

# STRUCTURAL FUNDS IN ROMANIA: ETHICAL DILEMMAS AND DEVELOPMENT PERSPECTIVES

GETA NEPOTU \*

## Abstract

Accessing and preparing the conditions to increase the absorption level of Structural Funds represents an absolute priority in the present and following years. This study aims at tracing the evolution of the projects funded from Structural Funds in Romania, as well as identifying a series of dysfunctions in this context. First of all, we underline the fact that the absorption of European funds is not and should not be an aim in itself. Some Structural Funds are granted for infrastructure, some for the development of human resources, others for the elimination of the gap between regions, and finally, others for the development of a solid business environment. It is the responsibility of each country to correlate all these directions into a unitary strategy designed to accelerate its own modernisation process. Secondly, we attempt to identify a series of ethical dilemmas regarding the drafting, the selection and the implementation of projects.

**Keywords:** *Structural Funds, economic and social cohesion, ethical dilemmas, projects.*

## 1. The Projects Funded from Structural Funds in the European Context. Introductory Notes.

The current European context is an extremely generous and open one. This openness manifests itself in different directions: political, cultural, but most of all economic. However, the disparities regarding the Gross Domestic Product (GDP) per capita between the Member States and, in particular, between regions, are considerable and they shall deepen with the expansion process (Dobrescu, E., 2008, 29,31). In the European Union formed of 27 countries, one fourth of the total population lives in regions with a GDP per capita under 75% of the EU average. According to "The Guide of the Actors of Regional Development", drawn up in April 2003 in the framework of a PHARE-EUROPE project, 6 of 10 citizens live in the countries of Central and Eastern Europe.

The projects based on Structural Funds are designed to *reduce the development gaps* between the Member States, with the aim of achieving *economic, legislative and socio-cultural harmonization*. This intervention has, finally, a much more generous goal regarding the insurance of *socio-economic*

---

\* Ph.Ds, Faculty of Philosophy and Social - Political Sciences, "Alexandru Ioan Cuza" University of Iași, getanepotu@yahoo.com

order in the European space and *the construction of a homogenous EU area*, with high standards.

After the expansion of the European Union, the process for the elimination of disparities between regions will probably take decades, and this is why the economic and social cohesion policies are so important.

“The Lisbon Strategy was created so as to allow the European Union to create the conditions for full employment and to increase the degree of economic and social cohesions until 2010. The implementation of the Lisbon Strategy was based on the introduction of a new method – *the open method of coordination* at all levels. Basically, the goal is to increase the degree of participation of the European Council in guiding and coordinating the economic and social policies in order to ensure a more coherent strategic direction and the efficient monitoring of the registered progress.

The open method of coordination is a relatively new, intergovernmental method of administration within the European Union. It is founded on the voluntary coordination of the Member States. This is based on mechanisms such as: drawing up a directory line and indices, drawing up recommendations for the Member States, and exchanging good practices. It is worth mentioning that all these do not involve sanctions for those who fail to comply. The efficiency of the method is rather based on the fact that none of the states wants to be the last to implement a certain policy” (Iova, C., 2008, 10, 12).

Therefore, the constraints are not applied directly, they represent a rather indirect component of self-control born out of the wish to harmonize.

European policies aim the geopolitical situation of Euro regions. Funding of cross-border projects, for example cooperation between Moldova and Romania or the Romanian-Bulgarian partnership, is a proof in this respect (Codruc, A., 2009, 220,221).

The policy of regional development is the key instrument of the European Union. Thanks to it, support is offered to the less developed regions, that face structural difficulties (job creation, infrastructure development, small and medium-sized enterprises (SMEs), promoting competition, ecology, sustainable development, equality of chances, supporting information and communication technology, community projects, development of human resources, etc.). This request was also introduced in the Treaty on European Union (1992), through Title XVII, which defines the objective of the policy of economic and social cohesion: “*reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural regions*”(see also Sabău, C., Dudă, D., Dana, C., 2009).

