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Second Interim Evaluation Report on the Administrative Capacity of the Authorities and Beneficiaries of CSF funds

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Second Interim Evaluation Report on the Administrative Capacity of the Authorities and Beneficiaries of CSF funds

Ministry of European Funds, Romania

Bucharest, 17.04.2015

Ex-Ante evaluation of the Partnership Agreement 2014-2020
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List of abbreviations

AA	Audit Authority
ACIS	Authority for the Coordination of Structural Instruments
ACP/CPA	Certifying Payment Authority
AIR	Annual Implementation Report
ANCS/NASE	National Agency for Scientific Education
AN for Roma	National Agency for Roma population
CAP	Common Agriculture Policy
CFP	Common Fisheries Policy
CC	Consultative Committees
CF	Cohesion Fund
CPA / ACP	Certifying and Paying Authority
CPR	Common Provision Regulation
CSF	Common Strategic Framework 2014-2020
UAPE	Department for Analysis Programming and Evaluation
DLAF	Department for Fight against Fraud
EARDF	European Agriculture and Rural Development Fund
EBRD	European Bank for Regional Development
EC	European Commission
EMFF	European Maritime and Fishery Fund
EIB	European Investment Bank
ER	Evaluation Report
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	European Territorial Cooperation
EU	European Union
EU at MFE	Evaluation Unit at Ministry of European Funds
FR	Final (progress) Report
FWC	Framework Contract
GD	Government Decision
IB	Intermediate Body
ICPA/CIAP	Inter-ministerial Committee for the Partnership Agreement
IR	Inception Report
M	Month
MA	Managing Authority
ME	Ministry of Economy
MEF	Ministry of European Funds

MLFSPEP/MMFPSPV	Ministry for Labour, Family, Social Protection and Elder People
MNE/MEN	Ministry of National Education
MEUR	Million Euro
MR	Monthly Report
MRDPA/MDRAP	Ministry for Regional Development and Public Administration
NSRF	National Strategic Reference Framework
OP	Operational Programme
OP ACD	Operational Programme Administrative Capacity Development
OPTA	Operational Programme for Technical Assistance
PA	Partnership Agreement
PAIA	Paying Agency for Interventions in Agriculture
PARDF	Paying Agency for Rural Development and Fisheries
PNDR/NPRD	National Programme for Rural Development
POP/OPF	Operational Programme for Fishing
ROF	Regulation for organisation and functioning (Internal Regulations)
ROP	Regional Operational Programme
Q	Evaluation question
SI	Structural Instruments
SMIS	Single Management Information System
SOP IEC	Sectoral Operational Programme Increasing Economy Competitiveness
SOP HRD	Sectoral Operational Programme Human Resources Development
SOP E	Sectoral Operational Programme Environment
SOP T	Sectoral Operational Programme Transport
ToR	Terms of Reference
WG	Working Groups

1 EXECUTIVE SUMMARY

"The poor administrative capacity is a core concern for Romania. The ineffectiveness of the Romanian public administration with overregulation and cumbersome and inefficient procedures hampers the business environment and the capacity for public investment"

(European Commission, 2013)

The low administrative capacity is considered as one of the main factors contributing to the low rate of absorption under the 2007-2013 programming period; Romania was constantly the lowest in the European Union rankings for structural, cohesion and fishery funds.

In this context, the Ministry of European Funds commissioned an assessment of the administrative capacity of the institutions with responsibilities in the management of European Union funds as part of the Ex-ante evaluation of the Partnership Agreement, designed in two stages: (1) A first assessment looking at the 2007-2013 period in order to identify the lessons learned that could be used for improving the administrative capacity in the process of preparation for the new programming period and (2) an update of the first assessment at the end of the programming process for 2014-2020 in order to capture the progress.

The assessment has to respond to the question: "Is the authorities' and beneficiaries' administrative capacity sufficient for an appropriate implementation of Common Strategic Framework[1] funds?"

The first answers were provided in September 2013 with the first report on the administrative capacity of the authorities and beneficiaries, identifying the key issues and weaknesses that have to be addressed. Eleven recommendations were formulated in the first assessment report.

The current update is focused on the progress made in improving the administrative capacity of the authorities and beneficiaries since the first assessment, covering the implementation of the 2007-2013 Operational Programs and the start of the implementation of the Partnership Agreement and the Operational Programmes 2014-2020.

Summary of conclusions regarding the administrative capacity of the authorities and beneficiaries

The administrative capacity of the authorities and beneficiaries is a serious challenge for the effective implementation of the European Structural and Investment Funds. Although progresses have been made during the last year, **significant improvements are still needed.**

The challenge for the Romanian authorities is to find the appropriate solutions to improve the administrative capacity and performance in the system responsible for European Structural and Investment Funds management, in an environment where the progress in improving the entire public system is slow and uncertain. During the period 2007-2013, the measures to improve the administrative capacity of the European Structural and Investment Funds management system were hindered by the systemic weaknesses of the Romanian public administration.

Romania is doing well in terms of **formal compliance**, such as setting up structures, formalising cooperation, creating tools and systems, but the **functioning of the system remains poor**.

[1] Community Strategic Framework a common tool for the implementation of European Structural and Investments Funds which include European Regional Development Funds, European Social Fund, Cohesion Fund, European Fund for Agriculture and Rural Development, European Fund for Fisheries and Maritime Affairs

C1. The experience of the 2007-2013 programming period indicates the fact that increased authority of the management and coordinating bodies, **stability of the organisations' structures and the whole overall framework have to be ensured**, in order to improve the institutional performance and the inter-institutional cooperation. Romanian authorities started in 2013 a process of revision of the institutional framework adopting a centralised approach with a strengthened management role of the Ministry of European Funds. This approach ensures a greater administrative coherence of the authorities responsible for the management of European Structural and Investment Funds, and raises at the same time the challenge to have a good cooperation with policy makers and other development actors at central and regional level.

C2. The 2007-2013 experience proved that although the partnership structures are created, **limited capacity in policy management, ineffective communication and cooperation tools** are among the factors influencing the effective participation of the partners in the programmes management cycle. The programming process for 2014-2020 experienced difficulties in ensuring the required strategic framework for the Partnership Agreement and Operational Programmes, with delays in the development of the required sectoral strategies and compliance with the ex-ante conditionalities.

C3. Ensuring adequate human resources quantitatively and qualitatively is a key problem of the system. Largely **the Human Resources function is limited to compliance with the requirements** to set up specific Human Resources processes but their effectiveness is limited. The organisations **do not have a sufficient capacity to effectively use Human Resources policies and practices**, to ensure adequate resourcing and to respond to the performance requirements and changes in the environment.

C4. There is a need to align people performance with the organisation's performance, a shift from competences based to "results based" performance management, in order to better **orient efforts of the individuals towards the Operational Programmes' performance targets.** The **reward system** has to be able to attract and retain good professionals and stimulate performance. The improvements of the reward system undertaken in 2014 resulted in a higher attractiveness of the jobs in the system and an improved retention.

C5. There is a need to create and offer training opportunities in order to ensure the competences in critical areas and a continuous professional development of the staff. The **training system has to be strengthened** using the past good practice such as the training mechanism managed by Authority for Coordinating Structural Instruments and the training practice from Regional Operational Programme Managing Authority, reinforcing the coordination, and renewing the approaches and methods according to the best practices in the training world.

C6. It is evident from the 2007-2013 period that, in the case of organisations where the capacities were built on the previous experience and with stable human resources at management level and critical positions, these organisations dealt better with the demanding performance requirements and the constraints of the economic and social environment. **More stability of the structures, of the managers** and people in key positions has to be ensured.

C7. As a general feature, the **implementation system looks overregulated with complicated** and in many cases unclear procedures associated with excessive bureaucracy and high administrative burden have slowed down and even blocked the processes, mainly at the expense of the beneficiaries. The allocation of responsibilities at all levels has to be reviewed and **procedures simplified** reducing the administrative burden. The tools used in programme implementation in all phases have to be clear, useful and friendly to beneficiaries. Ministry of European Funds has already started the simplification of the procedures resulting in faster and easier procurement for private beneficiaries, contracting, reporting and payment claims requirements. As a good basis for further simplifications a study on administrative burden has been finalised o 2014, providing practical recommendations to continue the administrative burden reduction.

C8. A more effective indicators system, with an improved design, methodologies and capacity at all levels to use, calculate and report indicators. Production of data needed for the indicators selected has to be ensured. At the reporting date, the managing authorities were developing the Indicators guides for 2014 -2020. The consistent approach and methodology, the assistance of the ex-ante evaluators as well as the coordination of Ministry of European Funds are premises for producing more effective indicators' systems.

C9. The potential of the electronic systems is not fully used, and improvements are needed in terms of reliability and user friendliness. For 2014-2020 more useful features for the users are required than the present Electronic Systems have. **Implementation of the e-cohesion concept** is expected to enhance the simplification, administrative burden reduction and transparency.

C10. A key problem encountered in the 2007-2013 exercise in using the systems and tools, is **the limited reliability of the management and control systems.** The irregularities identified in the management and control of public procurement and other system irregularities in the activities of project appraisal and selection , such as fraud, suspicion of conflicts of interest and connivances led to suspension of payments led to interruptions and suspension of payments Although the main systemic problems have been resolved, removing the interruptions and suspensions and ensuring a smooth implementation of the programmes, a number of weaknesses remain as priorities to be addressed and monitored, such as: management of procurement, first level control effectiveness, audit trail, risk management, irregularities detection and management

C11. The procedures for payment flows, expenditure forecasts and certification of expenditure need significant improvements being **excessively bureaucratic with prolonged processes,** and **low predictability** of the forecasts.

C12. The **internal audit** does not appear to contribute to early detection of system irregularities. **Risk management is not properly used** as a management tool in all organisations and the management of irregularities has significant gaps in terms of prevention and correct recording of the current and future management.

C13. The programming period **2007-2013 was a challenge for the beneficiaries,** due the new rules that were significantly different from those applied in the pre-accession programmes, the larger sizes of the projects, and, in some cases, involvement of the same entity in a large number of projects. The **project management capacities built in the public institutions** responsible for a large amount of the funds to be absorbed, such as local and central public institutions, who are the key operators of public infrastructure, are a major area for further development.

C14. Strengthening of the organisational capabilities to ensure sustainable capacities for project management is a key need and includes improved management and control systems, better integration with other functions of the institution, and improved competences in particular areas of expertise. **Public procurement and project management skills** continue to be training priorities.

C15. Improved capacity for preparation of the technical documentation in the case of infrastructure remains an issue to be addressed. There is limited capacity of the key development actors at regional, local, and sectoral level to manage project pipelines and ensure mature projects ready for implementation. For a number of sectors at regional level, there is no organisation empowered to implement sectoral policies, e.g. Research, Development and Innovation, tourism, Small and Medium Enterprises etc. The intentions to use more strategic integrated projects in 2014-

2020 period will impose strengthening of these development actors mentioned above, able to facilitate or directly develop and implement such projects.

C16. In the case of private and small beneficiaries, there needs to be ensured **simple procedures, clear guidelines** and **easy access to consultancy services** in terms of availability and affordability. **Consultancy services have to evolve** to respond to the market needs, through smooth and transparent procurement processes and predictable opportunities created in the programmes' implementation.

C17. The beneficiaries have a limited capacity to mobilise financial resources, which remains a key issue and risk factor for programmes performance.

Recommendations of the assessment

R1. Ensure increased authority[2] of the management and coordinating bodies, stability of the organisations' structures and the overall framework, in order to improve the institutional performance and the inter-institutional cooperation. The recommendation made in 2013 is to a large extent implemented leading to the following recommendation. The updated recommendation is: Following the setup of the new institutional framework it is recommended to ensure (1) the selected Intermediary Bodies have the adequate capacity corresponding to the number of beneficiaries and complexity of the projects mainly at regional and local level (2) stability of the structures

R2. Improve effective participation of the social partners in the programming process and the monitoring committees; improved coordination of the processes, provision of information and improvement capacity of the social partners has to be considered. The update of the assessment indicated that the recommendation remains valid. Positive premise for achieving it is the fact that it was already assumed through the Partnership Agreement the support provided to the members of the monitoring committees for a more effective involvement and Operational Programme Technical Assistance 2014 2020 foresees funding for this support. Continuous provision of the support is required.

R3. *Develop the Human Resources function in the system of the Common Strategic Framework funds*. Capacity for the management of the Human Resources function has to be created with a central body at the level of Ministry of European Funds, strong coordination and adequate use of Technical Assistance resources. Cooperation with the Human Resources departments of the ministries and integration with their processes as many as possible is needed. Use of models from the business sector, analysis of the Human Resources processes should be regularly performed in order to monitor effectiveness of the function and progress in development of the administrative capacity. The recommendation remains valid on long term. Creation of a new tool for performance management increase the challenge and responsibility for the Human Resources department and managers to ensure sustainable implementation. For this an additional recommendation is to ensure continuous highly qualified assistance to the Human Resources department for:

- Ensure the system is understood and accepted by the staff
- Managers are able to link and support it through the day by day management of people practice.
- The Human Resources department is able to monitor implementation, evaluate as necessary and ensure the fine-tuning of the overall performance management system.

R4**.** Revision of the whole management system in order to simplify procedures, should focus on the optimal use of call for proposals, reasonable/minimum documents requirements for all phases,

[2] Power made legitimate by laws, written rules, and regulations.

clarity and agreement on the interpretation of the procedures by all control bodies, the use of standard costs and lump sums where appropriate, etc. In the light of recent developments we recommend persistence in Implementation of the recommendations of the study on administrative burden.

R5. Develop user friendly guidelines, manuals, helpdesks, tutorials, with an extended use of Information and Communication Technology, in order to ensure easy access for all beneficiaries. The recommendation remains valid. The first steps for implementation have been made by Ministry of European Funds which commissioned a study on administrative burden; further on Operational Programmes assumed alignment of their procedures with the recommendations for reduction of the administrative burden. Progresses already made with revision of the guidelines, but the recommendation remains valid.

R6. Ensure development of an effective indicators system in line with the European Commission methodology, with adequate capacity at project and programme level to use the indicators and to produce data for the calculation and monitoring of the indicators. This should be implemented through coordination at the Ministry of European Funds' level, including a provision of guidance and training to all users of the system. Ministry of European Funds have to ensure the data providers have the capacity and ability to assume production of data. The recommendation is addressed through assistance to Operational Programmes 2014-2020 in preparation of the indicators guide and has to be followed up with guidance, tailored on the audience and coordination from the Ministry of European Funds' level across all Operational Programmes.

R7. Extend implementation of the e-cohesion concept in all processes of data exchange with the beneficiaries. This recommendation is already addressed, being object of the dedicated Priority Axis 2 in Operational Programme Technical Assistance 2014-2020. Recommendation remains valid.

R8. Strengthen the management and control systems of the authorities. This needs to be implemented through improved competences in internal control, risk management, and the prevention, detection and management of irregularities. The recommendation was confirmed and accepted through the action plan for strengthening the administrative capacity attached to the Partnership Agreement 2014-2020. The recommendation remains valid.

R9. More effective technical assistance support measures for the beneficiaries are needed to address the key weaknesses: project management skills, management of project pipelines, public procurement, technical skills, access to guidance and assistance, etc.

R10 Identify, strengthen or create, capacities for policy implementation for the key sectors funded from Common Strategic Framework, at the national and regional level, e.g. regional bodies for Research, Development and Innovation policy implementation, Small and Medium Enterprises, Human Capital, etc.

R11. Improved access of the beneficiaries to finance to be ensured through accessible pre-financing mechanisms, an improved bankability[3] of the projects, simplified and quick reimbursements during the projects implementation.

[3] The adequacy of a project to qualify for a bank loan in order to cover cofinancing and implementation cash-flow needs

Other factors enhancing the capacity of the authorities and beneficiaries

Implementation and progress of the public administration reform in Romania is a key external factor necessary to create a favourable environment for the implementation of administrative capacity measures addressed to the public institutions authorities and beneficiaries.

For the private beneficiaries, an essential external factor is the improvement of the business environment with a reduced administrative burden that will stimulate entrepreneurship and investments.

Final conclusions and recommendations of the update of the assessment

FC1 The update of the assessment proved that all eleven recommendations have been addressed for the 2007-2013 Operational Programmes through direct actions or plans and mechanisms for future actions in the case of 2014-2020. All recommendations remains valid, in some cases there were formulated more concrete or follow up recommendations according to the steps already undertaken.

FR1 We strongly recommend the conclusions and recommendations of the report to be further discussed with the relevant authorities, decision makers and experts' groups in order to find the ways to ensure coherence and sustainability of the measures planned or undertaken for each recommendation.

FC2 The current report offers two "tailor made" tools for the continuous development of the administrative capacity development, (1) the administrative capacity checklists and (2) the administrative capacity indicators database. These tools allow to project an overall picture, monitor the key dimensions and most relevant variables of the administrative capacity, to identify and highlight the strengths, the weaknesses and the developments.

FR2 In order to make the best use of these tools it is essential to be established the ownership of these tools and the capacity to use the tools regularly.

2 Introduction

2.1 Background and context

This report is part of the Ex-ante Evaluation of the Partnership Agreement (PA), commissioned by the Ministry of European Funds (MEF) to the Consortium Ecorys Nederland – LIDEEA Development Actions srl. The Ex-ante Evaluation of the PA 2014-2020 is delivered under the framework agreement no. 23/22.08.2011 for the evaluation of structural instruments during the period 2011-2015, lot 1 – evaluations, subsequent contract no. 5.

One of the three objectives of the Ex-ante Evaluation of the PA is

- To ensure the adequate administrative capacity of the authorities and beneficiaries for a good implementation of the CSF funds.

According to the ToR, the evaluators are asked to respond to the question: "Is the authorities' and beneficiaries' administrative capacity sufficient for an appropriate implementation of CSF[4] funds?"

A first assessment of the administrative capacity of the authorities and beneficiaries was prepared and finalised in September 2013. The report aimed to inform the Ministry of European Funds on what is the current level of the administrative capacity, assessed on a selection of the most relevant dimensions and criteria, highlighting what worked and what did not work in the system, which weaknesses have to be addressed, and which strengthens could be used in building the administrative capacity for the 2014-2020 period.

The present report is an update of the first assessment, aiming at reflecting the progress in strengthening the administrative capacity of the authorities and beneficiaries and the measures undertaken since 2013, when the first assessment was made.

Both reports presents comparatively the level of the administrative capacity in 2013 and 2014 using a selection of key dimensions, qualitative and quantitative indicators as well as a graphic representation.

The report includes the checklist of the administrative capacity of the authorities and beneficiaries as well as a database with the key indicators for the most relevant dimensions and variables of the administrative capacity, with the two measurements made in 2013 (for the first assessment) and in 2014 for the update of the assessment.

2.2 Evaluability of the administrative capacity of the beneficiaries and the authorities

The assessment of the administrative capacity of the authorities and beneficiaries is a very complex assignment, due to the large number of processes, institutions and factors that influence it. Therefore in this section we explain the frame, scope and limitations of the assessment that should be considered in interpretation and further using the conclusions and recommendations.

The general frame for the administrative capacity assessment is set by the European Funds and Investments Regulations 2014 2020 and by the regulations applicable for 2007-2013 programming

[4] We will use in this report the term European Structural and Investment Funds for all European funds providing financial resources for National Strategic Reference Framework, National Rural Development Programme, Operational Programme for Fishery 2007-2013 and the Partnership Agreement 2014-2020.

period. Referring to the 2014-2020 programming period we mention the Art 15 of CPR specifying that the PA has to ensure arrangements for effective implementation of the ESI Funds including an assessment of whether there is a need to reinforce the administrative capacity of the authorities involved in the management and control of the programmes and, where appropriate, of beneficiaries as well as, where necessary, a summary of actions to be taken for that purpose.

The **authorities responsible** for the efficient implementation of the ESI Funds are all partners involved in the programming and later in the implementation of the operational programmes. According the CPR Title 1, Article 5, the **partners include** competent regional, local, urban and other public authorities as well as economic and social partners, and concerned bodies representing civil society, environmental partners, nongovernmental organisations and bodies responsible for promoting equality, and non-discrimination.

In the sense of this assessment **"authorities" means** all organisations falling in the category described above and **"beneficiaries" means** any organisation involved in the preparation or implementation of a project funded from EU funds.

Because the scope of the assessment is to provide support to MEF to make value judgements and recommendations regarding the aspects related to administrative capacity of the authorities and beneficiaries of ESI Funds **the work is limited to the functions related to the policy/programme/project cycle** management and will not assess the authorities/beneficiaries organisations as a whole entity.

Similarly to the first assessment report, the present one looks at both programming periods 2007-2013 and 2014 -2020, which at this stage already overlap, in order to identify the specific challenges and weaknesses that have to be addressed in each case. This is particularly useful considering the fact that for 2014-2020 a new institutional architecture was created and readiness institutions (with structures, human resources and systems) is a challenging issue at the start of the PA and operational programmes (OPs) implementation.

At the date of the update of the assessment, the 2014 -2020 PA was approved by the European Commission and already in implementation. Only two 2014-2020 OPs, Operational Programme for Competitiveness (OPC) and Operational Programme for Technical Assistance (OPTA) are approved and ready for implementation. The other OPs are in advanced stages of preparation and are expected to be approved by mid-2015

The update of the 2013 assessment is less extensive, from the point of view of the methodologies used, than the previous one. While the first assessment built up on an extensive number of studies and evaluations, a collection of evidences available in the organisations from internal analyses, completed and verified with information collected through interviews, online surveys and focus groups, the update was limited to a documentary study of studies, reports, technical assistance projects available since the previous assessment and a survey applied to representatives of managing authorities, intermediate bodies and coordinating structures in MEF. This option was justified by the fact that the new structures for the 2014-2020 OP are in an incipient phase more effort for an assessment at this stage would not add value to conclusions. The assessment of the beneficiaries' capacity was limited to identifying the progress in implementation of the measures planned /undertaken, studies and evaluations performed within TA contracts.

In instances where there has been an unavailability of good quality data and evidence, the findings are limited to opinions or to more general conclusions, e.g. previous conclusions maintained because there are not evidences of change and will require further analysis.

In the case of the survey and based on previous similar experiences, the limited participation – 47 responses - imposed a precautionary interpretation of the results, mentioned upon each respective case.

The delay between the release of the reports and the period to which they refer is another aspect that has to be considered in the interpretation of the conclusions. For example the 2013 Annual Report of the Court of Accounts was released in January 2015 and does not refer to 2014, but it is still relevant for the update because it identifies progresses since the 2013 assessment.

