

Social benefits and institutional strains

The golden burden of EU funds in Romania

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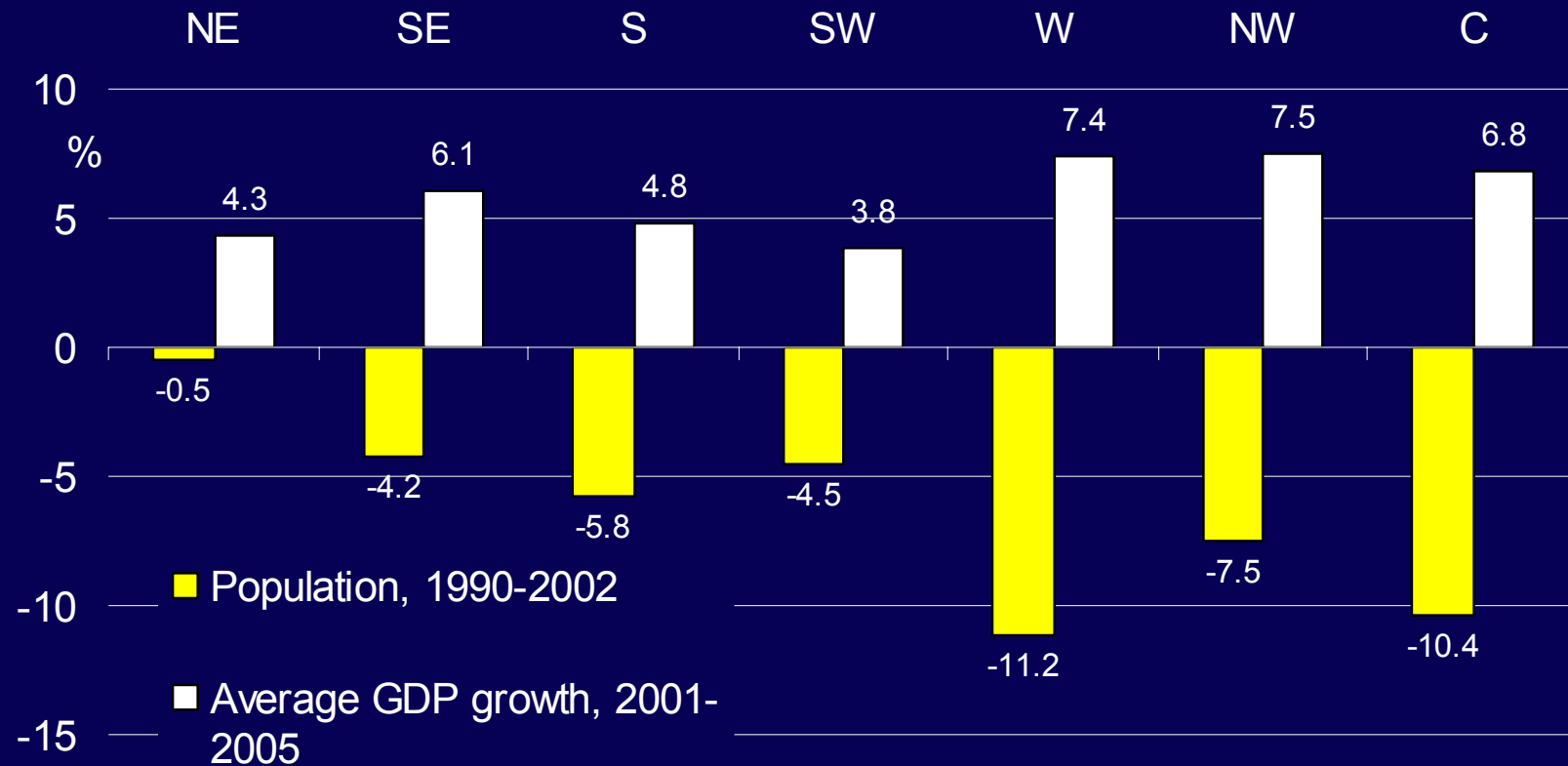
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Context after 2000

- Robust economic growth, with increasing FDI, after severe restructuring of heavy industry in the late '90s (“little Poland, seven years later”)
- Slow demographic decline
- High emigration to EU (permanent / circulatory), esp. after 2002
- Severe labor shortages, generalized – (low unemployment / low employment)

Context after 2000

Population change and economic growth by development regions



Context after 2000

Labor supply and demand by region, forecast for 2005-2013



Context after 2000

- Labor shortages have spread to all qualification levels (even low skilled), in both private and public sectors
- Trends are not uniform by regions: highest growth and population decline in the West – the “*W-E wave pattern*”
- Reproduce old patterns: historic path dependence
- Rapid development increases the gaps

