

## 1. The Continuing Relevance of Priorities and Objectives defined in the ROP Strategy in the context of Social and Economic Changes

24. This chapter addresses the following evaluation questions:

**Evaluation Question 1: To what extent the priorities and objectives defined in the ROP strategy maintain their relevance in the context of the social and economic changes occurred as compared to the time of the programme drafting?**

*Areas of Examination:*

*1.1 Analysis of the validity of the ROP strategy by examining the social and economic changes that occurred in Romania during the evaluated period of time;*

*1.2 Identification of the effects of the change in the social and economical context impacting the achievement of the ROP strategy, presentation and explanation of these effects and of the future trends;*

*1.3 Examination of the relevance of ROP indicators in view of the achievement of the programme objectives in the context of the occurred social and economic changes.*

25. The situation analysis made for the ROP in 2007 included an extensive consideration of the socio economic position of Romania and of each region. The socio economic indicators referred to in the analysis were used to support the programme logic that underpins the current ROP strategy. The analysis noted that interregional disparities in Romania were relatively small in absolute terms when compared to the EU average but were comparable to central European countries (Czech Republic, Hungary and Germany) in relative terms. From a consideration of GDP per capita, it was observed that counties with large towns, international airports or in proximity to the western border had higher per capita income while the most severe under-development was found in counties that border the Danube river or in the North East close to Ukraine or the Republic of Moldova. Economic growth in the period reviewed in 2007 was high and there were many factors contributing to growth, including the changing balance in the labour market between agriculture, industry and services, the regional FDI performance and migration within the country and to other EU Member States. As is common in many Member States, it was hard to generalize on the specific factors that influenced relative regional economic performance.

26. The 2007 analysis used five regional development indicators to capture regional disparities. These were GDP per inhabitant, unemployment rate, FDI per capita, SMEs per capita and the rural population balance. Of these, the GDP per inhabitant was selected as the primary reference indicator for regional disparity. In the search for the potentially most effective interventions that would contain or reduce regional disparity, reference was made to FDI, SME/ Micro-Enterprise development/ business support structures, population and employment trends, transport infrastructure, health, social and education infrastructure, and tourism. These areas fit well with a regional development strategy, take good account of quality of life factors, and are typically referred to in international comparisons.

This chapter is divided into three parts. **The first area of examination** is addressed by updating the most relevant key indicators that were used in the original situation analysis. The objective was to see the evolution of the main economic and social indicators namely: GDP per inhabitant, population/ migration, employment/ unemployment rate, FDI/capita, SMEs and Tourism. The focus is on those indicators that influenced the final choices made in the ROP strategic objectives. **The second area** of examination takes account of the more recent economic crisis and

27. the responses at both EU and country levels. **The final part of the chapter** examines the ROP indicators in the light of changes in the socio economic context. **This is the third area of examination.** The ROP indicators were updated while the evaluation was in progress and the new indicators were approved in September 2009. Although this is after the cut-off date, it was agreed with the Evaluation Unit of the MAROP to base the examination on the new indicators.

28. The evaluation experienced considerable difficulties in finding updated and compatible socio economic data for the ROP context indicators. For example, the last available figures for GDP per capita are for 2006, and for FDI per capita are for 2007 whereas the social indicators are available up to 2008).

#### **Analysis of the Validity of the ROP Strategy by examining the Social and Economic Changes that occurred in Romania during the evaluated period of time**

29. As there has been relatively little implementation to date, it is safe to assume that changes to the socio economic indicators are due to external socio economic effects rather than to the interventions envisaged in the ROP. The indicators examined are:

- GDP per inhabitant
- Population/ internal migration
- Employment/ unemployment rates
- Foreign Direct Investment
- SME development
- Tourism

#### *GDP per inhabitant*

30. Since 2001 there has been an impressive year on the growth in GDP per inhabitant. This growth has remained strong in the period since 2005 when the original ROP strategy was developed. The year 2008 was the ninth year of economic growth. The increase was driven by strong activity volume, especially in the services, industry and construction sectors. Starting with October 2008 the GDP started to decline. This has accelerated into 2009 due to a strong decline in both domestic and the external sectors and the effects of the worldwide economic crisis began to be reflected in the GDP figures. In the first quarter of 2009, GDP fell by 6.4% compared to the same quarter in 2008 and by 2.6% compared to the last quarter of 2008. The World Bank estimate is for a 2% fall in GDP for the year (2009) as a whole and for a return to positive GDP growth in 2010<sup>3</sup>.

---

<sup>3</sup> There is a range of estimates of GDP for 2009. Some institutions and organizations (Fitch, EBRD, IMF, Standard and Poors, BCR) are predicting an economic growth of 1% in 2009. Others (Citi, Economist Intelligence Unit) are estimating an increase of 1.6% to 2.8% for 2009.

Chart 1: Romania - Changes in GDP per inhabitant - 1999 to 2008



Table 1: Romania - Regional GDP per Capita and Regional GDP Disparity Indices 2005 to 2008

	2005	2006	2007e	2008e
<b>GDP per capita in Euros</b>				
North East	2,526.8	2,942.7	3,333.2	3,733.6
South East	3,137.0	3,651.4	4,124.4	4,609.3
South	3,018.8	3,519.9	3,984.6	4,454.2
South West	3,087.2	3,606.2	4,074.8	4,546.8
West	4,223.5	4,929.3	5,563.2	6,204.9
North West	3,422.4	3,975.3	4,495.0	5,022.9
Centre	3,935.5	4,590.8	5,195.0	5,799.5
Bucharest Ilfov	7,487.2	8,875.5	10,153.4	11,416.3
<b>Disparity index of GDP per capita versus total country GDP</b>				
North East	68.7	68.4	68.3	68.4
South East	85.3	84.9	84.6	84.5
South	82.1	81.8	81.7	81.6
South West	83.9	83.8	83.5	83.3
West	114.8	114.6	114.1	113.7
North West	93.0	92.4	92.2	92.0
Centre	107.0	106.7	106.5	106.3
Bucharest Ilfov	203.5	206.3	208.2	209.2

E: estimated

Source: National Commission for Prognosis

31. The Regional GDP figures (Table 1) show that the national trend in growth in GDP per capita is common to all regions up to 2008. The disparity index (Table 1) highlights that although all regions experienced GDP growth, there was little change in their relative positions compared to the situation that existed when the ROP strategy was developed. The situation remains that two regions are above the national average while the others are below the national average.

32. The actual change in disparity between the regions was further explored by comparing the position of the regions to the West region, which is the most prosperous region excluding Bucharest Ilfov (Table 2). The analysis shows that between 2000 and 2005, when the ROP was developed, there was a noticeable widening in disparity between the regions but that between 2005 and 2008 there is virtually no change in disparity.

**Table 2: Romania - Regional Disparity index GDP/capita: indexed to the West Region**

Region	2000	2005	Percentage change in regional disparity 2000-2005	2008	Percentage change in regional disparity 2005-2008
North - East	1.467	1.671	20.5%	1.662	-0.9%
South East	1.154	1.346	19.2%	1.346	0.0%
South	1.259	1.399	14.0%	1.393	-0.6%
South West	1.225	1.368	14.3%	1.365	-0.3%
North West	1.104	1.234	13.0%	1.235	0.1%
Centre	<b>0.958</b>	<b>1.073</b>	<b>11.5%</b>	<b>1.070</b>	<b>-0.3%</b>

Source: National Commission for prognosis

33. We emphasise that the above analysis is based on the data of the National Commission for Prognosis rather than the data of the National Institute of Statistics. The reason for this is that final regional GDP per inhabitant data was only available up to 2006. We consider that the use of the disparity index provides a good alternative source of information to the MAROP for programme monitoring purposes, in particular for monitoring the regional disparity containment objective.

#### Population/ Migration

34. Table 4The total average population (Table 3) and population density index (Table 4) show relatively constant values in the period 2005 - 2007. The overall average population fell by 0.4% in the review period.

**Table 3: Romania - Total Average Population per Region - 2003 to 2007**

Region	2003	2004	2005	2006	2007
<b>Total Romania</b>	<b>21,741.9</b>	<b>21,685</b>	<b>21,634.3</b>	<b>21,587.6</b>	<b>21,546.8</b>
North-West	2,746.8	2,743.0	2,735.9	2,729.2	2,726.7
Centre	2,545.9	2,538.5	2,533.9	2,529.3	2,524.4
North-East	3,744.6	3,739.2	3,735.2	3,731.4	3,725.2
South-East	2,859.2	2,852.5	2,846.8	2,839.0	2,830.0
South Muntenia	3,359.4	3,344.2	3,329.8	3,313.1	3,298.4
Bucharest-Ilfov	2,208.2	2,209.0	2,212.7	2,223.9	2,237.1
South-West Oltenia	2,330.5	2,319.5	2,307.9	2,293.8	2,278.3
West	1,947.3	1,939.1	1,932.1	1,927.9	1,926.7