The report is composed of five chapters

The first chapter is the **Executive Summary** presenting in a concise manner the assessment scope and method, the key findings of the analysis the conclusions and the recommendations for strengthening the administrative capacity of the authorities and the beneficiaries.

Chapter 2 is the **Introduction**, consisting of the background and context information, the scoping and the limitations of the assessment

Chapter 3, the **Approach and Methodology** inform about the methods applied in this second assessment, referring to a large extent to the first assessment methodology;

Chapter 4 comprises the **Assessment of the authorities** and includes a short presentation of the way the methods have been applied, the analysis with the findings of the current capacity of the authorities, the conclusions and recommendations.

Chapter 5 is dedicated to the **Assessment of the beneficiaries** and includes similarly to the previous chapter the practical aspects of the data and information collection, the analysis, the findings regarding the current capacity of the beneficiaries, the conclusions and recommendations for the improvement of the beneficiaries capacity.

The methodology, findings, recommendations and conclusions of the update of the assessment are integrated throughout the text of the report in order to avoid repetition and in the same time to reflect the progresses.

3 Approach and methodology

3.1 The methodology adopted for the second assessment

The second assessment of the administrative capacity of the authorities and beneficiaries followed the methodology used for the first one, performed in 2013, in order to provide a clear image on the current situation, to reveal the progress from the previous assessment and the necessary measures for further improvements.

The methodology described in detail in the first report is summarized below

Administrative capacity was defined as the ability and skill of central and local authorities to prepare suitable plans, programmes and projects in due time, to decide on programmes and projects, to arrange the co-ordination among principal partners, to cope with the administrative and reporting requirements, and to finance and supervise the implementation correctly, avoiding irregularities as far as possible. The definition is in line with the international experience (ECORYS/NEI, 2002).

For the first assessment the evaluators identified from the international literature and practice the **elements (also referred to as dimensions) of the administrative capacity** that were further detailed in criteria for assessment as follows.

For the authorities three areas or dimensions of the administrative capacity have been identified:

- **structures** – having in view the structural development of the institutions framework and organisations
- **people** – focused on the human resources management including recruitment, equipping individuals with information, knowledge, and training in order to enable them to effectively carry out their tasks
- **systems and tools** - refer to the development of instruments, methods, guidelines, manuals, systems, procedures, forms, etc., which enable organisations to achieve their objectives.

Contextual factors of the administrative capacity development measures have been considered as an additional dimension of the assessment.

For the beneficiaries' assessment three key dimensions of the administrative capacity of the beneficiaries have been used, coherent with previous studies (i.e. "Challenges associated to the capacity of SI Beneficiaries" (NSRF 2011) ensuring thus consistency of the methodology and comparability. The three key dimensions are capacity of the beneficiaries to manage projects, capacity to mobilise human resources, capacity to mobilise financial resources.

The methodology is extensively presented in the first assessment report and in Annex 1 of the current report.

3.2 Methods used for the update of the assessment

The approach adopted for this update of the assessment included the following methods for data and information collection

- *Literature and documentary research*. The evaluation team has performed an inventory of the relevant studies and evaluations elaborated since the first assessment. The list of the documents analysed is included in Annex 2.
- *Online survey. For the first assessment two online surveys – one for authorities and one for beneficiaries were designed in order to* collect information and data from a large number of representatives of the authorities and beneficiaries; for the update the survey was applied only to authorities, in order to avoid the burden on beneficiaries as long as there were not expected significant changes since the previous assessment.
- *Checklist. Two checklists were prepared for the first assessment – one for the authorities' capacity and one for the beneficiaries' capacity - aimed at* structuring the analysis on dimensions and elements (variables that influence the administrative capacity); two different checklists were prepared, one for the administrative capacity of the authorities and one for the beneficiaries. The checklist for the administrative capacity of the authorities was applied during the update exercise, assessing for each criteria the progress/ change since the previous assessment, as reflected by the documents analysed or the online survey. Due to the limited information collected regarding the changes in the capacity of the beneficiaries, the checklist regarding the capacity of the beneficiaries was not updated in this exercise.
- *The administrative capacity data base*. This tool was created in order to structure the complex information regarding the administrative capacity of the authorities in a meaningful manner, coherently with the assessment criteria. The information and data included in the database are linked to the checklist' items.

  The data base was updated with the data collected highlighting specific aspects for the 2007-2013 and 2014-2020 programming period. The database include also quantitative indicators that have to be collected from administrative data produced by the authorities. The quantitative indicators complete the assessment and contribute mainly to the assessment of the effectiveness of the authorities and achievement of their objectives.

Based on these measurements it was applied a simple scoring system for the accomplishment of the expected level for each indicator (in total This represents a basis for further work in creating a composite indicator for the administrative capacity of authorities and beneficiaries which needs further refinements. e.g. normalization, weighting and aggregation, based on consultation with relevant stakeholders and testing – according to relevant methodologies - which were not possible in this update of the assessment

Due to the limited scope of the assessment update there were conducted a limited number of interviews with DGAPE staff focused on identification of reports and studies that could provide relevant information and consultants involved in the ex-ante evaluations of the PA and the OPs.

Summary of the assessment methodology

The update of the assessment followed the structure of the three dimensions of the administrative capacity. For each dimension there have been identified the most relevant variables that influence the administrative capacity at present, at the time of the assessment.

The assessment establishes to what extent it is accomplished / achieved the desired level of each variable, which corresponds to an adequate level of the administrative capacity.

For each variable there have been identified one or several criteria that could cover the key aspects or multiple sources.

The accomplishment was established on four levels and summarized in checks list (Annex 3), as follows:

- The criteria fully accomplished was assessed with "Yes"
- The criteria accomplished partially, not fully, but some improvements being necessary was assessed as "Yes*"
- The criteria accomplished partially, to a small extent and significant improvements being necessary, was assessed as (No*)
- The criteria is not accomplished, at all, there is no evidence of accomplishment, was assessed as "No".

In order to provide a synthetic view current situation and progress for each dimension and variable, a scoring system was used which allowed presentation of the administrative capacity in graphical format, a radar format, showing how far is each variable from the desired level (fully accomplished).

Using a scoring system for each level of accomplishment and compounding the scores of the criteria for each variable and dimension, resulted an index of the authorities' administrative capacity. The scoring system is explained in the database "qualitative indicators" spreadsheet and use the following scores:

- Fully accomplished: "yes" – 3 points
- Not fully accomplished, improvements are needed: "yes*": 2 points
- Partially accomplished, significant improvements are needed: " No*": 1 point
- Not accomplished: "No" 0 points.

The scoring system and the index require further developments, because it is based on simple averages of the criteria composing a variable and dimensions. The development should consider relevant methodologies for composite indicators[5], applying different weighting of the criteria, aggregation and normalization, which requires more extensive cooperation, consultation and validations with the relevant stakeholders, which were not feasible in the frame of the current assignment.

[5] OECD, European Commission - Handbook on constructing composite indicators – methodology and user guide http://www.oecd.org/std/42495745.pdf

4 Analysis of the administrative capacity of the authorities

The analysis is presented on the three dimensions of the administrative capacity; the Structures, Human resources, and the Systems & Tools, following the checklist items.

4.1 Analysis and findings - Structures

The assessment of the Structures relates to the clear assignment of responsibilities and tasks to institutions, at the level of departments or units, to good working relations and to inter-institutional cooperation. The analysis refers to a range of programme tasks including management, programming, implementation, evaluation & monitoring, financial management & control, auditing tasks, and partnership.

The assessment seeks answers to the following questions:

- To what extent the authorities are designated and comply with the Regulations' requirements? Are all MA's, IB's, coordination structures, Certification, Paying and Audit Authorities designated?
- Is the institutional framework adequate? To what extent does the location of the authorities in the public administration allow them to fulfil their management and coordination role, or to have sufficient contact with the beneficiaries? Are the responsibilities and tasks clearly allocated in the structures at department and/or unit level?
- Are the partnership structures in place and do they work effectively in all phases of the programme cycle?

4.1.1 The findings and conclusions of the 2013 assessment – Structures

The structures designated for the 2007 – 2013 programming period

FA1 The institutional architecture within the 2007- 2013 programming period for EU funding implementation has been tailored on the three EU policies: the Cohesion Policy, the Common Agriculture Policy and the Common Fisheries Policy.

The Cohesion policy is implemented through the Structural Instruments[6] with seven OPs within the convergence objective, and four OP s within ETC for which Romania has the management responsibility of the programme[7]. CAP and CFP are each implemented through single operational programmes, the National Rural Development Plan OP and the Fisheries OP.

FA2 The institutional framework for the coordination and management of the SI in Romania was set-up by Government Decision (GD) No 497/2004 (amended and supplemented by GD No 1179/2004 and GD No 128/2006) and GD No 457/2008 replacing the original decision[8].

The entities involved in the management and implementation of SI are the following: a coordinating structure being the Authority for the Coordination of the Structural Instruments (ACIS), Managing

[6] Structural Instruments include ERDF,ESF, CF
[7] Romania –Bulgaria CBC OP, Romania – Serbia CBC OP, Romania – Ukraine/Moldova CBC OP and Black Sea Basin CBC OP
[8] Source: A formative evaluation of the structural instruments, 2010

Authorities (MAs), Intermediate Bodies (IBs), the Certifying and Paying Authority, as well as the Audit Authority (AA).

ACIS (part of the Ministry of Public Finance) was assigned to act as the national coordinator of SI, being responsible for the development of the institutional and legal framework and for ensuring coordination and coherence between the OPs and these and the NRDP and the OP for Fisheries.

FA3 The whole institutional framework is located in the public administration system with the exception of the eight RDA's, having the role of IBs for ROP and more recently for PA 1 of SOP IEC. They have the status of "NGOs of public interest" being set up on the basis of the Law 315/2004 for regional development. Leader interventions within NRDP and POP are implemented through the Local Actions Groups which are associations of local organisations.

FA4The coordination bodies (ACIS) and the CPA having responsibilities for all OPs were initially located in the Ministry of Public Finance. ACIS was relocated in the last two years to the General Secretariat of the Government, then to the Ministry of European Affairs, and since 2013 has been reorganised as the Ministry of European Funds. The MAs are located in the ministries according to the policy area they relate to: Ministry of Economy[9], Ministry of Labour, Ministry of Environment, Ministry of Transport, Ministry of Administration and Internal Affairs, Ministry of Regional Development. The IBs are located either in ministries (e.g. Ministry of Education and Research, Ministry of Communications and Information Society, or Agencies (e.g. National Agency for scientific Research under the Ministry of Education and Research).

FA5 The NRDP and FOP structures are embedded in the structure of the Ministry of Agriculture and Rural Development (MARD) and include the MAs located at the level of general directorates, the Paying Agency[10] and the Certification body. There is additionally a coordination body for the two paying agencies of NRDP. The certification of the expenditures function was assigned to the CPA within the Ministry of Public Finance. The FOP has an MA also located within the MARD and the paying and certification functions are allocated to the PARDF and the CPA in the Ministry of Finance. A particular feature of the NRDP and FOP is the territorial extension on three - national, regional and county, and even four levels (local) in the case of PAIA.

FA6 The CPA is located within the Ministry of Public Finance, and the Audit Authority is located within the Court of Accounts, an independent body responsible for the financial control regarding the formation, administration and use of public funds.

FA7 Practice in other member states

"The management of the Structural Funds can be placed either within the government or by parallel structures attached to it. [.... in some countries] extensions to the public administration have been created for the whole management of the Structural Funds, which has led to a dual system. Both approaches have their own advantages, depending on strengths and performance of the governmental system. As a general rule, it is vital to locate the MAs of Operational Programmes in line with the position in the national hierarchy and the existing administrative structures". (Ecorys/NEI, 2002)

The institutional frameworks based on extensions to the public administration, also called "differentiated systems" have the advantage of stronger administrative coherence and greater overview of costs (SWECO, 2010). The disadvantage for the use of dedicated structures could be higher costs because they are not using existing structures and channels of the public system.

[9] The name of the ministries changed several times during the programming period 2007- 2013 and for this reason we have indicated the name reflecting the main function

[10] PARDF was designated as a paying agency for EARDF and EMFF investments; the paying function delegated to PAIA for EFGC

Nevertheless, studies on administrative costs indicate that there are not major differences between the different systems in terms of workloads[11].

The key success factor for the proper functioning of the system is to ensure to the management and coordinating bodies a sufficient amount of authority and power. In the case of the IBs, they have to have sufficient contacts with the beneficiaries (Ecorys/NEI 2002). As a general rule, the issue of authority and power depends on the position of the body in the public system hierarchy. There are large variations from country to country depending on the traditions and specific features of the public system.

Key issues regarding the proper functioning

FA8 The Structural Instruments system reveals that initially the location of the coordinating bodies (ACIS) and the MAs were in the existing public administration system, in eight different ministries at the same hierarchical level. In the search for a solution to ensure a stronger management of the system, ACIS has been relocated in 2011-2012 from the Ministry of Public Finance to the General Secretariat of the Government and later to the Ministry of European Affairs. In 2013, the Ministry of European Affairs became Ministry of European Funds[12] with a significant change of the structure, dedicated to the implementation of the EU policies and instruments.

FA9 The location of the IBs is in some cases at the same level with the MAs in a ministry (e.g. Ministry for Information Society is IB for the MA SOP IEC in the Ministry of Economy, Ministry of Education is IB for MA HRD OP in the Ministry of Labour). A typical situation with a risk of difficult coordination (Ecorys/NEI, 2002) is when the IB is located in an Agency subordinated to another ministry than the one where is the MA located (e.g. Agency for Scientific Research subordinated to the Ministry of Education is IB for the MA SOP IEC).

The MA for HRD OP and the MA for SOP E are using for most of their interventions the ministries' own territorial structures (de-concentrated bodies) as IBs. The evaluators found two special situations regarding IBs designation.

The first is the ROP using as IBs the RDAs with a good territorial deployment and the Directorate for the Management of the Community Funds in Tourism without any territorial structure.

The second was SOP IEC which had, for part of the interventions on PA 1, as IB the Ministry of SMEs with its territorial structures. During the implementation period, the IB status changed several times from ministry to agency or department in the Ministry of Economy. The responsibilities of the SMEs IB have been reallocated in 2012 to the RDAs[13], due to miss-performance and irregularities identified in these IBs.

The NRDP and POP structure (MAs and agencies) are located within the same ministry, as are the territorial structures at regional, county and local level (PAIA).

FA10The inter-institutional cooperation and more specifically the inter-ministerial cooperation is a key weakness of the Romanian public system (World Bank, 2010) which represents a background horizontal issue for the proper functioning of the authorities involved in the EU funds.

FA11 The volume of work is variable throughout the programme cycle and imposes adjustment of the structures in terms of sizes of the departments involved in programming, implementation, monitoring and evaluations. Figure 2 shows a projection of the workload variation for the Programme management function for all Member states highlighting a peak in 2009 - 2010. The late start of the OPs in Romania and the slow implementation translate the peak one two years and indicate an increased need of human resources in 2010- 2012 .

[11] Regional governance in the context of globalization: reviewing governance mechanisms & administrative costs (Sweco, 2010)

[12] Government Decision 43/2013

[13] Memorandum. 4480/02.11.2012

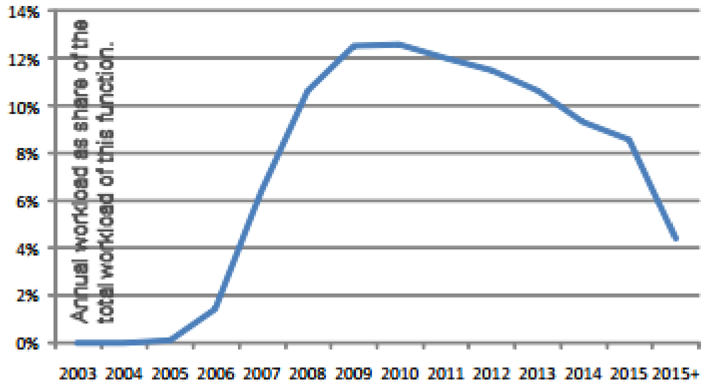

Figure 1 Variation of the overall workload in the 2007-2013;
Source: Sweco (2010) Regional Governance in the context of globalisation

The austerity measures applied to the whole public system in 2010, did not allow the creation of new positions in the departments with increased workload (e.g. implementation, monitoring, control and verification and certification of expenditure, etc.). The departments remained with inadequate resources in all MAs. The situation improved last year when the restrictions to create new jobs was lifted. The evaluators found evidence regarding the lack of analysis of the workloads in order to adjust the sizes of the departments, according to the needs, e.g. SOP IEC, SOP HRD OP (Romanian Court of Accounts, 2011)

FA12 The evaluations and reports studied revealed difficulties in the inter-institutional cooperation within the system. The evaluators found in the reports examples such as in SOP IEC implementation difficult communication between MA, IBs, CPA in the certification of the expenditures, a high degree of spread of the control structures, lack of discipline of the structures in applying the procedures, difficult or incomplete communication on general problems of the programme implementation, lack of transparency in the decisions made at the level of MA and IBs, lack of procedures regarding the circulation of the documents in the ministry, including other departments of the ministries (SOP IEC 2012b, Annual implementation Report).

FA13 ACIS had difficulties in ensuring consistency of the procedures across the MAs, (according to the interviews). This was confirmed by the lack or late reaction of some MAs to the action plans proposed for resolution of system problems: most frequently the MA for SOP IEC but also SOP HRD OP and OP ACD, SOP E. (ACIS, 2012).

FA14 Regarding the structures stability, the survey has indicated the fact that a large number of structures have been subject of changes in the last year. These changes include the transfer of the structure (directorate or department) to another institution, or in another directorate, or within the department itself significant changes have been implemented. Only 25% of the respondents indicated no change of the structure.

FA15 A particular challenge for the institutions involved in the implementation of the programmes was the approach based on a large number of small projects, i.e. SOP IEC, HRD OP, ROP, and OP ACD. It is the so called “retail approach” when the contracting authorities disburse the funds through a very large number, i.e. thousands, of small projects. The alternative is to approach larger strategic projects through “whole sellers” which could assume further disbursement and/or contracting with small beneficiaries. According to SWECO, 2010[14], the approach based on many small projects, creates high workloads at the level of IBs and MAs and large fixed administrative costs.

[14] Sweco 2010, Report on resources structures and functions, DG Regio p16

FA16 MCClements and Marinov, 2006 shows that there is a need to have a clear link with the development actor in each policy area; these wholesalers have to be public policies managers with sufficient capacity to assume the implementation of strategic projects. In 2007-2013 periods the HRD OP strategic projects proved that compliance with a number of sizes criteria is not enough to enable an organisation to deliver strategic projects; the strategic projects on HRD OP missed the links with the national policies implementation. To what extent such organisations exist and could assume the role of strategic partners is analysed again in the section dedicated to beneficiaries.

The partnership principle

FA17 The partnership principle in the preparation of the NSRF and the OPs for 2007-2013 has been formalised in the form of an inter-institutional committee made up of decisions makers from ministries, other public institutions, regional development agencies, research and higher education institutions, and representatives of economic and social partners. At the regional level, the regional committees and the thematic working groups organised have included representatives of the regional development agencies, county councils, prefects' offices, de-concentrated services of the central public institutions, higher education and research institutions and regional economic and social partners (NSRF, 2010). The interviews indicated that the partnership was limited to consultations, and the elaboration of the NSRF and the OPs was a learning process for the social partners, some of them being included in the monitoring committees of the OPs.

FA18 The structure reflecting the partnership principle during implementation of the programmes is the Monitoring Committee (MC). The MC has a broad composition, but functional gaps are found in the documents studied. Some examples quoted include: "*The Monitoring Committee's activity is not completely efficient to achieve its mission. It is needed a higher participation of the members*, […] (NRDP 2011). The contributions of the partners in the Monitoring Committees are uneven and not sufficient for good monitoring of the programmes implementation, according to the interviews. The Monitoring Committees meetings minutes reveal "*limitation of the meeting to a discussion between EC the MA and IBs, with no input from other members"* (MEF2012 Minutes MC ROP 24.05.2012). The level of discussions is "*too focused on the operational level missing the strategic issues"* (SOP IES MC 18.12.2012.). The weaknesses regarding the contributions of the members are somehow confirmed by the TA project included in the OPTA pipeline (OPTA, 2012, Evaluation of the OPTA absorption capacity) including training measures for the MC members.

Looking ahead to 2014-2020

The programming process for 2014-2020 started officially in June 2012 with the Government "Memorandum for the approval of the actions and documents for the preparation of the accession and implementation of the European funds during 2014 – 2020", which set the foundation of the Partnership framework.

FA19 The key body of the partnership framework is the **Inter-institutional Committee for the Partnership Agreement (ICPA**) organised and coordinated by MEF. ICPA has a consultative role and ensures the coordination of the partnership framework at national level in the programming process for the preparation of the PA and the corresponding operational programmes.[15]

The role of ICPA will be extended when the OPs implementation starts with responsibilities related to implementation, monitoring and evaluation. ICPA comprises of twelve consultative committees with a role of identifying and prioritizing the investments at sectoral and regional level. Several working groups are set up for each consultative committee in order to fulfil its role. ICPA has had

[15] ROF ICPA

three plenary meetings on 23[rd] August 2012, 2[nd] November 2012 and 14[th] March 2013, and have prepared a roadmap setting the milestones for finalisation of the programming documents in due time. The significant reorganisation of the Government has resulted in changes in the Consultative Committees and the working groups, generating some delays of the planned activities.

FA20 As of the reporting date 10[th] of May 2013 the **institutional architecture has not been established**, and the first draft of the PA has also not been finalised, indicating a slight delay from the roadmap deadlines.

The composition of ICPA includes a long list of categories of partners. The composition of ICPA and the representativeness of the members were discussed following the reorganisation, and the proposed adjustments put forward and approved.

FA21 The information collected through the survey regarding the effective partnership cooperation revealed a positive opinion: 80% of the respondents who were members in ICPA consider that they receive excellently and good information and 75% consider their opinion and the interests of their organisation are very well or excellently represented. The respondents in the survey are not necessarily representative for the participation in the programming process. The current programming process is based on a wider framework including sectoral and regional policy makers with only a few MAs and IBs being directly involved. The interviews revealed that this is a new approach in Romania and part of an attempt to increase integration of the EU policies with the national policies. Romania has had practically two parallel processes[16] with different rules, different visibility, and different image, missing potential synergies. The new approach implies, however, from the structural point of view a strengthening of the public policy units at central level, line ministries and regional level. The approach was in line with the recommendations of the World Bank Functional Review, 2010.