The regional policy of the European Union was built around the concept of *economic and social cohesion*. This concept aims at reducing the disparities at the level of development between and among regions, to support the regions that lag behind, and to reduce the discrepancies that separate them from the developed regions of EU. The basic principles of the entire European construction are those of *solidarity, additionality, subsidiarity and proportional intervention*. The idea of solidarity brings together the economic, social and human resources of the Member States, making them function unitarily and creatively. As a result, a substantial part of the contribution of the EU countries at the Community budget – over one third – is directed towards the least favoured regions and the disadvantaged social groups.

The principles of the cohesion policy of the European Union 2007-2013 are presented in The Community Strategic Guidelines on Cohesion. This document of the European Commission sets the development priorities at EU level for the following period. These priorities have been assumed by the Member States in their strategic documents, the National Strategic Reference Framework and the operational programmes.

The period 2007-2013 represents a new programming period for the structural instruments that are based on a set of regulations that contain provisions regarding the fields that are to be funded, as well as the applicable principles and the management and implementation mechanisms of the funds.

The European Social Fund is the first structural fund that was established and represents the financial instrument through which the European Employment Strategy is implemented, aiming to create better jobs and to offer higher abilities and competences to the people employed or to those who are looking for employment.

European funding has also beneficial effects on NGO activities. They manage to mobilize human resources by virtue of attracting European funds for social protection and social work activities (Baboia, A., Arpinte, D., 2009, 30,47).

In the programming period 2007-2013, at the level of the European Union approximately 75 billion € are earmarked for ESF, for projects that aim at developing the human capital and at increasing labour market participation. This amount is supplemented with the Member States' own contribution, from public or private resources, which differ according to the objective of each Member State or region of the European Union. Romania will provide a contribution of 15% ([www.fseromania.ro](http://www.fseromania.ro)).

In the case of Romania, access to Structural Funds should help solve serious problems with which the country is being confronted at this time. The biggest problems are: the expansion of the gaps between the region of development Bucharest-Ilfov and the rest of the regions; the uneven development between the Eastern and the Western parts of the country; the low degree of attractiveness of most of the regions. The social problems have been studied recently in the ample research carried out by a presidential commission coordinated by Prof. Dr. Marian Preda. The research emphasizes the existence of certain dysfunctions and problems

at different levels of the Romanian society. It identifies a series of problems related to unemployment, poverty, migration, demographic problems, education, regional and intergenerational disparities.

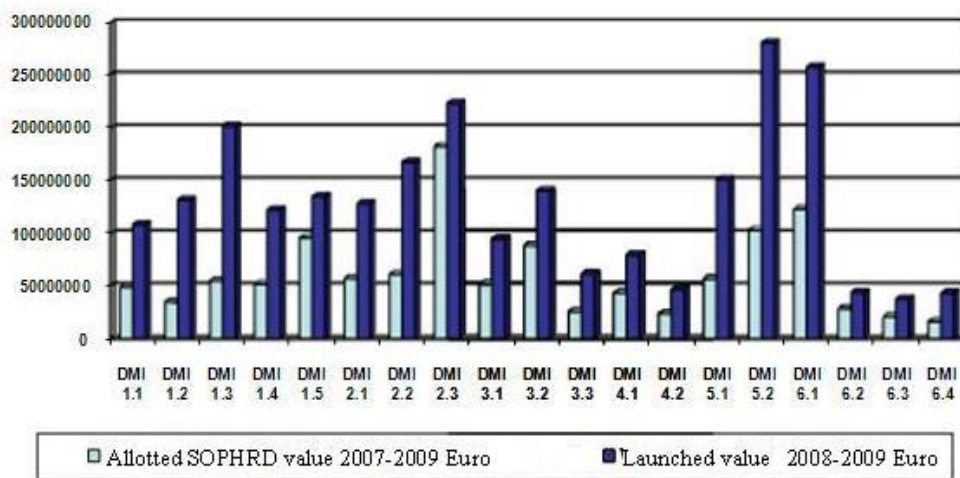
According to the *Applicant's Guide POSDRU. General Conditions*, 2009, in order to receive non-refundable financing from the European Social Fund, The Operational Programme for the Development of Human Resources, the applicant should be an organization legally established in Romania, a public-law or private-law legal entity respectively, with or without patrimonial purpose, with registered office in Romania: a public institution, a commercial company established according to Law No. 31/1990 on commercial companies, republished, with subsequent amendments and additions, an organization established according to Government Ordinance No. 26/2000 regarding associations and foundations, with subsequent amendments and additions, trade unions organizations established according to Law No. 54/2003 on trade unions, with subsequent amendments and additions, employers' organizations established according to Law No. 356/2001, Employers' Law, with subsequent amendments and additions, religious institutions defined according to Law No. 489/2006 on the freedom of religion and the general status of denominations, with subsequent amendments and additions, or other categories of legally established entities.

