**

**Abstract:** *During the first three years since joining the European Union, Romania has absorbed only 600 million Euros of the 5.6 billion Euros available, that is approximately 10% of the available European funds. During the 2007-2013 period, Romania disposed of a total amount of 19.8 billion Euros, but by the end of 2012, there were absorbed only 2.2 billion Euros, namely 12.2% of the total. During the 2014-2020 programming period, Romania will benefit from about 40 billion Euros, out of which 22 billion Euros represent structural funds, 8 bn. Euros are funds allocated for rural development, while the rest are subsidies for agriculture. This paper presents the results of an empirical research through which we have sought to learn more about the positive influence of structural funds absorption upon local development and the quality of life in Bucharest. In order to achieve our goal, we approached the final beneficiaries, namely the inhabitants of different sectors of Bucharest. The research results represent a concise radiography of how these financial instruments were used by local authorities for development and the causes that determined differentiated absorption rates in the districts of Bucharest.*

**Keywords:** *structural funds, local administration, absorption.*

**JEL:** *Q 38; Q58, R28.*

### **Introduction**

From the administrative point of view, Bucharest-Illovo region consists in Bucharest Municipality and Ilfov County, with a population of 2,208,368 inhabitants in 2005. Bucharest is the largest urban city in Romania, with a population of 1,924,959 inhabitants representing about 87% of the population of the region, more than 16% of the urban population of the country, around 9% of the total population of Romania, with a density of 8,100 inhabitants/km<sup>2</sup>. The population of Illovo County counts 283,409 inhabitants representing only 13% of the total population of the region and it enters the small counties category with a density of about 180 inhabitants/km<sup>2</sup>. It should be mentioned that there are differences among the districts of Bucharest. These are determined by their income level. Hence, there are communities which produce sufficient domestic income and there are those which do not produce enough to cover the maintenance costs of the districts of Bucharest. Government representatives often resort to extreme solutions such as removing the balancing procedure of local budgets, and in the end they are

---

<sup>1</sup> Professor PhD, The Bucharest University of Economic Studies, Faculty of Administration and Public Management, Bucharest, Romania, e-mail: armenia.androniceanu@man.ase.ro

lobbying to obtain as many funds through these means. Accessing and absorbing EU funds through local interest projects represents a viable and sustainable option for local government institutions in Bucharest. Various analyses show that structural funds could equal around 4% of GDP if Romania managed to successfully complete the post-accession funds absorption (Androniceanu, 2010). In the current Romanian context, dominated by the need for a visible information campaign carefully focussed on the potential applicants for structural funds financing, the European funds absorption needs to be considerably improved in certain areas and public institutions.

The research was conducted within public institutions of the local government in Bucharest, the city halls of the six districts being directly involved. Thus, through the quantitative and qualitative sociological methods and techniques used in this study, several key issues regarding funds absorption during the 2007-2013 programming period were captured.

### **1. Current state of art**

Previous studies show that, despite the impressive budgetary resources allocated for the information campaigns regarding European integration, the local government level in Romania is still relatively far from being well informed regarding key issues such as the responsibilities deriving from the absorption of European funds through their own investment projects (Cace et al, 2009). A study completed in 2013 shows that 20% of the interviewed civil servants, who were part of a representative sample at national level, had not heard about the safeguard clause and only 44% gave a correct answer regarding its meaning. The same survey showed that 15% of the interviewed Romanian civil servants could not name a European Union financing program designed for Romania, while 19% gave wrong answers to this question. Regarding European institutions, 27% could not name any of the European Union institutions. In this context, it becomes obvious that Romanian authorities need to intensify their efforts to inform and train the human resources from public institutions and the citizens regarding the EU funding instruments and about the numerous possibilities to solve public interest problems. This could contribute to increasing citizens' and business environment needs satisfaction level and the quality of life of the Romanian people.

In order to reach a higher approval share for the projects financed from structural funds in the total number of projects submitted by local authorities, a series of changes in the management of local and central public administration institutions, the main beneficiaries of this financial assistance, need to take place, in particular through improving the remuneration level of the personnel involved (Ciobanu, Androniceanu, 2012).