FA22 There is no evidence in the documents studied regarding the existence of procedures for the PA preparation including the current phase, preparation of the socio economic policies, clarifying the way each partner performs, or how the contributions will be summed up in the final documents. This concern was expressed in the last ICPA meeting by one of the members. The survey did not reveal issues regarding the method raised by the partners from a specific category.

There were mentioned in the interviews the difficulties in mobilising the partners but also obtaining added value contributions in the process. The absence of studies and evaluations needed in the public policy making process[17] make the socioeconomic analysis and prioritisation of investments difficult.

4.1.2 Update of the assessment in 2014 - Structures

FA23 The dimension "Structures" was assessed on eleven variables, identified as most relevant at this stage, when the two programming periods 2007-2013 and 2014-2020 are overlapping. Details on the assessment of each criteria are included in the checklist in Annex 3. We present below an overview of the analysis and findings.

FA23(1) Designation of structures which indicate whether the structures are designated and officially set up.

This criteria was assessed as fully accomplished for the 2007-2013 programming period in 2013 and the assessment is maintained in the update.

The criteria was assessed also for 2014-2020 programming period. In the previous assessment the criteria was assessed as "not applicable" because at that stage, when the PA was in a preparatory phase, the institutional framework was not required to be adopted. At present when the PA is approved the official set up of the institutional framework is required and the criteria is assessed as

[16] Functional Review –Center Government, World Bank 2010
[17] Functional Review –Center Government, World Bank 2010

fully accomplished. The Government Ordinance 1183/29.12.2014 is the official document stating the institutional framework for 2014 -2020 programming period.

The assessment of the criteria is "Yes" fully accomplished for both programming periods

FA23(2) The transfer of experience from previous programming period

A number of the OPs continue in the same structures as in the 2007-2013, ensuring directly the transfer of the experience of 2007- 2013 into the 2014-2020. OPs like Competitiveness, Human Capital and Large Infrastructure will be implemented by MAs set up in the a new location, MEF, but they are largely based on the structures of the similar OPs 2007-2013 and the same staff. The use of previous experience could be observed in the programming phase, but has to be continued in the implementation phase as well. Because evidences for the implementation phase are not available the assessment is "Yes*" Partially accomplished, improvements are needed. This is confirmed by the ex-ante evaluation reports of the new OPs.

FA23(3) The consensus on the designation of the institutional framework

For 2007- 2013 programming period the assessment is maintained "Yes*". For 2014-2020 the assessment is "Yes" Fully accomplished because the new institutional framework was subject of wide consultations as part of the PA and approval within ICPA.

FA23(4) The authority of the existing structures to fulfil their role

The process of improving the implementation of the OPs through a more centralised system continued. Progresses were made in consolidation of MEF coordination, MAs for the OPs with difficulties in 2007-2013 implementation being integrated into MEF. In this way authority was strengthened in key areas where weaknesses were found. Horizontal measures for simplification and revision of procedures (see also details on relevant measures in Systems and tools section) proves effectiveness of the coordination.

While the assessment in 2013 was "No* significant improvements are needed", the update assessment is "Yes*", accomplished to a large extent, improvements are needed.

FA23(5) Location of the ROP MA is in line with the administrative structure

For both programming periods, location of the MA in the MDRAP and IBs in the regional RDAs, prove it is in line with the administrative hierarchy. The assessment is "Yes" fully accomplished.

FA23(6) Adequacy of the IBs selection for the type of intervention and the targeted beneficiaries.

The OPs selection of the IBs largely address the issue of a good capacity to cover the regions and the targeted beneficiaries. The IBs have regional structures. An area of improvement remain the capacity of these structures in the region. For both programming periods the assessment is "Yes*", Partially achieved, improvements are needed.

FA23(7) The good well established working relations between coordination bodies (e.g. Mas, IBs and other structures)

For 2014-2020 delegation agreements have not been yet finalised.

The assessment of this criteria was in 2013 No*, partially met significant improvements are needed. Significant progress was made through a better coordination from the MEF level. According to the survey answers, which were positive and the Court of Accounts reports which do not mention anymore the weaknesses found in the first assessment. There are still areas of improvement – e.g. consistency of interpretation of the instruction across all IBs.

FA23(8) Adequate structures for all phases of the programmes implementation are in place

This criteria does refer to the location of the MAs IBs in the administrative hierarchy, but at the internal organisation, including the departments and jobs created inside the MAs and IBs. While for 2007-2013 the situation improved, there continue to be needs of more flexibility in ensuring adequate structures according to the variations of the workloads and functions intensity in different phases of the programmes' implementation.

For 2014 -2020 this criteria cannot be assessed at this stage, because internal structures and allocation of responsibilities are not finalised.

FA23(9) The partnership principle is present and effective

This criteria is fully accomplished from the point of view of availability of consultation process procedure: ICPA is set up and functional, public consultation documents are available on MEF website. The participation of the social partners remains an area where improvements are needed. For this MEF has included a number of actions into an action plan for horizontal measures. (see Annex 2)

FA23(10) Systematic and effective ministerial coordination of socio-economic policies

This was an weak area and in the first assessment was highlighted the delayed and slow process of policy making, supporting the programming for 2014-2020. The general opinion in the survey in 2014 is that the inter-ministerial cooperation improved in this area. The PA ex-ante evaluation reports shows that the requirements for the fulfilment of the ex-ante conditionalities for 2014-2020 brought together decision makers from several line ministries and action plans have been shared and implemented. In addition to this the PA includes a mechanism to facilitate the inter-ministerial cooperation. It is not functional at present but in process of operationalization. The update assessment for this criteria is "Yes* partially accomplished improvements are needed".

FA23(11) Monitoring Committees are set-up and have an adequate composition and functioning

For 2007-2013 improvements of the participation of all members was found necessary. The assessment is maintained. For 2014 -2020 at the assessment date, only two OPs were recently approved. Therefore the MC were not set up and the criteria is not assessed.

4.2 Analysis and findings Human Resources

This section analyses the human resources available and their capacity to perform adequately. The key issues analysed have been selected from the previous studies and evaluations, as main factors affecting functioning and performance.

The assessment will focus in this section on the following questions:

- Are the Human Resources available in adequate quantity and competences?
- Are the HR policies able to ensure the adequate human resources including planning, rewards, performance management, training, and management effectiveness?

4.2.1 Assessment in 2013- Human Resources of the authorities

FA24 Studies and evaluation reports regarding the 2007-2013 programming period identify "**chronic under-staffing**[18]" of the MAs and IBs as one of the reasons for the delays in implementation of the OPs.

FA 25 A **large number of vacancies have been reported in 2010 and 2011**, e.g. only 36 % of the positions were occupied in the SMEs IB[19], and high workloads have been found in specific

18 Achievements of the Cohesion Policy in Romania, EVALNET, DG Regio, 2012

departments, linked with delays in the implementation of the programmes. The annual implementation reports indicate insufficient staff as the main reason for the delays in monitoring, verification and payments and the resultant low absorption.

2010 was the year when several factors overlapped: (i) the increased number of contracts in implementation requiring more human resources in monitoring, control and audit, financial management, (ii) the start of the implementation of the budgetary austerity measures, when creation of new positions in the organisation charts and existing vacancies were blocked, (iii) salary reductions in the public system which generated a migration of the staff towards the private sector or higher levels of salaries in the public system. **Recently, temporary leaves** (maternity, studies, others) not included in the vacancies terminology are also present and increase the staffing difficulties.

FA26 All OPs have been affected by the insufficient staff in the MAs and IBs, and worrying levels of understaffing have been highlighted in SOP IEC, MA, and IB for Information Society, SMEs IB, and IBs for PA1 of OP HRD. **The situation improved starting** with the implementation of the Priorities Measures Plan (ACIS, 2011) and continued in 2012 when some flexibility in employment in the public administration was permitted. The annual reports on 2012 still mention insufficient staff in SOP IEC, SOP T, HRD OP, OP AC, and NRDP.

The survey reveals that only 48% of the respondents consider the need of additional staff very important, the others considering only some improvements are needed or not needed at all. SOP IEC, HRD OP and OPTA have more than 50% responses indicating additional staff is needed to a large extent.

FA27 There are opinions, shared in interviews, that the workloads are not even across the organisations, and the use of the existing staff could be optimized, including business process re-engineering and simplification of procedures. The **real size of the staffing gap** needs **systematic use of the workload analysis.** We found in the survey a large number of answers indicating existence of updated workloads analyses, more frequently found in ROP, SOP E, HRD OP than in SOP IEC, NRDP and FOP. Nevertheless the interviews and the focus group confirmed the workload analysis is not used in a systematic way to justify the HR planning. This finding is confirmed by the conclusions of the Audit Authority[6], having stated that MAs do not perform workload analysis, and the result of this can be seen mainly in the cases of significant staffing problems, high turnover, and the large numbers of vacancies.

FA28 The survey reveals the opinion that largely the **turnover level is manageable**, and 65% of the respondents have indicated a level below 10%. Organisations in specific OPs have indicated in the survey higher levels above 11%. The answers indicate structures with higher levels of the turnover above 20% in SOPIEC, HRD OP, ETC, SOP E, OP ACD, the ETC programmes and SOP T.

FA29 More respondents have a positive opinion (48%) on **capacity to manage the turnove**r than respondents with a negative opinion (40%). Despite the high level of the turnover on some OPs the opinion about the capacity to manage it is good, only SOP IEC and HRD OP structures indicating that the turnover is difficult to manage.

FA30There is a largely shared opinion (70%) that the turnover despite being manageable, **affects the level of performance of the organisation.** The situation is difficult to be managed when key persons (specialists or middle and top managers) are leaving the organisations. The interviews and the focus group confirmed that higher levels of the turnover are associated with organisational and environment factors such as the implementation of the austerity measures and salaries reductions, or reorganisations, which generated important turnover of key persons.

[19] Annual Public Report, Court of Accounts. 2011

FA31 Our survey revealed 67% of the respondents indicate vacancies of less than 10% of which 41% are less than 5%. Levels above 10% are found in HRD OP, SOP IEC and one in ROP. One extreme case indicates **vacancies above 20%.**

FA32 The survey reveals that, during the last year, there have been **significant changes in the organisations at the top management level** the highest levels being 58, 3% for general directors and, 41, 7% for deputy directors. Only 19.4% of the respondents indicated no change in the top management. The survey indicates a significant turnover at management level in all OPs, except OPTA with no change in the last year and ROP where only one change of the general director was reflected in the answers. The participants in the focus group shared the opinion that the capacity of the organisations and the level of performance are higher in the organisations with good stability of the managers and key staff. ROP including MA and IBs are examples supporting this assumption.

FA33 The respondents in the survey and the persons interviewed indicated the need for **HR policies and practices** to be improved. The improvements suggested regarding the incentives; motivation and training are ranking higher in the opinion of the respondents, followed by performance management and salaries review.

FA34 91% of the respondents consider **the reward system** should be improved and more than half, (51%) consider this need is very important.

FA35 The **survey reveals more positive opinions than negative ones regarding** competitiveness of the **reward system** on the labour market:

- The statement "the reward system could attract the expected professionals" have 54% positive responses against 37% considering that the system could not attract professionals
- the system could ensure retention in the opinion of 55% of the respondents, against 35% responses that the system could not retain professionals

FA36 The high share of positive opinions is explained by the large number of respondents from institutions with higher levels of the salaries. Reward systems able to retain and attract professionals are indicated in NRDP (PARDF) and ROP while the weak systems are indicated in the SOP IEC, HRD OP, and OP ACD, OPTA NRDP (MA), the ETC programmes and FOP. Despite the fact that, the SOPT MA is referred in interviews as an organisation with a low level of the salaries compared to other public organisations the respondents indicate the system is to a large extent effective, in the terms specified above. There is a migration process of personnel from lower salaries organisations to organisations with higher salaries, e.g. from MA for NRDP to the PARDF.

FA37 The interviews and the focus groups highlighted the lack of competitiveness of the salaries in most of the institutions and the difficulties in attracting professionals in specific areas of expertise, i.e. engineers in the environment projects.

The survey respondents have provided a negative opinion about the clarity of the reward system 45%, found it unclear while 35% had a positive opinion. Regarding the fairness of the reward system the respondents indicated a negative opinion 39%, against 33% with a positive opinion.

FA38 The interviews and the focus group highlighted as a key problem regarding the fairness of the system are the large differences of the salaries among the institutions. The min/max ratio of the average salary in the organisations is 1:3[20], which is confirmed by the data used for the analysis the administrative costs in the study. The data is confirmed by the study Regional Governance in the context of globalisation, DG Regio, 2010[21].

[20] Achievements of the Cohesion Policy in Romania, EVALNET, DG Regio, 2012

[21] The analysis covered only ERDF and CF and indicated a ration 1- 2.9 of the average salaries with higher differences at the top management levels and lower for assistants levels.

FA39 The **improvement of the training policy and practice** is seen by 100% of the respondents as needed, and 42.4% consider it is very much needed. 83% of the respondents, however, indicated their organisation has annual training plans.

FA40 The coordinating unit for the structural instruments (ACIS) put in place at the beginning of the 2007-2013 periods a mechanism for the training function, including planning the use of TA for implementation and support to the MAs. In the last years, the mechanism was less used mainly due to the weakened training function in a number of MAs, the difficulties to access the TA resources, and the limited availability of staff to attend training courses under the pressure of increased workloads. There are good experiences with the training function in ROP MA, OP ACD and ACIS.

FA41 A surprising large number of respondents (14%) indicate that the organisations do not have a training plan, but the institutions are open to use the training opportunities. We understand in this case that the legal requirement of having a training plan is fulfilled at a higher level for the overall institution e.g., at the level of the ministry, and the ownership of the training plan at the level of the organisation (unit/directorate) is significantly diminished.

Interviewees and participants in the focus group confirmed the training plans are elaborated in the majority of the organisations in an effective way and record the real training needs.

FA42 67% of the respondents indicate the **training plans are implemented and are effective** ensuring improvements, while only 20% consider the training plans are implemented to a small extent or not at all. We found contradictory assessments from the same institution regarding the effectiveness of the training plans. The interviews and the focus group explained the implementation constraints during the last year, consisting of the unavailability of budget allocations for training and procedural difficulties in using the TA to contract training. **Availability of staff** for formal classical training has diminished, and less time consuming methods such as training at the work place are preferred. There is a limited use of ICT in training, e.g., e-learning.

FA43 Improvement of the **performance management** is seen as needed and very much needed by 61.3% of the survey respondents, more than those who consider the need of the salary review (51.3%).

There is an appraisal system in place, being obligatory and 64% of the respondents indicate that over 90% of the appraisal system results are above satisfactory level. The system, therefore, offers a picture of individual high performance to a large extent, even in organisations that are performing poorly.

Only 8% of the respondents believe the results do not reflect correctly the performance level of the staff. The interviews and the focus groups indicate the general opinion that, in most of the institutions, the appraisal system is a compulsory activity; it is done to a large extent for compliance and superficially and does not reflect the real performance. The focus group also highlighted that an essential factor is the **contribution of the managers to e**nsure performance is properly managed, and should be a day to day management function, beyond the annual appraisal.

FA44 A key element of the administrative capacity is the expertise ensured in the organisation. The survey revealed a positive opinion of the authorities; more than 74% of the respondents considering the competences in critical areas of expertise are covered. The expertise **is available** to a large extent from internal but also from external sources using technical assistance. The AA satisfies the needs from internal resources. The AA has in the implementation a training project, funded from OPTA, to develop the needed capacities. The expertise is perceived largely available and of a good quality by most of the respondents (72%). A limited capacity to ensure the needed expertise is indicated in SOP IEC and HRD OP.

FA45 The **main gaps regarding the expertise** indicated by respondents of the survey and confirmed in interviews and focus group are state aid (44% of the respondents), environment regulations (22%) risk management (22%), internal audit (22%).

Despite the good coverage of the expertise, the respondents indicated there is a need to improve competences through training. This is understood as a need to ensure continuous improvement of the internal expertise and capabilities, according to the changes of the legal framework and new methodologies. It is also understood as a need to train and integrate the new employees, mainly in the institutions with high turnover.

FA46 For programme implementation the areas of expertise where **training is seen necessary** are Public procurement (72% of the responses), financial management and control (64%), EU and national policies and legislation (44%) and Managerial skills (44). There are small variations from one OP to another regarding the ranking of the priority need which does not follow any pattern that could be used to draw a conclusion.

FA47 The focus groups discussions highlighted the importance of **an effective management for the overall performance** of the organisation, the capacity to introduce and use HR practices and tools. There are not available assessments regarding the management effectiveness. Such assessments are useful in organisations aiming at improving the management capabilities and should be considered in the plans for the administrative capacity strengthening.

FA48 For 2007–2013 elements of the administrative capacity of the authorities, MAs and IBs are assessed in previous studies and evaluations. The evaluators could not identify **comprehensive assessments of the capacity at the level of the system or institution** or find data collected or available regarding the human resources inputs (volume of work, staff, workloads and costs by institution and phases of the cycle or tasks), needed in order to analyse efficiency of the HR and optimise their use. Data regarding the parameters of the system are missing or incomplete, despite there having been initiatives according to the interview, to collect them e.g. level of salaries, level of the individual performance, training implementation indicators, evaluations of the training function.

An analysis is being performed at present at the level of MEF in order to address the root problems. The OPs ex-ante evaluations for 2014–2020 have not been launched yet, but they are expected to provide an assessment of the institutional arrangements.

4.2.2 Update of the assessment in 2014 – Human resources of the authorities

The Human resources dimension was assessed on 10 variables that influence the administrative capacity of the authorities as follows:

- Human resource planning practice and effectiveness (12)
- Staff turnover level and manageability (13)
- Vacancies level and manageability (14)
- Training planning practice (15)
- Effectiveness of the training function (16)
- Staff performance (17)
- Competitiveness and fairness of the reward system (18)
- Managerial capacity (19)
- Staff previous experience is transferred to new programming period (20)
- Assessments and evaluations are regularly performed with a view to continuous improvement of the staff performance (21)

Details on the assessment of each criteria of the dimension “Human resources” are included in the checklist in Annex 3. We present below an overview of the analysis and findings.

The assessment is structured on the following variables that influence the administrative capacity

- resourcing covering the human resourcing planning, the staff turnover and vacancies (which were identified main weaknesses in the system); this part contribute to the answer to what extent the human resources are sufficient for the functioning and achievement of the performance objectives.
- human resources policies and practice regarding staff development and performance including training, competences, performance, reward system, managerial effectiveness – addressing the second question of the dimension "Human Resources"

The assessment was limited to the 2007-2013 human resources and could not address the assessment questions to the 2014-2020 organisations, processes and corresponding staff because the incipient stage of implementation of the PA and OPs. Where the findings for 2014-2020 regarding the human resources were found useful for the assessment they are mentioned.

The data and information collected in the update assessment revealed the following findings

FA(49) The human resourcing planning improved since 2013 assessment; more attention to proper justification of the needs of staff was paid, requests for additional jobs were submitted to decision makers; although the use of workload analysis as a managerial tool remains as an objective for future. The assessment is "Partially accomplished improvements are needed".

FA(50) In the area of managing resources the turnover and vacancies are maintained at the same level of the assessment, partially accomplished, improvements are needed. The turnover decreased and both turnover and vacancies are perceived manageable in the survey. The Court of Account 2013 report mentions specific cases where staffing has to be addressed; compared to 2013 assessment the problem is significantly diminished. The update assessment is for this criteria "Yes*" criteria is "Partially accomplished but improvements are needed in specific cases".

FA(51) Ensuring the required competences to the staff is a key area where improvements were found as needed in the previous assessment. First criteria – availability and use of training plans is accomplished as in the previous assessment. while the training practice and effectiveness remain at the same level of the assessment (Yes*) with areas of improvement required.

FA(52) Staff performance management and the reward system competitiveness have been assessed in the 2013 as a criteria with significant improvements needed. During the update the findings indicate that the plans for improving this HR policy area are ongoing and the reward system is already perceived in the survey competitive and fair, in progress compared to the 2013 assessment. Salaries of the personnel employed in the MAs and IBs increased. (Emergency Ordinance 83/2014 regarding remuneration of the personnel paid from public funds in 2015 […]).One TA project for the development of a performance appraisal system for the officials involved in the management of UE funds is in implementation and aims at linking remuneration to performance – ensuring in this way a more fair system. These findings indicate improvements and a basis for an effective performance and reward management practice in the system. We recommend in this case quantitative indicators – performance related - to be measured regularly and used for an assessment of the effectiveness of the policies and new practices introduced.

FA(53) The OPTA 2014-2020 dedicate one priority axis (PA 3) to the support of the HRM in the authorities system, addressing specifically weaknesses identified in the 2013 assessment. The update assessment finds plans for development in line with the needs identified, but not results achieved at this stage. The assessment at this stage for these criteria is Yes*, “Partially accomplished, improvements are needed”.

FA(54) The managerial capacity and the transfer of the staff experience into the new programming period have been maintained at the same level of the assessment in 2013 because the single source of information is the survey which could not provide sufficient arguments for a change. Therefore the criteria “managerial capacity” is assessed as “No*”- significant improvements are needed and the transfer of experience is assessed as “Yes*” “Partially accomplished improvements are needed”.

FA(55) Another element which ensures human resources practices are oriented towards continuous improvement is linked to the availability of studies and assessments that could support human resources related managerial decisions. This criteria was found in progress however systematic measurements of specific quantitative indicators is not in place at present. The update assessment is “yes*” “Partially accomplished improvements are needed”.

FA(56) The recommendation is already addressed through one priority axis in OPTA 2014-2020 and a series of actions including strengthening the role of the HR department in managing the process and technical assistance to support the development of a performance appraisal system for the officials involved in the management of UE funds is in implementation.

4.3 Analysis and findings - Systems and tools

In this section, the assessment is whether the systems and tools used by the MAs and IBs in the current programming period have been adequately designed and used, and what are the relevant conclusions for the future programming period.

The assessment will respond to the following questions

- Is the delegation of tasks clear, formalised and in agreement with the stakeholders??
- Are adequate tools and sufficient guidance available for programme preparation and implementation?
- Are adequate procedures, information and systems in place including the management and control system, financial management, public procurement, risk management, audit , irregularities prevention, detection and management
- Is a competent and active National Audit Authority in place?