## **2. The Current Status of Application and Implementation of Projects Funded from Structural Funds in Romania**

The statistics made available by MASOPHRD (Management Authority for the Sectorial Operational Programme for Human Resources Development) emphasize an evolution of structural projects in Romania. However, we are far from being in the situation of absorbing all the resources the European Union makes available to us. Although there exists a National Development Plan for the period 2007-2013, it does not include quantifiable results with the final goal of achieving a uniform development of the eight regions of development (North-East, South-East, Southern-Muntenia, South-Western Oltenia, West, North-West, Centre, Bucharest-Ilfov). However, without a strategy and a concrete and precise development plan for exact periods, the capital absorption is chaotic, incomplete and inefficient. For example, two different applicants, having nothing in common, can submit two projects that have, largely, the same purpose – the creation of a counselling centre for young entrepreneurs. Both projects are financed and implemented. We are inefficient because we do not have a database for projects in development in order to avoid a situation of the kind.

The efficiency of such ample projects can be ensured through a unitary coordination at national level. This coordination implies an interdisciplinary work where sociologists, lawyers, economists and experts in different fields aim to implement and reach the proposed goals at national level.

In the following, we shall draw a comparative analysis of SOPHRD financial allocation for the period 2007-2009 in relation to the allocations of the calls for project proposals opened in 2008 and 2009, carried out by MASOPHRD. The numbers presented below show that there are deficiencies even at the level of project submissions. Project proposals did not convince the assessors. This phenomenon has two explanations: the inconsistency of the financing request with the provisions of the applicant's guide and/or faulty wording.



**Fig. 1.** Financial allocation

Source: [www.fseromania.ro](http://www.fseromania.ro)

The statistics of the Management Authority (AM) indicate a number of 5 209 projects submitted on all the major fields of intervention until the end of 2009, as follows:

- **in 2008** there were submitted 2 842 projects, out of which: 757 strategic projects (with the minimum duration between 6 months and the maximum of 36 months, with a total budget of 500000 – 5000000 RON) and 2 085 grant projects (with a duration between a minimum of 6 months a maximum 24 months, with a total budget of 50000 – 500000 RON);
- **in 2009** 2 367 of project applications have been sent through the actionweb system, out of which: 1 873 strategic projects, 494 state aid and de minimis aid requests.

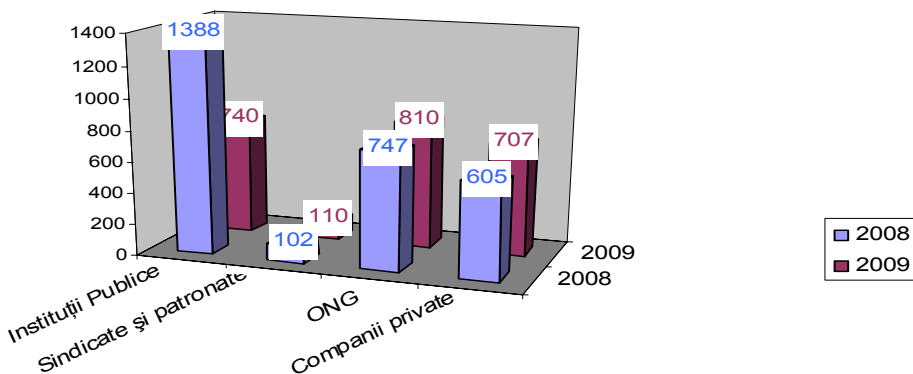
Although the number of applications varies from year to year, the success rate of the Structural Funds projects is still low. The ratio of the number of selected projects in comparison with the number of submitted projects is of 41%, as shown in the graphic below:



**Fig. 2.** The success rate for strategic projects (2009)

Source: [www.fseromania.ro](http://www.fseromania.ro)

As it can well be observed from the presentation above, within the first call for project proposals in 2008, the applicants were in greater number than in 2009. The cause for the decrease in number of applicants may be due to the difficulties they face in the implementation of this type of projects, the bureaucracy, the lack of experience on the part of both the beneficiaries, and the management authorities. The delay in making the payments and the financial crisis can also be considered complementary causes that lie at the basis of the decrease in application intention on such financing lines.