The changes should not be limited only to ensuring the necessary budgetary resources from the local/state budget for the co-financing. These should also concern the assimilation of new working procedures - from drafting projects;

periodic monitoring of their implementation and intermediate and final controls that all projects that receive funding from the European Union need to undergo.

The European funds accessing flow (funds absorption in Bucharest city halls) is a subject that has been discussed more and more lately. Studies conducted by various researchers show that local authorities should use European funds for the modernization of schools, hospitals, social assistance centres, as these are in a poor state at the moment (Ristea, 2013). Other researchers have noticed the need to attract European funds to stimulate social inclusion and disparities reduction between development regions in different states and within the same country (Sellers, 2011). During the last years, it has become increasingly clear the concern of the states and business environment to attract funds for renewable energy development in urban areas by drafting and implementing specific projects (Zamfir, 2014).

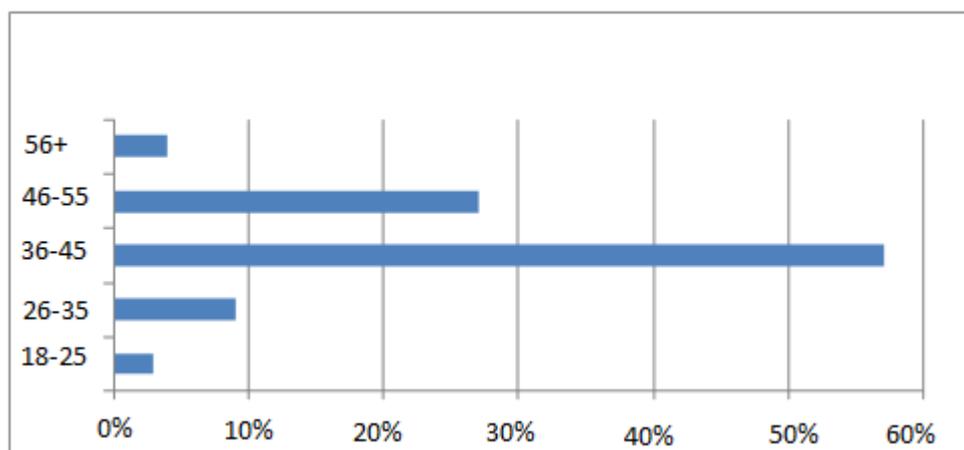
Despite the fact that Bucharest is the most important growth pole in Romania, the absorption rate is below the expected level for the 2008-2013 programming period. During the budgetary cycle that ended in 2013, Bucharest City Hall has conducted a total number of 253 projects that are worth 16,672,516,316 lei. These were developed in the following main key areas: infrastructure 81 projects worth 8,007,276,212 lei; city development, rehabilitation, preservation of cultural heritage, regulation 87 projects worth 8,482,352,404 lei, social care 8 projects worth 10,891,700, preservation of the housing property an area where 77 projects were carried out and that are worth 171,996,000 lei.

## **2. Research methodology and main results**

The main objective of our research process was to find out whether the number of projects that involved absorption of structural funds and were implemented by local government in Bucharest resulted in a significant improvement of the quality of life at local level. Other objectives were: to learn about how well informed the citizens of Bucharest are about projects financed from European funds carried out in their residing sector and to identify the causes that determine both the slow implementation of the projects and low level of funds absorption.

The main tools used in data collection were the questionnaire and the interview, while data and information processing and correlation were performed using the SPSS (Statistical Package for the Social Sciences) that integrates specific procedures covering descriptive statistics, inferential statistics and data analysis. SPSS was used for data management through graphics, using descriptive menus and simple dialog boxes.

The sample consisted of a total of 90 questioned persons from Bucharest city halls. The sample is representative for the non-institutionalized adult urban population in Bucharest, with a margin error of +/- 2.6% for a level of confidence of 95%. The structure of the sample is shown in figure 1.



**Figure 1. Sample structure by respondents' age**

Other characteristics of the sample structure are presented in Table 1.

**Table 1. Sample structure according to respondents' residence**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	District 1	15	16.3	16.7	16.7
	District 2	15	16.3	16.7	33.3
	District 3	15	16.3	16.7	50.0
	District 4	15	16.3	16.7	66.7
	District 5	15	16.3	16.7	83.3
	District 6	15	16.3	16.7	100.0
	Total	90	97.8	100.0	
Missing	System	2	2.2		
	Total	92	100.0		

Table 2 shows subjects' knowledge level regarding the role of European funds, in general, and of those allocated for the regional and sectorial development of Romania, in particular.

