

## **The European social Fund in Romania – Qualitative research on the Project Management of the EU-funded Projects**

Tiberiu FORIS<sup>1</sup>, Cristina NICOLAU<sup>2</sup>

**Abstract:** *This paper focuses on the implementation of the programmes within the European Social Fund in Romania and on the particularities of managing projects financed with the Sectoral Operational Programme for Human Resources Development (SOPHRD), as well. In this regard, we undertook a piece of qualitative research with the project managers of some of the most important projects run in Romania so as to emphasize the strengths, weaknesses, opportunities and threats encountered in developing them. The main results highlight the importance of being offered proper support by the SOPHRD programmes management authorities, the financial difficulties encountered in developing projects and last, but not least, the motifs of the low absorption rate of European funds in our country.*

**Key-words:** *European Social Fund, Sectoral Operational Programme for Human Resources Development, project management, public mismanagement.*

### **1. Introduction**

As a reply to the UAS's global economic power, the European Union has aimed at becoming the world's number one. In such regard, it has allocated important amounts of money to regional and sectoral development at European level so that unity by diversity to become a synergetic development source of the old continent.

Thus, the EU surpassed the USA in terms of population, by more than 60%, and by GDP, being the main world economy (in 2014, according to the World Bank), but it is not ranked among the first with regard to labour (84.4 in 2014, OECD). In such circumstances, the EU has aimed at massively invest in its human resources as a means of ensuring the competitiveness standard imposed by the USA. Thus, the European Social Fund was created.

As regards Romania, the last ranked in the UE with respect to all its macro-economic indicators, the 2007 – 2013 period was of financial funding so as to solve or at least, improve, the main economic issues – increase of economic

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<sup>1</sup> Transilvania University of Braşov, tiberiu.foris@unitbv.ro

<sup>2</sup> Transilvania University of Braşov, cristina.nicolau@unitbv.ro

competitiveness, decrease of regional disparities with regard to economic development, resolution of environmental issues, creation or improvement of transportation infrastructure and development of agriculture.

Furthermore, if the amount of more than 30 billion Euros has properly been spent, correlated to more than 3 billion Euro allocated by the European Social Fund by the means of SOPHRD, in 2015, at the end of the implemented projects, Romania should have reached almost half of the average labour productivity of the EU countries. But, by the mismanagement of all the European programmes, the absorption rate was approximately 70% of the financial funding. During the development of these programmes, Romania has actually been a net contributor to the EU's budget, such meaning that it has contributed more than it has absorbed.

Nevertheless, we have remarked during the last year of project implementation that remarkable efforts have been made so as to correct such an abnormal situation. If we analyse all the financing programmes, most of them ended the contracted amounts, so in the following two years, the absorption rate should substantially increase.

So, not only does SOPHRM represent a piece of investment in Romania's labour force competitiveness, but it also means an important revenue source to the national budget (most amounts are allocated to salaries). For such amounts, every *leu* allocated to net salaries means another 84 *bani* as tax on revenues paid by the employee to the national budget, to which the employer's taxes are to be added. Thus, from such taxes, the amounts paid to the national budget are larger than the amounts gained by those who develop projects – actually, they are to develop European funded projects on their expenses, pre-payment (pre-financing) being of only 10%. Moreover, if we take into account that reimbursements are regularly made with huge delays and no interest is paid, the Romanian state wins in advance the amounts paid by solicitors to the national budget.

For such reasons, we shall present hereinafter the main issues regarding the implementation of the European Social Fund in Romania, describing particularities and making proposals for improving the management of these programmes as well as highlighting the means by which they have bankrupted the main players of the civil society. This piece of research was conducted in the 2010–2015 period when we worked in the management and development of some of the most important strategic SOPHRD projects in the field of labour qualification in hospitality, food industry, printing and mass-media.

## **2. Programmatic Acts for European Strategic Social Development**

The Sectoral Operational Programme for Human Resources Development (SOPHRD) for 2007-2013, adopted by the European Commission's Decision no. 5811 of November 22, 2007, was developed according to the Lisbon Agenda,

revised, the Community Strategic Orientations regarding Cohesion for 2007-2013, the European Employment Strategy, the Directives for Economic Increase and Labour Employment for 2005-2008.

Moreover, SOPHRD was developed in accordance with the fourth thematic priority within the National Strategic Reference Framework for 2007-2013 ("Development and efficient use of Romanian human capital") for the objective of *convergence* and with national policies and strategies in the field of human resources development.

In order to implement SOPHRD, the Implementation Framework of SOPHRD was developed, it offering detailed information regarding eligible activities, categories of eligible expenses, categories of eligible beneficiaries and eligible target groups as well as other pieces of information relevant for every key-area of intervention.