Source: Eurostat

**Table 4: Romania - Population density (inhabitants/km<sup>2</sup>)**

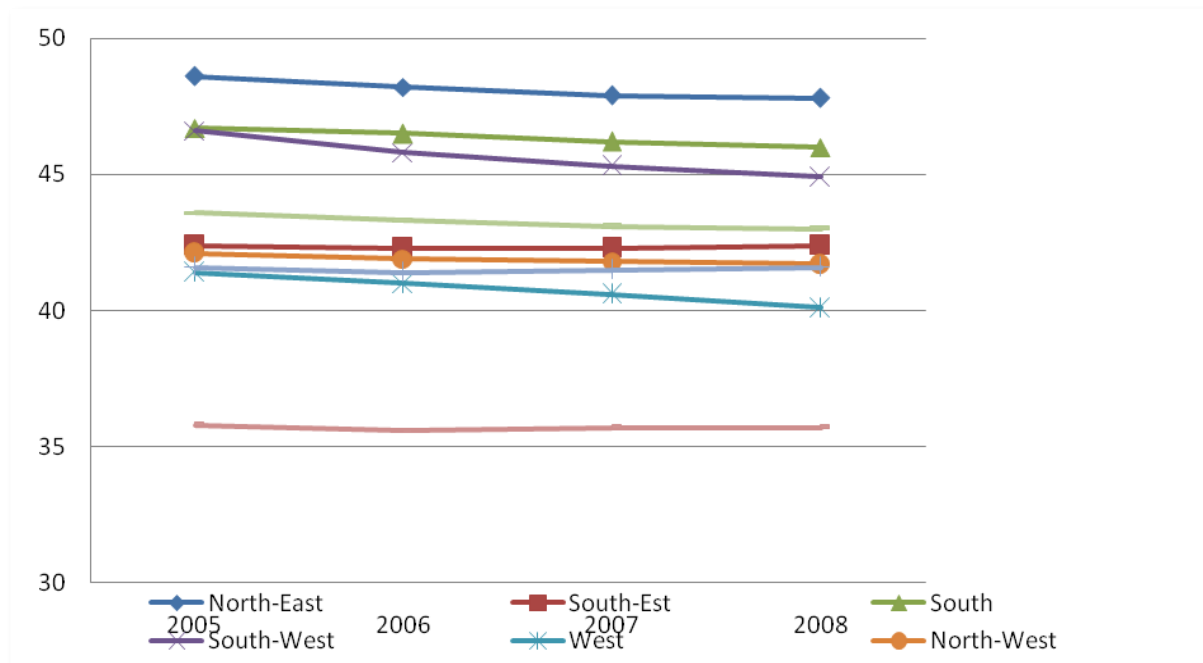
Region	2000	2001	2002	2003	2004	2005	2006	2007
North-West	84.6	84.4	81.9	81.6	81.5	81.3	81.1	81.0
Centre	78.3	78.2	75.5	75.4	75.2	75.0	74.9	74.7
North-East	105.9	106.2	103.6	103.6	103.5	103.4	103.3	103.1
South-East	94.2	94.2	92.0	91.7	91.5	91.3	91.1	90.8
South Muntenia	103.8	103.6	101.1	100.6	100.1	99.6	99.1	98.7
Bucharest-Ilfov	1,297.2	1,291.4	1,258.4	1,256.8	1,257.3	1,259.4	1,265.5	1,271.9
South-West Oltenia	84.3	84.2	82.2	81.8	81.4	81.0	80.5	80.0
West	64.6	64.3	61.9	61.7	61.4	61.2	61.1	61.0

Source: Eurostat

35. In terms of population age structure, the 2005 situation analysis identified both a declining and ageing population as relevant issues to the ROP. The key contributors to population trends are the trends in annual births and mortality, and migration flows. In the period from 1990 to 2008, the population of Romania decreased by 1.8 million inhabitants, from 23.2 to 21.4 million inhabitants. The birth rate fell from 13.7% in 1990 to 10% in 2008 and is set to continue to decline.

36. The negative trends in the age profile of the population have continued, as reflected by a significant fall of 8.3% (1990: 23.7%; 2007:15.4%) in the percentage of the young population (ages 0 - 14 years) and an increase of 4.6% in the elderly population of 65 years or older in the same period (1990:10.3%; 2007:14.95%). Life expectancy in Romania increased from 70 years in 1990 to 74 years in 2008 and continues to grow. In 2006, there were 1.2 million persons aged 75 years or over, an increase of 239,131 compared with 2000. The potentially active population, of ages 15 - 64 years, oscillated between 66.0% in 1990 and 69.8% in 2007.

Chart 2: Romania - Regional dependency ratios 2005 - 2008



Source: National Institute of Statistics

37. From a regional development perspective, the demographic trends can be viewed in terms of movements in the demographic dependency ratio per region. The analysis shows no significant change in the position between 2005 and 2008 (Chart 2). The demographic dependency ratio keeps its peak values in the North-East Region (47.8%) while the lowest ratio is found in Bucharest Ilfov which is explained by a powerful attraction of the capital area for employment opportunities.

38. From the point of view of the total active employed population, the gaps between regions have slightly reduced in the period 2005-2007 but the overall trend is for a small increase in disparity, with the North East suffering the most from this trend (Table 5).

**Table 5: Romania - Active civil employed population at end of the year 2005 to 2009**

Year	2005	2006	2007	2008e	2009e	Change 2005 versus 2009e
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
<b>Romania</b>	<b>8,390.4</b>	<b>8,469.3</b>	<b>8,725.9</b>	<b>8,765</b>	<b>8,550</b>	<b>+160</b>
North-East	1,265.6	1,246.2	1,262.3	1,263	1,214	-52
South-East	1,028.2	1,035.8	1,056.5	1,058	1,024	-4
South	1,188.9	1,184.5	1,214.8	1,215	1,181	-8
South-West	857.1	853.0	875.0	876	849	-8
West	834.9	839.4	869.2	878	854	+19
North-West	1,145.5	1,155.4	1,186.5	1,192	1,165	+20
Centre	1,008.1	1,024.9	1,049.9	1,058	1,032	+24
Bucharest-Ilfov	1,062.1	1,130.1	1,211.7	1,225	1,231	+169

e: estimated

Source: National Commission for Prognosis and NIS

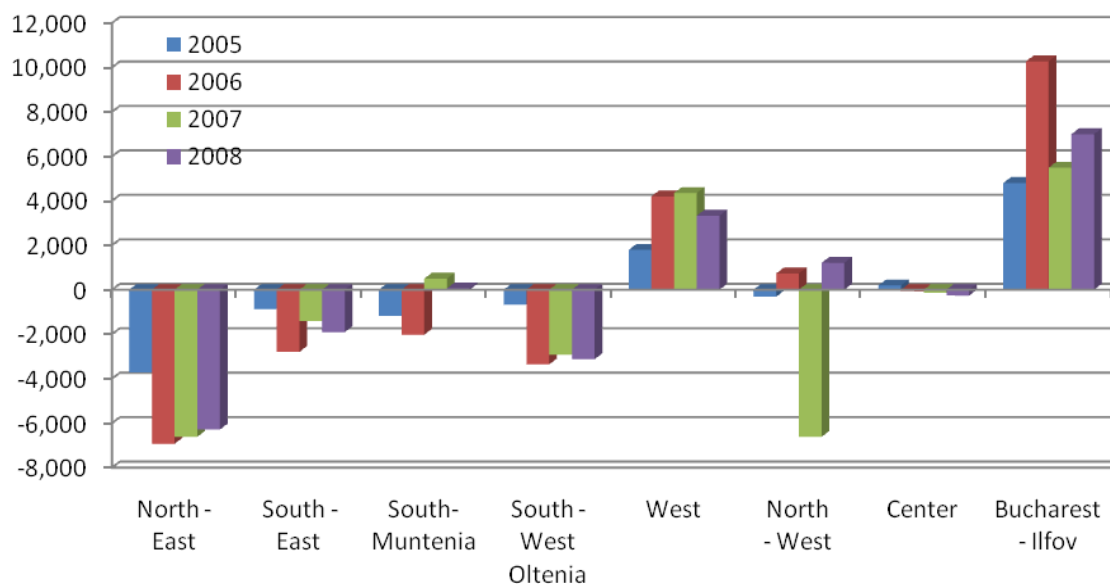
### Migration

39. The prevailing trends in internal migration were fairly stable in the period from 2005 to 2008 (Chart 3). The overall In-country mobility increased from a migration flow of 272,604 persons in 2005 to 389,254 in 2008. The trend already set by the North-East Region as the region with the largest loss of population has continued. In this period, the Bucharest-Ilfov and West Regions are the net recipients of this flow, owing to the better living standards and employment opportunities offered. The main exception is an outflow from the North West Region in 2007 which is against the prevailing trend.

40. In 2005, the migrations from urban to rural areas was identified as a particular factor that needed to be addressed in containing the disparity between regions. A net inflow of migrants to rural areas for subsistence farming purposes was noted, which is a worrying development as Romania has already a big share of its employment in agriculture and productivity is already fairly low in this sector. Accordingly, from a sectoral regional development perspective and from a purely regional perspective, regional migration trends remain a very relevant context indicator for the ROP. Future programmes could set a result or impact indicator related to targeted migration flows, especially as this is a key socio economic factor for the EU as a whole.

41. In terms of external migration, primarily to other EU Member States, the level of migration continued to be strong in the pre-accession period and the immediate period after accession. It is expected that the trends will be reversed in 2009 and 2010 by a net inflow of returning migrants. The potential effect of this inflow on the disparity between the regions is not known at this stage but needs to be monitored by the MAROP.

Chart 3: Romania - Regional net internal migration flows - 2005 to 2008



Source: National Institute of Statistics

#### Employment/ Unemployment rates

42. The employment to population ratio provides information of the ability of an economy to generate employment. The dynamics of the labour market in the period 2002-2005 reflected a constant level of approximately 58% for the proportion of the available labour force which was at work. This is significantly below the average of EU 27 (63.4% in 2005) but comparable to some other New Member States. Since 2005, there was a slight increase in the employment ratio in 2008 to 58.8% but this is not expected to be maintained in 2009 due to the increase in unemployment rate (See below).