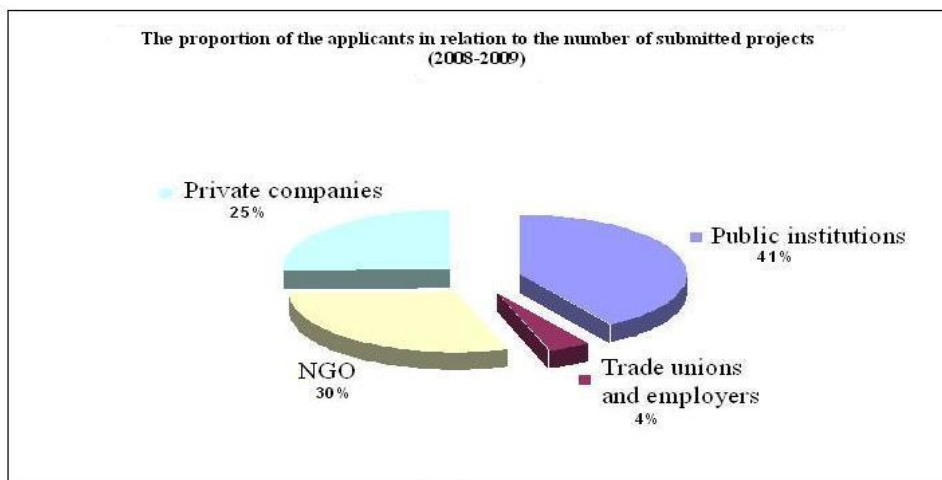


**Fig. 3.** The situation of the projects submitted in 2008 vs. 2009

Source: [www.fseromania.ro](http://www.fseromania.ro)

As regards the share of applicants, public institutions and non-governmental organisations (NGOs) occupy the first two places for projects financed from Structural Funds. This can be explained through the fact that public institutions try to align to the EU standards with regard to the development of human resources through: continuous training of their own employees, exchanges of good practices with homologous institutions abroad, alignment with the Community acquis, etc. Also, in the same category fall the public universities, which applied with a great number of projects on various major SOPHRD fields of interventions.

In its turn, the civil society, through NGOs, makes its presence known in this context, occupying the second position. The mission and/or vision of various NGOs on the territory of Romania overlap with the objectives of operational programmes, thus their increased interest leads to the submission of the great number of projects.



**Fig. 4.** The proportion of the applicants in relation to the number of submitted projects

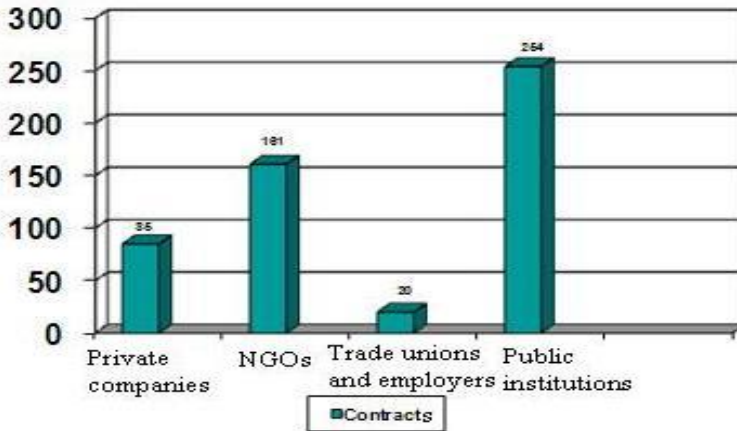
Source: [www.fseromania.ro](http://www.fseromania.ro)

The contracting of projects funded from Structural Funds on categories of beneficiaries follows the same trend as the proportion of the applicants, thus: public institutions take the first place and NGOs occupy the second, as seen in the Fig. 5.