4.3.1 Assessment in 2013 – Systems and tools

Delegation of tasks

FA57 For the 2007-2013 OPs implementations the delegation of tasks, between MAs and IBs, has been formally agreed in the delegation contracts. There is a large positive opinion regarding the adequacy and the consensus on the delegation of tasks (91% positive answers, 9% non–responses), and for the clarity of the roles and responsibilities (55% positive answers and 30% non-responses). Nevertheless, overlaps of the tasks between MAs and IBs have been identified in the AA mission reports, as well as inconsistent interpretation of the procedures by the MAs and IBs leading to confusion amongst the beneficiaries. This criterion is linked with the structures assessment referring to the adequate selection of IBs and definition of responsibilities within the implementation system of the operational programme. The good experience of MA ROP working with the RDAs as IBs based on a delegation contract including performance indicators, suggests extension of the practice in other MAs. Nevertheless the general practice in using performance indicators indicates that are effective only if benefits of the IBs (organisation and staff) depends on the achievement of the targets, or there is a form of penalty if targets are not achieved.

Guidance and tools for the programming and implementation

FA58 We analyse in this section to what extent guidance and tools for programming and implementation have been created and if they are adequate. During the setting up of the institutional arrangements for implementation, there were defined processes and tools according to the requirements of the accreditation process. Compliance for accreditation of the institutions was a sound driver for the creation of the required tools. The key challenge for the authorities was to ensure the proper functioning of tools created.

FA59For each operational programme, all processes have defined procedures and corresponding tools. They are implemented and according to the survey, more than 52% of the respondents consider they are adequate, and only some improvements are needed while around 18% consider improvements are very much needed. The focus group has confirmed the opinion of the survey with examples of revision of procedures said to be very much needed.

FA60 Annual reports and evaluations reveal difficulties in using the procedures, with negative effects on beneficiaries and the MAs and IBs, mainly from the point of view of the increased administrative workload, costs and burden on the beneficiaries. The reports and studies analysed highlight a number of gaps regarding the adequacy of the procedures including[22] lack of clarity of the procedures, overlapping of control procedures, rigid and complicated procedures related to partial reimbursements, excessive requirements and bureaucracy mainly in the phase of reimbursements verification, different and unclear interpretation of the procedures between MAs, IBs and the auditors, etc. Simplification of the procedures and review/creation of new tools and guides for beneficiaries have been proposed in the action plans initiated in the last three years.

FA61 Not all the improvement measures undertaken by the Romanian authorities have been effective. In some cases, the measures proposed proved to be impossible to be applied. For example, the improvements undertaken for the prevention and the detection of conflict of interest, according to the European Commission 2011a are limited to basic and not effective measures.

"the mechanism for prevention and detection conflict of interest […] set by existing legal framework is rather inapplicable (difficult to enforce) and does not actually effectively prevent or detect the conflict of interest in the public procurement process […] ; it is currently limited to basic and not effective measures[23]"

FA62 The interviews highlighted the need for a better coordination of the OPs in order to ensure consistent approaches and methodologies; in the current programming the methodological coordination was not considered effective, some MAs were resistant to the attempts of harmonisation, which led to difficulties in implementation and an increased administrative burden on beneficiaries.

FA63 The Indicators system is an essential tool of the programme cycle. It has been positively assessed by 71% of the respondents in the survey. Improvements have been made – as many as possible, during the implementation of 2007-2013 OP. At the present, the system allows for an adequate reporting of the core indicators and programme indicators. A number of indicators used in

[22] Annual Public Report, Court of Account, 2011.
[23] Assessment of the public procurement system in Romania, 2011

the current period are not adequate to reflect the effects of the measures, priorities and programme[24]. For example, the indicator job creation is a programme indicator for ROP and SOP IEC but it is not adequate to measure the intended change through all the priority axes of the programme. The indicator Added value in case of FOP is an indicator included in the guide for FOP indicators and does not have a methodology and possibilities to be measured (FOP, 2011). Other problems with the indicators are related to the values of the indicators. The targets set for the programme indicators have not been properly justified and prove to be far from reality in some cases. Some OPs have reassessed and introduced realistic targets for their indicators (e.g. Transport). Additional difficulties in using the indicators are due to: unclear definition of the indicator and the methodology for calculation, inconsistent use at project and programme level with difficulties in aggregation, availability of data for the calculation of statistical indicators. In 2011 MEF initiated a project to support production of data needed for the calculation of the statistical indicators.

FA64 The future programming period brings a significant new approach to indicators[25]. MEF initiated support actions to guide the people involved in programming for the selection of the indicators. There is good knowhow in MEF related to indicators systems which could be transferred to the designated MAs and IBs.

FA65 Several applications have been used during 2007-2013 for the management of the information. SMIS is the most comprehensive and has as a recent development MySMIS able to enhance the functionalities for effective data exchange with the beneficiaries. A decision has not yet been made regarding the future use and development of the existing applications.

FA66 53% of the respondents in the survey consider the electronic systems are not fully utilised. According to the recent assessment of the Electronic Systems performed within the same assignment as a parallel task with this assessment[26], all the ESs need to improve their portfolio of predefined reports, in order to produce those reports their specific users need. All ESs would benefit from a significant revision in terms of features, data content, and user friendliness. Beside the initial objective of covering the minimal requirements, there is an opportunity for the systems to provide more useful features for their users. SMIS and MIS-ETC need major improvements in terms of usefulness and also in terms of user friendliness. For this latter issue, these systems need a revision of their user interface in order to become easier to understand and to use.

Management and control systems

FA68 A reliable management and control system ensures that the funds are used adequately in the scope of achievement of the programme and policies objectives. The management and control system should be able to identify early the isolated irregularities and correct them before becoming a system problem.

FA69 The evaluators have identified in their research a number of problems that are performance related which indicate weak management and control systems. The irregularities identified in the management and control of public procurement would appear to be of a systemic nature, while other system irregularities in the activities of project appraisal and selection, fraud (in the case of one IB), suspicion of conflicts of interest and “connivances” (MEF, 2013), led to interruptions of payments, suspensions and pre-suspensions of Operational Programmes, some of which are still in force.

24 Result indicator pilot report post 2014, DG Regio, Evaluation Unit, 2012.

25 U:\B2\Core activities\Indicators\Result indicators - pilot study\Result Indicator Pilot report rev 2.doc Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel – Belgium http://ec.europa.eu/regional_policy/

26 Evaluation Report on Electronic Systems for information exchange, Client: Ministry of European Funds, Romania Bucharest, 16 May 2013

FA70 The Court of Accounts report on 2011 reveals the fact that as a general feature of public institutions "there is not a systematic monitoring and evaluation of risks, the risk registry is not filled in and where the system exists it does not contribute to the improvement of the efficiency and effectiveness of the activities

FA71 There have also been identified weaknesses in applying the procedures: incomplete verifications, delays in applying the procedure; gaps in the irregularities detection; late registration of the irregularities, missing revisions of the procedures (Court of Accounts 2011), etc.

FA72 The mechanisms for payments, forecasts and certification, are seen as positive with 73% of the respondents having a positive opinion regarding the mechanisms for monitoring, the payments flow, forecasting and certification; 11.8% consider the mechanisms are not functional.

FA73 Despite these positive opinions, there is evidence of difficulties in the payments mechanism reflected in long delays of the payments to beneficiaries, delays in certification of payments and the payments from the EC. The analysis of the budgetary implementation of the Structural and Cohesion Funds in 2012 (European Commission, 2013) mentions Romania with one of the highest error in forecasting the payments from EC in 2012 97%, explained by the interruptions of payments and pre/ suspensions of the programmes.

FA74 Procedures for sample checks are in place, but the audit reports indicate delays or partial achievement of the checking plan or incomplete checks. The interviews highlighted the fact that the quality of the checks and verifications should be improved; the conclusions and recommendations should be more meaningful with a view to assist in an improvement.

FA75 The large positive opinion collected in the survey, regarding sufficient audit trail, with 91% positive responses, has been confirmed in the interviews. 89% of the respondents consider the audit system is adequate; internal audit reports are available and the audit authority confirms their content is useful for the external audit missions. An indicator of the internal audit effectiveness is the successful prevention and early detection of irregularities and frauds, which is not at a high level of satisfaction at present.

FA76 Romania has set up a National Audit Authority for all the Operational Programmes 2007-2013. The mandate is ensured by Law 200/2005, as a body independent of the Managing Authorities and other structures of the system. The National Audit Authority is active, with the activity being reported in the Public Annual Report of the Court of Accounts.

4.3.2 Update of the assessment in 2014 – Systems and tools

The dimension "System and tools" is assessed on nine variables including

- Effective delegation of tasks (22)
- Availability and adequacy of guidelines and tools for programming (23)
- Availability and adequacy of guidelines and tools for implementation (24)
- Availability and effective use of technical assistance (25)
- Indicators system availability and adequacy (26)
- Electronic systems – functional, reliable, stabile, largely accessible and user friendly (27)
- Management and control system reliability (28) (including 9 indicators selected as the critical areas influencing the management and control systems and consequently the administrative capacity)
- Competent and active audit authority is set up (29)

The assessment looks mainly at the system and tools for 2007-2013 programming period, because although the update assessment was done at the end of the first year of the new programming period 2014-2020, only two OPs were approved and could start implementation. Most of the assessments referring to the criteria applied for 2014-2020 are maintained as “not applicable”

The update of the assessment revealed the following findings regarding the systems and tools used for the NSRF, OP s implementation:

FA77 The delegation of tasks is maintained at the level of the assessment; for 2007-2013 delegation contracts are prepared, effectiveness could be improved in specific cases in order to avoid overlapping or to include performance indicators. Therefore the assessment is “Yes*” – “Partially achieved improvements are needed”.

FA78 The guidelines and tools for programming and implementation assessed mainly based on the survey responses indicate to maintain the initial assessment: partially achieved, improvements are needed.

FA79 The use and utility of the technical assistance was assessed based on the survey answers which indicated 75% positive opinion on availability and 86% indicate positive opinion on quality; the evaluators also found a more coherent coordination of MEF regarding the TA as well as the OPTA plans to support with horizontal measures the provision technical assistance. We recommend additional indicators to be calculated for a complete assessment looking at the duration of the process of acquiring technical assistance, utility and efficiency of the results of the TA. The update assessment indicate the accessibility and effectiveness is partially accomplished and needs improvements.

FA80 The assessment for the indicators system 2007-2013 was maintained at the same level of assessment “Yes- partially achieved, improvements are needed”, because no evidences of improvement were identified.

FA81 Assessment of the management and control system which proved to be critical in the 2013 assessment was broken down in 9 criteria and revised since the previous assessment .in order to better capture the essential aspects that need to be addressed and improved;

- First level control procedures were included as a new criteria (replacing financial management procedures) because the report of the Court of Accounts on 2013 identified it as a key weakness, therefore it is assessed as an area with significant improvements needed, more specifically in certain OPs.
- Adequacy of the procedures for the programme implementation – not assessed for 2014-2020 in 2013, are considered in this update an area that should have been ready for programmes implementation; therefore the criteria is assessed as partially accomplished with significant improvements needed.; for the 2007-2013 significant progresses were made consisting of simplification of procurement procedures for private beneficiaries (Minister Order 1120/ 2013)
- Annual Implementation Reports 2013 revealed that the payments and expenditure forecasts and certification of payments improved through simplification of the procedures and more effective organisation in the MAs. There were as well noted shorter durations for payments to beneficiaries leading to an improved absorption. Therefore the rating was improved since the last assessment
- Presence of sufficient audit trail, assessed as fully fulfilled in the previous assessment, was assessed in this update as partially achieved improvements needed because the Court of Accounts report mentions it as an weakness to be resolved (in some OPs . This is due to the increased number of projects in implementation and finalised

- Risk management, public procurement and irregularities detection and management, public procurement management and management of the information systems, remain areas where significant improvements are needed. They are mentioned in the Court of Accounts report as main system problems for the authorities responsible for the management of the EU funds implementation in Romania. The last report of the Court of Accounts concluded that the control systems of the authorities implementing the Structural and Cohesion Funds. EAFDR, EFFMA, EAGF are functional but improvements are needed. The problems found are: (1) the case of ROP, HRD OP, NRDP, FOP the risk of errors regarding the expenditures was found high and (ii) the endorsement of the accounts of two agencies (Agency for Financing rural Investments and Agency for Interventions and Payments in Agriculture) have been made with reserves.

4.4 Analysis and findings regarding other horizontal factors influencing the administrative capacity of the authorities.

In this section the evaluation team analyses what are and to what extent other factors influence the administrative capacity of the authorities involved in EU funds management. The analysis is focused on the inter-ministerial relations, the effectiveness and efficiency of the public administration and the risk of corruption factors.

FA82 The opinions collected with the survey are positive regarding the horizontal factors influencing the administrative capacity of the authorities.

- 85% of the responses are positive regarding the working relations between the line ministries.
- Appointment and promotion are considered to be based on competencies and merit by most of the respondents, (71%)
- There is a clear separation of functions, a good definition and management of the accountability and responsibilities.
- There is a code of conduct in each institution confirmed by 93% of the respondents in the survey.

FA83 From a different perspective the studies and the evaluations performed in the last years regarding the public policies management highlight a number of weaknesses closely linked to the administrative capacity issues analysed above including the following:

- Weak execution of the public policy management [27]
- Poor inter-institutional cooperation
- The control system is based on process, costs and activities rather than objectives and results.
- Avoidance of accountability and a lack of policies, systems and tools to measure performance and integrate it into the institutional and management processes.
- A lack of trust within the administration that leads to major risk aversion, blockages in processes and endless controls.
- Politicisation of the public administration reflected in the mobility of staff (management positions) in rhythm with the political cycle. There is evidence that this kind of mobility has extended to lower levels in recent years (Ecorys, 2010).

FA84 Studies and evaluations[28] have identified as key problems related to the efficiency and effectiveness of the civil servants the following:

[27] Functional Review, Center of Government, World Bank, 2010
[28] Assessment of administrative and institutional capacity building interventions and future needs in the context of European Social Fund, Country monograph, Romania, DG Employment 2010.

- The reward system does not meet the minimum requirements such as merit-based internal and external equity and therefore acts as a demotivating factor.
- A non-motivating appraisal system
- HR system is perceived from inside and outside as less effective, formalised but lacking content
- The lack of analyses studies and researches for public administration and within the organisations to document the decisions.

FA85 The capacity of the policy makers to support with effective sectoral policies the programming process and further on the coordination of the OPs implementation with the strategies and other programmes funded from other sources is recognised as an area to be addressed and improved. MEF has funded in 2014 from TA a study for the General Secretariat of Government "Report on sectoral policy making and EU coordination needs"[29] which identifies the contributions expected from the policy makers in the mechanism of coordination of the ESI Funds, as well as the key capacity aspects that has to be addressed in the line ministries responsible for the sectoral policies. The report highlights: *"[…] **the need the line ministries responsible for policy areas make the shift from being coordinated and driven by the ESI Funds processes to effective coordinators in their policy areas.** The policy makers should assume a full ownership of the sector strategies and plans and manage the processes coherently with the EU funds seven years cycle. They have to create their own mechanisms for coordination at the sectoral level and match with the ESI Funds' needs*."

FA86 Effectiveness of the measures addressing corruption is low. Corruption remains a concern and a constraint in developing an effective and efficient public system, according to European Commission 2013a. Our research indicated for, example, introduction of the code of conduct which did not produce improvements. Interviews revealed this is more a formal compliance to the legal requirements than an effective tool able to improve the ethical behaviour in the public administration.

FA87 The **update of the assessment** did not find evidences of significant changes regarding the horizontal factors, although there are premises for improvements in the future considering the strategies for consolidation of the public administration and the fight against corruption.

4.5 Conclusions and recommendations regarding the administrative capacity of the authorities

4.5.1 Conclusions regarding the administrative capacity of the authorities

General conclusions

The structures designated for the EU fund management are to a very large extent embedded in the existing structures of the public administration system, largely influenced by the systemic weaknesses regarding the poor **inter-ministerial cooperation**, **excessive bureaucracy**, **under staffing, lack of skills, poor transparency in staff recruitment and management, and corruption risks**.

The challenge for the Romanian authorities is to find the appropriate solutions to improve the administrative capacity and performance in the system responsible for EU funds management, while the progress in improving the entire public system is slow and uncertain.

29 The report is part of the World Bank project "Strengthening the Regulatory Impact Assessment Framework in Romania" funded from OPTA 2007-2013

The measures to improve the administrative capacity of the EU funds management system are hindered by the systemic weaknesses of the Romanian public administration.

The 2007-2013 experience proves that the legal, institutional framework, set up of the organisation structures, formal allocation of responsibilities, internal rules of procedures, the Monitoring Committees etc., comply with the requirements. However, **the key issue is the proper functioning of the structures, reflected in the bottlenecks of the processes, poor use of resources and delivery of outputs and ultimately the poor performance of the operational programmes.**

Romania is doing well in terms of formal compliance, setting up structures, formalising cooperation, creating tools and systems, but functioning remains poor.

Conclusions regarding specific administrative capacity weaknesses to be addressed

CA1 The 2013 assessment revealed the fact that the coordinating bodies (e.g. ACIS) and a number of the MAs did not have sufficient authority to ensure consistent approaches, simple and coherent procedures, the avoidance of overlaps of responsibilities, and the effective implementation of the action plans across institutions in order to resolve the key problems**.** The MA for ROP located in the Ministry of Regional Development and Public Administration and NRDP MA located in the Ministry of Agriculture and Rural Development proved to have better capacity to manage the programmes than other MAs, being the best performers and benefiting from having extended territorial structures.

In order to strengthen management of the ESI Funds with a stronger coordination and coherence of actions, MEF started in 2014 to reorganise the entire system with a centralisation of the management of the OPs which particularly dealt with difficulties in implementation. For 2014 – 2020 the institutional architecture is based on the same principle of centralisation of the management in three institutions MEF (coordination and technical assistance, competitiveness, human capital and large infrastructure), MDRAP (regional development and administrative capacity interventions) and MDAR (agriculture, rural development and fisheries interventions). There are evidences of positive effects of a better coordination, i.e. simplification of the procedures across several OPs.

A particular challenge was the approach adopted by most of the OPs, based on a very large number of small projects. The alternative of using strategic large projects has benefits in terms of workloads and fixed costs in the IBs and MAs, but need organisations with sufficient capacity to implement such projects. An additional condition for these organisations is the role as development actors and links to the national / regional policies implementation. At the time of the update of the assessment it cannot be assessed to what extent the new OPs will adopt a more effective approach. TA plans horizontally and at the level of the OPs include measures to reinforce the capacity of the beneficiaries.

The experience of the current programming period indicates the fact that increased authority of the management and coordinating bodies, stability of the organisations' structures and the whole overall framework have to be ensured, in order to improve the institutional performance and the inter-institutional cooperation**.**

CA2 The partnership principle is formalised and well promoted in both programming periods, but with **limited inputs from the social partners** during programming and also during implementation through the participation in the Monitoring Committees. The Monitoring Committees tended to be limited to discussions regarding the programme implementation between the EC and the MAs and IBs with limited meaningful inputs from other members. The update of the assessment in 2014 proved the procedures for public consultations are applied and for the quality of the inputs of the social partners support will be provided to members in the monitoring committees in order to better inform them, mainly about strategic issues of the OPs and maintain them connected to the processes. These plans represent positive premises for an improvement of the social partners' involvement in the PA and OPs implementation, if implemented consistently.

CA3 The initial assessment in 2013 concluded that the limited capacity in policy management, ineffective communication and cooperation tools are among the factors influencing the effective participation of the partners in the programmes management cycle. Although positioned outside of the authorities system, the policy makers are in the attention of MEF cooperating with the General Secretariat of the Government for supporting policy makers in order to have more effective contributions in the mechanism of coordination of EU funds.

CA4 During the 2007-2013 periods, the system had **difficulties in ensuring the adequate human resources both quantitatively and qualitatively**. The austerity measures undertaken in 2010 blocked the resourcing that was required by the volume of work and the increasing number of contracts in implementation. The significant salaries cuts in the whole public system generated a high turnover, high vacancy rates and the resultant increased workloads on the existing staff. The measures undertaken improved the resourcing, however, in a number of MAs the problem still needs to be resolved. In 2014 effective measures have been undertaken, including a revision of the salaries policy in the system ensuring a competitive level and a fair level across MAs. The system is overall perceived competitive and fair and the turnover and vacancies manageable.

CA5 The **management and the human resources function** in the organisations were not able to find solutions to these problems, through better planning and allocation of tasks, management of the workloads, performance management, retention and stimulating employees. The technical assistance resources were not used sufficiently to cover the internal lack of resources mainly due to the difficulties of the public procurement processes.

CA6 The assessment in 2013 indicated a number of issues that need to be addressed to ensure proper functioning and an adequate level of performance of the staff including:

- workloads analysis and other organisational development tool are not systematically used to support HR planning and optimal allocation of responsibilities; improvements were found in the update assessment although
- An ineffective training function unable to provide the training opportunities for specific critical skills and the continuous professional development of the staff.
- limited effectiveness of the performance management
- a reward system unable to attract, retain and motivate good professionals,

Largely the HR function was assessed as limited to compliance with the requirements to set up specific HR processes but its effectiveness is limited. *The organisations do not have a sufficient capacity to effectively use HR policies and practices to ensure adequate resourcing and to respond to the challenges.*

CA7 The overall low performance of the operational programmes diminishes the perceived level of performance of the staff, despite the fact that, in many areas, there are good professionals making efforts to achieve their tasks. The current performance management system does not make the difference between good and poor performers in terms of results and contributions to the operational programme achievements.

*CA8 There is a need to align people performance levels with the organisation's performance translated into a shift from a competences and process based approach to "**results based"***

performance management one is needed to better orient efforts toward the OPs performance targets.

CA9 The training system has to be strengthened using the past good practice such as the training mechanism managed by ACIS, the training practice from ROP MA, reinforcing the coordination and renewing the approaches and methods according to the best practices in the training world.

The training function has to ensure **the continuous development of the staff** in all areas and **specific interventions for the areas expertise representing success factors for the OPs performance.**

CA10 The critical areas of expertise identified at this stage are state aid, environment regulations, risk management, internal audit, public procurement, financial management and control, EU and national legislation and management skills. These areas of expertise should be considered indicative, and the training function has the role to identify the real and evolving training needs. Technical assistance should be available for the cases where it is not efficient or possible to build the expertise needed in-house.