43. At this moment, Romania remains very far from the Lisbon 2010 objective of a 70% employment to population ratio. In the period from 2002 to 2008, (Table 6) the employment rate for the male active labour population is higher than for the active female population. The female active employment ratio reached 52.5% in 2008 which was 7.5 percentage points short of the Lisbon target (60%).

Table 6: Romania - Employment rate of the age group 15-64 regions - (%)

Region	2000	2001	2002	2003	2004	2005	2006	2007	2008
	%	%	%	%	%	%	%	%	%
North-West	63.0	63.6	57.8	57.0	56.0	:	:	57.0	56.4
Centre	59.5	59.5	55.8	55.0	53.7	:	:	55.1	56.6
North-East	65.8	65.2	59.1	59.7	62.3	:	:	61.3	60.5
South-East	60.0	59.2	54.7	55.6	54.5	:	:	54.7	55.3
South Muntenia	64.1	63.5	57.9	57.8	57.9	:	:	60.5	61.1
Bucharest-Ilfov	59.9	56.8	56.9	56.4	59.6	:	:	62.4	63.3
South-West Oltenia	68.4	68.9	61.3	61.8	59.7	:	:	59.3	60.0
<b>West</b>	<b>61.9</b>	<b>61.1</b>	<b>57.5</b>	<b>57.0</b>	<b>56.7</b>	:	:	<b>59.6</b>	<b>59.3</b>

Source: Eurostat

Table 7: Romania - Regional Unemployment Rates - 2000 to 2008

Region	2000	2001	2002	2003	2004	2005	2006	2007	2008
	%	%	%	%	%	%	%	%	%
<b>Romania</b>	<b>10,5</b>	<b>8,8</b>	<b>8,4</b>	<b>7,4</b>	<b>6,3</b>	<b>5,9</b>	<b>5,2</b>	<b>4</b>	<b>4,4</b>
<b>Male</b>	<b>10,7</b>	<b>9,2</b>	<b>8,9</b>	<b>7,8</b>	<b>7</b>	<b>6,4</b>	<b>5,7</b>	<b>4,2</b>	<b>4,5</b>
<b>Female</b>	<b>10,1</b>	<b>8,4</b>	<b>7,8</b>	<b>6,8</b>	<b>5,6</b>	<b>5,2</b>	<b>4,6</b>	<b>3,9</b>	<b>4,4</b>
Region North West	8,5	6,8	6,8	5,4	4,2	4	3,6	2,9	3,3
Male	9,1	7,4	7,6	5,7	4,5	4,4	4	3,1	3,3
Female	7,9	6,3	6	5	3,8	3,6	3,1	2,8	3,3
Region Centre	10,3	8,6	9	8,3	7,8	7,3	6,1	4,8	5,2
Male	10	8,5	8,9	8	8,3	7,8	6,6	5	5,2
Female	10,7	8,7	9,2	8,6	7,2	6,7	5,6	4,7	5,1
Region North-East	13,2	10,6	10,8	9	7,8	6,8	6,2	5,1	5,3
Male	14	11,6	11,9	10,3	9,5	8,2	7,5	5,7	5,8
Female	12,3	9,6	9,7	7,5	6	5,2	4,9	4,4	4,7
Region South-East	11,4	9,8	10	8,1	6,9	6,4	5,6	4,4	4,7
Male	11,5	9,9	11,1	8,7	7,4	6,9	6	4,4	4,6
Female	11,3	9,8	8,8	7,4	6,3	5,9	5,1	4,4	4,8
Region Bucharest-Ilfov	5,8	4,7	3,3	2,8	2,8	2,4	2,2	1,7	1,7
Male	4,9	3,9	2,7	2,4	2,4	2	1,9	1,4	1,3
Female	6,7	5,5	3,9	3,4	3,2	2,9	2,5	2	2
Region South-Muntenia	10,4	8,9	9,2	8,3	7,4	7,3	6,4	5,1	5,1
Male	11,1	9,7	10	9,2	8,2	8	7,2	5,3	5,1
Female	9,7	8	8,2	7,4	6,5	6,4	5,5	4,9	5,1
Region South West Oltenia	11,6	10,4	9,4	9,1	7,5	7,4	7	5,1	7
Male	12,4	11,4	10	10	8,5	8,5	7,8	5,2	7,1
Female	10,8	9,4	8,6	8	6,4	6,3	6,1	5	6,8
Region West	10,4	9,5	6,6	7	5,8	5,1	4,1	3,3	3,7
Male	10,5	9,5	6,6	7,4	6,2	5,3	4,3	3,1	3,5
Female	10,4	9,5	6,6	6,5	5,4	4,9	3,8	3,5	4,1

Source: National Institute of Statistics



44. There appears to be no significant change in the regional distribution of unemployment levels between 2005 and 2008 (Table 7). Analysing the issue of disparity between regions from the point of unemployment rate, the table shows that compared to 2005, the unemployment rate has decreased from 5.9% in 2005 to 4.4% in 2008. Accordingly, the issue of disparity between regions was as relevant in 2008 as when the ROP was developed. The discrepancies between regions remained in place from the point of view of this indicator, even though the national unemployment rate fell sharply in the period 2006-2008.

45. The regions with the highest unemployment rate over the period 2005-2008 were the South West, South and North-East, (Table 7) which are regions where rural activities are predominant. There are clear disparities within regions where counties that are predominantly rural co-exist with more developed ones (for example, Teleorman county with 9.2% with Prahova country where the unemployment rate is 4.6%). Bucharest-Ilfov region and the North-West region have the lowest rates of registered unemployed. These areas have the specific advantages of a lower dependency towards the primary sector (Bucharest region), proximity of large EU Member State markets (North-West region), and a better ability to attract foreign direct investments (both regions).

**Table 8: Romania - Numbers Unemployed - End of Year 2000 to 2008**

(thousands persons)	2000	2001	2002	2003	2004	2005	2006	2007	2008
	'000	'000	'000	'000	'000	'000	'000	'000	'000
<b>Romania</b>	<b>1,007.1</b>	<b>826.9</b>	<b>760.6</b>	<b>658.9</b>	<b>557.9</b>	<b>523.0</b>	<b>460.5</b>	<b>367.8</b>	<b>403.4</b>
North West	108.9	86.2	82.9	64.4	48.7	48.1	42.9	35.9	40.2
Centre	122.4	98.3	103.2	92.6	85.2	79.1	66.9	53.4	56.9
North East	213.6	166.3	158.8	127.2	106.1	92.3	82.9	67.3	70.5
South East	139.8	116.7	113.1	89.6	75.7	70.5	61.3	48.5	51.7
Bucharest Ilfov	50.7	41.5	30.6	27.5	28.1	25.8	25.4	20.4	20.4
South Muntenia	150.6	123.5	123.6	109.9	94.7	93.1	81.2	65.5	65.5
South West Oltenia	125.5	109.6	90.9	87.0	68.7	68.9	64.3	47.3	64.5
West	95.7	84.8	57.3	60.6	50.7	45.3	35.5	29.5	33.6
North West	108.9	86.2	82.9	64.4	48.7	48.1	42.9	35.9	40.2

Source: National Institute of Statistics

46. In the last quarter of 2008, due to the effect of the economic crisis, the unemployment rate has started to increase. According to data from the National Agency for Employment, the number of registered unemployed was 517,700 persons at the end of April 2009 which was 165,200 persons more than the same time in 2008. The unemployment rate for both sexes had increased by 8% in the year from April 2008 to March 2009 and is continuing to increase. The negative trend in unemployment is expected to continue in Romania in 2009 and 2010 as an indicator with a delayed reaction to changes in economic growth.

### Foreign Direct Investments (FDI)

47. The level of foreign direct investment (FDI) is recognised as a key contributor to GDP growth in Romania. The level of FDI has remained strong in the period from 2005 to 2008 (Table 9). In 2007, Romania attracted FDI to a value of €7.25 billion<sup>4</sup>. This further increased to €9.08 billion in 2008. Approximately half of the FDI represents direct equity investment or retained earnings while the remainder is net credits (loans) from foreign investors. The forecasted FDI inflows for 2009 are €6 billion (4.1% of GDP) in 2009 but this projection is likely to be optimistic, as investments in real estate, privatisation deals and merger and acquisition activity are sharply reduced.

**Table 9: Romania - Foreign Direct Investment Inflows - 2005 to 2008**

	2005	2006	2007	2008e	2009 (First Quarter)
	M€	M€	M€	M€	M€
<b>Net FDI Inflows to Romania</b>	<b>5,213</b>	<b>9,059</b>	<b>7,250</b>	<b>9,084</b>	<b>1,899</b>

Source: National Agency for Foreign Investment

48. In the ROP strategy, it was noted that FDI inflows were concentrated in Bucharest-Ilfov, the South East, West and Centre regions whereas it was low in the North East, the South West and the North West. The attractiveness of these regions was due to a number of factors (apart from the availability of labour), including a more extensive transport infrastructure network available, thus facilitating exports to other states within the EU. A more recent trend is for foreign investors to develop greenfield projects, typically moving towards large cities around the country, attracted by both relatively cheap and qualified labour and an improving business and transport infrastructure. FDI trends are particularly relevant to the growth poles in PA 1 but there is no reference to FDI in the results indicators for this PA.

49. The latest figures available for regional FDI were for 2007 and show almost the same share of agrowing FDI stock as for 2006 with Bucharest Ilfov being the most important region (64.3%) Table 10). The South East share is falling compared to other regions whereas the Centre recorded the highest increase in share. These indicators have specific significance for PAs concerned with job creation and economic wealth creation.

