

## EUROPEAN UNION'S PRIORITIES FOR THE 2014 – 2020 MULTIANNUAL FINANCIAL FRAMEWORK IN ROMANIA<sup>1</sup>

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### Abstract

*The European Union (EU) budget is one of the most concrete instrument in order to boost investments. In some of European regions, the EU budget is the only way to get public investment because there are not enough sources at national level.*

*In this context, the 2014 – 2020 Multiannual Financial Framework it's a spending plan that translates the European priorities into financial terms and draws the basic lines for the annual budgetary exercise. It sets the maximum annual amounts which the EU may spend in different political fields for the benefit of 500 million Europeans.*

*For Romania, the priorities from the next Multiannual Financial Framework are considered a crucial issue regarding the sustainable regional development that is both needed, and desired.*

**Keywords:** cohesion, european funds, Europe 2020 Strategy, multiannual financial framework, European priorities.

**JEL Classification:** J24, O15, O19, Q01

### 1. Introduction

With this article, my goal is to evidence the importance of the European funds, especially for Romania, in the next multiannual financial framework. The “new” Cohesion policy (for the 2014-2020), through its developing tools, tries to reduce disparities between Member States, especially when it comes to management and impact. Even if, in the last year, the theme of administrative simplification has been among the favourite subjects of discussion in Romania, the complexity of cohesion may increase significantly with the identified challenges and the new proposed measures.

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## 2. Development challenges for Romania's growth

Even if Romania has benefit from European funds in the 2007 – 2013 Multiannual Financial Framework, it continues to face major development challenges.

In order to remove obstacles to development and to unlock the country's economic potential, according to the Partnership Agreement, there were identified *five development challenges*, which could easily be considered also priorities, for Romania's growth:

1. The competitiveness challenge;
2. The people and society challenge;
3. The infrastructure challenge;
4. The resources challenge and
5. The administration and government challenge.

### *1. The competitiveness challenge*

The overall level of economic activity in Romania is still very low. Examination of structure and performance makes clear, at least, some of the challenges for competitiveness in Romania: internationally uncompetitive levels of productivity in many areas of industry; the present under-representation of higher value adding services within the economy and fragmentation, excessive standardization, inefficient use of resources in Romanian Research & Development (R&D) academic environments and the absence of strategy for developing research-intensive institutions.

### *2. The people and society challenge*

In Romania, there are great disparities in many areas, but the most significant ones are related to topics like wealth, opportunity, education, skills and health. The identified ones (disparities) have a profound territorial character and there are pronounced variations between regions and, also, between urban and rural areas. There are great challenges in restoring the performance of the education system and, in the context of a depressed demand for labor, in making education attractive. Besides creating a modern and well-equipped educational infrastructure, there are challenges to overcome in extending access to early education, combating early school leaving, increasing the relevance of education and training to the needs of the labor market and opening access to tertiary education and to lifelong learning.

### *3. The infrastructure challenge*

The national transport infrastructure is underdeveloped taking into consideration the volume of goods and passengers volume that transit Romanian territory, and accessibility remains a major barrier to regional growth. As regards Information and Communications Technology (ICT) infrastructure, basic broadband should be universally available by 2015 as a result of existing initiatives, although take-up remains low. However, Romania faces particular challenges in extending New Generation Access in rural areas where, in the absence of public intervention, it is estimated that by 2020 less than 50% of households will be covered with speeds over 30Mbps.

### *4. The resources challenge*

Romania is well endowed with energy resources, a significant proportion of which is from renewable sources and has potential for further extension. While the efficiency of Romania's electricity generation, transmission and distribution systems is close to the EU average, efficiency in energy use is poor, notably as a result of badly insulated residential and public buildings combined with inefficiency in the district heating transmission and distribution systems. The extension and modernization of the water and wastewater infrastructure continues to be one of the most important priorities in improving Romanian living standards. Waste management is still far short of European standards with low levels of re-use, recycling and energy recovery. Romania has a transition period until 2017 to phase out non-compliant landfills. There is a pressing need to enhance environmental protection and to shift to more sustainable practices in agriculture, construction, extractive industries and, generally, in business.

### *5. The administration and government challenge*

Romania is still characterized by weak administrative capacity of public institutions and a predisposition towards bureaucracy and disproportionate regulation that seriously impinge on the competitiveness of Romania's business environment. Despite efforts to implement a robust policy process in Romania, reforms are urgently needed to improve the quality of public administration. Romania has taken numerous steps to create a strong, independent and well respected justice system. While progress has been made in many areas, it still remains a need for further capacity building, reform and modernization. The absence of an effective system of cadastre represents a significant obstacle to the development and implementation of infrastructure, property development and consolidation of agricultural land.

Actions under the five development challenges will contribute towards Romania's Europe 2020 targets as follows:

National EU 2020 targets	Current situation	Development challenges				
		I	II	III	IV	V
70 % of the population aged 20-64 to be employed	63.8 % (2012)	*	*			*
2 % of GDP to be invested in R&D	0.48 % (2011)	*	*	*		*
Reduction of greenhouse gas emissions with 19% (compared to 1990 level)	51.84 % (2011)	*		*	*	*
24 % of total energy consumption from renewable sources	20.79 % (2012)	*		*	*	*
Reduction of 10 Mtoe (19%) in the primary energy consumption	16.6 % (2012)	*		*	*	*
Less than 11.3% of children should leave school at an early age	17.4 % (2012)		*	*		*
At least 26.7% of 30-34-year-olds should complete third level education	21.8 % (2012)		*			*
580,000 less people should be at risk of poverty or exclusion (compared to 2008 levels)	240,000 (2011)		*			*

Source: Romanian Partnership Agreement for the 2014 – 2020 Programming Period, First Draft, October 2013

Romania will become a modern and competitive economy by tackling the above five development challenges through a multi-dimensional approach in order to realize the economic growth aspirations reflected in the global objective of Partnership Agreement.