**Table 2. Knowledge level regarding post-accession EU Funds**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very high	3	3.3	3.3	3.3
	High	10	10.9	11.1	14.4
	Average	63	68.5	70.0	84.4
	Low	12	13.0	13.3	97.8
	Very low	2	2.2	2.2	100.0
	Total	90	97.8	100.0	
Missing	System	2	2.2		
Total		92	100.0		

According to the collected data, the majority of our respondents (84.4) have an average knowledge level regarding this financing instrument in the sense that they know it exists and that their living standard could be significantly improved if local authorities would implement EU-funded projects. The majority of the population of Bucharest has heard about sectorial and regional programs from the television (60%), 30% from the internet and the rest from other sources. Regarding the implementation of some projects in different sectors of Bucharest, more than 60% do not know anything about the public interest projects implemented in the sector where they live. Table 3 presents the results regarding citizens' knowledge level concerning the projects implemented in different sectors of Bucharest.

**Table 3. Knowledge level regarding the implemented projects**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	30	32.6	33.3	33.3
	NO	25	27.2	27.8	61.1
	I've heard but I don't know more details	35	38.0	38.9	100.0
	Total	90	97.8	100.0	
Missing	System	2	2.2		
Total		92	100.0		

The results obtained through this research process regarding subjects' perception on the positive impact of EU funded projects upon the quality of life are presented in Table 4.

**Table 4. Improvement of living standards following the implementation**

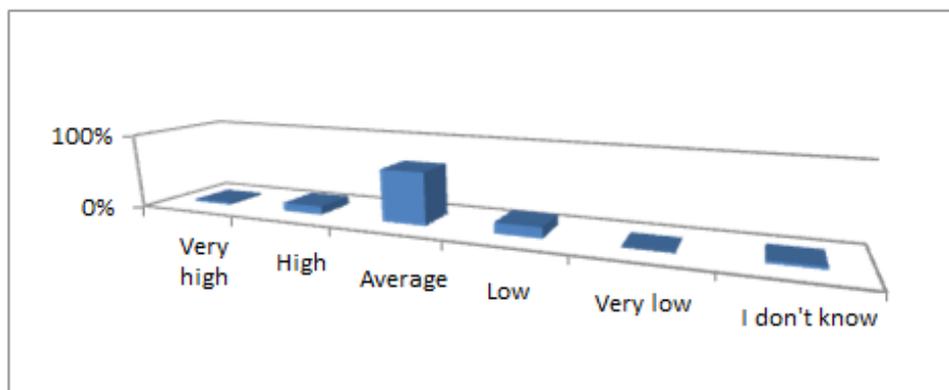
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	60	65.2	66.7	66.7
	Very high	9	9.8	10.0	76.7
	High	7	7.6	7.8	84.4
	Average	11	12.0	12.2	96.7
	I don't know	3	3.3	3.3	100.0
	Total	90	97.8	100.0	
Missing	System	2	2.2		
Total		92	100.0		

The research contributed to identifying the main causes that affect funds absorption at local level in Bucharest. These are shown in Table 5.

**Table 5. Causes affecting the absorption of funds**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	The lack of civil servants professional training in the city halls	17	18.5	18.9	18.9
	The lack of interest in improving quality of life in your sector	4	4.3	4.4	23.3
	Conflict of interest between local and national authorities	15	16.3	16.7	40.0
	Conflict of interest at the political level	54	58.7	60.0	100.0
	Total	90	97.8	100.0	
Missing	System	2	2.2		
Total		92	100.0		