**Table 10: Romania - Balance of FDI per Region - 2006 and 2007**

Region	2005		2006		2007	
	M€	%	M€	%	M€	%
<b>Romania</b>	<b>21,885</b>	<b>100.0</b>	<b>34,512</b>	<b>100.0</b>	<b>42,770</b>	<b>100.0</b>
North -West	1,257	5.8	1,570	4.6	1,907	4.5
Centre	1,610	7.4	2,559	7.4	3,541	8.3
North-East	292	1.3	411	1.2	672	1.6
South - East	1,838	8.4	2,653	7.7	2,448	5.7
South- Muntenia	1,388	6.3	2,228	6.5	2,942	6.9
Bucharest-Ilfov	13,264	60.6	22,205	64.3	27,516	64.3
South –West Oltenia	745	3.4	938	2.7	1,379	3.2
West	1,491	6.8	1,948	5.6	2,365	5.5

Source: National Agency for Foreign Investment

<sup>4</sup> Source: Central Bank of Romania

### Entrepreneurial development

50. In common with other Member States, economic growth in Romania is predominantly driven by small and medium sized enterprises (SMEs) which consistently account for more than 99% of active enterprises in Romania (Table 11). The Competitiveness OP is the primary programme supporting the SME sector. The purpose of the SME components of the ROP strategy is to complement the interventions of other OPs with a specific emphasis on the impact of SME growth on regional economic growth.

**Table 11: Romania - Evolution of the SMEs share in the Romanian economy - 2000 to 2007**

Year	2000	2001	2002	2003	2004	2005	2006	2007
Total active enterprises	313,508	317,555	322,188	359,399	404,339	442,868	471,952	499,857
Total SMEs	311,077	315,149	319,816	357,071	402,090	440,714	469,919	487,682
SMEs share of total enterprises (%)	99.22%	99.24%	99.26%	99.35%	99.44%	99.51%	99.57%	99.54%
Micro-enterprises share in total SMEs (%)	88.03%	87.39%	87.20%	87.02%	88.14%	88.34%	88.01%	88.01%

Source: Territorial Statistics, NIS 2008, NASMEC 2009

51. During the period 2000-2005 the overall number of active SMEs grew by 130,432 enterprises (40.7%) (Table 12). The significance of SMEs to the economy is reflected by the private sector contribution to GDP (66.8%), to exports (67%) and to imports (70.5%). In respect of capital ownership, 99.3% of total SMEs are privately owned. The evolution of the SME sector is reflected in Table 11. Small and medium firms account for approximately 62% of total SME turnover. SMEs are generally profitable. According to NASMEC, in the first half of 2007, the number of SMEs which reported profits increased by 4 - 5%, while those who experienced losses fell by 0 - 5% compared to the same period in 2006. In the same period of 2007, the investments made by SMEs increased by between 6% and 8% while the volume of exports of the private sector was 12% to 15% higher than the previous year.

**Table 12: Romania - Characteristics of SME Firms in 2005**

		Percentage number of firms in the SME sector (2005)	Average number of employees per SME category	Growth in numbers from 2000 to 2005
Micro-enterprises	up to 9 employees	89%	2.3	42.0%
Small firms	10 - 49 employees	9%	20	33.4%
Medium firms	50 - 249 employees	2%	100.7	21.7%
Overall		100%	5.9	40.7%

Source: NASMEC

### Territorial distribution of SMEs

52. The territorial distribution of SMEs generally reflects the discrepancies already noted in terms of size and level of economic development but also reveals factors relevant to the specific conditions of SME sector development. A study on the competitiveness of Romanian SMEs in 2006, conducted by the National Authority for the SMEs Council (NASMEC), confirmed the emerging growth trends already noted but found that when compared to the general EU experience, the level of SMEs in Romania relative to the general population (per thousand inhabitants) was low. In the EU, there are over 50

SMEs per 1,000 inhabitants compared to around 26 SMEs per 1,000 inhabitants in Romania. The regional representation (Table 13) gives a further indication of the gap between Romania and the EU average with only Bucharest-Ilfov at the EU level and a substantial gap in all other regions. This confirms the relevance in the ROP of interventions to support SME growth in the regions.

**Table 13: Romania - Regional Distribution of SME Firms (2007)**

Region	North West	West	North East	Centre	South East	South West	South Muntenia	Bucharest-Ilfov
Number of SMEs/ 1000 inhabitants by Region in 2007	25.3	24.3	14.5	24.2	20.4	15.5	15.8	49.9

Source: NASMEC

### Tourism

The main regional tourism indicators analysed when the ROP strategy was developed were accommodation capacity, overnight staying and arrivals. The existing accommodation capacity is an important sectoral economic indicator. The evolution of this indicator in the period 2005 to 2008 shows very little change, except for the Bucharest-Ilfov and Centre regions which registered a more significant growth (

53. Table 14).

**Table 14: Romania - Regional Change in Tourist Accommodation Capacity 2005 - 2008**

Region	2005	2006	2007	2008	2008 vs.2005
	Number of places	Number of places	Number of places	Number of places	%
<b>Romania</b>	<b>282,661</b>	<b>287,158</b>	<b>283,701</b>	<b>294,210</b>	<b>+4.08%</b>
North-East	18,718	18,968	18,414	18,986	+1.43%
South-East	132,965	134,560	132,922	132,668	-0.22%
South	22,292	20,827	20,767	21,464	-3.71%
South-West	14,672	14,816	15,219	14,973	+2.05%
West	21,291	21,423	20,447	21,396	+0.49%
North-West	26,019	26,816	26,805	26,484	+1.79%
Centre	35,479	37,025	35,380	39,302	+10.78%
Bucharest-Ilfov	11,225	12,723	13,747	18,937	+ 68.7%

Source: Calculations based on the data from NIS

54. The conclusions from the analysis performed in 2007 for the ROP strategy remain relevant. In 2005 the South-East Region had the largest accommodation capacity (47%), followed by Centre Region (12.5%) and North-West Region (9.2%). Although it was envisaged to achieve a more balanced distribution of accommodation capacity, the trends show little change in absolute terms since the ROP strategy was approved. Almost the same distribution can be observed for 2008 as in 2005. The areas with the highest number of accommodation places remain the South East with almost 50% of the total accommodation places for the country, followed by Centre, North West, South and West regions.

55. The change in tourism activity can be seen through the movements in the number of overnight stays and in the number of arrivals per region. In Table 15 it can be seen that there was a strong growth in overnight stays between 2005 and 2008 but that this growth was not balanced between the regions.

56. There was a strong growth in the number of arrivals throughout Romania in the period 2005-2008, but this also varies between regions (Table 16). In overall terms, the tourism sector registered an increase in the number of accommodation structures and in accommodation capacity (4.08%) between 2005 and 2008. The total number of tourists registered in the accommodation structures in 2008 reached 7,125,307 (22.7% more than in 2005 and 44.81% more than in 2000, the reference year taken in the ROP).

**Table 15: Romania - Overnight Stays per Region - 2005 to 2008**

Region	2005 '000	2006 '000	2007 '000	2008 '000	2008 vs.2005 (%)
<b>Romania</b>	<b>18,373</b>	<b>18,991</b>	<b>20,593</b>	<b>20,725</b>	<b>12.80%</b>
North-East	1,436	1,599	1,691	1,676	16.71%
South-East	5,139	4,853	5,294	5,317	3.46%
South	1,807	1,940	2,175	2,115	17.04%
South-West	1,601	1,640	1,673	1,730	8.05%
West	1,836	2,006	2,006	1,983	8.00%
North-West	2,290	2,362	2,549	2,536	10.74%
Centre	2,782	2,930	3,177	3,152	13.29%
Bucharest-Ilfov	1,481	1,657	2,024	2,212	49.35%

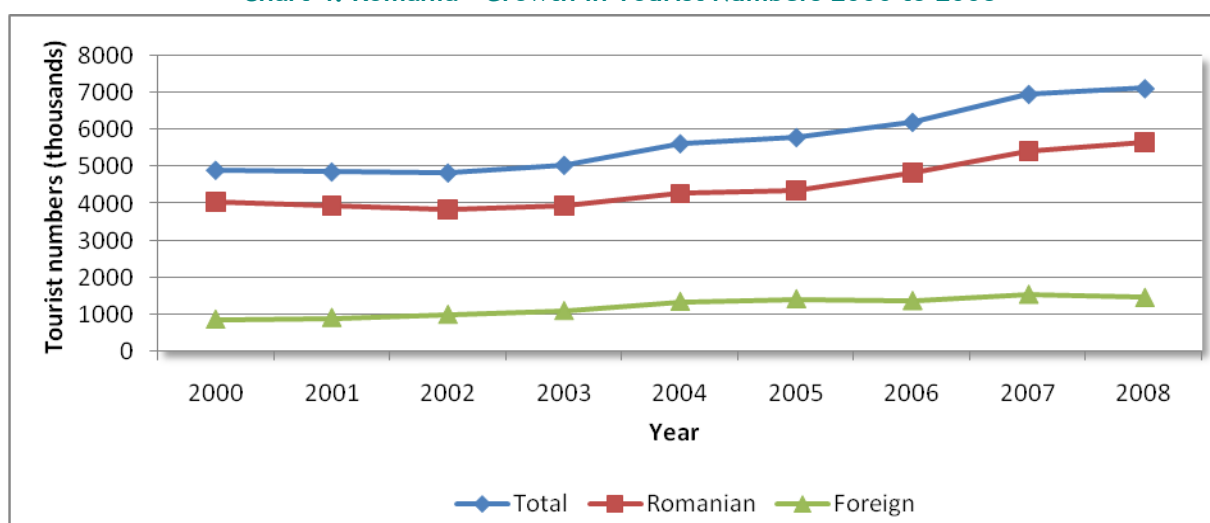
Source: National Institute of Statistics

**Table 16: Romania - Tourist Arrivals 2005 to 2008**

Region	2005 '000	2006 '000	2007 '000	2008 '000	2008 vs.2005 (%)
<b>Romania</b>	<b>5,805</b>	<b>6,216</b>	<b>6,971</b>	<b>7,125</b>	<b>22.73%</b>
North-East	622	678	718	726	16.72%
South-East	1,108	1,080	1,231	1,308	18.05%
South	574	627	729	750	30.66%
South-West	334	370	403	429	28.44%
West	535	613	674	673	25.79%
North-West	733	780	697	908	23.87%
Centre	1,068	1,164	1,329	1,291	20.88%
Bucharest-Ilfov	831	900	996	1,038	24.90%

Source: National Institute of Statistics

Chart 4: Romania - Growth in Tourist Numbers 2000 to 2008



Source: data collected from NIS

57. The data shows the potential underlying strength of the Tourism sector in Romania. The relatively low number of foreign arrivals gives some indication of the potential for further development while the good growth in domestic tourist numbers is partly attributable to the economic growth of the country as a whole. Accordingly, it can be assumed that the tourism sector is an important element for the regional development strategies. The changes between 2005 and 2008 show a further widening of disparity between the regions which suggests that a different regional allocation formula may be appropriate for this sector.

