

Analysis of the Distribution of the Budget Related to the Large Infrastructure Operational Programme LIOP 2014-2020 on Priority Axes

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Abstract: The experience gained by Romania after joining the European Union during the 2007-2013 programming period should have led to a much more efficient absorption of the non-reimbursable funds during the period 2014-2020. For the 2014-2020 programming period, 30.84 billion euro were allocated to Romania. The absorption capacity of European funds, however, did not increase at the expected pace. Thus, in the first 4 years from the beginning of the programming period (2015-2018) the European Union made payments to Romania (pre-financing and intermediate payments) in the amount of 7.89 billion euro (26%)³. The pace of payments has increased slightly in 2016 compared to 2015, doubling in 2017, but staying close to the same level in 2018. If between 2019-2022 (n + 2) the same pace is kept, we expect an absorption of up to 20 billion euro, approximately 65% of the allocated amount. Our study on the absorption capacity focused on the program that continues the investments started through the SOP Environment 2007-2013 Program, respectively the Large Infrastructure Operational Programme LIOP 2014-2020.

Keywords: European funds; irregularities; European union; European absorption

JEL Classification: M42; R11; M48

1. Theoretical Background

The paper is based on the statistical data communicated by the European Commission regarding the degree of absorption of the European funds and on the data communicated by the Managing Authority responsible for the management of the Sectoral Operational Program Environment 2007-2013 regarding detected irregularities. Also, an important source of documentation was represented by the

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³ https://cohesiondata.ec.europa.eu/countries/RO_

information received from the Managing Authority for the Large Infrastructure Operational Programme LIOP 2014-2020, the Audit Report on the performance of the use of the funds allocated from the state budget for the development of the programs or projects financed by external funds for the period 2014-2018, of the Court of Accounts, as well as the annual reports of the Audit Authority within the Court of Accounts.

2. Methodology

To carry out the research we used a deductive and inductive methodology, in order to identify opinions, criticisms and opportunities. In the first part, we presented the research conducted so far in relation to the degree of absorption in Romania. In the second part we presented the main statistical data related to the Operational Program LIOP 2014-2020.

3. Findings

A. Previous Research

In the first financial or budget period of the European funds for Romania, between 2007 and 2013, according to latest available data, the national economy recorded, in all the three indicators or all the specific absorption rates, values placed well below the EU average – by around 10% on average (with an effective rate of 79.23%, a current absorption rate of 82.93%, and an overall absorption rate of 90.44%, which also includes the amounts received from the EU in advance, as of 31 January 2017). At the end of 2015, the gap was more than 20% (69.9%, compared to the European average of 89.9%), and the sustained efforts in 2016 have halved that gap (Săvoiu et al., 2017).

The actual regional policy promotes the equilibrate development at European level and pursues to diminish disparities between and within regions, ensure solidarity among its member state and convergence process. Also, it sustains the growth model establish by the Europe 2020 Strategy, including the necessity of meeting the societal challenges, and those related to labour force employment in the Member-States and in the regions. From the perspective of the Europe 2020 Strategy, the regions can continue in obtaining differentiated support depending on their economic development level (GDP/per capita), a clear distinction being made between “less developed” and the “more developed” regions (Antonescu, 2014)

B. Distribution of the budget related to the Large Infrastructure Operational Programme LIOP 2014-2020 on priority axes

The Large Infrastructure Operational Programme (LIOP) was developed in order to meet the development needs of Romania identified in the Partnership Agreement 2014-2020 and in accordance with the Common Strategic Framework and Position Paper of the European Commission services. The LIOP strategy is oriented towards the objectives of the Europe 2020 Strategy, in conjunction with the National Reform Program and the Country Specific Recommendations, focusing on sustainable growth by promoting a low carbon economy through energy efficiency measures and green energy promotion, as well as by promoting environmentally friendly modes of transport and a more efficient use of resources.

The financing priorities established by the LIOP contribute to the achievement of the general objective of the Partnership Agreement by directly addressing two of the five development challenges identified at national level: Infrastructure and Resources.

