2 INTRODUCTION

2.1 Context of the evaluation

The experience of the Member States (MS) that joined the European Union (EU) since 2004 has shown that often the beneficiaries of EU funds are unable to find the financial resources necessary to ensure the cash flows needed for project implementation. This has resulted in failure of project commencement, delays during the implementation phase and in some cases, a failure to deliver the promised results that were expected. To address this problem, for the 2007-2013 programming period, the European Commission (EC) provided through General Regulation (GR) 1083/2006 for advance payments to be paid to MS to facilitate the implementation of the Operational Programmes (OP). The setup of subsequent pre-financing mechanisms at national level was left at the discretion of the MS.

In the case of Romania, as per the provisions of the National Strategic Reference Framework (NSRF) for the period 2007-2013, a pre-financing mechanism was to be setup at national level "*to pre-finance certain operations for which the beneficiaries are central and local public authorities and Non-Governmental Organisations (NGO)*" in order to avoid delays in projects' implementation. The mechanism consists of providing advance payments directly into the accounts of the beneficiaries. By 2009, the pre-financing mechanism had been extended to cover private beneficiaries. Also, important provisions concerning the financing of projects where the beneficiaries are central public institutions and national companies subordinated to Ministry of Transport (MT) and Ministry of Environment and Climate Changes (MECC) were introduced. Through the NSRF, Romania also assumed the responsibility that, if pre-funding received from the EC was not sufficient to cover the pre-financing needs in a certain year, the additional resources needed would be provided from the state budget. In accordance with Article 82 of GR 1083/2006[5], Romania received, in the period 2007-2010, pre-financing amounting to 9% of the European Regional Development Fund (ERDF), 13% of the European Social Fund (ESF) and 12.5 % of the Cohesion Fund (CF) 2007-2013 allocations. In total, the advance payments amounted to approximately € 2.1 billion. These funds were to be used for both pre-financing and reimbursement payments.

The legislation covering the pre-financing mechanism has had several important changes from 2007 to 2013, consisting mainly of modifications to the pre-financing rate applied to various types of beneficiaries and projects and adjustments to the procedures for disbursement to beneficiaries. The subsequent modifications of the national provisions for the pre-financing mechanism can be divided into six time periods, which are presented in a summarised form as follows[6]:

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[5] *amended by Regulation no. 284/2009 and Regulation no. 539/2012*

[6] *Dates of entry into force of the respective acts (publishing date in the Official Journal) was considered*

No.	Period	Pre-financing regime
1	2nd of February 2007 – 2nd of November 2008	• Pre-financing rate: 15% of eligible value • SOP HRD: 20% (PA 1-5); 40% (PA 6)
2	3rd of November 2008 – 23rd of March 2009	• Pre-financing rate: 15% of eligible value • SOP HRD: 30% (PA 1-5); 40% (PA 6)
3	24th of March 2009 – 13th of July 2009	• Pre-financing rate: 20% of eligible value • SOP HRD: 30% (PA 1-5); 40% (PA 6) • State aid projects: 35% of grant value
4	14th of July 2009 – 25th of July 2011	• Pre-financing rate: 30% of eligible value • SOP HRD: 30% (PA 1-5); 40% (PA 6) • State aid projects: 35% of grant value
5	26th of July 2011 – 22nd of March 2012	• Pre-financing rate: 10% of eligible value (1st instalment: 5%; 2nd instalment after authorisation of 60% of the 1st instalment) • Major projects: 20% of the eligible value • State aid projects: 35% of grant value • Amortisation: 30% of each Reimbursement Claim (RC) value (up to the last RC) • Pre-financing to be given back if RC (min 20% of value of pre-financing) not submitted in 6 months from receipt
6	23rd of March 2012 – present	• Pre-financing rate: 10% of eligible value (1st instalment: 5%; 2nd instalment after authorisation of 60% of the 1st instalment) • Major projects, projects co-financed 100%, projects <1 million RON (eligible value): 20% of the eligible value • State aid projects: 35% of grant value • Amortisation: 30% of each RC value (up to last RC) • Pre-financing to be given back if RC (min 60% of value of pre-financing) not submitted in 6 months from receipt

2.2 Objectives

The specific objective of the project is to provide decision makers, policy makers and programme managers with pertinent information and credible assessments as to the: (1) efficiency and effectiveness of the pre-financing mechanism; (2) key parameters of beneficiaries using pre-financing; (3) issues regarding access to and use of pre-financing; (4) optimal relationships within the pre-financing structure. The project aims to contribute to the acceleration of project implementation in the current programming period and the set-up of a more appropriate administrative structure for SI in the next programming period.

The analyses, recommendations and tools developed by the project will support MEF and MPF to measure the costs for the national budget, for the application of the pre-financing mechanism and thus provide a more solid justification for the future adjustments to the mechanism. Through the analyses made at the level of the beneficiaries, the project will contribute to the effectiveness of the pre-financing mechanism objective of securing the absorption of the EU funds available for Romania.

According to the ToRs, the main target groups identified (as users of the Evaluation Report) are:

- The Managing Authorities (MA)
- The Intermediate Bodies (IB)
- The Authority for Certification and Payments (ACP)
- The Ministry of European Funds (MEF)
- The Ministry of Public Finances (MPF)
- The Monitoring Committees of the Operational Programmes
- The European Commission (EC).

The project will affect both actual and potential beneficiaries of SI and therefore should impact on more groups than those directly using the Evaluation Report. Moreover, other institutions directly involved in the implementation of SI, such as the banking system and other financial institutions should be affected by the conclusions and recommendations of the report.

2.3 Scope

The project activities and sub-activities were designed with a view to ensure a thorough research of the aspects and factors influencing the efficiency and effectiveness of the pre-financing mechanism in Romania. The actions planned follow a logical structure, aiming to address, in a coherent and adequate manner, the evaluation questions defined by the Beneficiary.

The analysis process includes both qualitative and quantitative analysis of the data and information collected, which concern all Operational Programmes (OPs) in Romania, within the 2007-2013 programming period. In order to respond to the level of detail entailed by the evaluation questions, a specificity of the project was that its starting point was the compilation of a comprehensive data set consisting of information, at project level, concerning the financial implementation of all OPs. Such a task proved more difficult than anticipated. The information in Single Management Information System (SMIS) continues to be unreliable with respect to several OPs, therefore the data set needed to be complemented with information extracted directly from MAs and IBs, which was time-consuming.

In order to respond in a comprehensive manner to the evaluation questions raised and especially with a view to contribute to the setup of a sound administrative system for the period 2014+, the qualitative analyses, interviews and beneficiary survey addressed also SI beneficiaries outside the current pre-financing scheme, as this is defined by the legislation. In this context (and as confirmed by the consultations with the evaluation's stakeholders), it is important to note that the financing system setup through EGO no. 64/2009 for central public institutions and state companies represents, *de facto*, another type of pre-financing mechanism, which is entirely supported by the state budget. The evaluation is taking account of this reality and the recommendations made point to an integrated approach to pre-financing at the level of the SI for the next programming period.

2.4 Methodological approach

The Consortium's approach was designed to address the requirements of the project ToRs. The principles underlining the approach are:

- Compliance with the ToRs;
- Combining quantitative and qualitative evaluation methods;
- Using a participative approach;
- Focusing the evaluation process towards achieving the project objectives; and
- Ensuring relevant know-how transfer.

Details of the methodology used to answer to the four evaluation questions are presented in Annex 1.