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2007 - 2013

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 Framework¹ 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



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2007 - 2013

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



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GUVERNUL ROMÂNIEI



Instrumente Structurale
2007 - 2013

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-



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GUVERNUL ROMÂNIEI



Instrumente Structurale
2007 - 2013

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 authority² 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.



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Instrumente Structurale
2007 - 2013

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 bankability³ 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



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Instrumente Structurale
2007 - 2013

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.