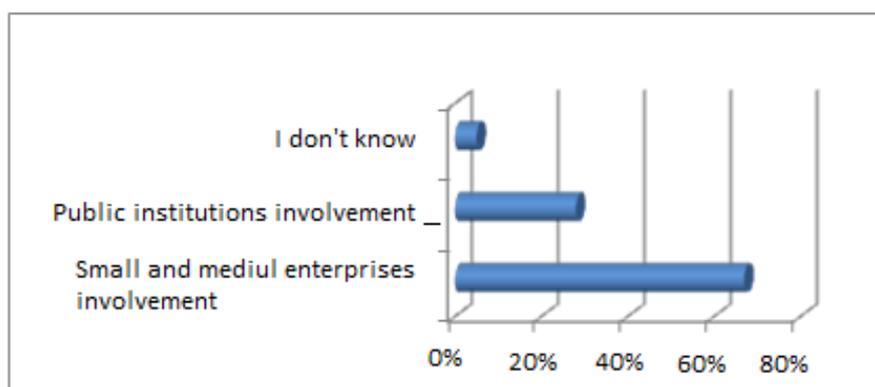
Respondents aged between 36 and 55 years declare they are more interested in the utility and necessity of European funds for local development compared to those under 30 or above 60 years old, as can be seen in Figure 2.



**Figure 2. Knowledge level regarding post-accession European funds**

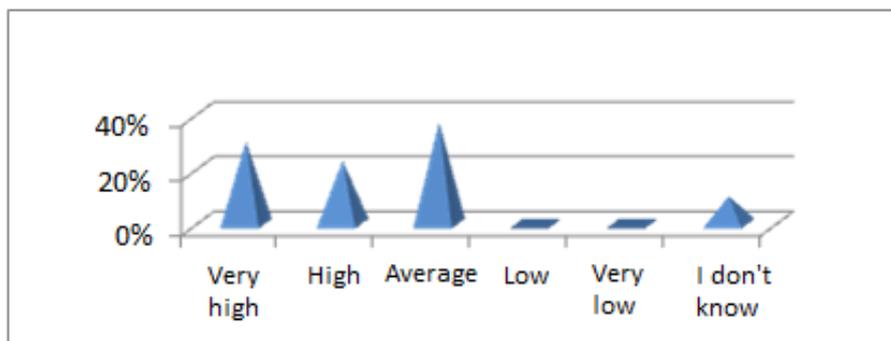
Approximately 69% of our respondents have an average knowledge regarding the post-accession European funds conducted at national level, but not about those implemented in Bucharest too.

Figure 3 shows citizens' perception regarding the impact of the projects implemented in Bucharest by different public and private sector organizations upon the quality of their life. The results show that small and medium enterprises implemented projects that produced a significant positive influence (65%) upon local communities' development. Public institutions of the local government implemented projects that generated a rather low degree of recognition from citizens, that is 28%, which is less than half the percentage obtained by the small and medium enterprises.



**Figure 3. The impact of EU funds upon the quality of life of the citizens of Bucharest**

Most of our respondents heard about EU funded projects conducted in the sector where they live, but could not provide details regarding their implementation. As shown in Figure 4, more than 60% of the respondents affirm that their living standard and quality of life are significantly improved by the changes produced by projects implementation in Bucharest. They offered examples such as: parks restoration, enhancement of the spaces between blocks, renewal of the vehicles used for public transportation (buses, trams, metro, and trolleys), diverse cultural events, charitable actions in the area of social care and health, leisure facilities etc.



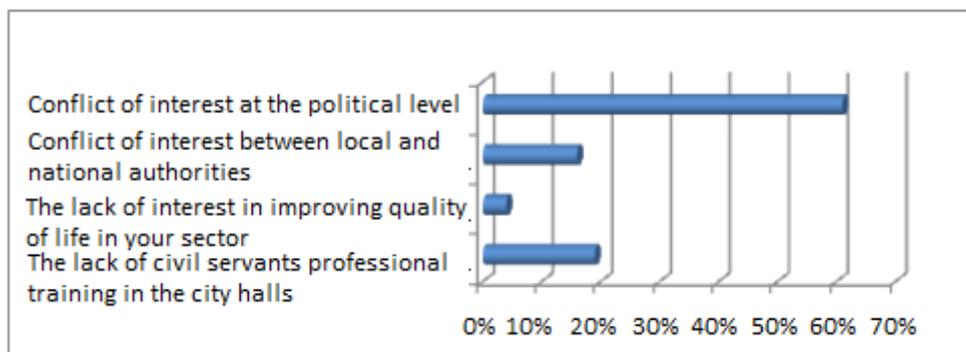
**Figure 4. Living standards improvement level following the implementation of the projects financed from structural funds**

The research highlighted the fact that the citizens appreciate that local authorities (The Bucharest City Hall and sector municipalities) are barely involved in accessing European funds, absorption level being very low.