In the following (Fig. 6) we shall present the statistics that emphasize the fact that until now the total value of the EU contribution for the contracts signed represents only 61.31% of the financial allocation for the period 2007-2009. There are very many projects submitted and selected in 2008 whose funding contracts

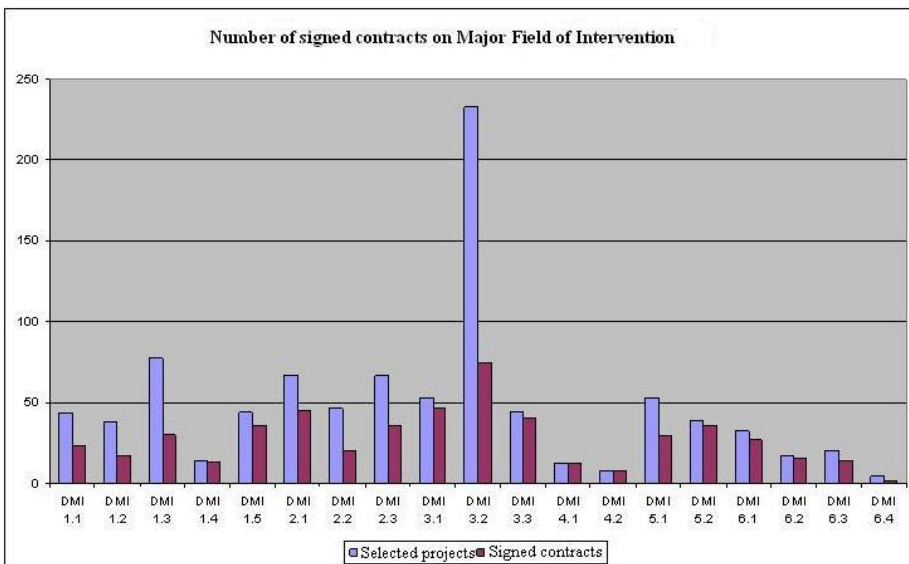
have not been signed. This is due to the low number of personnel within management authorities and the intermediary bodies of the operational programmes, the low degree of training thereof, bureaucracy, etc.

**Contracts according to the type of beneficiary**



**Fig. 5.** Contracts according to the type of beneficiary

Source: [www.fseromania.ro](http://www.fseromania.ro)

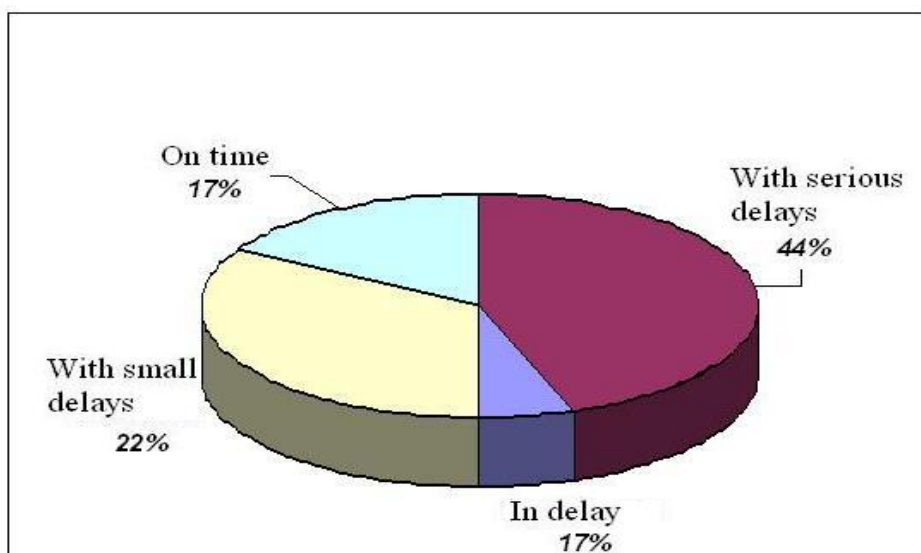


**Fig. 6.** Number of signed contracts on Major Field of Intervention

Source: [www.fseromania.ro](http://www.fseromania.ro)