LIOP finances activities in four sectors: transport infrastructure, environmental protection, risk management and adaptation to climate change, energy and energy efficiency, contributing to the Union's strategy for smart, sustainable and inclusive favourable growth.

The LIOP benefits from a financial allocation of approx. 10.8 billion Euro, of which:

- 6.94 billion Euro Cohesion Fund;
- 2.28 billion Euro European Regional Development Fund;
- 1.62 billion Euro Co-financing.

In order to reach the proposed objectives, 8 Priority Axes were established within the LIOP:

- Priority axis 1 - Improving mobility by developing the TEN-T network and the subway;
- Priority axis 2 - Development of a multimodal, high-quality, sustainable and efficient transport system;
- Priority axis 3 - Development of environmental infrastructure under conditions of efficient management of resources;
- Priority axis 4 - Environmental protection through biodiversity conservation measures, air quality monitoring and decontamination of historically polluted sites;

- Priority axis 5 – Promoting climate change adaptation, risk prevention and management;
- Priority axis 6 - Promoting clean energy and energy efficiency in order to support a low carbon economy;
- Priority axis 7 - Increasing the energy efficiency at the centralized heating system level in the selected cities;
- Priority axis 8 - Intelligent and sustainable systems for the transmission of electricity and natural gas;

The deficiencies in the transport sector are addressed in two axes: PA1 mainly addresses the mobility problems at the level of the central TEN-T network and in Bucharest, from the perspective of the development of the subway transport. PA2 mainly addresses the problems of connectivity and accessibility to the TEN-T network developed through PA1, as well as the development of sustainable transport modes and the resolution of deficiencies in the railway sector. The list of major projects proposed for financing is part of the MPGT implementation strategy. The projects from the extended investment list of the program that derives from the Strategy for the implementation of the MPGT, sent for information to the European Commission, will be financed according to the existence of a sufficient fiscal space.

The needs identified in the field of environmental protection are addressed in two axes. The PA3 aims in particular to support the fulfilment of the obligations deriving from the European acquis, and the PA4 is focused on the protection of biodiversity, both by promoting European priorities and by decontamination of the polluted sites and by restoring their initial status. Decontamination and waste management measures will contribute to reducing groundwater pollution, by ensuring, together with wastewater management measures, a better management of water resources.

At the same time, measures to improve the capacity of air quality monitoring are promoted. Risk management and prevention are addressed in PA5, both by promoting green infrastructure and flood protection infrastructure and by reducing the effects of coastal erosion, as well as the issues related to emergency situations response capacity.

In the field of energy, the proposed measures are concentrated in three axes. PA6 aims at measures destined to promote energy efficiency in industry and at household level, as well as energy production from renewable sources, while AP7 aims at improving energy efficiency at centralized district heating systems level.

These measures are complemented by interventions to support energy transport systems, both for a safe takeover of energy produced from renewable sources and for the development of interconnections with other MS.

To begin with, we analysed the value of the budget approved on priority axes:

Table 1. Allocation of the 2014-2020 LIOP budget on priority axes (millions of euro)

| LIOP 2014-2020 | | | |
|-----------------------|--------------------------|-------------|-------------------|
| | Value of approved budget | Of which EU | % of total budget |
| PA1 | 4005 | 3404.26 | 36,93 |
| PA2 | 1885.57 | 1602.74 | 17.39 |
| PA3 | 3402.88 | 2892.44 | 31.38 |
| PA4 | 382.98 | 325.53 | 3.53 |
| PA5 | 563.20 | 478.72 | 5.19 |
| PA6 | 232.15 | 197.33 | 2.14 |
| PA7 | 293.50 | 249.48 | 2.71 |
| PA8 | 80.03 | 68.03 | 0.74 |
| TOTAL | 10845.32 | 9218.52 | 100 |

Source: own processing according to the information provided by the Managing Authority of the LIOP 2014-2020