CA11 It can be seen from 2007-2013 that the organisations where the capacities were built on the previous experience and with stable human resources at management level and critical positions, dealt better with the demanding performance requirements and the constraints of the economic and social environment.

CA12 Important steps have been taken forward in 2014 for creating a performance management system able to motivate staff and also to link their performance with rewards and the organisational performance. OPTA 2014-2020 dedicated one priority axis to the needs identified regarding the effectiveness of the HR policies in the system: PA 3 Increasing the efficiency and effectiveness of the human resources involved in the coordination, management and control system of ESI Fund in Romania and the Specific objective SO.3.1. Development of an improved HRM policy to ensure stability, competences and motivation of the staff […] .

CA13 The surveys have revealed contradictory results and significantly more positive assessments or opinions than what is indicated by other sources. In many situations the answers were based only on opinion or rough assessments in the organisations, because the lack of analysis and data available regarding the human resources and organisational processes. The quantitative indicators that were proposed in the first assessment data base are useful mainly to assess effectiveness of the administrative capacity measures. Maintaining such a database requires a capacity to measure regularly and assess them.

CA14 The experience of the current programming period shows that the **systems and tools** were created and put in place, covering the necessary processes in all phases of the programme cycle, but **many of them are not properly used and are not effective**.

CA15 The delegation of tasks is formalised through agreements, but the proper functioning is affected in some area by lack of clarity of responsibilities, overlapping of responsibilities, unclear allocation and different interpretation of the procedures. Revision of the division of responsibilities is a source of simplification in the whole system.

CA16 As a general feature, the system looks overregulated with complicated and in many cases unclear procedures, excessive bureaucracy and high administrative burden which have slowed down and even blocked the processes, mainly at the expense of the beneficiaries.

The system has to be streamlined and simple procedures maintained, to be stable and uniform as many as possible across programmes. The assistance to beneficiaries has to be targeted on developmental issues such as quality of the projects, while the simplified administrative requirements could be addressed through more effective guides, tutorials, e-tools.

CA17 The allocation of responsibilities at all levels has to be reviewed and procedures simplified reducing the administrative burden. The tools used in programme implementation in all phases have to be clear, useful and user friendly for beneficiaries. The process of simplification *started under the coordination of MEF and covered the procurement procedures, contracting, reporting and payment claims.*

CA18 The 2007-2013 periods has shown that the creation and the management of the indicators is a difficult task. The future programming period with the new approach to indicators raises additional challenges. Coordination from the MEF level and training at all programme and project level is needed. Production of data to be used for the calculation of the statistical indicators has to be ensured. For 2014 -2020 the approach and methodology is consistent across all OPs and coordinated by MEF creating the premises for a more effective indicators system.

CA27 The potential of the electronic systems is not fully used, and improvements are needed in terms of reliability and user friendliness. The electronic systems used in the current programming period fulfil minimum requirements in terms of data reliability, security and user friendliness. Significant higher needs for improving the electronic systems has NRDP. For 2014-2020 more useful features for the users are required. Implementation of the e-cohesion concept will enhance a simplification, administrative burden reduction and transparency. The update of the assessment in 2014 revealed the significant difficulties in using the current electronic systems with delays in introducing data, difficulties in aggregating and querying data from the system.

CA28 The key problem encountered in the 2007-2013 exercise is **the reliability of the management and control systems.** The irregularities identified in the management and control of public procurement would appear to be of a systemic nature, while other system irregularities in the activities of project appraisal and selection, fraud (in the case of one IB), suspicion of conflicts of interest and coercion in another, led to interruptions of payments, suspensions and pre-suspensions of Operational Programmes, some of which are still in force. Significant improvements are indicated in update assessment in 2014 although the latest reports of the Court of Account (for 2013) and the AIRs indicate weaknesses that requires attention (e.g. the first level control, management of public procurement, irregularities detection and management, registration of debts, reconciliation of expenditures with the payment claims, segregation of functions and audit trail)

CA29 Despite the positive opinions in the surveys, the procedures for payment flows, expenditure forecasts and certification of expenditure need significant improvements being **excessively bureaucratic with prolonged processes,** and **low predictability** of the forecasts. Significant progresses were made since the first assessment in 2013 by simplification of the procedures for payment claims

CA30 The **internal audit appears ineffective** as it does not appear to contribute to early detection of system irregularities. Risk management is not properly used as a management tool, and the management of irregularities has significant gaps in terms of prevention and correct recording of the current and future management.

A snapshot of the situation in 2013 of the capacity on the three dimensions analysed is presented in the figures below produced with a selection of data and information registered in the database created within this assignment.

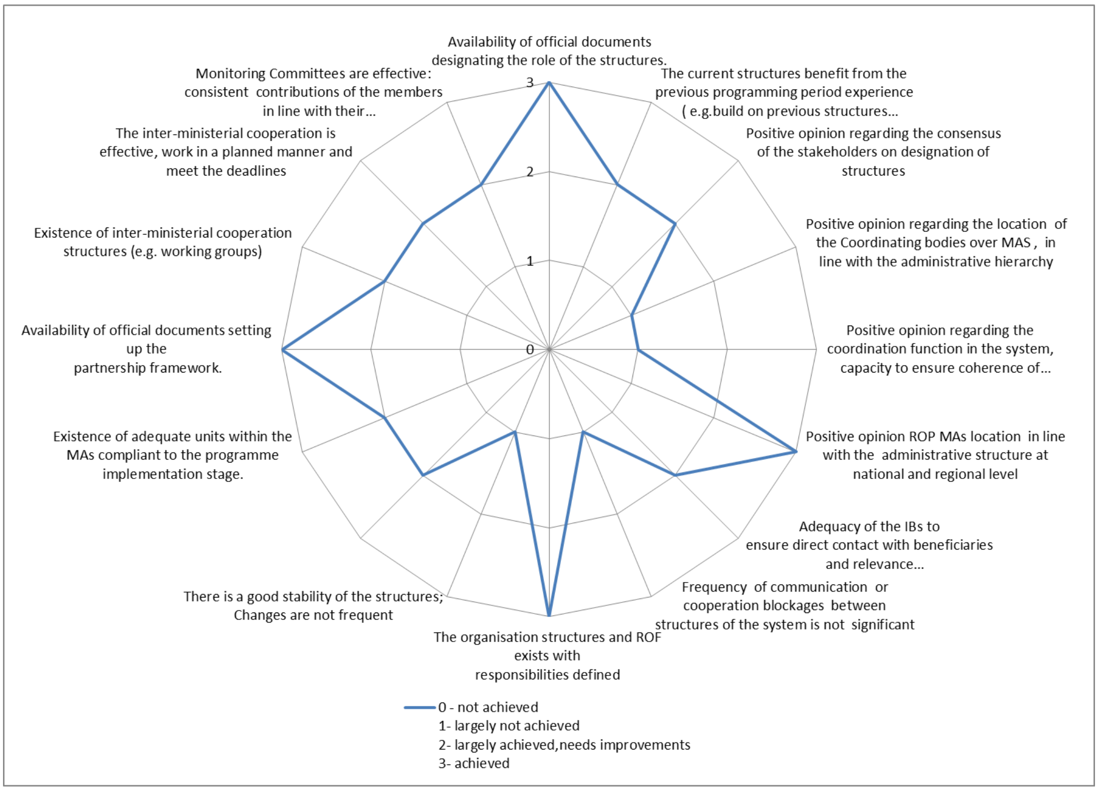

Figure 2 Assessment in 2013 of the Structures dimension for the 2007-2013 period

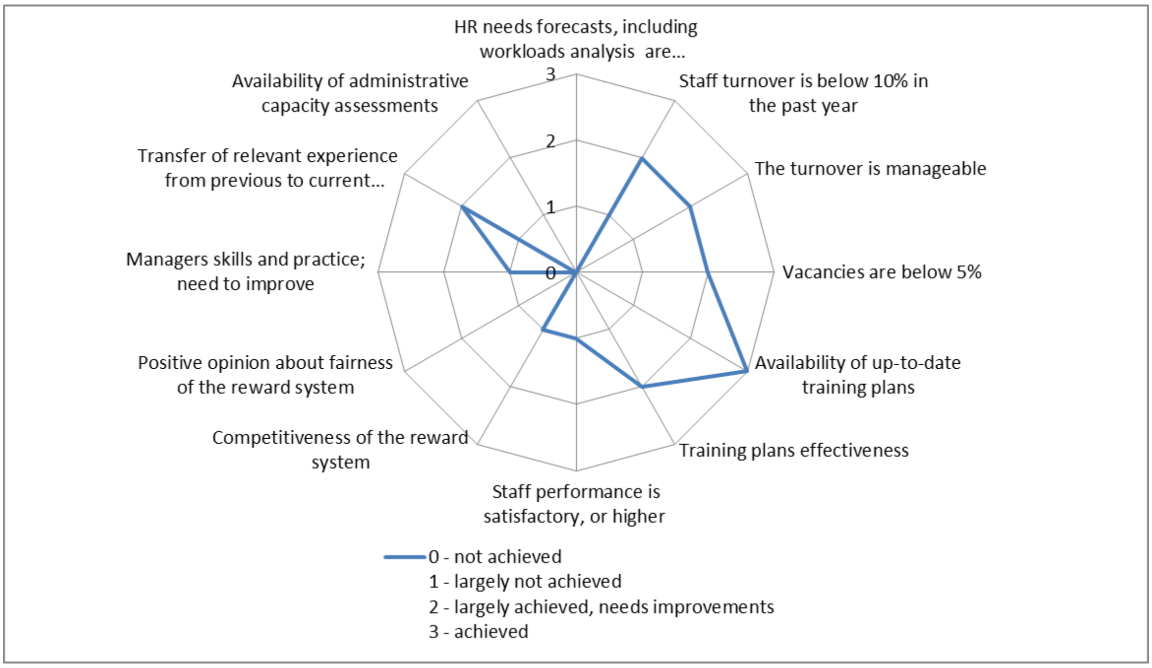

Figure 3 Assessment in 2013 of the Human resources dimension regarding the 2007-2013 period

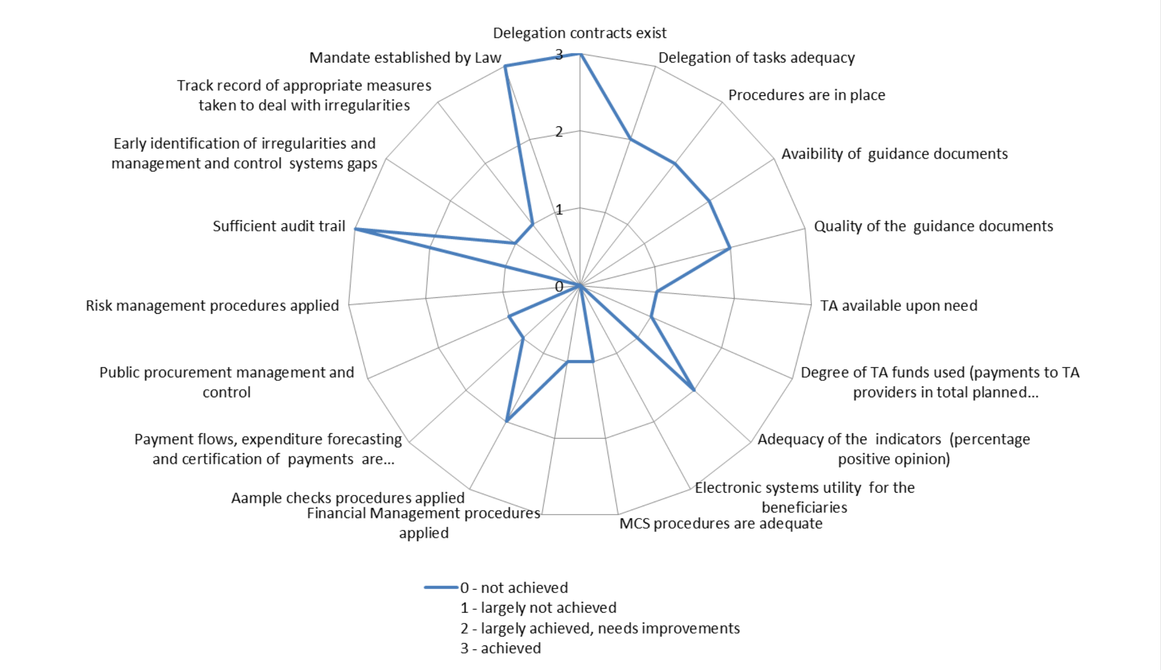

Figure 4 Assessment in 2013 of the Systems & Tools perspective 2007-2013

4.5.2 The administrative capacity "radar" in 2014 is presented comparative with 2013 in the Figures below

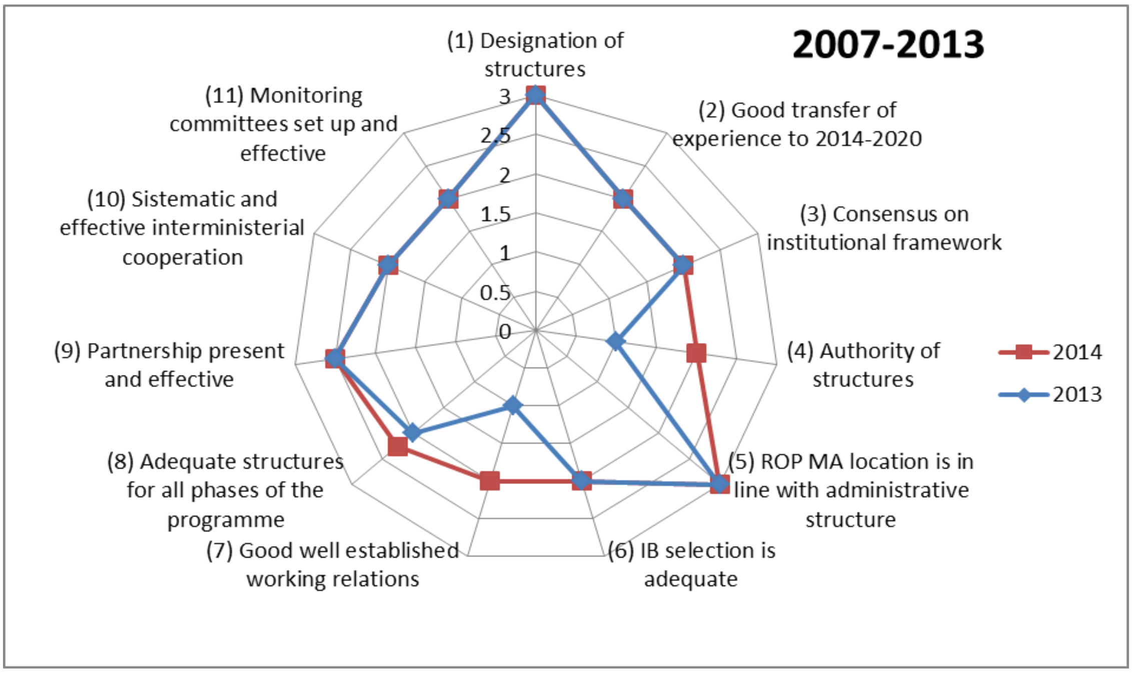

Figure 5 Update of the assessment in 2014 of STRUCTURES - 2007-2013 period

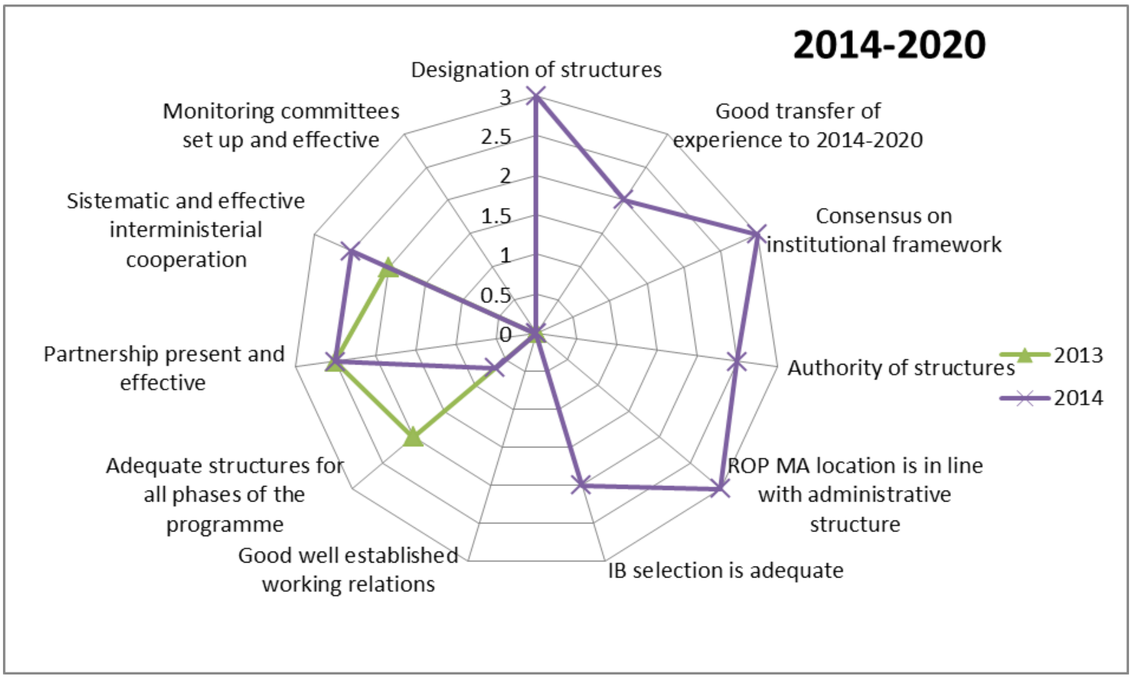

Figure 6 Update of the assessment in 2014 of STRUCTURES 2014-2020 period

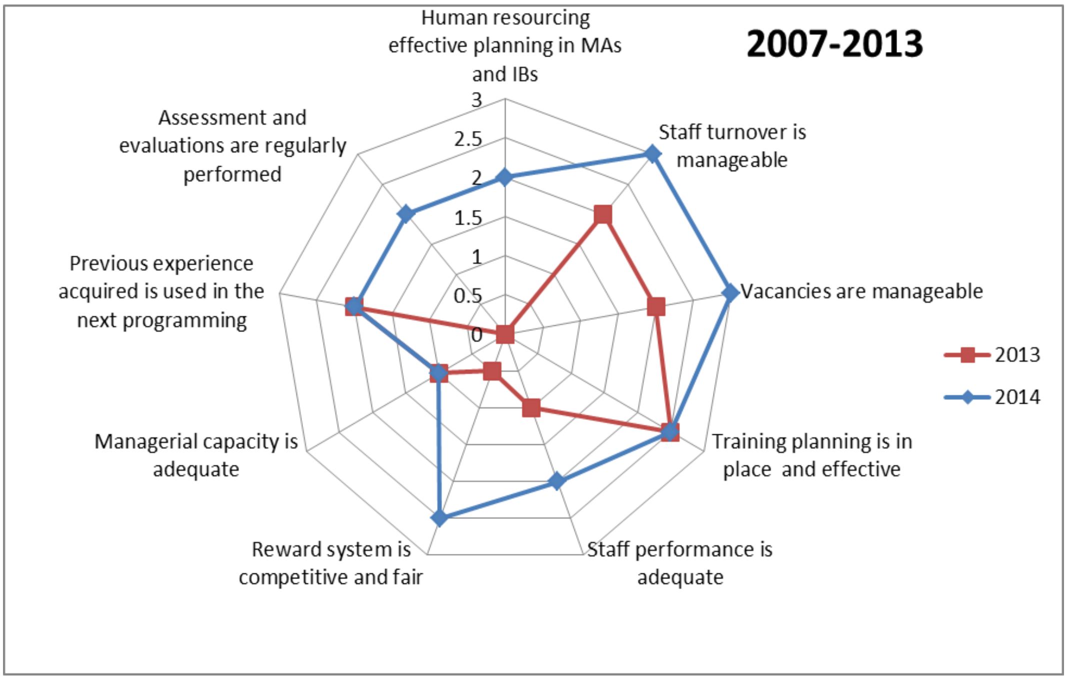

Figure 7 Update of assessment in 2014 of the Human Resources dimension for 2007-2013 period

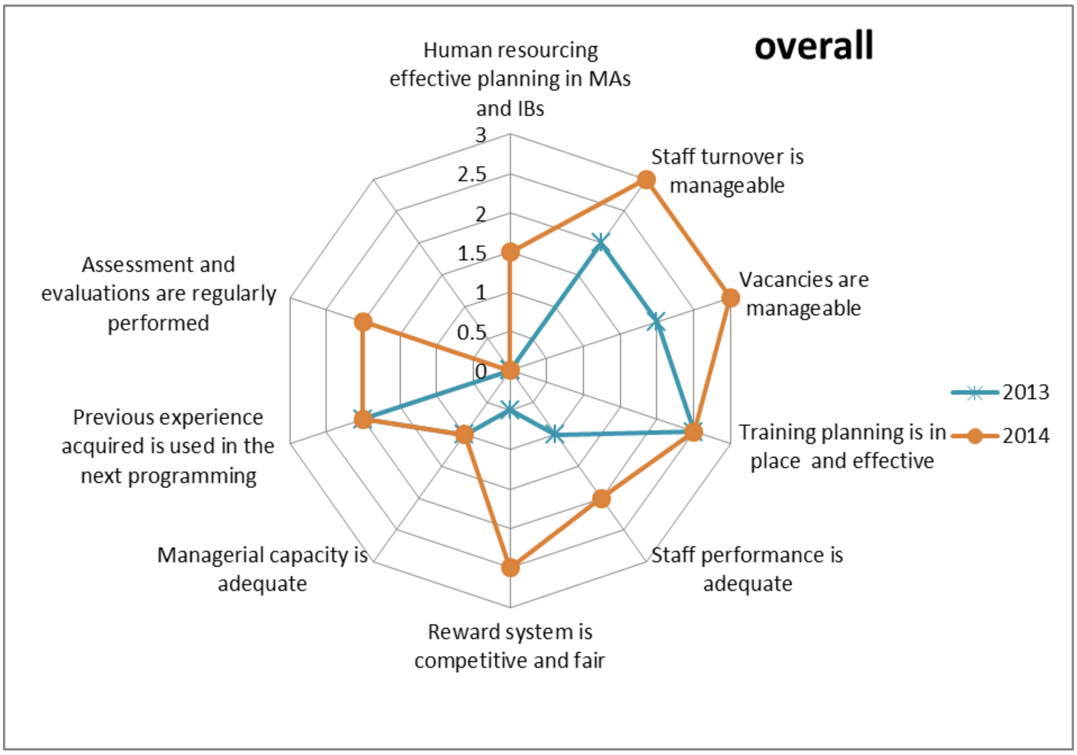

Figure 8 Update of the assessment in 2014 of the Human resources dimension –overall

