

## FINANCIAL PROGRESS PROGRAMME ROMANIA- BULGARIA CROSS-BORDER COOPERATION, 2007-2013

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**ABSTRACT:**

*THE MAIN PURPOSE OF THIS ARTICLE IS TO PRESENT THE FINANCIAL SITUATION OF THE CROSS-BORDER COOPERATION PROGRAMME ROMANIA-BULGARIA 2007-2013, FROM 2007 UNTIL THE YEAR 2012, BASED ON ANALYSIS OF ABSORPTION AND DISTRIBUTION OF EUROPEAN FUNDS IN THE PROGRAM, THROUGH ANNUAL IMPLEMENTATION REPORTS.. ARTICLE ALSO SEEKS FINANCIAL PROBLEMS FACED BY THE PROGRAM DURING ITS IMPLEMENTATION, HOW MUCH OUR COUNTRY IS INVOLVED IN ATTRACTING EUROPEAN FUNDS AND AND IF THESE FUNDS ARE SPENT JUSTIFIABLY.*

**KEY-WORDS:** *EUROPEAN TERRITORIAL COOPERATION, CROSS-BORDER COOPERATION PROGRAMME, EUROPEAN STRUCTURAL FUNDS, EUROPEAN UNION, PROJECTS, BUDGET.*

Cross-border cooperation target all types of activities from local and regional communities, including economic development, spatial planning, urban planning, tourism and recreation, training, transportation, environmental protection, etc.

This type of cooperation programs covering a variety of border regions: some work with maritime areas, others with internal EU land borders or boundaries coumune candidate countries. Most are bilateral programs, but some programs consist of more than two neighbors countries (eg. South Baltic Programme ).

As for funding, it is granted, provided that the organizations on both sides of the border, as well as regional authorities, universities and SMEs, to collaborate in the implementation of projects related to the needs of the border region. Representatives of cooperating regions, thematic ministries and other local partners meet regularly and decide which of the projects will be supported and funded. This unique structure is designed to lead to a sustainable partnership that will continue long after the program ends.

At the moment, there are 53 cross-border cooperation programs related to internal borders of the EU co-financed programs by up to 85 % by the European Regional Development Fund. There are 10 other cooperative programs focused on the external borders of EU candidate and potential candidate countries ( Croatia , Serbia , Bosnia and Herzegovina , Montenegro , Albania and Turkey) that are funded by both the ERDF ( for Partners EU ) and the Instrument pre -accession assistance (for countries that are not EU partner ).

Among these, it is the Cross Border Cooperation Programme Romania - Bulgaria, which is one of Programmes for the period 2007-2013, carried out under the "European Territorial Cooperation" of the European Union's cohesion policy. This Border Territorial Cooperation Programme is the first program that addressed to the border area between Romania and Bulgaria as EU internal border after their accession to the European Union on 1 January 2007. It is the first program developed based on the principles and requirements of the Structural Funds as border area became eligible to receive financial assistance from the European Regional Development Fund under the European Territorial Cooperation Objective. It is also the first program that treats border region as a whole, without distinction belonging to one of the two neighbors.

The program aims to encourage and strengthen cooperation in the border area of the two neighboring countries, Romania and Bulgaria, through joint activities leading to the interconnection of territories and of course to promote social and economic development consistent, correlated and that sustainable border region.

The program supports the development of eligible border areas, both in Romania and in Bulgaria. Seeks to create a "bridge " between the two countries in order to assist border regions, in order to solve similar problems of developing collaborative and promoting common solutions. In this way, the border, instead of separate regions on both sides of the Danube, it will unite them.

The program promotes sustainable integrated cooperation in the border area, focusing on the strategic dimension of European cross-border spatial development involving and that benefits local communities. This will be achieved by joining communities in the program area and their involvement in economic activities, social and environmental.

Overall objective of the CBC program is to bring people, businesses and communities in the border area Romanian - Bulgarian to develop joint cooperation area through sharing the benefits of human, natural and environmental and resources.