While in the SOP Environment program from the programming period 2007-2013 the focus was first and foremost on the medium sector, it can be seen that in the current programming period 2014-2020 the largest amounts in terms of the budgetary allocations in the equivalent LIOP program aimed at three axes, respectively PA 1 with 4 billion euro (36.93%), PA 3 with 3.4 billion euro (31.38%) and PA 2 with 1.9 billion euro (17.39%) . Thus, more than half of funds (54.31%), respectively 5 billion euro was directed to the transport sector (PA1-PA2) and only 1.6 billion euro was directed to support the fulfilment of the obligations deriving from European acquis in the field of environmental protection (PA3-PA4). The fourth axis in the order of allocations is the PA 5 axis, the axis that supports the risk management program and adaptation to climate change. Here they allocated funds of 0.56 billion euro, respectively 5.19% of the allocations. The last priority is the “Energy and energy efficiency” the priority allocated through the 3 axes (PA6-PA8) 0.61 billion euro, respectively 6%.

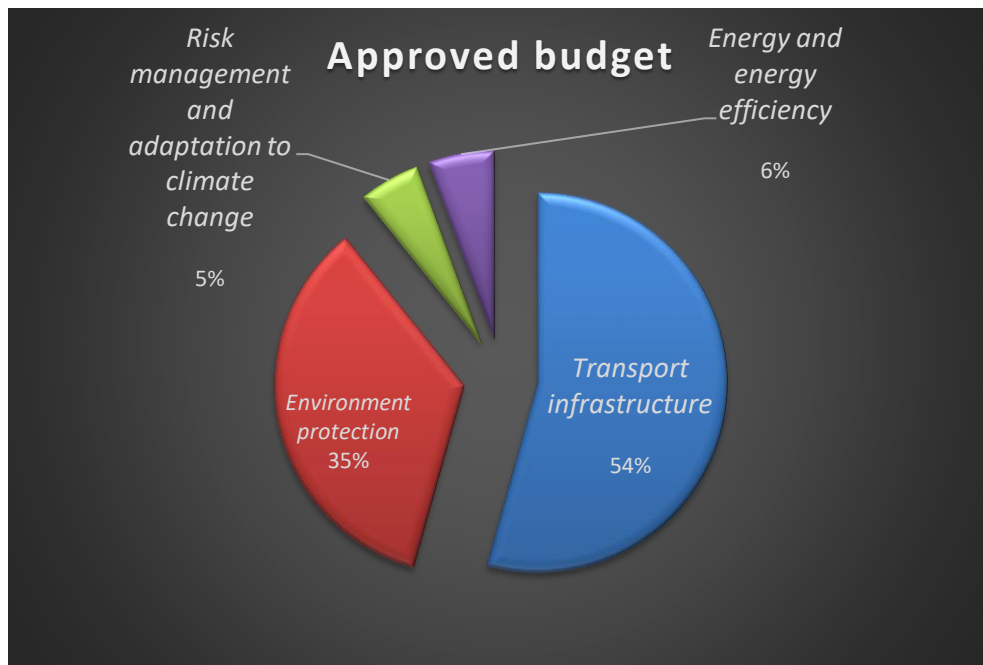


Figure 1. The budget approved for the LIOP 2014-2020 (on priority areas).

Source: Own processing

In table 2 we centralized the situation of the projects submitted and of those approved for the LIOP 2014-2020:

Table 2. The situation of the projects submitted and of those approved for the LIOP 2014-2020 by priority areas (millions of euro)

| Priorities | Approved budget | Of which EU | No. of submitted projects | Value of submitted projects | Of which EU | No. of approved projects | Value of approved projects | Of which EU |
|---|------------------|-----------------|---------------------------|-----------------------------|------------------|--------------------------|----------------------------|-----------------|
| Transport infrastructure | 5,890.58 | 5,006.99 | 114 | 9,252.17 | 7,105.36 | 62 | 5,858.77 | 4,403.37 |
| Environment protection | 3,785.85 | 3,217.98 | 239 | 3,267.74 | 2,750.75 | 154 | 3,011.94 | 2,560.15 |
| Risk management and adaptation to climate change | 563.20 | 478.72 | 8 | 835.22 | 622.85 | 8 | 835.22 | 709.94 |
| Energy and energy efficiency | 605.69 | 514.84 | 60 | 318.54 | 231.33 | 20 | 133.92 | 108.53 |
| TOTAL | 10,845.32 | 9,218.52 | 421 | 13,673.67 | 10,710.29 | 244 | 9,839.85 | 7,781.99 |

We analysed each priority from 3 directions: the approved value, the number and the value of the submitted projects and the number and the value of the approved projects (until 31.03.2019 the date of our analysis).