### 3. Romania's Thematic Objectives

For the 2014-2020 Multiannual Financial Framework, Romania will make investments using European Structural and Investment Funds (ESIF) resources under all these Thematic Objectives that relate to the Europe 2020 Strategy.

These Thematic Objectives relate to the five challenges and the main development needs for Romania:

<b>DEVELOPMENT CHALLENGE</b>	<b>THEMATIC OBJECTIVE</b>
Competitiveness	Strengthening research, technological development and innovation
	Enhancing access to, and use and quality of, innovation and communication technologies
	Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector
People and society	Promoting employment and supporting labor mobility
	Promoting social inclusion and combating poverty
	Investing in education, skills and lifelong learning
Infrastructure	Enhancing access to, and use and quality of, innovation and communication technologies
	Promoting sustainable transport and removing bottlenecks I key network infrastructures
Resources	Supporting the shift towards a low-carbon economy in all sectors
	Promoting climate change adaptation, risk prevention and management
	Protecting the environment and promoting resource efficiency
Governance	Enhancing institutional capacity and an efficient public administration
	Enhancing access to, and use and quality of, innovation and communication technologies

Source: Romanian Partnership Agreement for the 2014 – 2020 Programming Period, First Draft, October 2013

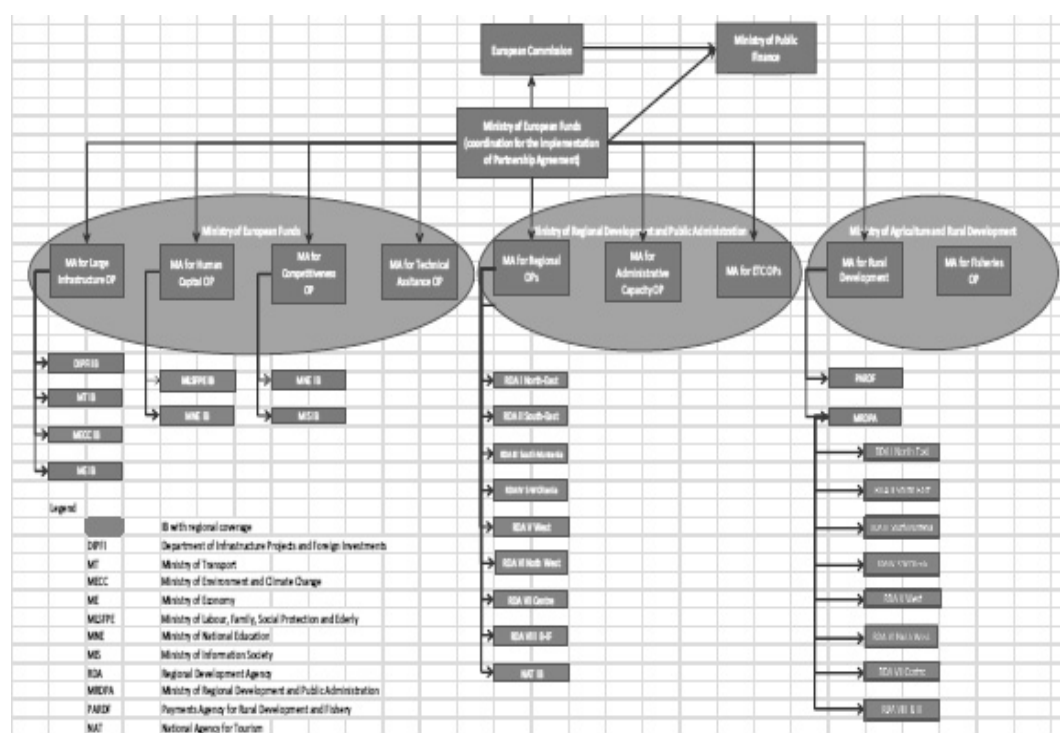
Considering these five development challenges, established also as national priorities, there were also defined six operational programmes in order to contribute at the global and strategic objective – a reduction in the social and economic disparities between Romania and EU member states:

<b>OPERATIONAL PROGRAMME</b>	<b>FINANCIAL ASSISTANCE ALLOCATED (BILLION EUR)</b>
Large Infrastructure	9.07
Regional	6.47
Human Capital	3.44
Competitiveness	1.26
Administrative Capacity	0.52
Technical Assistance	0.3

Source: [www.fonduri-ue.ro](http://www.fonduri-ue.ro)

#### 4. Romanian Institutional Framework

The 2014 – 2020 Romanian institutional framework, as shown in the diagram below, was inspired by the Polish model and will concentrate the management functions in three core line ministries that have already demonstrated good management capacity: The Ministry of European Funds, The Ministry of Regional Development and Public Administration and The Ministry of Agriculture and Rural Development.



Source: Romanian Partnership Agreement for the 2014 – 2020 Programming Period, First Draft, October 2013

#### 5. Conclusion

The programming and implementation process of the ESIF, for 2014-2020 period, represents a key aspect for Romania's economic growth and development - which will be achieved in a sustainable manner as required under EU Treaty. Sustainable development is an assumed direction for future, determining the increasing quality of life of Romanian people.

Taking into consideration the developing realistic economic, social and territorial policies, directed towards sustainable, smart and inclusive growth, the new

programming period represents a great opportunity for Romania to consolidate the experience of 2007-2013.

To this aim, Romania will encourage collaboration between policymakers and practitioners in order to improve the effectiveness of policy implementation regarding European funds.

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