A slightly different situation was noticed in the 2nd and 6th district. Sector municipalities, including The Bucharest City Hall, do not develop projects; however, the situation is saved by the municipalities of the 2nd and 6th sector.

Citizens are sceptical regarding the future involvement of the authorities in this area. 60% of the respondents, most of them from the 3rd, 4th and 5th sector, are convinced that their municipalities will never be able to absorb entirely the European funds aimed for quality of life improvement.

Through this research we intended to learn about the main causes that according to the public opinion generated a reduced level of local authorities' involvement in attracting structural funds to improve their quality of life and for local development.



**Figure 5. Respondents' opinion regarding the main causes affecting the growth of the absorption level**

As shown in Figure 5, nearly 60% of the respondents consider conflict of interest at political level to be the main issue for the absorption of EU funds by local authorities in the sectors where they live. The second issue revealed by our research is the lack of specialized professional training in the area of project management of most civil servants (18%). The third cause explains the absorption level and the minor progress in local development. The third cause identified through this research is conflict of interest between public and private organizations directly involved in the projects. Approximately 16% of the respondents consider this cause to generate inefficiency in project implementation. To these three causes adds mayors and civil servants' lack of interest (4%) to supplement local budgets through the funds allocated for local development projects and improvement of the quality of life for the citizens of Bucharest.

### 3. Research conclusions

The research results showed that the information level regarding structural funds absorption at national and local level is quite low. The effects of implementing European funded projects in Bucharest are below citizens' expectations. Through this research we identified the main causes that, according to citizens' perception, represent the barriers in attracting and absorbing European funds. Compared to most studies in the area aimed to identify the causes of European funds limited absorption into the system, this research process focused on the citizens and thus we could bring forward the opinion of the final beneficiaries of the funds. Therefore, we learned about citizens' knowledge on this subject, their opinion regarding the involvement of The General City Hall and Sector City Halls in contracting funds. There were also identified the main causes why Bucharest is situated on the last position in Romania, in terms of structural funds absorption for local development and quality of life improvement. It thus

becomes necessary to continue this research on other representative groups of subjects, such as private organizations, NGOs etc., in order to find answers to the same questions and to make the necessary correlations and comparisons for a rapid improvement of the organizational capacity and of the economic and social availability for structural funds absorption.

### **References**

1. **ANDRONICEANU, A.** (2010). *Managementul proiectelor publice cu finanțare internațională*, Bucharest: Editura Universitară.
2. **ANDRONICEANU, A., DRĂGULĂNESCU, I. V.** (2012). Sustainability of the organizational changes in the context of global economic crisis. *Amfiteatru economic*, Volume 14, issue 32, pp. 365-379.
3. **CACE, C., CACE, S., IOVA, C., NICOLAESCU, V.** (2009). Absorption capacity of the structural funds. Integrating perspectives. *Revista de Cercetare și Intervenție Socială*, 27, 7-28.
4. **CIOBANU, A., ANDRONICEANU, A.,** (2012). *The essential relationship between motivation and performance in public organizations*. Business excellence challenges during the economic crisis, Volume 1, pp. 121-125.
5. **SELLER, P. E.** (2011). Impact Effectiveness and Sustainability of Social Policies and Local Democracy Through the Social Involvement. *Revista de Cercetare și Intervenție Socială*, volume 35, pp. 7-27.
6. **RISTEA, B.,** (2013). Integrated project management approach in secondary education. *Administration and Public Management Review*, Volume 21, pp. 43-57.
7. **ZAMFIR, A.,** (2014). Developing urban renewable energy projects: opportunities and challenges for Romania. *Theoretical and Empirical Researches in Urban Management*. Volume 9, issue 4 November, pp. 52-64.
8. Bucharest City Hall Report on 2013, *retrieved from:* [http://www.pmb.ro/primarul/raport\\_anual/docs/raport\\_2013\\_web.pdf](http://www.pmb.ro/primarul/raport_anual/docs/raport_2013_web.pdf)