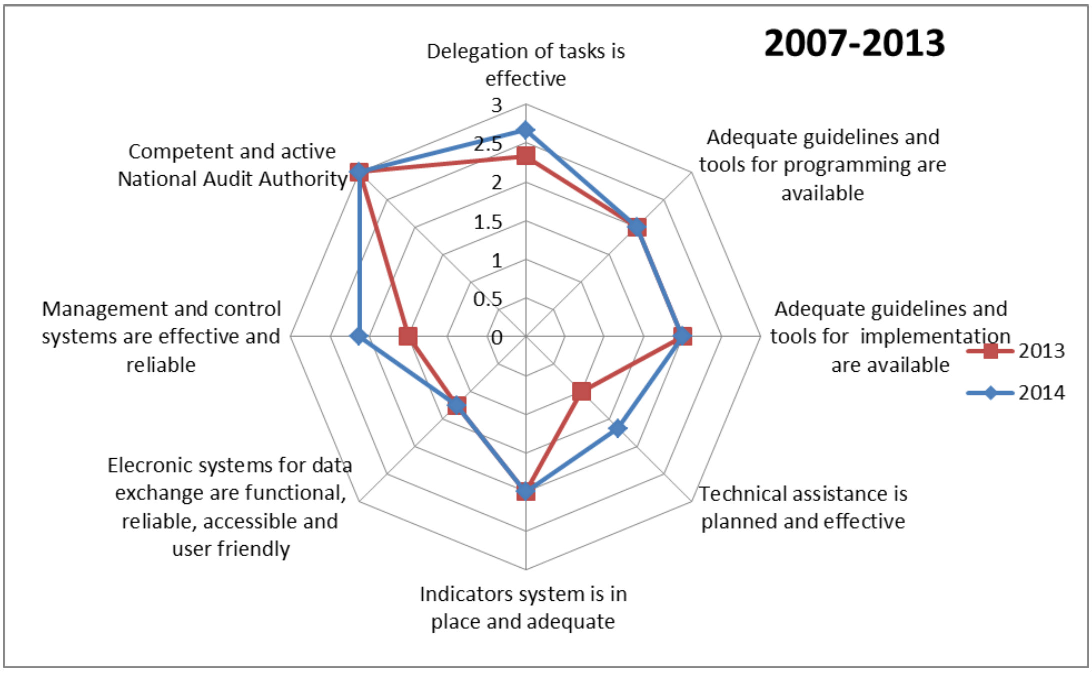

Figure 9 Update of the assessment in 2014 of the Systems and tools dimension 2007-2013 period

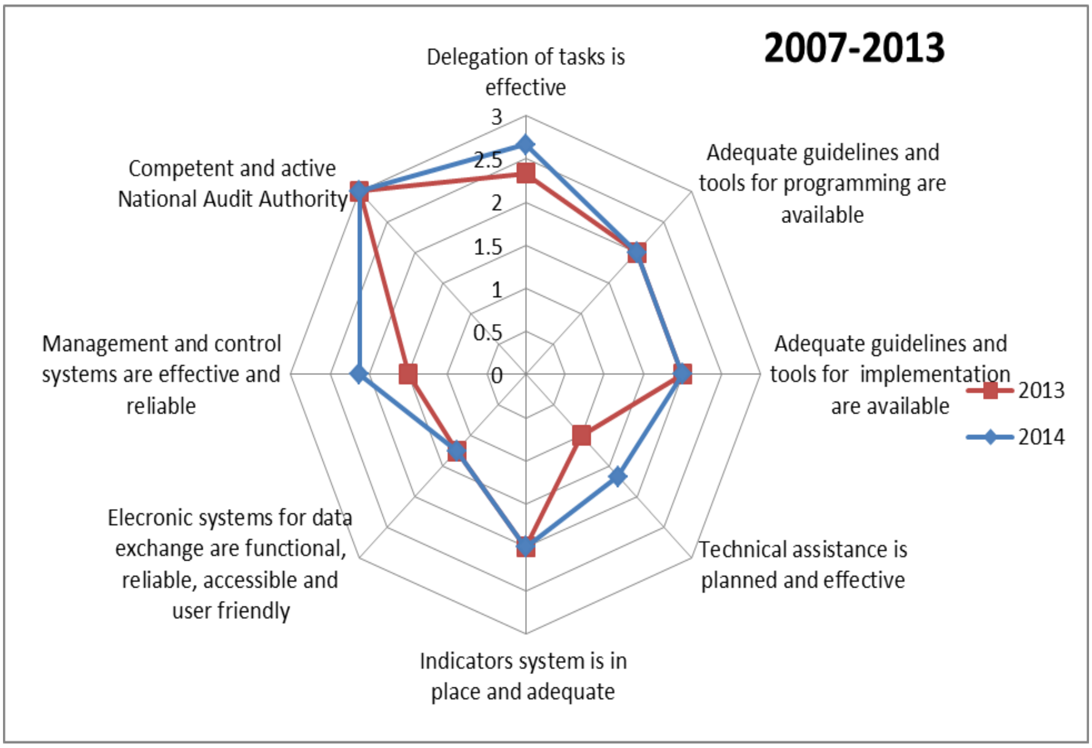

Figure 10 Update of the assessment of the Systems and tools dimension - 2014-2020 period

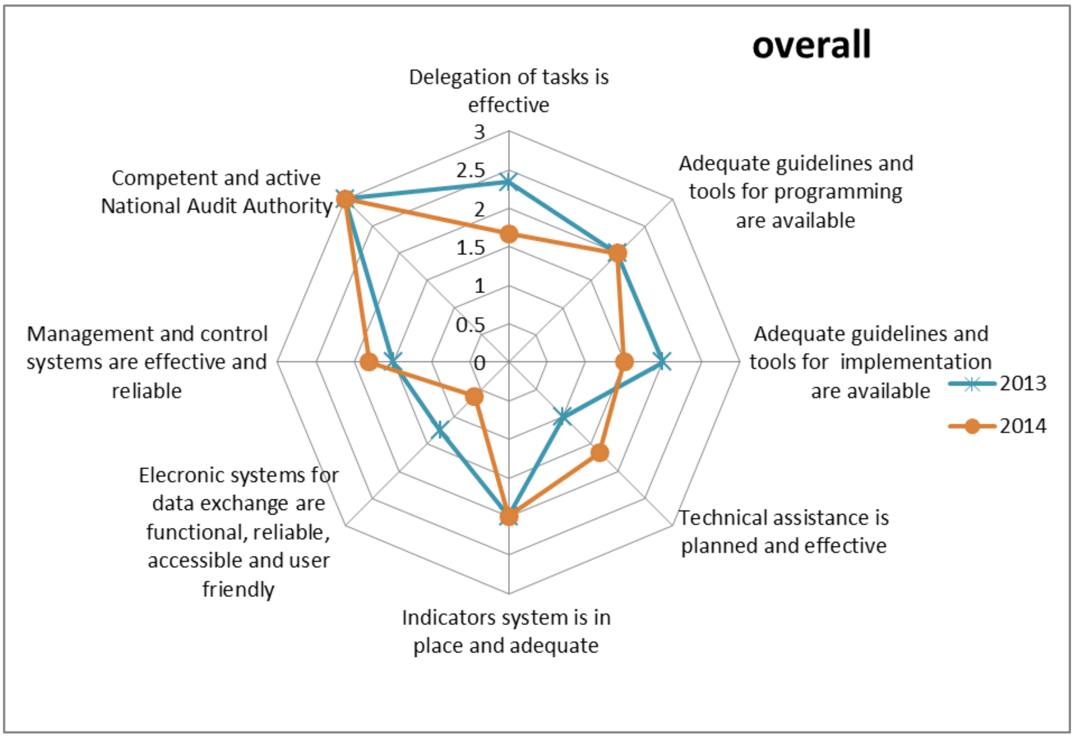

Figure 11 Update of the assessment in 2014 of the Systems and tools dimension for entire system

4.5.3 The administrative capacity index

Table 4-5: The index of the administrative capacity shows progress and status of achievement against each dimension and variable of the administrative capacity

		Assessment in 2013					Assessment in 2014				
Elements of the administrative capacity: (main dimensions and variables)	Assessment criteria	Admin capacity index			Individual criteria assessment[30]		Admin capacity index			Individual criteria assessment	
		Entire system	2007-2013	2014-2020	2007/ 2013	2014/ 2020	Entire system	2007/ 2013	2014/ 2020	2007/ 2013	2014/ 2020
Structures		2.05	2.05	2.25			2.18	2.25	2.12		
(1) Structures are designated	Availability of official documents designating the role of the structures.	3	3	x	3	0	3	3	3	3	3
(2) The experience from the previous programing is transferred into the new programming period	The current structures benefit from the previous programming period experience (e.g. Build on previous structures facilitate experience is transferred)	2	2	x	2	n/a	2	2	2	2	2
(3) There is consensus on the designation of the institutional framework	There is consensus of the stakeholders on designation of structures	2	2	x	2	n/a	2.5	2	3	2	3
(4) The existing structures have sufficient authority to fulfil their role	The location of the coordinating bodies over MAS , in line with the administrative hierarchy	1	1	x	1	n/a	2.25	2	2.5	2	2
	The coordination function in the system has the capacity to ensure coherence of procedures, practices and actions.				1	n/a				2	3
(5) Location of ROP MAs is in line with the administrative structure (regional levels)	ROP MAs location is in line with the administrative structure at national and regional level	3	3	x	3	n/a	3	3	3	3	3
(6) IBs selection is adequate for the type of	The adequacy of the IBs to ensure direct contact with beneficiaries and relevance	2	2	x	2	n/a	2	2	2	2	2

[30] Scoring: fully achieved =3; partially achieved, some improvements needed =2; partially achieved significant improvements needed = 1, not achieved = 0

interventions and targeted beneficiaries	for the respective policy.										
(7) Good well established working relations between coordination bodies, MAs, IBs, Agencies and other structures (8') Agreements between MAs IBs, CPA exist	Communication and cooperation of the coordinating bodies MAs IBs and other relevant units is effective	1	1	x	1	n/a	2	2	x	2	n/a
Reformulation of an umbrella criteria : **(8)Adequate structures for all phases of the programmes management are in place** (8/1) Roles, responsibilities and tasks are assigned in an effective manner at the level of departments, units, jobs (8/2)There were no changes in the structures	The organisation structures and ROF exists with responsibilities defined	2	2	2	3	n/a	1.46	2.25	0.67	3	0
	There is a good stability of the structures; Changes are not frequent (percentage of positive opinions in the survey)				1	n/a				2	n/a
	Positive opinions regarding the allocation of responsibilities: clear, coherent with the processes and avoid overlaps and duplications				2	n/a				2	0
	Existence of adequate units (including adjustment of number of posts according to workloads variation) within the MAs compliant to the programme implementation stage.				2	2				2	2
(9) Partnership is present and effective	Availability of official documents setting up the partnership framework.	2.5	2.5	2.5	3	3	2.5	2.5	2.5	3	3
	Social partners, regional partners, NGOs systematically involved in the design of socio-economic policies				2	2				2	2
(10) Systematic and effective inter-ministerial coordination of socio-economic policies	Existence of inter-ministerial cooperation structures (e.g. working groups)	2	2	2	2	2	2.25	2	2.5	2	3
	The inter-ministerial cooperation is effective, work in a planned manner and meet the deadlines (positive opinions in the survey)				2	2				2	2
(11) Monitoring	Monitoring Committees are set up and	2	2	x	2	n/a	1	2	0	2	0

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Committees are set up, an approval document exists, they have an adequate composition and functioning	effective: consistent contributions of the members in line with their interests										
Human Resources		1.22	1.22	x			2.22	2.22	1.80		
(12) Human resources planning within MAs and IBs exist	HR needs forecasts, including workloads analysis are available They are applied and used to support managerial decisions	0	0	x	0	n/a	1.5	2	1	2	1
(13) Staff turnover is manageable	Staff turnover indicated in the survey is at a manageable level (less than 10%) Positive perception that the turnover does not affect performance	2	2	x	2	n/a	3	3	x	3	n/a
	Turnover on key positions (e.g. managerial) is manageable.				n/a	n/a				3	n/a
	The turnover is manageable (positive opinions in the survey)				2	n/a				3	n/a
(14) Vacancies are manageable	Vacancies level indicated in the survey (below 5% considered manageable) Opinion on vacancies level and manageability	2	2	x	2	n/a	3	3	x	3	n/a
(15) Training planning exists	Availability of training plans	2.5	2.5	x	3	n/a	2.5	2.5	x	3	n/a
(16) Effective implementation of the training plans	Positive opinion regarding the training plans effectiveness: they are implemented and effective, ensuring improvements				2	n/a				2	n/a
(17) Staff performance in MAs and IBs is adequate	Staff performance is satisfactory, or higher	1	1	x	1	n/a	2	2	x	2	n/a
(18) Competitive and fair reward system	Positive opinions regarding competitiveness of the reward system	0.5	0.5	x	1	n/a	2.5	2.5	3	3	3
	Positive opinion about fairness of the reward system				0	n/a				2	n/a

(19) Managerial capacity is adequate	Positive opinion of staff regarding the managers skills and practice; percentage of answers confirming need to improve	1	1	x	1	n/a	1	1	1	1	1
(20) Previous experience acquired in previous EU projects is transferred into next programming cycle)	Concrete measures to transfer relevant experience (more than 50% positive opinions)	2	2	x	2	n/a	2	2	2	2	2
(21) Assessments and evaluations are regularly performed with a view to continuous improvement of the human resources in the system.	Availability of administrative capacity assessments in the OP ex-ante evaluations or other evaluations and studies	0.0	0.0	x	0	n/a	2	2	2	2	2
Systems and tools		1.9	1.9	x			1.8	2.1	1.4		
(22) Delegation of tasks is effective	Delegation of tasks is effective and agreed by partners	2.3	2.3	x	2	n/a	1.67	2.67	0.67	3	0
	Availability of official documents, delegation contracts				3	n/a				3	0
	Opinion regarding the delegation of tasks adequacy is positive				2	n/a				2	2
(23) Adequate guidelines and tools for programme preparation exist and effectively applied	Availability of programming guidance documents	2	2	2	2	2	2.00	2.00	2.00	2	2
	Dissemination of programming guidance documents				2	2				2	2
	Assessment on the sufficiency/quality of the guidance by the respondents and interviewees				2	2				2	2
(24) Adequate guidelines and tools for programme implementation exists and are disseminated	Availability of implementation guidance documents	2	2	x	2	n/a	1.50	2.00	1.00	2	1
	Positive opinion regarding dissemination of implementation guidance documents				2	n/a				2	1
	Positive opinion regarding the sufficiency/quality of the implementation				2	n/a				2	1

	guidance										
	Satisfaction of the beneficiaries regarding the clarity of the guidance documents				n/a	n/a					
(25) Technical Assistance is planned and used in an efficient way	TA is available just in time for support functions and qualitative – positive opinion				1	n/a				3	3
	Time between the request for TA is formulated and the delivery of the TA	1	1	x	1	n/a	1.67	1.67	1.67	1	1
	Degree of TA funds used (payments to TA providers in total planned annually)				1	n/a				1	1
(26) Indicators system in OPs is in place and adequate	Positive opinion regarding the adequacy of the indicators (percentage positive opinion)	2	2	x	2	n/a	2.00	2	x	2	n/a
(27) Electronic systems for data exchange are functional, largely accessible and user friendly	Overall Electronic Systems for the 2014-2020 available				3	0				3	0
	Electronic Systems data quality, querying and aggregation	1.25	1.25	x	2	0	0.63	1.25	0	2	n/a
	Positive opinion about Electronic systems ease of use by the beneficiaries				0	0				0	n/a
	Positive opinion about utility of the Electronic systems for the beneficiaries				0	0				0	n/a
(28) Management and control systems are effective and reliable overall	Procedures are in place they are adequate and effectively applied in all key areas (financial management, sample checks, expenditure certification and payments, audit, public procurement, risk management, irregularities)	1.50	1.50	x			1.81	2.13	0		
(28) Management and control systems are effective and reliable 28/1 Management and control system is functional	Overall assessment Procedures are in place for MCS	2	2	x	3	n/a	1.25	2.5	0	3	0
	Overall assessment Procedures are adequate and applied for MCS; Positive opinion about reliability				1	n/a				2	n/a

(28) Management and control systems of the are effective and reliable 28/2 First level control is effective	Procedures are applied Financial Management Changed: First level control is effective	1	1	x	1	n/a	1.00	1	x	1	n/a
28) Management and control systems are effective and reliable 28/3 Sample checks are adequate	Availability of procedures Sample checks	2.5	2.5	x	3	n/a	2.00	2	x	2	n/a
	Positive opinion regarding sample checks procedure application				2	n/a				2	n/a
(28) Management and control systems of the are effective and reliable (28/4) Expenditure certification and payments flows	Procedures for payment flows, expenditure forecasting and certification of payments are adequate	2	2	x	3	n/a	2.50	2.5	x	3	n/a
	Procedures for payment flows, expenditure forecasting and certification of payments are effectively applied				1	n/a				2	n/a
	Errors in annual forecasting below the EU average				n/a	n/a					n/a
(28) Management and control systems of the are effective and reliable (28/5)Management and control of the public procurement	Positive assessments of the public procurement management and control	1	1	x	1	n/a	1.00	1	x	1	n/a
(28) Management and control systems of the are effective and reliable (28/6) Risk management	Positive opinions and assessments regarding the risk management procedures and practices as a management tool	0	0	x	0	n/a	1.00	1	x	1	n/a
(28) Management and control systems of the are effective and reliable 28/7 Sufficient audit trail exists	Positive opinion regarding sufficient audit trail	3	3	x	3	n/a	3.00	3	x	3	n/a

(28) Management and control systems of the are effective and reliable (28/8)Audit function is effective	Audit plans are implemented at all levels	2	2	x	2	n/a	3.00	3	x	3	n/a
	Early identification of irregularities and management and control systems gaps	2	2	x	2	n/a	2.00	2	x	2	n/a
(28) Management and control systems of the are effective and reliable (28/9) The irregularities are detected and properly managed	Positive opinion regarding the Existence of adequate records on financial irregularities	1	1	x	1	n/a	1.00	1	x	1	n/a
	Track record of appropriate measures taken to deal with irregularities				1	n/a				1	n/a
(29) Competent and active National Audit Authority	Mandate established by Law	3	3	x	3	n/a	3.00	3	3	3	3
	Annual reports available				3	n/a				3	n/a
Contextual factors		0.75	0.75	0.75	x	x	1	1	1		
(30) Public policy management performance	Positive opinion in evaluations regarding the performance of the public policy management	0	0	0	0	n/a	1	1	1	1	1
(31) Availability of independent evaluation expertise	Positive opinion regarding: Sufficient evaluation expertise of the supply	2	2	2	2	n/a	2	2	2	2	2
	Positive opinion regarding: Local expertise has international quality standards				2	n/a				2	2
	Positive opinion regarding: The evaluation culture is at an adequate level				2	n/a				2	2
	Evaluation culture index (and components) improving trend				n/a	n/a					0
(32) Efficient and good working relation between ministries and other public institutions	Positive opinion regarding the efficient and good working relation between ministries concerned	1	1	1	1	n/a	1	1	1	1	1
(33) Corruption risks are addressed in an effective	A code of conduct exists and is effective	0	0	0	0	n/a	0	0	0	0	0
	Internal control function is effective in the				0	n/a				0	0

manner	public institutions										
	Corruption index measured by the Eurobarometer survey – decreasing trend				0	n/a				0	0

Table 4-5 (B) Summary of the administrative capacity index

		Assessment in 2013			Assessment in 2014		
Elements of the administrative capacity: (main dimensions and variables)	Assessment criteria	Admin capacity index			Admin capacity index		
		Entire system	2007-2013	2014-2020	Entire system	2007/ 2013	2014/ 2020
Structures		2.05	2.05	2.25	2.18	2.25	2.12
Human Resources		1.22	1.22	x	2.22	2.22	1.80
Systems and tools		1.9	1.9	x	1.8	2.1	1.4
Contextual factors		0.75	0.75	0.75	1	1	1

Updated recommendations of the assessment in 2013

R1. The first assessment recommended the redesign of the institutional framework, position of the national coordination structure and the MAs within the public administration system in order to boost their authority and ability to promote inter-institutional and multi-sectoral cooperation. This should be implemented through: (1) measures addressed to the structures which proved to have difficulties in the 2007-2013, (2) location of the structures in line with the hierarchy in the administrative system, (3) location of the MAs/IBs difficult to be coordinated in dedicated structures, considering the additional administrative costs, (4) the National coordinator, i.e. MFE to be empowered by the Prime Minster to enforce the rules in the whole system (5) ensure IBs are designated to structures that ensure adequate contact with the targeted beneficiaries. (6) Stability of the organisations' structures and the whole framework has to be ensured, in order to improve the institutional performance

The recommendation is to a large extent implemented leading to the following recommendation

R1/updated: Following the setup of the new institutional framework it is recommended to ensure (1) the selected IBs have the adequate capacity corresponding to the number of beneficiaries and complexity of the projects mainly at regional and local level (2) stability of the structures

R2. Develop participation of the social partners in the programming process and the monitoring committees; this could be achieved through better coordination of the cooperation, guidelines and plans, updated information and training.

R2 updated The recommendation remains valid. Positive premise for achieving is the fact that it was already assumed through the PA the support provided to the members of the monitoring committees for a more effective involvement and OPTA 2014 2-20 foresees funding for this support. Consistent provision of the support is required.

R3. Development of the HR function in the system of the CSF funds; this could be achieved through an intervention designed for the long term over the whole programming period and with the aim of designing and implementing HR policies including HR planning, an optimal allocation of responsibilities and workloads, review of the performance management system with integration of results based approaches, improve the reward system, strengthen the training function. Capacity for the management of the HR function has to be created with centralisation at the level of MEF and the cooperation with the HR departments of the ministries and integration with their processes as many as possible. Outsourcing using TA resources will enhance efficiency.