Difficulties also continue during the implementation period of the projects funded from Structural Funds. After their monitoring, the main problems have been identified as: frequent changes in the work team of the beneficiaries and the project; the lack of a special treatment for these projects within the public administrative procedures; difficulties in the relation with the partners regarding the eligible expenses and the financial flows; the lack of certainty regarding the eligibility of expenses made by project accountants and auditors; delays/problems in the public procurement exercises, etc. Unfortunately, the majority of the projects which are under implementation are in serious delays in proportion of 44%. At the opposite pole, a percentage of 17% of the projects comply with the Gantt graphic provided initially in the submission stage of the funding application, thus:



**Fig. 7.** the projects comply with the Gantt graphic

Source: [www.fseromania.ro](http://www.fseromania.ro)

To help the beneficiaries and increase the absorption rate of EU funds in the following period, the Management Authority has initiated measures to reduce the bureaucracy by: completing the development of the information system Actionweb and simplifying the method of technical reporting related to the intermediary reimbursement applications. This allows for hope that one will not have to report with tones of paper and multiple copies of the same document, and that procedures will observe the principle of sustainable development, which was greatly supported in the stage of writing the funding application, but in reality remains to be applied.

### **3. Ethical Dilemmas of the Projects Funded from Structural Funds**

The problematic of the projects funded from Structural Funds proves to be an extremely complex one, not just from the point of view of planning, work methodologies, human resources involved, etc., but also from the point of view of the ethical dimension. This fact involves, on the one hand, an ethical component at the level of proposing and writing the funding application proper, an ethical component that concerns the acceptance of the funding and, on the other hand, an ethical component concerned with the implementation proper.

*“The Explanatory Dictionary of the Romanian Language”*, in its 1984 edition, defines ethics as “the science that studies the moral principles, with their connections to historical development, with their class content and their role in social life; the totality of norms of moral behaviour corresponding to the ideology of a class or society”. The same source defines a dilemma as “the reasoning that poses two alternatives out of which one must be chosen, even though both lead to the same conclusion; the confusion someone is into when made to choose between two alternatives with (approximately) equal results”. Ethics represents the form of knowledge and justification in the conscience through the moral norms and imperatives of human acts and actions. Therefore, one can consider ethics a science of behaviour and habits, a sum of concrete norms.

This is also the meaning assigned by Wundenburger, who states that ethics represents “the set of rules of behaviour shared by a certain community, rules that should be based on the distinction between good and evil” (Wundenburger, J.J., 1993, XIV).

In our case, the ethical dilemmas appear under different aspects, as presented below.

#### ***3.1. Ethical Dilemmas Regarding the Drawing-up of the Application for Funding***

Any problem that is identified, be it a social, economic or cultural one, can be solved by drawing up a well-conceived project or a number of projects focused on solving it, which projects should be complementary or sustainable. The fact that there are several funding axes allows to concentrate on the prevention, as well as on fighting the social phenomena that appear/exist. The next stage represents the identification in the applicant’s guide of the axis where the project applies (Management’s Guide to Project Success, 2002, 19). Most of the times, the funding axis (that includes specific data, such as the eligible target group, fundable activities, etc.) guides the promoter of the project towards the problem that can be taken into consideration and not the other way around, as it should be. This is why serious social problems we face are not taken into consideration by anybody. In situations of this type we ask ourselves if the promoters of projects funded through

Structural Funds, and not limited to these type, aim to attract money for their own interests or to actually solve current problems.

In the writing stage of a project proposal one must keep in mind the needs of the target group correlated with its values, norms, religion, sexual orientation, degree of disability, gender, education, etc. For example, the village X urgently needs the installation of a drinkable water network and/or the paving of the road. But the mayor's office applies with a project that aims to raise the awareness of the people regarding sustainable development and equal treatment in employment.

What is the connection between the real, concrete need of the population in that village with the idea of the project on sustainable development? Does this project, promoted by the mayor's office, solve the drinkable water needs of the people? Would it not be better to draw up a project designed to help them and solve a longstanding problem, the drinkable water network? In situations such as this two answers are possible: the personnel of the mayor's office, in our case, have no experience in drawing up ample projects and limit themselves to small projects, or they have no interest to solve the problems of the citizens and their own interest comes first.