EU assistance

- 12-15 euro/cap when negotiations started
- 50-60 euro/cap when negotiations completed
- 200 euro/cap peak after accession

Massive effort in programming / control / and actual implementation (up to 55-60% will have the PA as final beneficiary)

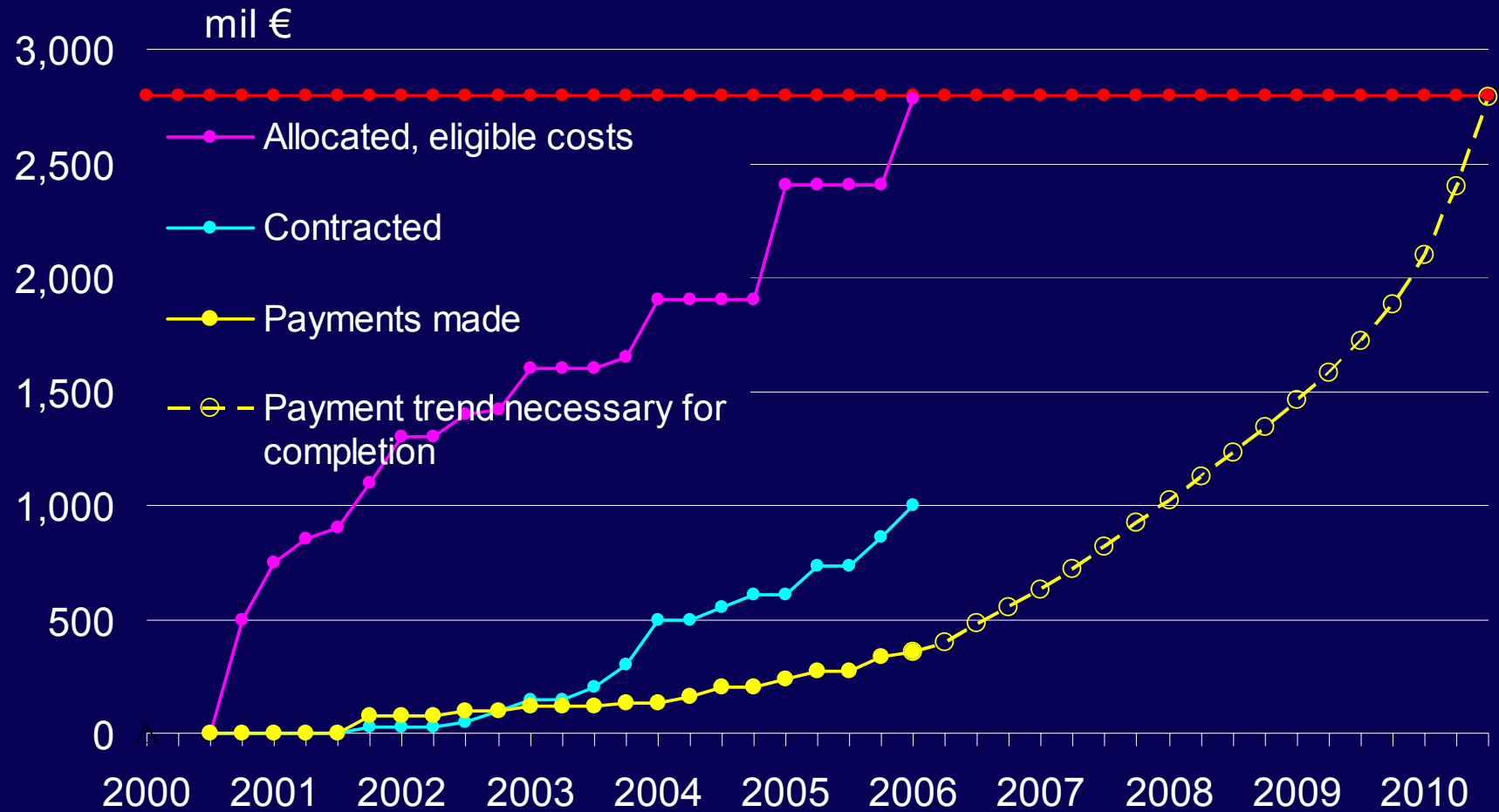
New Public Management agenda: cross-sectoral goals, performance indicators, strict deadlines, evaluation and feed back

Institutional challenges

- Strong administrative tradition of sectoral (“vertically” integrated) policies and programs
- Little experience of project management in the public sector – capacity crunch
- Increasing wage disparity public-private
- No culture of evaluation: threatens effectiveness
- With some exceptions, non-state actors (employers, unions, academia, NGOs) have limited participation: costs, time horizon