Analysis should be performed on particular features of the HR function in order to monitor effectiveness of the function and progress in development of the administrative capacity

R3 updated The recommendation remains valid on long term. The recommendation is already addressed through one priority axis in OPTA 2014 020 and a series of actions including strengthening the role of the HR department in managing the process. technical assistance in implementation to support the performance management system design.

Creation of a new tool for performance management increase the challenge and responsibility for the HR department and managers to ensure sustainable implementation. For this an additional recommendation is to ensure continuous highly qualified assistance to the HR department for:

- Ensure the system is understood and accepted by the staff

- Managers are able to link and support it through the day by day management of people practice.

- The HR department is able to monitor implementation, evaluate as necessary and ensure the fine tuning of the overall performance management system.

R4. Revisions of the whole management system in order to simplify procedures, clarify allocation of responsibilities, and reduce the administrative burden. A study on the minimum requirements generated by the regulations and legislation should be contracted.

The simplification should have in view; optimal use of grant schemes calls for proposals, reasonable/minimum documents requirements in all phases, levels of controls, clarity and agreement on the interpretation of the procedures by all control bodies, use of standard costs and lump sums, etc.

The recommendation remains valid. The first steps for implementation have been made by MEF which commissioned a study on administrative burden; further on OPs assumed alignment of their procedures with the recommendations for reduction of the administrative burden

R5. Develop user friendly guidelines, manuals, helpdesks, tutorials, with an extended use of ICT, in order to ensure easy access of all beneficiaries; Progresses already made with revision of the guidelines, but the recommendation remains valid.

R6. Ensure development of an effective indicators system in line with the EC methodology, adequate capacity at project and programme level to use the indicators and production of data for the calculation of the indicators. This needs to be implemented through coordination from MEF level, with provision of guidance and training to all users of the system. MEF have to ensure the data providers have the capacity and assume production of data. The recommendation is addressed through assistance to OPs 2014-2020 in preparation of the indicators guide and has to be followed up with guidance tailored on the audience.

R7. Extend the e-cohesion concept in all processes of data exchange with the beneficiaries. It is already considered being object of the dedicated Priority Axis 2 in OPTA 2014-2020. Recommendation remains valid.

R8. Strengthen the management and control systems of the authorities. This should be implemented through improved competences in internal control, risk management, prevention, detection and management of irregularities. To be explored are modalities of how evaluation criteria linked to the MCS can be included in the performance appraisal of the managers, and additionally sanctions on cases of lack of discipline to be applied. The improvement of the procurement procedures has to continue. The recommendation was confirmed and accepted through the action plan for strengthening the administrative capacity attached to the PA 2014-2020. The recommendation remains valid/

Other measures to support the strengthening of the administrative capacity of the authorities.

Implementation of the public administration reform to create a favourable environment for the development of the administrative capacity of the authorities involved in the management of the EU funds.

- Specifically improved capacity of the policy design and implementation is needed
- Improvement of the effectiveness and efficiency of the public administration system.
- Addressing corruption in a more effective way.

The recommendations remain valid. Positive premises for their fulfilment are the TA of the general secretariat of the government and the measure for consolidation of the administrative capacity and fight against corruption included in the OP Administrative capacity 2014-2020/

5 Analysis of the administrative capacity of the beneficiaries

5.1 Information and data collection regarding the administrative capacity of the beneficiaries

The evaluation team initiated the analysis of the administrative capacity of the beneficiaries with the documentary analysis. The documents analysed are listed in Annex 1, which is a common list of sources that was also used for the assessment of the authorities. Two of the evaluations consulted are focused specifically on the capacity of the beneficiaries: “Challenges associated to the capacity of SI Beneficiaries” (2011), and “The Evaluation of the Administrative Capacities of Regions” (2011). Other evaluations and studies, and implementation reports mention the capacity of the beneficiaries in the context of OPs implementation analysis, and identification of factors influencing performance.

The assessment is structured on three dimensions of the administrative capacity

(i) Capacity of the beneficiaries to manage projects
(ii) Capacity to mobilise human resources
(iii) Capacity to mobilise financial resources

A checklist with indicators for the capacity of the beneficiaries has been designed and include for each of the three dimensions the most relevant elements as presented below and in the checklist attached in Annex 2b.

(i) **Capacity of the beneficiaries to manage projects, including**:
- Integration of the project management in the organisation, capacity to create functional interdisciplinary teams, extent to which all functions of the organisation are fully covered ;
- The expertise available in project management/ EU funded projects;
- Availability of experienced project managers;
- Capacity to produce mature projects and use project pipelines.

(ii) **Capacity to mobilise human resources, including**:
- Availability of human resources to implement the projects in sufficient quantity;
- Capacity to manage turnover;
- Competences availability in key processes;
- Adequate quality of the consultancy services available.

(iii) **Capacity to mobilise financial resources**:
- Availability of sufficient financial resources, internal or accessed to ensure co-financing and cash-flow during implementation;
- Pre-financing arrangements adequacy and accessibility for all type of beneficiaries.

(iv) **Horizontal factors affecting the capacity of the beneficiaries**:
- Clarity and consistency of the procedures, EU and national regulations applicable to the project;
- Sufficient capacity of the MAs and IBs to support the beneficiaries;
- Existence of electronic systems of data exchange with MAs and IBs;
- Civil servants effectiveness and efficiency;
- Corruption risks are addressed.

The elements of the checklist, are used as assessment criteria, derive primarily from practice, identifying the key factors influencing projects performance in terms of successful achievement of the projects objectives. The selection of the beneficiary’s criteria is consistent with the previous evaluations, mainly with Challenges concerning the capacity of the structural instruments beneficiaries. The complete checklist with the assessment is attached in Annex 2b.

The evidence needed for the assessment of each criterion has been collected using several methods including: the documentary analysis, an online survey and a focus group.

An important tool for collection of data and information is the online survey. The questionnaire for the survey was applied using the Survey Monkey platform, as detailed in section 3. The questionnaire is attached in Annex 3 b.

The questionnaire contained fifteen questions[31], utilizing a combination of types of questions, single choice or multiple choices, and matrix questions. All questions offered the possibility to introduce comments and explanations. The online questionnaires were applied to all beneficiaries of the Cohesion Policy operational programmes and FOP. In the case of the Agriculture and Rural Development a database with electronic contacts was not available. For this reason the evaluation team has searched the email addresses of the beneficiaries of investments projects, identifying as many as possible from public sources, this resulted in 196 email addresses. The questionnaire had a Romanian and an English version – addressed to the CBC beneficiaries from other countries.

The results of the survey are based on the 571 answers received from the 7654 beneficiaries with valid[32] email addresses, invited to fill in the on-line questionnaire uploaded on the Survey Monkey platform (https://www.surveymonkey.com/s/GRJ8QRB).

The 571 respondents from a population of 7654 gives a 95% confidence level that the answers are accurate to within +/- 4%[33].

For the analysis accuracy, only 525 responses were taken into consideration as relevant because they provided answers to more than 60% of the questions (maintaining a similar 95% confidence accuracy of just over +/-4%).

The participation in the survey is largely consistent with the relative sizes of the categories of beneficiaries invited. The largest participation is from the private sector followed by public administration and NGOs, as detailed in Table 4.1.

Table 4.1 – Structure of respondents by type of organization

Private sector (all types of entrepreneurs)	Public administration& institutions	NGOs	Universities & RD Institutes	Other types	Didn't indicate the type
43.8%	27%	19.4%	7%	2.7%	4%

[31] The questionnaire was used to collect information for the parallel assessment regarding the Electronic systems, for which 6 additional questions were included in the questionnaire.

[32] Should be noted that around 10% of the beneficiaries' addresses weren't valid (probably were changed after the financing contract closure).

[33] Based on AAPOR & AMA confidence and accuracy levels generated through http://www.surveysystem.com/sscalc.htm

Detailed structure of respondents by type of organization (as resulted from Q1):

Private sector (all types of entrepreneurs)				Public administration & institutions			NGOs	Universities & RD Institutes		Other types			Didn't indicate the type
43.8%				27%			19.4%	7%		2.7%			4%
Micro	SME	Large	Producers (agri&fish)	Central PA	Local PA	Publ instit		Univ	RD Instit	Trade unions	CCI& Empl. org	Publ. Co.	
14.7%	22.9%	6.1%	0.2%	5.1%	14.3%	7.6%	19.4%	5.9%	1.1%	0.8%	0.2%	1.7%	4%

The participation by OP had most respondents indicated as HRD OP beneficiaries, followed by ROP and SOP IEC as detailed in Table 4.2.

Table 4.2 – Structure of respondents per OP (some of the beneficiaries were founded from more than 1 OP)

SOP HRD	ROP	SOP IEC	OP ACD	SOP ENV	CBC (4)	RDNP+OPF	POAT +SOP T
41.6%	27.6%	26.6%	9.6%	8.1%	8.1%	5.6%	3.5

Over 83% of the respondents were/are project managers, more than 65% recently finalized project(s) and around 50% have project(s) still in implementation.

Opinions of the authorities regarding the capacity of the beneficiaries were collected through the survey addressed to the authorities, which included two specific questions on the subject. (See annex 5.a.)

In order to collect more qualitative data a focus group was organised for clarification and provision of insight on specific preliminary conclusions from the methods applied. The membership of the focus group was intended to have a good representation of the categories of beneficiaries and categories of projects: local and central public administration, private beneficiaries, beneficiaries of large projects (Transport, Environment). The focus group had 17 participants (out of 28 invited), representing almost all types of organizations eligible for finance under the OPs 2007 – 2013. Annex 6.b includes: the agenda, and the list of participants.

5.2 Analysis and findings

The analysis is structured on three dimensions of the administrative capacity of the beneficiaries, highlighting the specific findings and conclusions for the typical types of beneficiaries

The first major segment of beneficiaries is represented by public administration at central and local level (county municipalities, towns and communes) as well as other public institutions e.g. agencies, public institutions in education, research, other social and economic sectors.

The second category is the public operators of public infrastructures, included in this group are operators in water, waste water infrastructure, waste management, transport, and others.

These categories have a high importance in the implementation of the CSF funds, because they have the responsibility for implementation and production of results from large amounts of the funds for which they are eligible.

The context of the administrative capacity of these organisations is given by the conclusions of previous reports and summarizes the following issues:

FB1. Low capacity at the local public administration level to manage large complex projects associated with reduced ownership in case of projects implemented in partnership.

FB2. Risks related to weaknesses of the management and control systems (Court of Accounts Annual Report, 2011, e.g. National Roads Administration Company audit mission conclusions)

FB3. Weaknesses in monitoring and evaluating achievements against planned results

FB4. Difficulties in compliance with instructions and deadlines

FB5 Another category are the private beneficiaries usually accessing funds of smaller amounts; they do not generally develop internal capacities on the long term, either they use their own business project development units and/or outsource project development and management services. A large category of smaller units, mainly individuals and farmers in rural development, have difficulties related to accessibility and affordability of the consultancy services. A particular feature of this category is reluctance to engage where they fear an administrative burden and difficulties in understanding excessive bureaucratic requirements.

FB6 The final category are other non-profit organisations, including NGOs in various sectors, trade unions etc.; they have more sustainable project development units in their structures and are more willing to learn and comply with the public funds requirements.

Within the analysis we will highlight specific features of the issues analysed for each category.

5.2.1 Capacity to manage projects

For this dimension of the administrative capacity we seek to answer to the question:

“To what extent the organisations have the capabilities for implementation of the projects?”

This aspect has a particular importance for public beneficiaries and the operators implementing large projects.

FB7 The survey revealed a strong positive opinion regarding the **integration of the project management in the organisation**:

- 87.3% of the respondents consider the involvement of top management very good & excellent;
- 67.2% rated the interdisciplinary teams very good & excellent.

When looking to the type of organizations, it should be mentioned that the project management is more integrated in the organization management within the private sector than in the public sector. For example: within the projects implemented by SMEs, the involvement of top management is rated at 91.2% in comparison with 64% within the projects of central public administration. The overall percentages are similarly rated at NGO level and other types of organizations.

FB8 With regard to the interdisciplinary teams created for the project, the overall percentage is fairly consistent based on each type of organization. From the comments included to this question, we can surmise how the different types of organisations dealt with the project management issue:

a. The private entities, which tended to be more flexible but with small number of staff (and/or not specialized in project management), hired specialized staff for implementing the project.
b. The big organization could afford to create interdisciplinary teams for different types of projects. Those organizations have units/departments focused on the projects' management.
c. Strong project communication tools were used within the projects with many partners (or partners from different countries) or in the case of big organizations where the interdepartmental cooperation is weak.

The above opinions have been confirmed in the focus group.

FB9 Other documentary sources including previous evaluations and Court of Accounts Reports[34] revealed a number of weaknesses regarding the integration of the project management into the organisation including the following:

- Difficulties of the beneficiaries in setting up and managing interdisciplinary teams, ensuring interdepartmental cooperation;
- Diminished ownership in the case of large regional projects or in the case of use of external services for project implementation;
- Ineffective internal/managerial control systems which allows irregularities, (suspected) frauds, infringement of the use of public funds.

FB10 Previous studies[35] also highlighted as a weakness beneficiaries not using risk management as a management tool.

Improvements are needed with a specific focus on the weaknesses identified in beneficiaries of large infrastructure projects. It can be concluded that for all beneficiaries the integration of the project into the organisation should be part of the project management training.

FB11 The beneficiaries should be trained how to prepare a good "methodology for implementing the project" and how to present this methodology in the dedicated section of the application form (usually there are only "pure theories/stories" written on many pages at this section). The assessors should be trained how to evaluate the project methodologies. The evaluation grids should include a higher score for "Methodology", with impact on the general score.

FB12 The level of **expertise in project management** in the organisation is another element of the beneficiaries' capacity to manage projects**.**

The survey reveals:

- 97% of the respondents claim they have sufficient expertise in project implementation and
- 71% of the respondents consider having sufficient expertise in project preparation phase.

According to the survey results the expertise of the beneficiaries is ensured mainly from internal resources. The percentage of organisations using external resources is higher for beneficiaries from the private sector (micro, SME, large enterprises and local producers).

In the project development phase 47% are using internal resources (lower percentage for private sector) while 24% are using external resources (lower percentage for public sector and NGOs).

During the implementation phase 85% are using their own expertise and 11.7% are using external project management expertise (higher percentage in using external staff for private sector).

A large number of respondents consider that specific skills needed in project implementation are present in their organisations: 80.5% of the respondents have expertise in project monitoring and

[34] Formative evaluation of the structural instruments in Romania, 2010; First Ad hoc Evaluation: Challenges in the capacity of public and private structural instruments beneficiaries, Final Report of March 2011; Evaluation of the administrative capacity of the regions in the regional development area, 2011; Annual report of the Court of Accounts, 2011
[35] First Ad hoc Evaluation: Challenges in the capacity of public and private structural instruments beneficiaries, Final Report of March 2011

reporting; 85.2% are experienced in financial management; 82.8% in EU visibility rules; 77.3% have expertise in public procurement.

FB13 From the comments included by the respondents to this question, the difficulties that are most encountered include the followings:

d. Public procurements procedures are not easy to be understood and follow by the beneficiaries from the private sector.
e. Technical studies/feasibility studies are expensive and have a limited duration (2 years). Most of the beneficiaries don't have internal staff specialized in preparing those documents.
f. The small organizations (especially the NGOs) have overloaded staff but they are able to transfer the expertise from one project to another.

The beneficiaries' opinion is only partially confirmed by the authorities consulted in a similar survey. The authorities' opinion is that beneficiaries encounter difficulties in the following areas:

g. Around 50% of the beneficiaries have difficulties with preparation of the application form, budgeting and setting indicators.
h. Between 50% and 86% of the respondents have indicated beneficiaries' difficulties in public procurement, financial management and reporting indicators.

The focus groups confirmed the conclusions of the survey and highlighted the overall good expertise, but that it is was uneven across beneficiaries. There are different levels of expertise and development needs for different categories of beneficiaries and types of projects.

FB14 The beneficiaries developed their expertise mainly during the current programming cycle. Previous experiences from pre-accession programmes tended to have a reduced relevance[36]. It was considered that SAPARD had more relevance, as it was more closely linked to EARDF than the other pre-accession instruments against their successor (PHARE etc.). A large amount of learning had to take place, and was considered especially challenging in many cases, because of difficult guidelines for applications, inconsistent appraisal and a high administrative burden.

FB15 Expertise in project management is an area in need of improvement; specific skills have to be developed according the type of project sizes and complexity.

There are areas where the beneficiaries are not aware about their weaknesses, i.e. how to establish adequate project indicators or prepare & describe the project implementation methodology. Workshops/practical trainings (with concrete examples given) could reduce those difficulties.

FB16 Meanwhile, the staff of MAs/(R) IBs should be trained in the specific area of the projects they are monitoring or they should ask for help from experts in order to avoid mistakes in monitoring the project and in applying undeserved financial corrections.

FB17 Availability of projects managers is a key element of the beneficiaries' capacity to implement projects.

59% of the survey respondents indicated a need for more experienced project managers out of which: 26.5% mention this is a significant need.

Within the public sector the significant need for experienced managers is higher (at local administration level it is ranked at 34%, at central level is ranked at 32% and in other public institutions is rated at 43%).

[36] First Ad hoc Evaluation: Challenges in the capacity of public and private structural instruments beneficiaries, Final Report of March 2011

The opinions collected during the focus group nuanced the results; the availability of experienced project managers varies, upon sizes and type of organizations, and location. It was considered more likely to find experienced managers in urban areas, in sectors with more experience in EU funds, and in larger organisations.

The public sector cannot afford to pay adequate salaries for attracting experienced project managers and specialized staff for different projects. NGOs are running many projects and the young staff are interested in accumulating experience to be used later.

FB18 However the survey results indicate the perception that the quality of the project management is not adequate to the needs of the beneficiaries and the experience of the projects managers is an essential part of their competence.

The situation is explained partially by the high increase of the demand for projects managers in the last year with thousands of projects in the implementation phase. On the other hand there are situations that the difficulties in managing the project are due rather to the lack of clarity and the changing procedures than the capacity of the project manager.

The proportion of the respondents indicating the need for more experienced project managers is very high and confirmed by the market conditions. The availability of experienced projects managers is not proven

Significant improvements are needed in order to ensure project managers in all areas and for types of beneficiaries.

FB19 To what extent there is capacity to create and manage project pipelines is most relevant in the case of beneficiaries with a significant development role in a social or economic area. It has a particular applicability at the individual level, but will be mainly limited to the interests of the respective beneficiary**.**

The survey results indicate the following opinions:

- 75% of the respondents consider that there is a need for mature projects and project pipelines;
- There are sufficient internal financial resources to develop projects pipelines (60%); and sufficient expertise for project development (47%).

The focus group participants confirmed the survey findings and gave examples from their own experience of projects already identified/in progress within a project pipeline, managed by various types of beneficiaries.

There are not significant differences in the percentages rated by different categories of beneficiaries (public versus private sector or NGOs).

There are comments made by the public companies regarding the dependencies between a good project pipeline and the specific documents needed for developing those projects (quality, costs and validity of feasibility studies and other documents required for a project).

The theory and the experience show that the capacity to create and manage a project pipeline means more than a project development capacity. There are many factors that influence the realistic and deliverable project pipeline and the more complex the area of development is, the more complex the process of developing a project pipeline becomes. Managing a project pipeline requires both resources and good working relations.

The capacity of the regions[37] to identify, prioritize, develop, manage and implement the projects is considered limited and needs attention to be further developed. In the case of the sectoral programmes the MAs and IBs experienced difficulties with the development of projects pipeline. In

[37] Evaluation of the administrative capacity of the regions, 2011, Ministry of Regional Development and Tourism.

2007-2013 the key actors did not succeed to produce mature projects, as needed, and this can be identified as one of the main reasons for the delays in implementation and the resultant absorption difficulties.

FB20 McClements and Marinov, 2006 mention the typical problem found in the new member states, where “the managing authorities are de facto isolated from domestic investment planning. Additionally they are inadequately linked to agencies who should be expert in particular sector and who often play the role of intermediate bodies e.g. national tourism agencies, public employment agency, small business promotion agencies, and research and innovation promotion agencies and so on. And such agencies are themselves very weak “.

Looking at the Romanian institutional set up and policy makers we can see a similar situation.

FB21 In RDI sector according to INNOVA Europe, 2010[38] the complex and fragmented institutional framework is reducing National Agency for Scientific Research (NASR) capacity to act as unitary coordinator of RDI in Romania.

FB22 The report also mentions that there is a lack of coordination between and integration of regional and national actions to foster RDI. In 2007-2013 the regional offices of the IB for Priority Axis 2 Research and Development of SOP IEC, could hardly deal with the administrative tasks as an interface of the IB, with no role as development actor supporting RDI in the regions. Despite almost all regions had regional innovation strategies adopted, there was no competent body in the regions to support implementation and a real integration with the SOP IEC funding.

FB23 A similar situation was found in other sectors, tourism, i.e. no capacity in the regions, SMEs sector with weak regional capacities, HRD OP, etc.

FB24 RDAs are the single bodies with good territorial coverage which plays a development role in the regions, at present “managers” of the regional policy. Their successful functioning might suggest allocation of additional responsibilities for other sectors as they have already become IB for SMEs interventions of the SOP IEC. New responsibilities allocated to RDAs for specific sectors implementation will impose support measures for creating the specific sectoral capacity and adequate empowerment.

FB25 The experience of 2007-2013 operational programmes reveals a common opinion regarding the need to have mature projects when the calls for proposals are launched, and to manage them through projects pipelines.

It is too early to assess the stage of project pipelines for 2014- 2020 as a large number of regional and sectoral planning processes are still in progress. More detailed analysis is needed at regional and sectoral level on the capacity for implementation of project pipelines, including provision of TA support.[39]

FB26 There were a high percentage of respondents indicating the need for project pipelines. Despite specific cases of project pipelines being given as examples by the participants in focus group, the experience of the current OPs lacking mature projects in time lead to the conclusion that the criteria is not achieved.

The above findings lead to the conclusions that the **d**evelopment of projects pipeline needs special attention and support and is linked to the capacity of the development actors for each sectors.

5.2.2 Capacity to mobilise and effectively use human resources

The Human Resources dimension of the beneficiaries’ capacity includes the following questions:

- To what extent the beneficiaries have sufficient staff for projects development and

[38] Management of public R&D institutions in Romania
[39] OPTA AIR 2011

implementation including the capacity to manage the staff turnover?

- To what extent the staff possess the needed expertise?
- To what extent the needs could be covered with outsourcing consultancy services?