Priority: Transport Infrastructure

Within this priority the total amount allocated was of 5890.58 million euro, respectively 54% of the total budget approved for the entire Large Infrastructure program. Until 31.03.2019, a number of 114 projects have been submitted, which have requested funding in the total amount of 9252.17 million euro, 57% more than the amount available for funding. Out of these 114 projects, 62 projects with a total value of 5,858.77 million euro were approved (Figure 2), resulting in a 99.45% financing from the approved budget.

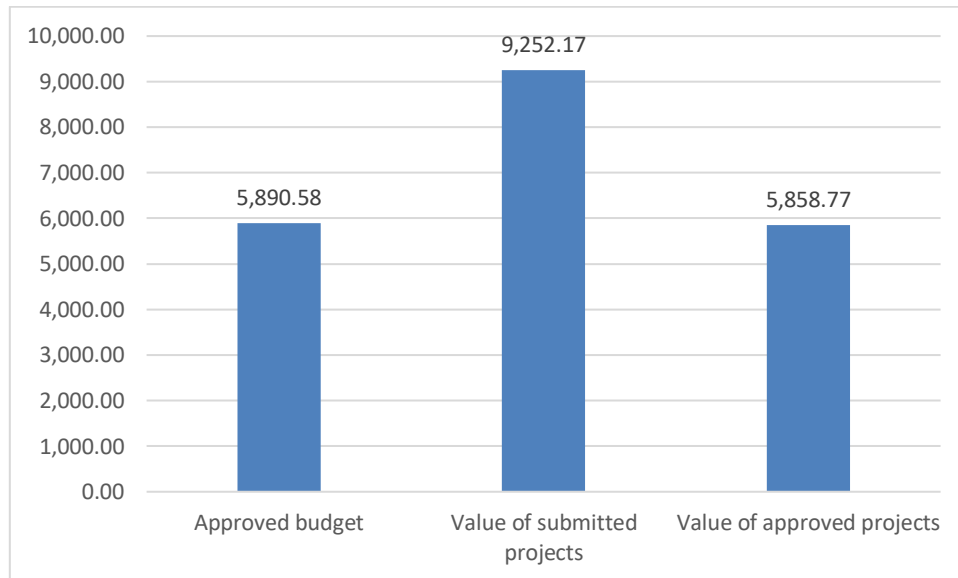


Figure 2. Comparison between the approved budget, the value of the applications submitted and the value of the projects approved for financing for the LIOP 2014-2020 (on the priority area “Transport infrastructure”).

Source: Own Processing

Priority: Environmental Protection

Within this priority the total amount allocated was of 3785.85 million euro, respectively 35% of the total budget approved for the entire Large Infrastructure program. Until 31.03.2019, a number of 239 projects have been submitted, which have requested financing in the total amount of 3267.74 million euro, 13.68% less than the amount available for financing. Out of these 239 projects, 154 projects with a total value of 3011.94 million euro were approved (Figure 3), resulting in a financing of 79.56% from the approved budget.