Capacity crunch - example

ISPA in Romania



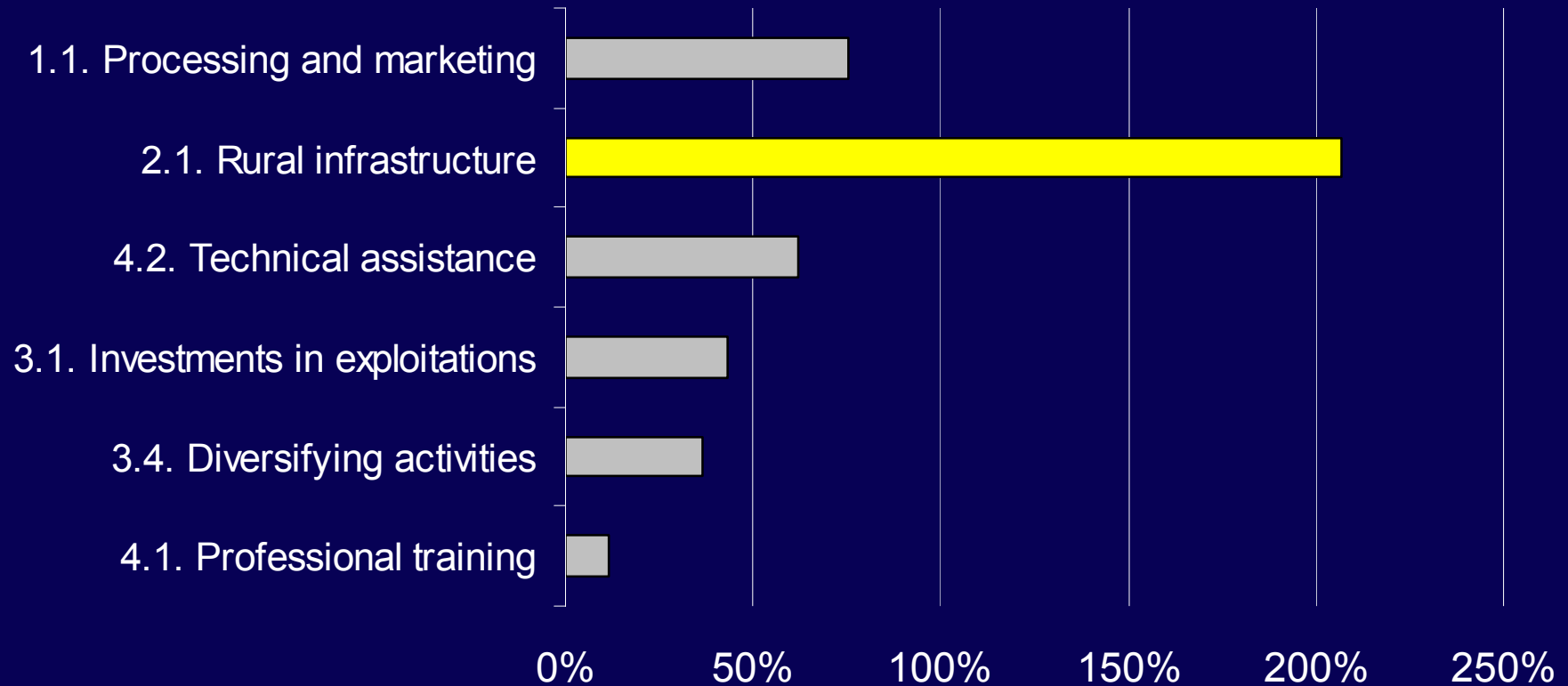
Strategic challenges

- Visionary leadership + strong institutions / environment changing at breakneck speed
- ***Cohesion***: redistribution (I, II) / or focus on “nuclei of development”?
- If redistribution, what is the true role of local governments?
- Urge to spend (absorption rate becomes the indicator of political success) / quality of programs (esp. “soft”)
- Lisbon agenda / vs. “traditional development” infrastructure

Strategic challenges

High demand for the “traditional agenda” from local actors

Demand for funds in SAPARD Romania, mid-2005



EU funds and development

Risk to create “false growth” / slow down restructuring varies by type of assistance:

High	Direct payments to farmers
Medium	Business promotion
Low	Human resources (HR)
Low	Infrastructure

However: uncertain impact on HR;
maintenance costs in infrastructure often neglected

EU funds and PA reform

EU assistance will play a major role in PA reform, but in what direction?

- Reinforce sectoral lines / or facilitate policy integration?
- Strengthen or weaken local governments' autonomy, because of financial transfers from the center (rich / poor ones)?
- Create a “dual” public administration: policies with / without EU funds?

**Romania as an
EU member:
messy, work in
progress...**