To add more, the regional action plans for employment and social inclusion (RAPO) are documents for strategic planning aimed at the elaboration and implementation of labour employment policy issued at regional and local levels.

### **3. SOPHRD for 2003-2013: Future Lessons from the Past**

The general objective of POSDRU is to develop human capital and to increase competitiveness by correlating education and life-long learning to the labour market as well as to ensure increasing opportunities so that in the future, 1,650,000 persons to participate on a modern, flexible and inclusive labour market.

**The specific objectives of POSDRU are:**

- Promoting qualitative education and initial and continuous training, including academic education and learning;
- Promoting entrepreneurial culture and increasing labour quality and productivity;
- Facilitating the long-term insertion of the youth and the unemployed on the labour market;
- Developing a modern, flexible and inclusive labour market;
- Promoting inactive persons' insertion and e-insertion on the labour market, inclusively persons from the rural areas;
- Improving public employment services;
- Facilitating vulnerable groups' access to education and to the labour market.

The main axes of POSDRU offer a complex view with regard to all the education fields (Table 1); but, in our view, the first axis to start developing projects should have been the seventh, Technical Assistance, ensuring trained and experienced personnel for the management authorities.

<b><i>Priority Axis</i></b>	<b><i>General objective</i></b>	<b><i>Key-areas of intervention</i></b>
1. Education and training in support of economic growth and development of the knowledge-based society	- development of flexible lifelong learning pathways and increase of the access to education and training by delivering modern and qualitative initial and continuous education, including higher education and research	Access to quality education and initial vocational training 1.2 Quality in higher education 1.3 Human resources development in education and training 1.4 Quality in continuous vocational training 1.5 Doctoral and post-doctoral programmes in support of research
2. Correlation of lifelong learning to the labour market	- facilitating access to education, increasing human resources' employability and educational and vocational training level by a lifelong approach, in the context of the knowledge-based society	2.1 Transition from school to active life 2.2 Preventing and correcting early school leaving 2.3 Access and participation to continuous vocational training
3. Increase of workers' and enterprises' adaptability	- promoting entrepreneurial culture, flexicurity and adaptability by supporting skilled, trained and adaptable labour force and enterprises	3.1 Promoting entrepreneurial culture 3.2 Training and support for enterprises and employees in order to promote adaptability 3.3 Developing partnerships and encouraging initiatives for social partners and the civil society
4. Modernisation of the Public Employment Service (PES)	- increasing the quality, efficiency and transparency of the employment services provided by the Public Employment Service	4.1 Strengthening PES's capacity to provide employment services 4.2 Training PES's own staff
5. Promotion of active employment measures	- facilitating the youth's and the long-term integration of the unemployed on the labour market, attracting and retaining more people in employment, including in rural areas as well as supporting formal employment	5.1 Developing and implementing active employment measures 5.2 Promoting long-term sustainability of rural areas with regard to human resources' development and employment
6. Promotion of social inclusion	- facilitating vulnerable groups' access on the labour market and promoting a cohesive and inclusive society in order to ensure all the citizens' welfare	6.1 Developing social economy 6.2 Improving vulnerable groups' access and participation to the labour market 6.3 Promoting equal opportunities on the labour market

		6.4 Transnational initiatives on an inclusive labour market
7. Technical Assistance	- providing support for implementing SOPHRD and effectively use of Community's financial input and national co-financing through: proper performance and quality of MA and Intermediate Bodies; Strategic use of the evaluation; coherence between actions, ensuring projects' compatibility to the EU policies; promotion of SOPHRD objectives and operations	7.1 Support for SOP HRD implementation, general management and evaluation 7.2 Support for SOP HRD promotion and communication

Table 1. *Presentation of SOPHRD priority axes*

At the end of the 2007–2013 period of SOPHRD projects implementation (which actually was extended to the year of 2016), we remarked the aspects which influenced their development with regard to the increase of the absorption level and the economic and social impact for the future period of 2014–2020.