The responses to the survey indicate a need of additional human resources in preparation and implementation of the projects: additional staff (around 47% of the responses), more expertise, and improved competencies (53% of the responses).

The participants in the focus group reiterated the differences depending on the project location, type of project and type of beneficiaries.

FB27 Availability of competent staff is more difficult at the local level, and in deprived, rural, or isolated areas. Smaller organisations – public administration or private companies – tend to have more difficulties to mobilise human resources for project development and implementation. In the case of large organisations issues regarding mobilisation of staff are due to increasing workloads, understaffing (in some cases), and weaknesses in organising the work.

FB28 Project development processes appear more sensitive to allocation of resources as in most cases this activity is funded from the (potential) beneficiary's own resources and bears the risk of non-funding (unsuccessful project application).

The associations of the local public administration, trade unions, and employers' associations in some cases support their members-beneficiaries in dealing with staff difficulties.

There could be identified gaps for specific specializations, mainly when there is a sharp increase of the demand work opportunities (i.e. the launch of waste management projects in the 2007-2013 cycle).

The public administration & institutions at county, regional and central level as well as universities have experienced fewer problems with HR availability. The internal resources could be supplemented with outsourced capacity.

A more detailed analysis for the future programming will be needed, considering the types of beneficiaries and types of projects.

FB29 At present the information indicates a significant gap – of around 50% of the beneficiaries being confronted with the (UN) availability of human resources.

This gap has to be interpreted in the conditions of excessive bureaucratic requirements. From our own experience with implementation of projects in various domains and types of beneficiaries we can see that for all types of projects the administrative requirements in all phases involves a volume of work exceeding the allocation of resources, even in the case of eligible expenditure with project management. Unclear guidelines and variable interpretation of the procedures increase the burden.

Even with the circumstances of excessive bureaucracy the conclusion is that there are insufficient human resources available for project development and implementation.

Ensuring adequate staffing needs improvements, but the measures have to start with reducing the administrative burden for all beneficiaries.

FB30 To what extent **the turnover is a negative factor on the capacity is more relevant for public beneficiaries** where they rely more on internal resources. 79.3% of the survey respondents consider that the staff turnover does not affect the project implementation. The focus group participants confirmed the staff turnover is at a manageable level.

The situation has to be analysed on types of beneficiaries[40]: Large public beneficiaries, including Central Government have been affected by significant staff departures due to the budgetary

[40] All AIRs on 2011

restrictions and salary reductions. The process was less significant in other public administration bodies like local administration.

FB31 The beneficiaries have to deal more and more with a human resource under the pressure of lower salaries, increased workloads and insecurity, both in the private and public sector. More effective human resources policies and practices have to be applied in the whole organisation including the project team.[41]

Despite the small share of beneficiaries participating in the survey indicating difficulties in dealing with staff turnover, the increasing mobility of staff, downsizing of the organisations due to the economic crisis and the migration between state and private sector, lead to the conclusion that for a large number of the beneficiaries the turnover is challenging. Special attention needs to be given to the stability of the project teams and quick replacements. Outsourcing with affordable and accessible consultancy services could compensate understaffing in the most affected beneficiaries.

And finally the qualitative dimension of the human resources looks at the availability of competences needed for proper development and implementation of the projects.

FB32 The respondents in the survey have indicated as key areas of competence possessed in the organisation the following: application form preparation, public procurement, financial management, project monitoring and reporting, information and publicity of EU support, competences related to the specific projects, technical specific competences.

The responses reveal more than 75% of the respondents have the expertise in the following areas:

- public procurements 77.3%;
- financial management 85,2%;
- project monitoring and reporting 80.5%;
- Information & publicity of EU support 82.8%;
- technical competencies 78.9%.

A lower level of expertise is indicated in project preparation, 47.1% of the responses.

The evaluation report on beneficiaries' capacity shows there are differences between beneficiaries depending on their experience in PM, there organisation type and size.

The criterion is partially achieved and improvements are needed with a focus on project development and public procurement. The project development should be seen in relation with simplification of the project application procedure.

Use of outsourcing in order to cover lack of internal resources is a solution for all categories of beneficiaries.

FB33 The opinions of the respondents indicate the consultancy services are available but do not meet the expectations of the beneficiaries. The results of the survey are presented below:

- 57% of the responses indicate as good the availability of the consultancy services;
- 48.7% of the responses indicate as good the quality of the consultancy services;
- 40% of the responses indicate as good the price quality ratio.

We find in the responses the opinion of the beneficiaries that the consultancy services are expensive and do not meet the quality expectations. The availability of consultancy services appears rated to a high extent, but the quality and the price quality ratio are rated lower.

FB34 Participants in the focus group highlighted differences regarding the availability of the services upon types of projects, sectors, area of residence, types of beneficiary. This is confirmed from our own experience in implementation of a technical assistance project, "support for project

[41] Ad-hoc evaluation Challenges in the Capacity of Public and Private Structural Instruments Beneficiaries

development for research development and innovation interventions” within SOP IEC, PA 2. There were few consultants on the market familiar with the RDI concepts and requirements of the interventions.

FB35 Consultants had little experience with public funding and the various programme requirements. A constraint in developing the consultants market was the fact that some MAs and IBs restricted the participation of the consultants in events for the provision of information and transfer of knowhow, but there are examples of more open treatment by MAs and IBs and recognition of the need to have well informed and competent consultants. The survey results could not capture all features of the consultancy market. We suggest further analysis is needed for each OP regarding the availability and affordability of the consultancy services and to ensure availability in affordable conditions for each segment of beneficiaries.

FB36 Where services are available in adequate quantity the fair, competitive procedures of selection will enhance development of the market on a commercial basis. In this sense it should be considered the fact that the quality and the price-quality ratio are compromised in the case of the public beneficiaries by the “lowest price” award procedures used extensively in public procurement.

5.2.3 Capacity to mobilise financial resources

This dimension of the capacity of the beneficiaries to mobilise financial resources looks at two issues:

- Existence of sufficient internal and borrowed financial resources to ensure co-financing and the implementation cash flows and,
- Adequacy of the pre-financing mechanisms in order to ensure accessibility to finance for all types of beneficiaries

FB37 The survey responses reveal that:

- 62.3% of respondents are able to ensure co-financing and cash-flow from internal or accessed financial resources;
- 34.8% have access to bank loans and
- 30% have access to bank guarantees.

It should be mentioned that the private sector has bigger problems in obtaining banks’ support for their projects (38%) or accessing bank guarantees (41%).

FB38 Considering that all respondents are beneficiaries of funding with projects implemented or in implementation, the rate of 62.3% of respondents able to ensure co-financing and cash-flow is worrying and suggests it is a high risk for the operational programmes performance. The focus group highlighted the extensive problems in implementation due to reduced capacity of the beneficiaries to ensure the financial resources, aggravated by large delays of the reimbursements (e.g. 230 days instead of 45 days; and quoted 27 months delay of the final payment).

FB39 Access to bank loans is difficult and very often the loan conditions are changing between the application and the contracting date. Similar conclusions have been found in the interim evaluations, studies and annual implementation reports, e.g. SOP IEC, 2009, ROP 2011, a, DG Regio, Evalnet 2012

The interviewees mentioned the need for a better fine tuning between the banks criteria and the programme. The “comfort letters” required with the application form to ensure the endorsement of the bank were not useful at least because the long appraisal procedures which changed the economic and financial conditions for the investment. Undercapitalised private beneficiaries, a weak public administration affected by low budgetary incomes at local and national level, combined with a rigid banking system with extreme risk aversion create high constraints in ensuring the funding for projects implementation.

Regarding the pre-financing mechanism the results of the survey reveal that 42.9% of the respondents indicate that they did not experience problems with pre-financing.

FB40 From the comments addressed to this question it can be shown that the beneficiaries faced problems when the pre-financing percentage was reduced (from 30% to 10%). Also, they complained about the lack of predictability in preparing good cash-flows.

Less than 50% of the respondents, all being beneficiaries with projects in implementation or finalised, found adequate and accessible pre-financing for their type of organization.

FB41 The participants in the focus group explained typical problems with pre-financing:

- unpredictable mechanism including reduction of the pre-financing rate during implementation, change of the conditions, delays in payments;
- the access to bank guarantees depends on the type of organization and their size, but there is a mismatch between the EU funding selection criteria and qualification conditions for bank loans;
- the public sector has an advantage.

The interim evaluation reports (e.g., SOP IEC, ROP, and HRD OP) provide similar conclusions.

FB42 The measures for improving efficient use of the pre-financing had in some cases opposite effects than expected. A study regarding solutions for optimal pre-financing is now on-going and will provide recommendations for the future mechanism to be used.

The capacity of the beneficiaries to mobilise financial resources is an area of concern and a priority for urgent measures.

5.2.4 Horizontal issues affecting the capacity of the beneficiaries

In this section we have analysed five factors affecting the capacity of the beneficiaries:

- **Clarity and consistency of the procedures**
- **Sufficient capacity of the MAs and IBs to support the beneficiaries**
- **Existence of electronic systems of data exchange with MA/ IB and AA**
- **Civil servants effectiveness and efficiency**
- **Corruption risks are addressed**

FB43 Analysing the survey results we have found that 87.4% of the survey responses indicate the lack of clarity and consistency of the procedures.

There is a generally shared opinion about the lack of clarity and consistency of the procedures:

- 46% of the respondents indicate ambiguities of reporting procedures;
- 36.4% experience difficulties due to the reimbursement procedures and
- 25% beneficiaries faced difficulties with public procurement.

Only 23.5% beneficiaries did not experience difficulties in project(s) implementation.

During the focus group, the participants confirmed the lack of clarity and consistency of the procedures with examples: guidelines changed by MA during the preparation and/or implementation period, different interpretation given by MA/IB/RIB and NARMPP and AA at the cost of the beneficiary.

In conclusion the clarity and consistency of the procedures and the guidelines need significant improvements.

FB44 The capacity of the MAs and IBs to support the beneficiaries was interpreted as “good working relations with the MAs and IBs”.

More than 50% of the responses indicate a good cooperation of the beneficiaries with the MAs and IBs. The cooperation is perceived better in implementation (70% of the responses) than in project preparation (58% of the responses) and project identification (52% of the responses).

The survey as well as the focus group and the reports reveal significant gaps in the support provided by the MAs IBs to the beneficiaries.

79.8% of the responses indicate a need for more guidance from MA/IB/RIB during preparation and implementation

The participants in focus group provided examples of gaps in the cooperation:

- Poor quality of information or guidance received from MA/ IB/ RIB, especially during implementation;
- Lack of flexibility and predictability;
- Changes of the rules during the game;
- Excessive interpretations;
- Unilateral contractual contract modifications;
- Insufficient support to beneficiaries: clearly and timely provision of information, practical training, guidance, partnership principles in implementation, helpdesk, facilitate harmonization of interpretation of rules and procedures with all authorities, etc.

Support provided by MAs and IBs to beneficiaries have to be more effective, significant improvements are needed.

FB45 The survey revealed a reduced used of electronic systems in relation with the MAs and IBs. This is confirmed by their reduced number of applications for beneficiaries with limited functions.

The survey results reveal the following findings

- 60,7% of the respondents confirm they use one of OPs specific electronic systems;
- 22.7% of the respondents did not know there was any electronic system they could use in relation with the MA or IB;
- The remaining part 16.6% of the respondents stated that they use only emails or applications with a wider use than the operational programme/ project implementation;
- 49% of the users find the ES easy to use and time saving;
- More positive opinions regarding utility, (83% of the respondents' rate utility above average), recall of data from the system (82.7%).

In their opinion the ES are easy to use and reduce the time spent on various project tasks.

FB46 Gaps regarding the effective use of the electronic systems have been mentioned in the focus group:

- Poor guidance and support to use the ES (especially for up-dates or revised modules, i.e. recently revisions on ActionWeb). Electronic data provision, duplication with printed versions of the documents
- Low efficiency of the ES, not really time saving.

The use of ES at the level of the beneficiary in relation with the MAs and IBs need significant improvements

- **Civil servants effectiveness and efficiency**

FB47 Analysing the survey results we found 78.6 % of the respondents considering their capacity to implement project could be affected by the public administration weaknesses.

The participants in the focus group highlighted the constraints of the civil servants to perform at high standards due to the public system weaknesses.

They mentioned as negative factors in the implementation of the projects the unhelpful attitudes and lack of professionalism of the civil servants in monitoring, verification and control activities.

The responses combine the perspective of private beneficiaries and NGOs affected by the civil servants performance as part of the IBs and MAs and the public beneficiaries which are influenced internally within their own organisation by this factor.

This indicator should be included in regular surveys regarding beneficiaries' performance and satisfaction and monitored over the entire programme cycle.

More than 50% of the respondents consider they could be affected by the public administration system and civil servants effectiveness and efficiency. Connected with the weaknesses of the public administration system in Romania as described in the section 3.2.3 the conclusion is that this factor does not positively influence the capacity of the beneficiaries and the negative influence could be significant.

In conclusion the civil servants effectiveness and efficiency is an important factor influencing the beneficiaries' capacity and needs significant improvements. It is largely linked to the public administration reform expected to create a more favourable environment for projects implementation and business environment.

The corruption risks are perceived by the respondents in the survey as factors affecting their capacity to implement projects.

FB48 The results of survey reveal:

- 34.4% of the respondents consider they are not affected by corruption (at all or too a large extent).
- More than 50% of the beneficiaries believe they could be affected by corruption.
- 81.4% of the respondents consider there is a lack of transparency in the appraisal and selection process.

The focus group discussion confirmed the opinions highlighting the fact that the lack of transparency of the processes creates suspicion about the fairness and correctness of the process and potential corruption factors.

There are typical weaknesses in the public institutions which could create premises for corruption cases. The Court of Audit[42] found as a general weakness of the public beneficiaries the poor implementation of the internal/managerial control systems which lead to late identification of irregularities, (suspected) frauds, and infringements of the public funds principles and rules.

The general opinion is that the corruption risks are not addressed properly; the beneficiaries could be affected by the corruption cases.

Findings in the update of the assessment

FB49 A large training programme for Structural Instruments beneficiaries was implemented between May 2013 and November 2014 in order to develop their competences in Project Management and Public procurement. More than 1200 representatives of all types of beneficiaries attended the training courses. The draft final report which included an evaluation of the training courses, based on a survey applied to all participants, revealed the following:

- The participants at the training course found to a large extent useful the training most of them (more than 65% in the case of Project management courses and 70% if the participants at Public Procurement courses) had the opportunity to apply at least one of the competences acquired in their tasks at the workplace. The courses contributed as

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well to the performance of the participants, more than 90% of the participants who answered the questionnaire indicated concrete improvements in their performance.

- The need for more training in project management and public procurement is perceived very high by the representatives of the beneficiaries who participated in the training courses. More than 90% indicated this need for their organisations.

FB50 Simplification of the procedures and reduction of the administrative burden remain important factors to increase the performance of the beneficiaries in using ESI Funds. As mentioned in the section dedicated to the authorities administrative capacity assessment steps have been undertaken with simplification of the procedures resulting in faster payments to beneficiaries and administrative burden reduction measures have been proposed for the largest part of the beneficiaries (except central and local public administration).

FB51 The needs for capacity development will be addressed through OPTA 2014-2020 providing funding for the support of beneficiaries through a dedicated priority axis. This is a positive premise for an enhanced capacity of the beneficiaries and a better performance in 2014-2020 programming period.

FB52 The capacity of the central and local public administration as development actors – an additional feature of the administrative capacity of the beneficiaries will be funded through OPAC. The challenge is in ensuring the effectiveness of the assistance provided to the development actors, in order to apply the learning and capacity development into the investments management and operationalization processes – which are in fact linked with the ESI Funds.

5.3 Update of the conclusions and recommendations regarding the administrative capacity of the beneficiaries

Conclusions

CB1 The programming period 2007-2013 was **a challenge for the beneficiaries,** due to the new rules that were significantly different than those applied in the pre-accession programme, the larger sizes of the projects, and in some cases involvement of the same entity in a large number of projects.

CB2 The capacities continue to be built and include **creation and strengthening of dedicated departments** for project development and implementation, competences development through formal training and through learning by doing. In the case of private beneficiaries, who are accessing funds for their own development, the capacity for project development and implementation relies mostly on outsourcing the services to consultancy companies. The capacity to manage projects varies depending on the type of beneficiary.

CB3 An important segment of beneficiaries are the public institutions from the local level (counties and localities), the main operators in environment and transport, institutions in education and labour market sector, etc., who are responsible for a large amount of funding to be absorbed and the corresponding achievements. The **project management capacities built in these institutions are a strong basis for further development**.

CB4 Nevertheless, the level of performance of the operational programmes and individual projects indicate the need for improvements in all types of beneficiaries. In the case of the large public beneficiaries, **strengthening of the organisational capabilities** to ensure sustainable capacities for project management is a key need and includes improved management and control systems, better integration with other functions of the institution, and improved competences in specific areas of expertise.

CB5 A particular aspect of the beneficiary's capacity is the existence and the capacity of the policy "managers", organisations at national and regional level, empowered to implement sectoral policies, e.g. RDI or SMEs policies. Absence of these capacities contributed in 2007-2013 to a spread of the funding in a large number of small projects without a strategic sectoral view. The scenario for 2014-2020 considering reduction of the number of small projects contracted, and introducing large strategic projects, will even more require identification and strengthening or creation of these development actors. The process is complex and cannot be implemented overnight but has to be initiated as soon as possible. **Creation and management of project pipelines** is linked to the existence of the above mentioned development actor. They are the key organisations able to prepare project pipelines. For this reason readiness of mature projects and effective project pipelines proved to be a challenging task in the 2007-2013 period. There is a clear need of increased capacity of the development actors in this area. Assistance and training will be required. The update of the assessment indicate the possibility to fund through OPAC development of the capacities of central and local public administration for improving policy making and implementation.

CB6 Public procurement, project management skills, continue to be the top training priorities, partially due to the lack of clarity and changing guidelines, procedures and instructions, unfriendly support tools, and variable interpretation of the procedures at different levels of control. Other training needs have been revealed as priorities in the assessment including skills linked to **the application form, budgeting and setting indicators, public procurement, financial management and reporting indicators. The update of the assessment reveals that training in these two areas remain a long term objective due to the entry of new specialists in the two areas of specialization and the need of continuous development on difference levels of competences.**

CB7 Continuous development in project management with a better focus on development qualitative issues will remain a priority need for the next programming period. Evaluations have also indicated **limited technical capacity** in specific areas and a **low quality of the technical documentation** mainly for infrastructure projects.

CB8 There have also been indicated **staffing difficulties, shortages of skills, and project managers or consultants** in the case of specific beneficiaries or specific sectors, (e.g. public administration in smaller localities and rural areas or specific sectors with that have benefitted less from public investments in the past, such as waste management). The beneficiaries need t**o improve capacity to use outsourced services in order to compensate for the gaps in their internal resources**.

CB9 In the case of private and small beneficiaries, they have to be ensured **simple procedures, clear guidelines** and **easy access to consultancy services** in terms of availability and affordability, depending on the type of beneficiary, to successfully access, implement and manage ESIF supported initiatives.

CB10 On the supply side, the consultancy services have to evolve to respond to the market needs. At present the c**onsultancy services are available to a large extent, but the quality and the price to quality ratio are** perceived by the beneficiaries **relatively low.** The quality and the price-quality ratio are affected in the case of the public beneficiaries by the "lowest price" award procedures used extensively in public procurement and also the constraints in project selection and implementation. **Smooth implementation processes, predictable demand on the market, clearer implementation processes and a focus on quality** instead of administrative compliance, will enhance the development of the consultancy services market.

CB11 An important factor influencing the beneficiaries' capacity to implement EU funded projects is the limited capacity of the beneficiaries to mobilise financial resources for co-financing and the cash-flow needed for implementation. The beneficiaries encountered additional difficulties due to large delays of the reimbursements, difficult access to pre-financing, bank loans and changing loan conditions between the application and the contracting date. **The limited capacity to mobilise the financial resources remains a key issue and risk factor for programmes performance.**

There is a need to improve capacity of the beneficiaries to manage projects, the project management and technical skills, access to support services and financial resources.

CB12 The update of the assessment indicated that the conclusions remain valid. The report on the evaluation of the training provided to beneficiaries within the project "Training of beneficiaries" funded from OPTA 2007-2013 between MaY 2013 and November 2014 confirms and reinforce the need for continuous provision of training to beneficiaries in project management and public procurement.

Recommendations

RB9. Provide more effective technical assistance support measures for the beneficiaries. This will be implemented focused on the following capacity development needs

- Organizational capabilities, which is a key aspect in the case of public beneficiaries implementing large infrastructure projects.
- Continuous development in project management targeting mainly the public beneficiaries and the sectors/ where gaps have been identified. An assessment in the context of the new operational programmes will be needed.
- Flexible TA intervention able to provide, just in time access to training opportunities for specific skills needed. Training has to be approached in more customized way, more individualized and connected to the project management processes. E-learning should be considered in compliance with the type of learners, etc.

This recommendation is in connection with the recommendations number 4 and 5 from the authorities section which will reduce the administrative effort of the beneficiaries and will be able to focus more on the developmental issues of the projects and achievements.

R10 Identify, strengthen or create, capacities for policy implementation at sectoral, national and regional level, e.g. regional bodies for RDI policy implementation, tourism policy, SMEs. These organisations will be able to ensure the adequate delivery mechanisms, the development and implementation of the strategic integrated projects as an alternative to the large number of small projects. They should play the key development role for each sector with adequate capacity to create and manage project pipelines and adequate empowerment by law. A dedicated study should be undertaken for identification of the most appropriate modalities to create and strengthen these capacities, as a key component of the capacity of the beneficiaries.

R11. Improved access to finance to be ensured through accessible pre-financing mechanisms, an improved bankability of the projects, simplified and quick reimbursements during the projects implementation, The measures under this recommendation include the tailored refinancing mechanisms according to the type of beneficiary, type of projects and the conclusions of the study regarding the experience in 2007-2013 period in using the refinancing.

A better fine-tuning of the project selection criteria with the banks loan conditions for the co-financing and implementation cash-flow. MEF should coordinate the discussions between the IBs responsible for projects selection and the banks offering dedicated products for the beneficiaries of EU funded projects.

And finally MEF has to coordinate in cooperation with all national bodies the creation of a financial mechanism to ensure reliable forecasting, smooth transfers and payments in the whole system.

The update of the assessment confirms the validity of the recommendations formulated in the first assessment in 2013.

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