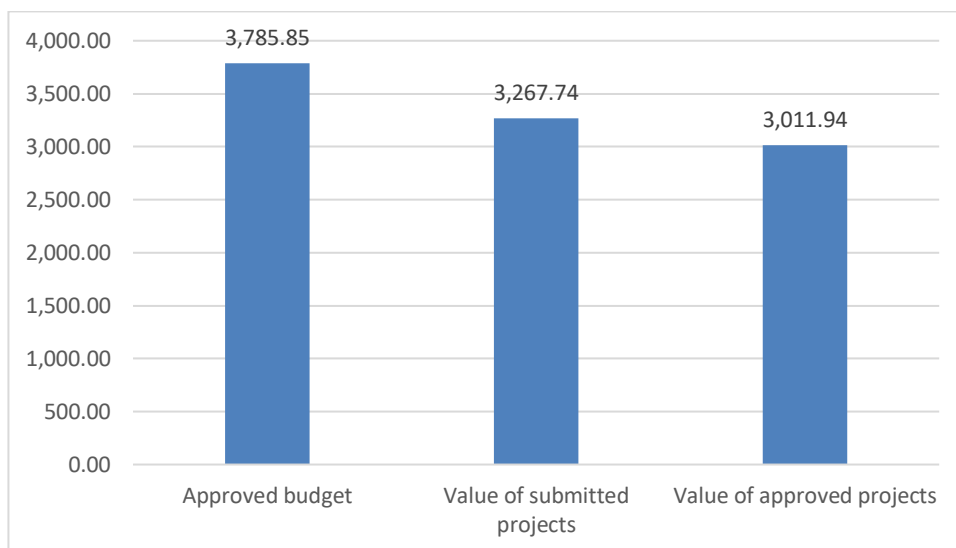


Figure 3. Comparison between the approved budget, the value of the applications submitted and the value of the projects approved for financing for the LIOP 2014-2020 (on the priority area “Environmental protection”)

Source: Own processing

Priority: Risk management and adaptation to climate change

Within this priority the total amount allocated was of 563.20 million euro, respectively 5.19% of the total budget approved for the entire Large Infrastructure program. By 31.03.2019, a number of 8 projects were submitted that requested financing in the total amount of 835.22 million euro, by 48.30% more than the amount available for financing. Out of these 8 projects, 8 projects with a total value of 835.22 million euro (Fig. 4) were approved, resulting in a 148.30% financing from the approved budget.

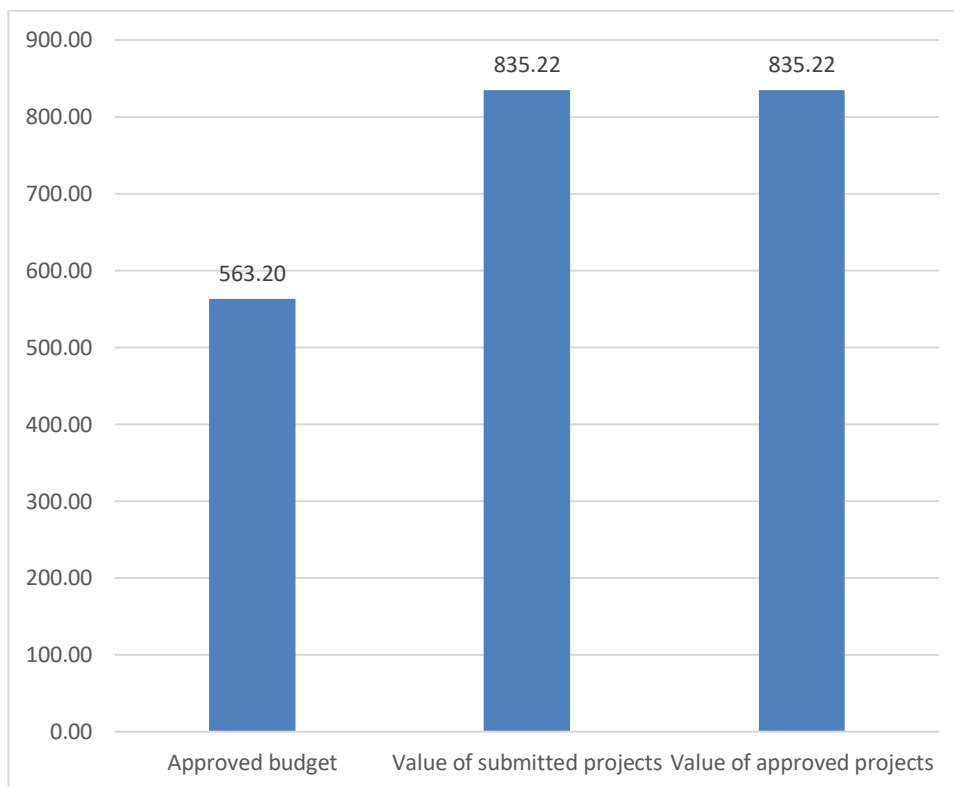


Figure 4. Comparison between the approved budget, the value of the applications submitted and the value of the projects approved for financing for the LIOP 2014-2020 (on the priority area “Risk management and adaptation to climate change”).