From a financial standpoint of view, until June 30, 2012 were contracted 197 million euros from 204.8 million euros total ERDF allocation (96.2%). By the same date, 578 applications were submitted for reimbursement in the amount of 48.7 million euros. The amount of payments to beneficiaries was on June 30, 2012 of 33.4 million (representing 16.33% of the ERDF allocation). Up to this date have been completed 71 projects under the Cross-Border Cooperation Programme Romania-Bulgaria 2007-2013, from a total of 126 contracted projects[1]. The results achieved by the completed projects have helped strengthen the cooperation relationships between the two partner countries through: organizing events, developing education / textbooks / materials specialist workshops / seminars / cultural events, publishing informative / promotional, organizing exchanges of experience creating cross-border networks and partnerships, acquisition of equipment / supplies, setting up development centers tourist / business, construction / rehabilitation of buildings and roads, improve infrastructure and business environment, tourism development. In December 31, 2012, the beneficiaries have filed 627 applications for reimbursement, totaling EUR 62,234,356.12. From this, there were been paid by the Management Authority, 545 requests for refunds, amounting to 38,752,394 euros from the ERDF. The remaining requests for reimbursement are in various stages of processing in the Common Secretary / Management Authority. In the context were 16 applications submitted to the Commission for payment of a total amount of 54,982,788.06 euros, of which the European Commission has repaid EUR 21,654,519 from ERDF [2].

According to the official website of the CBC Programme Romania-Bulgaria 2007-2013, in June 2013, the situation of the implementation program was the following [3]:

<b>projects submitted</b>	<b>392</b>
<b>selected projects</b>	<b>225 (347 653 554,36 EUR-FEDR)</b>
<b>projects contracted</b>	<b>141 (213 309 185,95 EUR-FEDR)</b>
<b>Ongoing Projects</b>	<b>42 (126 594 752,91 EUR-FEDR)</b>
<b>projects completed</b>	<b>93</b>
<b>projects canceled</b>	<b>6 (3 911 286,37 EUR-FEDR)</b>
<b>reimbursement requests</b>	<b>715 (82 370 775,30 EUR)</b>

### *Dividing revenues by priority axis*

Priority Axis	EU investment	National Public Contribution	Total public Contribution
Accessibility	80 594 790	14 832 151	95 426 941
Environment	76 238 315	13 646 018	89 884 333
Economic and Social Development	47 921 227	8 577 497	56 498 724
Technical Assistance	13 069 425	7 124 118	20 193 543
<b>Total</b>	<b>217 823 757</b>	<b>44 179 784</b>	<b>262 003 541</b>

Source: [http://ec.europa.eu/regional\\_policy/country/prordn/details\\_new.cfm?gv\\_PAY=RO&gv\\_reg=ALL&gv\\_PGM=1291&LAN=18&gv\\_PER=2&gv\\_defL=7](http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?gv_PAY=RO&gv_reg=ALL&gv_PGM=1291&LAN=18&gv_PER=2&gv_defL=7)

### *The financial situation by years, according to the Annual Implementation Reports of the Programme:*

- **Year 2007:**

During 2007, expenditures were made from the budget of the CBC Programme Romania-Bulgaria.

According to the Article 82 of the General Regulation 1083/2006, the European Commission presented to the Certification Authority for the Cross-Border Cooperation Programme Romania-Bulgaria, the amount of 4,356,475.14 euros, representing the first payment in advance for the program in December 2007 [4].

- **Year 2008:**

By the end of 2008 the European Commission sent to Romania, as pre-financing of the Cross Border Cooperation Programme Romania-Bulgaria, EUR 10,891,878.85.

During 2008, there were no costs to the Programme Romania-Bulgaria Cross-Border Cooperation Priority Axes 1-3. Only expenditure under technical assistance priority axis were recorded in 2008, but no refund request was not submitted until the end of the year. The total amount allocated for the first call for proposals, for the three priority axes,

was 40% of the ERDF financial allocation for 2007, for priority axes 1 and 2, and 60% of the financial allocation for 2007 ERDF Priority Axis 3, together national public and private funding, resulting in a total funding of EUR 16,131,862.

As expected, the highest average was recorded for projects submitted for priority axis 1, followed by Priority 2 and 3. A total of 12 projects, with an initial value of 500,000 euros were received - two for priority 1, priority 2 3 7 for Priority Axis 3 -, two projects worth over one million euros - one for each priority axis 1 and priority Axis 3.

A second call for proposals for projects both "soft" and "hard", was released in October 2008. Overall amount allocated for this call, for the three priority axes was EUR 101 464 403.