In order to present a more synthetic and suggestive analysis of SOPHRD, we undertook a piece of qualitative research consisting of four main research issues, which in the end, concluded under the shape of a SWOT analysis. Hence, the methodology of our research consisted of semi-directive interviews highlighting on one hand, the strengths and the weaknesses of SOPHRD and on the other hand, its opportunities and threatens. We collected research data by interviewing 11 project managers of SOPHRD funded projects that have been implemented in Romania. The results of our research are presented as follows:

The *strengths* of SOPHRD are:

- a) It has ensured the survival of the educational service market by all its constitutive pars – suppliers of vocational training, trainees, lecturers, the National Qualification Body
- b) It had re-oriented a large part of the civil society by attracting European funds and developing European funded projects – trade unions, owners' unions, professional organisations, NGO's – for many of them, SOPHRD becoming the only financing source to ensure their survival;
- c) It has qualified/re-qualified/refreshed app.  $\frac{1}{4}$  of Romanian active population, being a major factor in balancing the demand and supply ratio on the labour market by vocational re-orientation to the jobs demanded on the market;
- d) It has stimulated acquisitions and consumption at national level by the investment made within the projects;
- e) It has contributed to the decrease of economic decline at national level by its considerable contribution to the national budget (income taxation and VAT).

The *weaknesses* of SOPHRD are:

- a) By the grants offered to trainees through the SOPHRD projects, the main aim of SOPHRD of investing in people by vocational training programmes has been altered. The unemployed, especially, have oriented towards projects offering high grants, this being the main criterion for making a choice! In more situations, the amount of such grants surpassed the unemployment benefits.
- b) There is a massive orientation towards fashionable occupations in the field of tourism or economics, but there is no correlation to the necessities of the labour market;
- c) The delays in reimbursing expenses as a result of the poor management of the financing programmes have indebted more players implied in the development of SOPHRD projects. Solicitors have generally cumulated debts to the national budget because the management authority of SOPHRD did not fulfil its payment obligations in due time. Thus, solicitors were foreclosed and finally, more than a half went bankrupted. This is reflected in the almost totally dilution of the Romanian civil society, the majority of national trade unions and owners' unions offering examples: Cartel Alfa, UGIR-1903;
- d) Contrary to the programmes financing investment, SOPHRD is less attractive as it ensures only the survival of the solicitors and partners implied in developing projects. Thus, investment is limited to maximum 15% of the project budget whereas profit/surplus of undertaken activities is null. Under such conditions, solicitors use their important resources and take all the responsibility and risks as well, benefits being reflected mainly on the people in the target groups, contracted employees, suppliers and the national budget.
- e) The management of the financing programmes has changed the regulations within the implementation of the projects; within SOPHRD, there have been issued more than 100 instructions which introduced additional restraints in implementing projects, making project management and implementation unpredictable and almost impossible to forecast.
- f) Overall, the management of the financing programmes has been political, whereas lacking of professionalism. Moreover, there is excessive bureaucracy and assessment officers' have had a supercilious attitude.
- g) Lack of a warranty fund for loans financing cash flow deficits in implementing projects.

The *opportunities* for SOPHRD are:

- a) Increase in the absorption level of funds as a result of the gained experience and of the growth of the institutional capacity of players implied in fund management;
- b) Diversification and development of financing programmes

The *weaknesses* of SOPHRD are:

- a) Bankruptcy of the civil society by excessively political mismanagement of the European funds. A great part of trade unions, owners' unions and NGO's have

disappeared or have had disastrous financial results during the 2010–2015 period as a result of implementing SOPHRD projects;

- b) Decrease in the absorption degree by increasing distrust in such programmes and by a lack of attractiveness of the European financing sources;
- c) Romania has got economic sanctions as a result of its lack of properly fulfilling its obligations towards the EU. During the implementation period, there have been two periods of time that pays-off were stopped by the European Commission because of the irregularities found in the SOPHRD management.

#### **4. Conclusion**

According to our experience in running, respectively managing two strategic SOPHRD projects (qualification in tourism and food industry) and by taking into account the results of our research and how the European Social Fund has been implemented in the EU countries, we formulate the following recommendations:

1. Every project should be given pre-financing of 30% of its budget; this practice has been successful within its period of use;
2. The level of EFRD acquisitions (European Fund for Regional Development) should be increased to 30% so as to allow the long-term creation of sustainable structures in implementing projects and the increase the attractiveness of these programmes (changing the solicitor's perception that it has only obligations to fulfil by its own resources).
3. A body of assessment officers should be selected according to professional criteria, not politically.
4. The amount offered as a grant to the beneficiaries of the target group should be decreased at the level of the expenses spent with project implementation (transport, accommodation, meals);
5. There should be created mixed groups within qualification courses, formed by employed and unemployed people. Our proposal is to drop out qualification programmes addressing exclusively to the unemployed, according to the European examples of good practices;
6. A loan guarantee fund should be created so as all the financial delays in implementing projects be avoided;
7. An institutional framework for the cooperation of project solicitors should be created so as to adjust educational offers and to increase target beneficiaries' accessibility to these offers
8. A partnership between management authorities and solicitors should be created and stimulated, expressing the fact that they are parts of the same whole and they have the same interest.

To conclude,

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