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**ECONOMIC EFFECTS OF CO-FINANCING EUROPEAN
PARTNERING PROJECTS. THE CASE OF ROMANIA**

Resume (EN)

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2. KEY WORDS

Economic convergence, cohesion policy of the European Union, structural and cohesion funds
European funds co-financing, absorption capacity, investments, public-private partnership (PPP)

3. SUMMARY

Romania's integration into the European Union on January 1st 2007 marked a historical moment for the Romanian people and since this year has been ten years old as a Community State, it is the moment of a profound analysis confirming the considerable progress, significant changes and the many benefits recorded in the last decade, both socially and economically, but financially also.

Beyond all the indicators used to measure the benefits of EU membership, which are generally analyzed and presented at national level as an average to compare with the EU average, the improvement of the quality of life of each Romanian citizen within a region / county is perhaps the most pragmatic approach in terms of the new economic reality and an inclusive approach at regional level, since the economic development disparities differ depending on the county, some being more developed and other less developed within a region.

The current research paper aims to assess the extent of the general absorption of European funds in Romania, but also to determine the significant economic effects of the co-financing of the European projects generated at the territorial level on the Romanian economy.

The relevance of this topic is that Romania is currently facing great challenges in terms of its positioning on a path of sustainable development. According to country reports made by external partners (European Commission, World Bank etc.), Romania has a major infrastructure deficit, it needs to materialize a substantial administrative reform, has limited capacity to retain human capital within its and/or to develop new skills and presents wide intra-regional economic disparities and/between urban and rural areas etc.

An empirical approach was used in the paper to confirm or invalidate the following research assumptions:

- **Hypothesis 1:** Attracting European funds involves a financial effort from Romania as part of the partnership agreement with the European Union. Romania faces institutional and financial deficiencies that obstruct the ability to attract European funds and develop partnering projects with profoundly negative effects on economic development.

- **Hypothesis 2:** The own contribution of the beneficiaries, respectively the co-financing planned from the public and private beneficiaries' own resources, represents a substantial effort to implement the European projects.
- **Hypothesis 3:** The absorption of European funds, conditional upon co-financing of public and private beneficiaries, has generated economic effects on GDP, employment and productivity.

The PhD thesis consists of five chapters. The **first chapter** is dedicated to the analysis of the literature regarding the concepts of "*convergence*" and "*cohesion*" in terms of the European economic model. These concepts are analyzed in relation to Romania's current position as a member of the European Union and to the fundamental role that the EU cohesion policy has in the process of reducing the economic disparities between Romania and the developed European countries.

In **Chapter 2** was evaluated the absorption capacity of European funds as well as the contribution of the public sector in co-financing the European projects in Romania. The qualitative results obtained by the author in this chapter show that a restrictive factor in the process of absorption of European funds lies in the fact that Romania does not have the institutional and administrative capacity to manage the problems faced by the structural instruments management system. Another major factor which has limited the efficiency of the absorption process of European funds in Romania was the limited capacity of the beneficiaries to co-finance the European partnership projects.

Chapter 3 presents the analysis of another form of partnership investment that has proven its effectiveness in the European area: Public Private Partnership (PPP). In this case, the legislative deficiencies also affected Romania's capacity to support partnership projects as the type of public-private partnership (PPP). The results obtained by the author in this specific domain indicate that the implementation of such projects could not be carried out in Romania so far, mainly due to the very rigid legislation and the very poor expertise of the public administrations to structure and manage such complex projects.

In **Chapter 4**, the research activity was focused on creating a database and analyzing the evolution of the absorption of European funds, national public co-financing and the co-financing of project beneficiaries for the period 2007-2016. The most significant results indicate that in Romania, the total co-financing (eligible and ineligible) of projects from beneficiaries for European projects was higher than the public one, reflecting the significant effort of the private

beneficiaries associated with risk taking, even if some part of the amounts spent were finally reimbursed.

Research of **Chapter 5** aimed to quantify the impact of absorption and co-financing of European funds on the economic activity. The regional distribution at county level (NUTS 3) of the absorption of the funds was absolutely necessary for the application of an econometric model, given a short period of analysis. The panel model used highlighted the effects of the absorbed EU funds on GDP, unemployment and employment. According to the empirical results obtained by the author, the absorption of European funds generated regional economic effects in Romania. Thus, the results of the econometric models indicate that there are significant relations at the county level between the Gross Domestic Product and the payments from the European Union. Also, according to the results of the ARDL econometric model, there is a strong multiplier effect of long-term investments, driven by the absorption of European funds on Gross Domestic Product. In addition to these benefits, the results of the quantitative analysis indicate that the absorption of European funds generated positive effects, including in the county labor market. Thus, the results of the economic model indicate that employment is positively influenced by the level of the eligible budget and the volume of co-financing of partnering projects.

As a result of this study, an important conclusion is reached regarding the co-financing of partnering projects. In Romania, there is a need for a collective effort that must be understood both by the beneficiaries from the public and private environments, because successive delays in the absorption of EU funds and implementation of public-private projects (PPP) are translated into major opportunity costs at microeconomic and macroeconomic level. The most important consists in wasting the years in which the economy might develop both at national level, on account of infrastructure and human capital investment, but also at microeconomic level, in terms of investments that could contribute to the faster development of companies and increasing the living standards for Romanian citizens.