In the late of 2008, the global economic crisis began to be felt in the program area. Although he had at the time, positive values, all economic indicators have declined significantly in the last quarter of 2008 in both countries for almost all types of resources and activities. Also, imports and exports rates declined significantly in late 2008. Livelihoods most affected by global economic crisis in the last quarter of 2008 were: industry, financial, real estate and business services.

• **Year 2009:**

In early 2009 the global economic crisis have become increasingly observable in the program area. The crisis has brought with it new challenges, including the need to better regulate and supervise the financial mechanism. A good chance for a quick revival of the economy was the European funds, the same as in the current situation. This solution depends solely on competence and transparency of the process, with the potential to boost strategic areas and the economy in general. In this period of economic and financial difficulties, these funds can have two major advantages: the cheapest source, can boost big infrastructure projects and major branches of the economy and create new job opportunities. During 2009, five interim periods in the context of the second call for proposals, was available in the cross-border Cooperation Programme Romania-Bulgaria, as follows: January 31, 2009, March 31, 2009, April 30, 2009, July 31 2009 and 30 October 2009. By the end of 2009, the European Commission granted Romania, as pre-financing Cross Border Cooperation Programme Romania-Bulgaria, the amount of 19,604,138.13 euro. Amount represents 9% of the total Structural Funds allocated to this program in accordance with the revised Art. 82 of Regulation 1083/2006. No request for reimbursement was submitted in 2009 to the Managing Authority, for contracts under 1-3 Priority Axis of the programme. Only one first request was submitted by Romanian partners in Unit First Level Control in ROC Calarasi, until the end of 2009 under No. 6144/17.12.2009, totaling EUR 61260.55 [5].

Four requests for reimbursement under Priority Axis 4 - Technical Assistance Program, have been submitted to the Management at the end of 2009. Overall amount of reimbursement requests was 183 526 euros - 118 778 euro from the ERDF and 64748 Euro the contribution of the Romanian state budget. Two payment claims were submitted to the European Commission by the end of 2009, with a total value of 117,975.34 euros ERDF. None of the requests for payment has not been repaid by the Commission by the end of 2009 as a result of the revised description of the management and control and conformity assessment, were not re-submitted up until the end of 2009.

The total amount allocated for the second call for proposals for the three priority axes was EUR 101 464 403.

- **Year 2010:**

By the end of 2009, the European Commission gave the pre-financing Cross Border Cooperation Programme Romania-Bulgaria, the amount of 19,604,138.13 Euros of ERDF funds. Amount represents 9% of the total allocated from the European Regional Development Fund (ERDF) under the Program in accordance with the revised Art. 82 of EC Regulation 1083/2006. For priority axes 1-3 until 31.12.2010 were submitted by program partners, the Joint Technical Secretariat (JTS), a total of 41 having a total value of Euro 885,656.27, of which 731,328.81 Euro ERDF. A total of 11 applications for reimbursement were verified and presented to the Joint Managing Authority (MA), with a total value of Euro 304,541.65 - 258,265.09 euros from the ERDF. A total of eight applications for reimbursement were authorized and paid by the Managing Authority to the beneficiaries, with a total sum of 171,124.20 Euros of ERDF.

Three payment requests were submitted to the Commission by the end of 2010, with a total value of EUR 331,610.26 from the ERDF. All three payment requests were reimbursed by the European Commission by the end of 2010, by which time they were contracted 67 projects with a total allocation of EUR 76,452,118.68 from the ERDF. In late 2010, the total ERDF allocation of 217,823,757.00 euros, a total of 175,682,385.11 euros already allocated in the selected programs.

- **Year 2011:**

During 2011, continued progress from 2010, in terms of increasing the number of contracted projects from 66 projects contracted in late 2010, with a total of 89,839,085.18 euros, 110 contracted projects at the end of 2011, amounting to 181,958,360.90 euros [6].

For priority axes 1-3 to 31.12.2011 were submitted by program partners, the Joint Technical Secretariat, a number of 309 applications with a total repayment of EUR 14,769,882.77 (validated by first level controllers) - of which ERDF Euro 12,515,398.14. A total of 286 applications for reimbursement were verified and presented to the Joint Managing Authority, with a total value of EUR 13,493,992.17 - 11,433,392.82 euros of which ERDF. Until 31.12.2011 number 246 refund applications were approved and paid by the Managing Authority to the beneficiaries, with a total amount of 11,349,160.82 euro ERDF.