### Identification of the Effects of the Change in the Social and Economical Context impacting the Achievement of the ROP Strategy, Presentation and Explanation of these Effects and of the Future Trends

#### The Financial and Economic Crisis

58. The impact of the international economic crisis on the new EU member states proved to be more severe than anticipated a few months ago. The main factors that explain the impact of the crisis are:

**Reduced access to foreign funding** There is a sharp reduction in access to foreign currency funding under conditions in which the foreign financing needs are lower in the countries with a current account deficit below 10% of GDP (the Czech Republic, Hungary, Poland, Slovakia and Slovenia) compared to countries with a higher than 10% deficit (the Baltic countries, Bulgaria and Romania).

**Public finances:** Sharp deterioration in public finances reflected by increases in public expenditure deficits and in the National Debt;

**The crisis in the Banking system.** In the new EU Member States, international banks play a very important role as their behavior determines, to a great extent, credit availability and the banking system's stability. In turn, this behavior depends on the refinancing needs of the

parent banks, on the incentives aimed at the reduction of the indebtedness degree in the current crisis context and on raised risks triggered by the adjustment of the exchange rate and the macro-economic decline.

**Exchange rate type:** Countries, like Romania, with a floating exchange rate have registered a sudden depreciation of their exchange rate throughout the financial crisis.

**Fall in property values; and**

**Price Deflation:** Sharp falls in the consumer price index and in private sector wage rates are experienced in many EU countries.

### *The European Recovery Plan*

59. The EC took the initiative to set out how decisive and coordinated action could respond to the economic crisis by developing a European Economic Recovery Plan by adopting two communications:

COM(2008) 706 „From financial crisis to recovery: A European framework for action”, Brussels, 29.10.2008; and

COM(2008) 800 final COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN COUNCIL, A European Economic Recovery Plan, Brussels, 26.11.2008.

60. In pursuing these aims, the European Economic Recovery Plan is designed to:

- Exploit synergies and avoid negative spill-over effects through co-ordinated action;
- Draw on all available policy levers, fiscal policies, structural and financial market reforms and external action;
- Ensure full coherence between immediate actions and the EU's medium- to longer term objectives;
- Take full account of the global nature of the problem and shape the EU's contribution to international responses.

### *Effects of the Financial and Economic Crisis on the ROP Implementation up to 30 June 2009*

61. In the questionnaire to local public authority beneficiaries, the evaluators sought the views of these beneficiaries in respect to the impacts of the financial crisis and their participation in the ROP. From 64 replies received to this question, 31 indicated the crisis had an effect and 23 indicated it had no effect. The views expressed were consistent with the points emerging from the Regional Workshops. The most common effects of the financial and economic crisis that were noted in the workshops can be grouped under the following headings:

#### **Access to funding**

- Ensuring the necessary funds for the projects within the conditions of the reimbursement principle;
- Implementation capacity was reduced due to the lack of co-financing resources, respectively the financial incapacity to prepare the technical documentation (feasibility studies);



- Lack of funds for paying the minimum contribution as well as for the elaboration of the Feasibility Studies and Technical Projects;
- Co-financing funds reduced compared to the previous years;
- Economic crisis = lack of budgetary resources - a lack of own funds and insufficient qualified staff.

#### Relevance of projects / PA 4

- Considering the actual economic context, some projects prepared to be financed from ROP, especially priority axis 4, are no longer a priority for the beneficiaries (e.g Industrial Park in Corabia, Olt county);
- Insufficient co-financing resources for the projects submitted within ROP (especially Priority Axis 4, KAI 4.1 where the co-financing is 50%). This fact that leads to difficulties in ensuring the co-financing rate from the local budget, determining, in the end, the municipalities to contract banking credits for ensuring the necessary co-financing for these projects.

#### Administrative resources/ legislation

- In the public administration, the effects of the economic crisis is resulting in: 1. Blockage of the vacant positions in public administration 2. Reduced capacity to pay wage incentives for those involved in project implementation units in some areas (it is estimated that public sector wage costs may need to fall by 15% to correct the public expenditure deficit); 3. lower priced bids with underestimated prices in the public procurement tenders that could affect the quality of the services and works;
- Unforeseen legislative changes, crisis local budget due mainly to the actual financing crisis.

#### Macro economic outlook

- Lack of funds for co-financing projects - national and international crisis; political instability at the national level;
- Economic uncertainty.

#### *Effects of the Financial and Economic Crisis on the SME Sector*

62. As the SME sector makes up 99% of private enterprise in Romania, the evaluation specifically considered the effects of the financial crisis on this sector. The year 2008 marked the start of a reduction in international trading activity for Romanian firms. Exports decreased by 24.3%, and imports by 37.4% compared to 2007. The SME sector recorded the largest decline in exports. By January 2009, SME exports had fallen by 47% compared to the previous year.

63. The financial crisis impacts SMEs in several ways but is seen through falling growth rates, increases in the number of bankruptcies and a fall in employment levels in the sector. At the same time, the main challenges most SMEs in Romania have to cope with as a result of the economic-financial crisis are sudden increases in the prices of raw materials, energy and food; liquidity and credit related problems; a marked decline in the demand for products and services; considerable variations in the exchange rate, and inflation. This phenomenon is spreading quite rapidly to a growing number of companies.

64. Nevertheless, for a small number of SMEs, i.e. those that identify the changes in the market and react promptly, this period may prove favorable. In times of crisis, some SMEs, unlike the big



companies, have the advantage of greater flexibility, being able to implement new services and launch new products more easily. Not bound by strategies devised at higher levels and by the need to get approvals, SMEs can make decisions more easily and thus become much more efficient based on prompt action and solutions adjusted to market circumstances.

65. Between October 2008 and March 2009 more than half of the total of 615,000 SMEs cut their activity, 24% operate within the same parameters and 15% went bankrupt. Just 4% of economic agents boosted their activity. Studies conducted by the National Association of Romanian Employers indicate that, should the current economic circumstances persist, 25% of the small and medium companies could close down in 2009 and 90% of SME managers plan layoffs this year amounting to 10% of the employed workforce. Most of the SME owners, i.e. 83%, have negative expectations about the profit they will make in 2009. 76% of the SMEs surveyed intend to adjust to the current economic situation by downsizing, whereas 16% are looking for investors to recapitalize their business.

66. Over 60% of the SMEs hold that a relaxation of credit would help their business work better, and 34% of these believe that measures should be geared at easing the tax burden. Moreover, 55% of the SMEs consider that the agreement with the IMF is a good solution, while 34% say it is not.

67. In conditions of financial crisis, SMEs can support stability and macroeconomic growth, acting as a growth engine. That is why action is being taken to release funds to finance SMEs, to identify solutions to preserve jobs and generate new ones. The measures proposed for the SME sector in the anti-crisis plan include: tax exemption for reinvested profit, which, besides creation of new jobs, will determine the setting up of new SMEs and stimulate investment by companies that so far have refrained from investing; offsetting the VAT to be recouped with the VAT due to be paid or with other dues to the state budget; capitalization of CEC Bank and Eximbank; making the Counter-Guarantee Fund for SMEs operational; earmarking large funds from the state budget to promoting exports, and increasing the state's contribution to financing this activity.

68. So far, the effect of the deteriorating market and credit conditions is most visible in the fall in interest to apply for support under KAI 4.3 (micro enterprises). Currently the drop out rate, either before or after the conclusion of financing contracts, is reported to be approximately 15% of the accepted projects (53 out of 435 accepted projects at 30 of June 2009), but could well increase in the future. The Government has adopted measures to compensate for the deteriorating credit conditions by including the private applicants under the ROP on the list of beneficiaries that may receive pre-financing for their projects up to 35% of the eligible expenditure of the projects. The major obstacle especially in the case of the microenterprises is that pre-financing release is subject to providing bank guarantees for the entire amount requested. The current universal practice of the Romanian banks with respect to bank guarantees is to request cash collaterals for any applicant for guarantees that has a less than an extremely sound track record, which is likely to be the case of the vast majority of the microenterprises.

69. The most important action for supporting the SME sector consists in encouraging renewed business environment and overall economic development, accompanied, when necessary, by measures able to respond to objective requirements specific to SMEs. This is entirely consistent with the existing proposed support to SMEs in the ROP under PA 4. The main effects on the implementation of the ROP are the high requirement for co-finance in the State Aid schemes and the difficulty in raising this co-finance.