In this case one may think that the moral norms of that people in that village are disregarded. The improvement of the citizens' living conditions is disregarded in favour of the personal gain of a group of people.

### ***3.2. Ethical Dilemmas Regarding Project Selection***

Ethical dilemmas may also appear in the evaluation and selection stage of the funding applications. The network of acquaintances and the human factor have a great influence in taking the final decision regarding the approval or rejection of the project.

In 2009 at the Management Authority within the Ministry of Labour, Family and Social Protection there have been recorded 215 claims regarding the projects submitted in 2008 ([www.fseromania.ro](http://www.fseromania.ro)) out of which only 11 were admitted, the other 204 being rejected. This aspect raises a question regarding the correctness of the selection of these projects in relation to the selection rules announced initially, as well as universally valid moral principles. For example, an applicant's project was rejected because "he already had too many projects in implementation". There is no provision regarding the maximum number of projects an institution can implement simultaneously. As long as that applicant has the documents to prove that s/he has the administrative and financial capacity to implement all the projects, the reason invoked is not justified. Is this the real reason? Does the name of the institution count? Is this fair? Of course not, but one cannot cancel it out, everything depends on the human factor. This is the reason why we think that a more thorough selection of the assessors is necessary. Subsequently, it is necessary to provide the assessors with high-standard training

through exchanges of experience with homologues in other countries, practical trainings, study visits, etc.

The elimination, as much as possible, of subjectivity in the selection process should be one of SOPHRD's short term priorities. Should this not be applied, we risk to repeat the mistakes made until now and to fail to pass to the stage where the ethical norms and values are complied with, and, moreover, we would never achieve a higher rate of absorption of European funds.

### ***3.3. Ethical Dilemmas Regarding Implementation***

Once the funding contract is signed and the implementation of the projects begins, the ethical component manifests itself more actively and under various guises. For example, within a national project on the prevention of school leaving of high school students, at the selection stage of the beneficiaries the ethical norms are breached. X, a blood relation of Y, is included in the target group of the project to benefit from the planned camps, trips, etc. But another student, who runs the risk of leaving school because the family has financial problems, will not be supported because X took his/her place. Examples exist in other fields, too. In the case of project implementation, ethical obligations regard the lack of favouritisms, meeting the deadlines, observing the quality and the consistency in reaching the partial goals and the final goal.

The very absorption of European funds reached such a high degree of interest that the purpose of such fund has become secondary. Everyone talks about the billions of Euro the European Union makes available to Romania. In a country affected by economic and social differences, poverty and the lack of financial resources, these amounts "available to Romania" (Bârgăoanu, A., 2009, 7) came to ignite the public imagination so that most people associate European integration with "the streams of Euro" (Bârgăoanu, A., 2009, 8) that flow towards Romania.

## **4. Conclusions**

Structural Funds certainly represent an important lever for the development of Member States. For Romania, this is an opportunity, but at the same time, it is an obligation regarding the human, institutional, strategic, planning and implementation context. In our opinion, this obligation is not just a contractual one, derived from the contractual obligations and the commitments to the European Union, but also an ethical one. Therefore, we think that an actual change is possible only if the values and principles of a socio-cultural space are reflected in all the dimensions of a project. Otherwise, we will always be in a position to make observations regarding an inefficient absorption, a flawed implementation, or, even worse, the ineffectiveness of a project in which money, time and energy were invested.

We discover, for example that, although granted access to a significantly large amount of money for the programming period 2007 – 2013, we obstruct ourselves in their absorption. This is due either to the low degree of training of the human resources involved in the accession process, or to the insurmountable bureaucracy and to deficiencies regarding the planning and prognosis, etc. An overview as clear as possible of these funds, a short-, medium- and long-term plan as detailed as possible which should foresee quantifiable results, as well as the compliance with ethical norms, could open the way for a sustainable and healthy development.

As for the ethical component of these funds, one must admit that here the emphasis falls on the quality of the human resources. Subjectivity, pressures, personal or any other type of interests can affect and compromise the entire effort. The systematic education and information of those who promote and support projects, but also a series of control formulas can solve the ethical deficiencies that can influence the performance of the entire mechanism control.