37 claims for reimbursement were submitted under Priority Axis 4 - Technical Assistance of the Program, the Joint Technical Secretariat, Managing Authority and National Authority for the period 2008-2011. The total amount of reimbursement requests was 2,521,239.14 euros, of which 34 have been paid by the end of 2011, with a value of 1,567,577.24 euros from the European Regional Development Fund. During 2011, a total of 22 applications for reimbursement were submitted under Priority Axis 4 - Technical Assistance of the Program, to the Joint Managing Authority and National Authority. The total amount of reimbursement requests was 1,436,705.52 euros. For this request, the 19 were paid by the end of 2011, with a total value of EUR 870,474.21 from the ERDF. Remaining three claims for reimbursement were paid in early 2012.

### **Conclusions:**

At the beginning of the EU accession process, a lot of companies saw opportunities in the markets of their coasts. In particular, Bulgarian companies in the food and construction took advantage of their chances on the Romanian market as it is about three or

four times more than Bulgaria. And more importantly, there is a significant demand for the products of Bulgaria in these sectors in Romania. So big companies started to invest in cross-border activities. But then came the economic crisis, the Romanian currency dropped significantly and their activities could not be profitable. Most of the Bulgarian companies have frozen or closed their efforts and activities and this is a situation that persists until today. Due to the economic crisis, some of the beneficiaries were not able to provide co-financing or cash flow necessary. One of the proposed solutions was to access bank loans. However, in the same context of the financial and economic crisis, the beneficiaries had difficulty getting loans from banks, because many banks require more collateral from them in order to approve the loan. 5 beneficiaries requested to withdraw projects during 2011 [7].

Today, although the economic situation has improved, companies are not very keen to invest abroad because they are aware of the high risks which it would assume. In other sectors, there is almost no interaction, because the economic structure is about the same and it is difficult for a foreign company to compete with the indigenous, mainly because to cross the border, a lot of fees must be paid.

In 2007, shortly after the EU accession of Romania and Bulgaria, was inaugurated Cross-Border Cooperation Programme between the two countries. This program is part of the EU cohesion policy. EU Cohesion Policy seeks to achieve balanced and sustainable development of the Community and is a fairly egalitarian notion. The idea of balanced development is actually a spatial manifestation of a social problem [8].

The total funding of the program is 262 million, of which EUR 217.8 million from the ERDF, 42.6 million of national public funding and private funds 1.5. Various monitoring agencies were established at program and project level to control the efficiency and allocation. Despite these agencies allocate funds face some difficulties. Public Policy Institute published a report in July 2011 which stated that in Romania, only 3.4% of the money from EU funds are spent effectively. [9] In the case of Romania and the countries which recently joined the European Community, one of the biggest challenges facing both public administration and business as is the capacity to absorb EU structural funds allocated for the programming period 2007 – 2010 [10]. Some of the main reasons that causes the low absorption rate financial resources are generated, in particular the lack of a coherent long-term vision of the authorities, insufficient resources for co-financing projects, low administrative capacity at central and local level, lack of institutional coordination failures public-private partnerships and insufficient skilled human resources [11].

Romania's inability to use EU funds is endemic, although this may be explained by various factors. The fact that it fails to attract European funds since the early post-accession, at least the same as the national contribution to the Community budget, recording net charges as EU member state, is not only paradoxical situation, but also with dramatic effects discrepancies regarding the recovery of development and real convergence with the EU.

We tend to believe that the debate on structural funds absorption by Romania is at least confusing, the main reason is related to the lack of transparency of the central government, especially at the management of operational programs and also denying the vulnerabilities in this regard, which prevents identification of potential problems. Instead of analytic image is presented an incomplete picture of absorption, emphasizing only the positive aspects that ultimately make possible scientific approach difficult. While it is

unclear how much money intended for the Cross-Border Cooperation Programme, is necessary to achieve his objectives, surely we can say that at least 50% of the allocated funds do not reach where needed. This is related to the lack of transparency and gives rise to suspicions of corruption. However, the excitement and expectations of cooperation were very high at the beginning of negotiations on the accession of Bulgaria and Romania to the European Union and a wealth of Bulgarian companies have tried to enter to the romanian market and also to make use of EU funds. This enthusiasm and expectations have changed recently away when people realized how hard it was to fullfill all EU standards. Especially for small businesses, it is very difficult to satisfy certain criteria, because they have to invest a lot. EU provides some funds for these companies, but the money often does not reach them...

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