### *Effects of the Financial and Economic Crisis on the Availability of Local Authority Co-financing*

70. As noted above, an important effect of the financial and economic crisis is the general tightening of the availability of finance. The reduced availability of funds for co-financing purposes is present at all levels - national State Budget, Local Authority budgets and beneficiaries' own funds. This issue has been discussed during the regional visits made for the evaluation. Local Authority Beneficiaries are responding to the lack of funds in several different ways. An indication of the scale of the problem was given by one local authority where the requirement to find 2% co-financing for the portfolio of projects already developed for structural funds support exceeded its entire budget for the 2009. This raises the issue of the capacity of such an organization to manage the implementation of a project portfolio up to 50 times greater than its annual budget.

71. At the workshop held in Bucharest on 15 July 2009, the representative from another county explained that a prioritization mechanism was in place in his county where project applications for roads development under PA 2 were fast-tracked leaving no further funds available, for the time being, to apply for assistance under other PAs in ROP or for the other Operational Programmes.

72. Local newspaper reports are beginning to highlight cases where approved projects for implementation through the Operational Programmes, including the ROP, are stalling due to the lack of local finance to proceed.

73. The issue of co-financing is kept under close review by the MAROP and by the Ministry of Public Finance. As implementation had not started at the cut-off date for the evaluation, there was no tangible evidence on the ground that this would have a major effect on the near term commitment expectations of the MAROP that are reflected in the Portfolio analysis of Chapter 2 of this report.

74. Obviously this is an emerging situation of extreme critical importance for the successful implementation of the ROP. It would be appropriate to commission a separate ad hoc evaluation on this issue in the first half of 2010, that is, in time for the preliminary findings to be considered at the Spring meeting of the ROP Monitoring Committee. Such an evaluation could go into greater detail on the various options for adjusting the ROP implementing rules to deal with the situation. While the increase in the level of pre-financing from 15% to 30% is welcome, further measures are likely to be needed. The available options to be considered on a strategic basis are for the Ministry of Public Finance to increase the provision of Local Authority co-financing to 15%; or for the EC to increase the threshold for its co-financing up to 100% for projects identified as being of strategic national importance. At this time, there does not appear to be a need to consider an adjustment to the PA allocations under Article 33 of the regulations to respond to this particular issue.

### **Examination of the relevance of ROP indicators in view of the achievement of the programme objectives in the context of the occurred social and economic changes**

75. On 4 May 2009, DG Regio issued draft working document 7<sup>5</sup> (WD7) that updates the recommended definitions of the core indicators to be reported for ERDF and the Cohesion Fund. At the Monitoring Committee meeting held on 14-15 May 2009, a revision of the ROP indicators was approved. The revised indicator set has subsequently been accepted by ACIS and was approved by the EC in September 2009.

---

<sup>5</sup> DG Regio, Draft Working Paper 7, Reporting on Core Indicators for the European Regional Development Fund and the Cohesion Fund, 4 May 2009

76. The evaluation question on indicators is concerned with their continuing relevance, including the targets, in the context of the socio-economic changes. The continuing relevance of the indicators was considered in the following terms:

- **The relevance to changing national priorities** (as a result of the adverse economic situation) was considered in terms of the two overall ROP objectives - job creation and the containment of regional disparity.
- **The relevance to EU strategies** was assessed by considering the extent to which core indicators are being used. The core indicators alone will be uploaded to the EC for aggregation into the overall picture of the impact of the ERDF programmes. Accordingly it is important that the ROP should optimise the use of core indicators to properly reflect its contribution to the EU objectives. In Annex 7, we comment on further opportunities to align the indicators to the core indicators.
- **The indicator targets, and issues of measurability** has been addressed in the portfolio analysis. Issues for the monitoring system, including SMIS, are dealt with in **Chapter 4**. In Annex 7 we provide specific comments against each indicator on its relevance to the ROP objectives.

#### *Relevance to EU strategies*

77. The analysis shows that there is scope for further improving the indicator set to match with the core indicators used by DG Regio. This would allow for a better reflection of the contribution of the Romanian ROP to the EU level objectives.

78. Core indicator 1 (jobs created) is analysed in SMIS by gender so there is information available to report against core indicators 2 and 3. The jobs indicators could also be further developed to cover core indicator 6 (Research jobs) and core indicator 9 (Jobs created in SMEs).

79. The results indicators for KAI 3.4 should be defined as “average pupils/ students per year” to come into line with core indicator 37. In order to comply with the sustainability requirements, this indicator needs to be monitored for five years after the end of the project.

80. The indicators for Key Area of Intervention 4.2 are the only indicators contributing directly to the EU Environmental objectives. There are no indicators specifically identified to cover sustainable development, even though there is a reasonable element of sustainable development throughout the ROP. The MAROP should consider how to specifically monitor the ROP contribution to the EU sustainable development objectives.

#### *Relevance to National Priorities*

81. PA 1 and PA 4 have specific indicators for the creation of 15,000 jobs which is a national priority. The whole of PA 4 and PA 5 and a significant part of PA 1 could be considered to support enterprise (including tourism) development. PA 2 and PA 3 are concerned with infrastructure.

*Technical observations on the indicators*

82. Indicators that express the target in terms of a percentage always need a numeric baseline and are less susceptible to aggregation. All such indicators need baselines. In the revision of the ROP indicators in September 2009, the results indicators were changed from percentage based indicators to number based indicators. This is a positive step that supports the potential for aggregation.

**Conclusions and Recommendations***Chapter Conclusions*

83. The main national socio economic indicators for economic performance, population changes, employment and unemployment, foreign direct investment, SME establishment and Tourism were all positive up to end of 2008. The key socio economic changes up to the first quarter of 2009 are not large and do not materially distort the regional disparity compared to the situation in 2005. The economic disparities between regions are maintained even if, within the period 2005-2008 in all regions, the socio-economic indicators have registered a positive trend. The main changes to the socio-economic context started at the end of 2008 as a consequence of the economic crisis

84. The main socio-economic effects triggered by the financial crisis are:

- freeze in the banking sector with direct effects on access to credits that severely affects the preparation and implementation co-financing capacity of ROP beneficiaries (both local public authorities and private sector - 4.3 and 5.2);
- Pressure on the State Budget due to rising public expenditure deficits;
- decrease of FDI that has contributed to a contraction of GDP in 2009;
- the decline of the industry sector and financial sector that leads to an increasing unemployment rate (effects on ROP job creation target -15,000 jobs);
- an expected fall in the number of foreign and domestic tourists.

85. So far<sup>6</sup>, the effects of the economic crisis on the key socio-economic factors for ROP, in particular the regional disparity index, have been small. In terms of implementation the adverse effects are increasing and are most visible in terms of the difficulties faced by SMEs to access funding and to survive the effects of falling growth rates and a rise in bankruptcies. KAI 4.3 is experiencing an increasing rate of withdrawals due to these effects and to the high co-financing rate. The impact of the increased deficit in public expenditure is also beginning to be seen in terms of delays at local authority level in proceeding with planned projects.

86. The ROP indicators continue to be relevant. Some revisions of the indicator targets, identified in the portfolio analysis, are desirable in view of the experience to date. There is also room for a better alignment of the ROP indicators to the core indicators defined by DG Regio.

*Chapter Recommendations***There is a lack of timely socio economic data**


---

<sup>6</sup> By the cut-off date of the evaluation is ~~30 June 2009~~.

**Conclusion:**

Programme monitoring is severely affected by a lack of timely socio-economic data.

**Recommendation:**

MAROP needs more timely access to relevant statistical data to meet its commitment to monitor changes in the context regional indicators. A collaboration with the NIS at national and regional level and the National Commission for Prognosis should be reviewed to achieve this. If necessary, TA resources from KAI 6.1 or from the OPTA or other sources should be used to improve the availability of monitoring information.

## 2. Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?

87. This Chapter is concerned with the following evaluation question and areas of examination:

**Evaluation Question 2: Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?**

*Areas of Examination:*

*2.1 Analysis of process effectiveness, starting with the submission of applications the signature of the financing contract and the implementation of the projects.*

*2.2 Analysis of the project portfolio within each Priority Axis and Key Area of Intervention in order to decide if the activities and indicators stipulated by the ROP shall be achieved. (current level of the indicators and prospects of achievement of ROP strategic objectives).*

*2.3 Analysis of the effectiveness and impact of the ROP information and publicity system*

88. The MAROP management system captures monitoring information for the current status of the implementation of the ROP on a weekly basis **by reference to three variables - the allocation, the commitment (selected operations) rate and the payment reimbursement rate**. Project outputs are monitored at Intermediary Body (IB) level and are generally recorded in the Single Management Information System (SMIS). Some project results will also be monitored in this way while other results will be established through surveys. This chapter provides the results of an examination of the available monitoring data to record the implementation position of the ROP as at 30 June 2009 and the performance to that date in terms of projects, fund absorption and output and results indicators. The evaluation has gone further than was required by the Terms of Reference by providing a dual perspective on performance covering both the Priority Axes (PA) and the Regions.

89. The chapter starts with a high level overview of the current position based on the PA and regional perspectives. This was considered necessary to provide an overall context for the more detailed portfolio analysis made to address the first two areas of examination allocated to this chapter. The detailed portfolio<sup>7</sup> analysis of each PA is made down to the Key Area level. By agreement with the MAROP Evaluation Unit, the following headings<sup>8</sup> are used for this analysis:

Rationale

History

Position at 30 June 2009

Process effectiveness - Applications, acceptances and commitments

Regional Perspective (PA 1 to 5 only)

Output and Result indicators (including a cost effectiveness analysis for PA 2)

Prospects for achieving ROP strategic objectives

<sup>7</sup> It was agreed with the MAROP Evaluation Unit that the portfolio of projects refers to all projects entered in the MAROP monitoring system - that is projects accepted for evaluation or actually committed.