We must emphasize that Structural Funds can have real effect only in correlation with other policies, measures and mechanisms applied by the beneficiary state. Unfortunately, these aspects are often ignored or they become secondary.

Beyond the challenges involved in the design and implementation of certain projects funded from Structural Funds, there are signs that the dilemmas and the difficulties we are faced with can be overcome. The billions of Euro allocated for different projects in Romania represent a proof in this respect. All in all, this fact represents a credit, a form of trust the EU puts in our country. We have the duty to take maximum advantage of this credit.

## References

1. Baboi, A. and Arpinte, D. 2009. The impact of the external financing on the development of the social work system. In *Review of Research and Social Intervention*, 26, Editura Universitatii Al.I.Cuza, Iasi.
2. Băleanu, A. 2007. Impactul fondurilor structurale. Aspecte calitative (The Impact of Structural Financing). *Colecția de studii IER, Working Papers Series*, 20, Institutul European din România, București.
3. Bârgăoanu, A. 2009. *Fondurile structurale. Strategii de promovare și utilizare* (Structural Financing. Strategies of Promoting and Using). Editura Tritonic, București.
4. Bernard, W. 2002. *Moralitatea : o introducere în etică* (Morality:an Introduction to Ethics). Editura Punct, București.
5. Codruc, A. 2009. Is Europe becoming wider?. In *Scientific Annals of Alexandru Ioan Cuza University, New Series, Sociology and Social Assistance TOM II*, Editura Universitatii Al.I.Cuza, Iasi.

6. Cozma, C. 1997. *Elemente de etică și deontologie* (Elements of Ethics and Morality). Editura Universității Al. I. Cuza, Iași.
7. *Dicționar explicativ al limbii române (Explanatory Dictionary of Romanian Language) 1984*. Editura Academiei RSR, București
8. Dobrescu, E., (ed.). 2008. *Fondurile structurale. Cunoaștere și implementare de către toți cei interesați* (Structural Financing. Knowledge and Implementation by all the interested people. Editura Eurolobby, București.
9. European Council. 2006. Council Decision of 6 October 2006 on Community Strategic Guidelines on Cohesion, 702/EC, 21.10.2006 EN *Official Journal of the European Union*
10. *Ghidul solicitantului POSDRU. Condiții generale (Guidelines for POSDRU applicants. General Conditions. 2009*
11. *Ghidului actorilor dezvoltării regionale. 2003. (Guidelines for Regional Development)*
12. Ignat, D.M., Morariu, C.N. 2008. The europeanized regional policy and multi-level governance after 1988. In *Scientific Annals of Alexandru Ioan Cuza University, New Series, Sociology and Social Assistance TOM I*, Editura Universitatii Al.I.Cuza, Iasi.
13. Iova, C. 2008. *Fondul Social European* (The European Social Fund). Editura Universitaria, Craiova.
14. *Management's guide to project success. 2002*. New York State Office for Technology
15. Ministerul Dezvoltării. 2007. *Planul Național de Dezvoltare 2007-2013*. Bucuresti
16. Preda, M. (ed.). 2009. *Riscuri și inechități sociale în România. Raportul Comisiei Prezidentiale pentru Analiza Riscurilor Sociale și Demografice* (Risks and Social Inequities in Romania. The Presidential Commission Report for Analysing the Social and Demographic Risks). Polirom, Iași.
17. Sabău, C., Dudă, D., Dana, C. 2009. Financing Opportunities for Romanian Economy by Structural Funds. In *Annals Economic Science, Series XV*, Editura Universitatii Al.I.Cuza, Iași.
18. Wundenburger, J.J. 1993. *Questions d'éthique* (Questions of Ethics). Presses Universitaires de France, Paris.
19. [www.fonduri-structurale.ro](http://www.fonduri-structurale.ro) (11.03.2010)
20. [www.fseromania.ro](http://www.fseromania.ro) (10.03.2010)

\*acknowledgements: This work is supported by the project POSDRU/88/1.5/S/47646 "Doctoral Studies: portal to a career of excellence in research and knowledge society", coordinated by professor PhD Ovidiu Gabriel Iancu. The project is won in competition in September 2009 and is funded by the European Social Fund.