Source: Own processing

Priority: Energy and energy efficiency

Within this priority the total amount allocated was of 605.69 million euro, respectively 5.58% of the total budget approved for the entire Large Infrastructure program. By 31.03.2019, a number of 60 projects have been submitted that requested financing in the total amount of 318.54 million euro, by 47.41% less than the amount available for financing. Out of these 60 projects, 20 projects with a total value of 133.92 million euro (Figure 5) were approved, resulting in a financing of 22.11% from the approved budget.

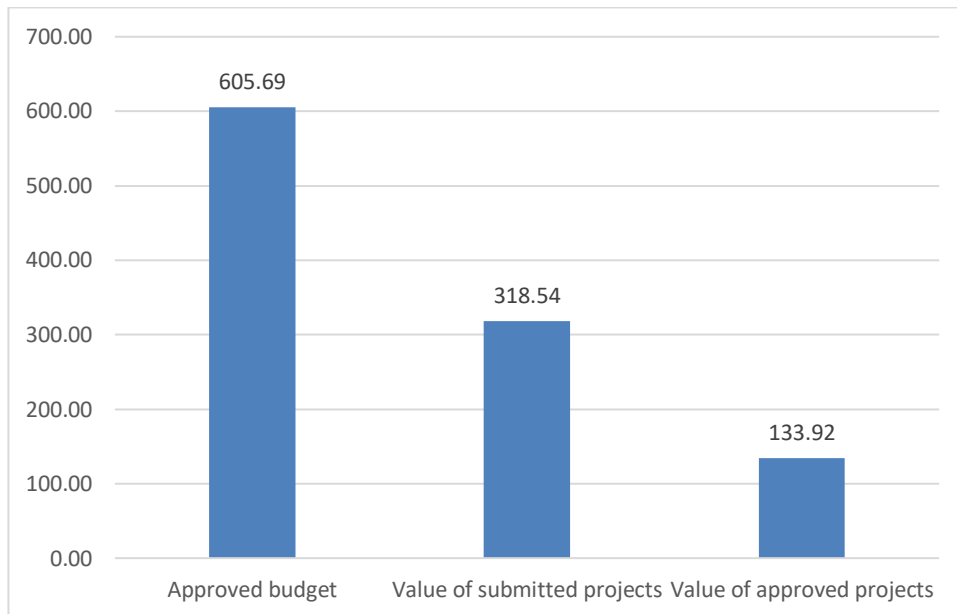


Figure 5. Comparison between the approved budget, the value of the applications submitted and the value of the projects approved for financing for the LIOP 2014-2020 (on the priority area “Energy and energy efficiency”).

Source: Own processing

5. Conclusions

From the above facts, it follows that the highest overwriting of projects was made for the priority “Transport infrastructure”, respectively 57% more than the budgeted amount, 9,252.17 million euro as compared to 5890.58 million euro. Also, if we relate the value of all approved projects, regardless of axes to the value of the entire budget approved on the LIOP program 2014-2020, it turns out that until 31.03.2019, 90.73% of the entire approved budget was consumed due to project approvals.

Thus, at least from the point of view of the beneficiaries' interest, the absorption could go up slightly to 100%. But the actual absorption (the expenses finally reimbursed by the European Commission) has never been higher than 90% on any program in Romania. In conclusion, the only impediment that diminishes the absorption at the level of each program, in the conditions in which the beneficiaries submit projects that are also approved for financing, is the faulty implementation thereof. In the near future we want to study the causes of the implementation period

that lead to the reduction of the absorption of funds in Romania on this program.

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