<sup>8</sup> The order of the narrative for PA 5 is adjusted because the output and result indicators for this PA are not divided between the three KAls

The third area of analysis covers the analysis of the effectiveness and impact of the ROP information and publicity system.

90. The data presented in this chapter was extracted from the management information used by the Directorates in the MAROP and from files submitted to the MAROP by the IBs. As far as possible, the evaluators have checked the coherence of information in the files prior to accepting them for analysis. By agreement, data is generally presented in millions of Euro (€) or Romanian Lei (RON), to two decimal places. Percentages are presented to one decimal place.

## Overview of the Performance of ROP up to 30 June 2009

### Priority Axis Perspective

#### Allocations

91. The total ERDF allocation for the ROP amounts to M€ 3,726.02. The national co-financing is M€ 657.56. Accordingly, the estimated total public funds for the achievement of the ROP objectives are M€ 4,383.6. In addition, private funds estimated in total of M€ 184.76 are envisaged to be provided for operations under PA 4 and PA 5 which gives an expected total fund of M€ 4,568.3. The overall allocations per year for ERDF and the sources of funding for the PA allocations are summarised in the following tables.

**Table 17: ROP - ERDF Allocations 2007-2013**

Priority Axis	2007	2008	2009	2010	2011	2012	2013	Totals
	M€	M€	M€	M€	M€	M€	M€	M€
1. Support of urban development	102.28	120.39	128.45	155.69	164.98	200.36	245.63	1,117.81
2. Improvement of regional and local transport infrastructure	67.20	82.25	89.78	106.59	113.32	135.11	164.10	758.35
3. Improvement of social infrastructure	49.52	60.62	66.17	78.56	83.52	99.57	120.94	558.90
4. Strengthening the regional and local business environment	56.13	68.70	74.99	89.03	94.65	112.85	137.06	633.42
5. Sustainable development and promotion of tourism	49.53	60.62	66.17	78.56	83.52	99.57	120.94	558.90
6. Technical Assistance	5.51	11.54	15.57	15.28	16.78	16.36	17.59	98.63
<b>Totals</b>	<b>330.17</b>	<b>404.12</b>	<b>441.13</b>	<b>523.71</b>	<b>556.77</b>	<b>663.82</b>	<b>806.26</b>	<b>3,726.01</b>

Source: ROP - Final Version, June 2007

Table 18: ROP - Funding sources and ERDF Co-financing rates per Priority Axis

	Community Funding (ERDF)	National public contribution (State budget + Local contribution)	Total funding	ERDF Co-financing rate	National private funding	Total ROP Funds	
	(a)	(b)	(c)= (a)+(b)	(d)	(e)	(f) = $\sum$ a to e	
	M€	M€	M€		M€	M€	%
1. Support of urban development	1,117.80	273.36	1,391.17	80.4%	-	1,391.17	30.5%
2. Improvement of regional and local transport infrastructure	758.35	118.35	876.71	86.5%	-	876.71	19.2%
3. Improvement of social infrastructure	558.90	98.62	657.53	85.0%	-	657.53	14.4%
4. Strengthening the regional and local business environment	633.42	76.47	709.89	89.2%	85.75	795.64	17.4%
5. Sustainable development and promotion of tourism	558.90	57.86	616.76	90.6%	99.00	715.76	15.6%
6. Technical Assistance	98.62	32.87	131.50	75.0%	-	131.50	2.9%
<b>Totals</b>	<b>3,726.01</b>	<b>657.53</b>	<b>4,383.58</b>	<b>85.0%</b>	<b>184.75</b>	<b>4,568.31</b>	<b>100.0%</b>

Source: ROP - Final Version, June 2007

#### Fund Commitments and Payments

92. The actual commitment and reimbursement situation, by PA, at the end of June 2009, is shown in the following table. The 2007 to 2009 allocations are also shown. At 30 June 2009, 56.5% of the allocation for 2007 to 2009 had been committed. At that date, nearly one third of the programming period and one quarter of the implementation period has elapsed. In terms of the wider picture, 15.9% of the total ROP allocation (2007-2013) was committed and 0.2% of the allocation had been absorbed. Apart from PA 2, the contracting rates are far short of the annual allocations. By mid 2009, 84.1% of the allocation remained to be committed and virtually the full amount of ERDF remained to be absorbed.

Table 19: ROP Actual Commitment and Payments Overview to 30 June 2009

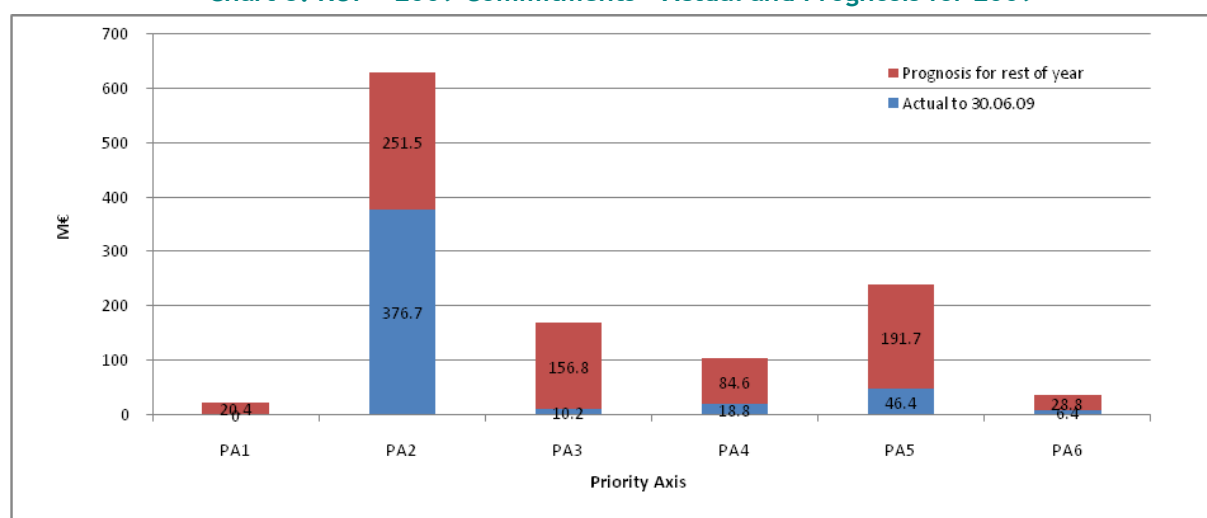


Priority Axis	Allocations				Committed (Selected Operations)	Payment Reimbursements
	2007-2013		2007-2009		Period from 1.1.2007 to 30.06.2009	Period from 1.1.2007 to 30.06.2009
	ERDF M€	State budget M€	ERDF M€	State budget M€	M€	M€
1. Support of urban development	1,117.81	245.54	351.12	77.26	0.00	0.00
2. Improvement of regional and local transport infrastructure	758.35	100.82	239.23	31.80	591.71	0.20
3. Improvement of social infrastructure	558.90	85.48	176.31	26.96	18.21	0.00
4. Strengthening the regional and local business environment	633.42	66.27	199.82	20.90	18.82	0.00
5. Sustainable development and promotion of tourism	558.90	53.15	176.31	16.77	49.57	0.00
6. Technical Assistance	98.63	32.88	32.62	10.87	18.13	7.98
<b>Totals 30.06.09</b>	<b>3,726.01</b>	<b>584.14</b>	<b>1175.41</b>	<b>184.56</b>	<b>696.44</b>	<b>8.18</b>

Source: MAROP Report MDRL ACP, August, 2009

93. There were delays in the commencement of implementation in many Operational Programmes across the EU, including the ROP. All ROP PAs are now open and a substantial number of project applications (1,941 excluding technical assistance) have been received by 30 June 2009 for PAs 1 to 5, and are at various stages of evaluation. There is also a significant acceleration in the commitment rate, in particular for PA 2, which has led to 406 committed projects (selected operations) for PA 1 to 5. In value terms, the implementation of ROP is so far driven mainly by PA 2 (Table 19). Despite these good achievements, the performance to date in 2009 compared to the expectations of the MAROP for selected operations for 2009 is limited (Chart 5). The Chart gives a clear indication of the challenges that lie ahead for the rest of the year.

Chart 5: ROP - 2009 Commitments - Actual and Prognosis for 2009



94. The near term commitment and payment<sup>9</sup> perspective, covering the actual achievement from 1 January 2007 to 30 June 2009 and the prognosis from 1 July 2009 up to 31 December 2010 (Table 20), gives a more complete overview of the current status of implementation of the ROP and provides some insight to the implementation strategy of the MAROP.

**Table 20: ROP - Latest Near Term Commitment and Payment Prognosis (2007-2010)**

ERDF + State Budget	ROP Allocations	Annual Allocations	Commitment prognosis	Commitment prognosis as % of ROP Allocation	Payment prognosis	Payment prognosis as % of ROP Allocation
Priority Axis	2007-2013	2007-2010	2007-2010		2007-2010	
	M€	M€	M€	%	M€	%
1. Support of urban development	1,363.35	618.26	1,363.35	100.0%	76.19	5.6%
2. Improvement of regional and local transport infrastructure	859.18	391.80	859.18	100.0%	455.96	53.0%
3. Improvement of social infrastructure	644.38	293.85	384.13	59.6%	117.83	18.3%
4. Strengthening the regional and local business environment	699.70	319.08	187.86	26.8%	64.29	9.2%
5. Sustainable development and promotion of tourism	612.06	279.11	309.97	50.6%	101.10	16.5%
6. Technical Assistance	131.50	63.86	59.21	45.0%	41.65	31.7%
<b>Totals</b>	<b>4,310.17</b>	<b>1,965.96</b>	<b>3,163.7</b>		<b>857.02</b>	

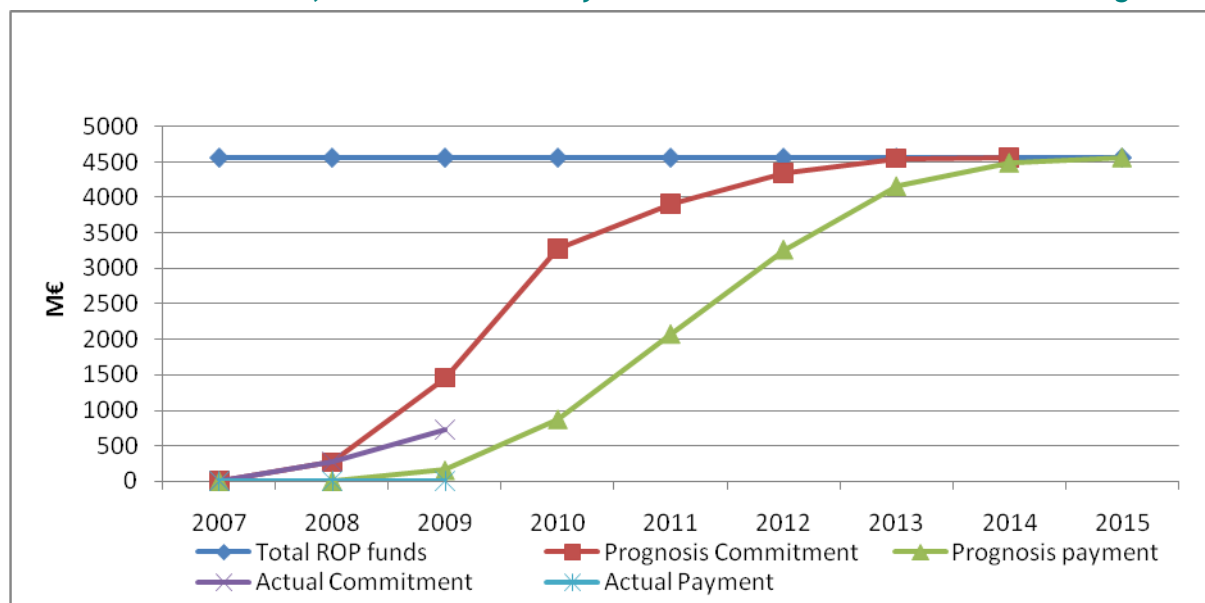
Source: MAROP ACP analysis by 30 June 2009 (August 2009 file)

95. Table 20 shows that the MAROP expects that the full allocation for PA 1 and PA 2 will be committed by the end of 2010 and that PA 3 and PA 5 will be significantly ahead of their allocations for the 2007-2010 period. The allocations for PA 4 are not expected to be fully met. On this basis, the annual PA allocations are becoming less relevant and the absolute allocations are more important reference points for the remainder of this evaluation.

96. The overall picture gives some idea of the high workloads for the selection of projects and of the anticipated workload that will start in the near future for processing the reimbursement of eligible expenditure. This is further reflected in the latest commitment and reimbursement prognosis (Chart 6), which shows very sharp increases in activity for the immediate future up to 2012. The variance between the actual position achieved by 30 June 2009 and the near term prognosis reflects the high degree of pressure on the MAROP and the IBs to improve the rate of project selection and reimbursement in the near future.

<sup>9</sup> In this report, the term “commitment” is equivalent to “selected operations”. The term “payment” refers to the reimbursement of eligible expenditure.

Chart 6: ROP - Allocation, Commitment and Payment at 30 June 2009 - Actual versus Prognosis



### Programme outputs and results

97. Programme implementation was insufficiently advanced to make any meaningful comment on actual outputs or results achieved for the programme as a whole. In terms of completed outputs, apart from the technical assistance and communications outputs, the only notable output was the completion of the first road project (six kilometres). The outputs and results are examined in detail in the portfolio analysis, later in this chapter.

### Current status of implementation - Regional Perspective

98. The importance of the regional perspective is derived directly from the overall objectives of the ROP. The percentage regional allocations were designed to contribute to the overall ROP objective of making the regions a more attractive place to live and work and, at the same time, to prevent any further widening of the interregional disparities between 2007 and 2015<sup>10</sup>. Although the ROP is a national sectoral operational programme, the implementation method is linked to the eight Regional Development Plans and to the eight Regional Documents for Implementation and Programming. For this reason, the MAROP needs a regional perspective to keep an overview of the implementation and fund absorption of the ROP by region and to monitor the achievement of the overall objective for the containment of interregional disparities. While no results or impact indicator is formally in place for this objective, the establishment of the baseline regional GDP per inhabitant data at the outset of the programme makes it easier to monitor the programme implementation performance for this objective.

99. The historical local administration structures in Romania are based on counties, municipalities and communes rather than on regions. Accordingly, the ROP objectives do not have a sound regional foundation in terms of administrative structures or in terms of Romanian regional policy. Although successive Romanian governments were committed to a fiscal and administrative deconcentration and decentralisation reform throughout the pre-accession period, the progress to date in this reform

<sup>10</sup> For the rest of the report, this objective is referred to as the “regional disparity containment objective.”

is limited, especially for fiscal decentralisation. The focus of the reforms to date has been on counties rather than on regions. The future direction of a Romanian regional policy is vague. This needs to be kept in mind when considering the evaluation conclusions and recommendations on the regional perspective of the ROP.

#### Allocations

100. When the ROP was originally developed, a proposed regional allocation of the fund was made based on the findings from the socio-economic analysis made in support of the design of the programme. The overall regional allocations of the ROP are based on GDP per inhabitant adjusted for the population density index. The GDP per inhabitant indicator was chosen as it is commonly applied across the EU as a proxy measure of the level of development of a region. The population density index adjustment was to compensate the more prosperous regions for the social demands that arise from increased population flows, both permanent and temporary. The regional allocation percentages were applied in a uniform manner to each priority axis (Table 21). No annual allocation by region was made.

101. There are systems in place for the routine collection of information from the Regional Development Agencies (RDAs) on the progress in each step of the project selection process. The RDAs supply information at project level which means that there is a large volume of data. The SMIS is also updated at RDA level which provides a further source of data, although not primarily organised on a regional basis. So far, the levels of payment reimbursement are small and no regional analysis of this is made on a routine basis.

102. For the purposes of the evaluation, the regional perspective is focused on the regional commitment situation at 30 June 2009. The table shows a generally even progress in commitments when compared to the allocation percentages, apart from two outliers (North West where the contracting value exceeds the allocation percentage and Bucharest Ilfov where the contracting percentage falls far short of its allocation percentage). The remaining regions are within a narrow range of 14% to 18% of their allocation percentages. The North East has the highest absolute value (M€ 124.3). The South has the least number of contracts (32) and the North East, closely followed by the Centre Region, have the highest numbers (79 and 73). The average contract value per region is very different. High average contract values are noted in the South, South East and South West, while the lowest average contract values are in the Centre and Bucharest Ilfov. The North East, South and South West have made more progress in commitments in terms of the total ROP funds than the other regions. The good performance in the South region is partly due to high average project values. The difficulties faced by Bucharest Ilfov are specific to the capital region. Some improvement is expected in the near future, but it is likely that a reallocation of unused funds away from this region will be appropriate starting in 2010.

**Table 21: ROP - Regional Allocations per Priority Axis**

Priority Axis		Regions and Allocation Percentages								
		ROP	NE	SE	S	SW	W	NW	C	BI
		100	16.32%	13.25%	14.23%	14.01%	10.34%	12.09%	10.90%	8.86%
		Allocated funds (ERDF and National Public Co-financing) in M€								
1. Support of urban	ERDF	1,117.80	182.42	148.11	159.06	156.60	115.58	135.14	121.84	99.04
	National Co-fin	273.36	44.61	36.22	38.90	38.30	28.27	33.05	29.80	24.22

development	Total	1,391.17	227.04	184.33	197.96	194.90	143.85	168.19	151.64	123.26
2. Improvement of regional and local transport infrastructure	ERDF	758.35	123.76	100.48	107.91	106.24	78.41	91.68	82.66	67.19
	National Co-fin	118.35	19.31	15.68	16.84	16.58	12.24	14.31	12.90	10.49
	Total	876.71	143.08	116.16	124.75	122.83	90.65	105.99	95.56	77.68
3. Improvement of social infrastructure	ERDF	558.90	91.21	74.05	79.53	78.30	57.79	67.57	60.92	49.52
	National Co-fin	98.62	16.09	13.07	14.03	13.82	10.20	11.92	10.75	8.74
	Total	657.53	107.31	87.12	93.57	92.12	67.99	79.49	71.67	58.26
4. Strengthening the regional and local business environment	ERDF	633.42	103.37	83.93	90.14	88.74	65.50	76.58	69.04	56.12
	National Co-fin	76.47	12.48	10.13	10.88	10.71	7.91	9.25	8.34	6.78
	Total	709.89	115.85	94.06	101.02	99.46	73.40	85.83	77.38	62.90
5. Sustainable development and promotion of tourism	ERDF	558.90	91.21	74.05	79.53	78.30	57.79	67.57	60.92	49.52
	National Co-fin	57.86	9.44	7.67	8.23	8.11	5.98	7.00	6.31	5.13
	Total	616.76	100.66	81.72	87.76	86.41	63.77	74.57	67.23	54.64
TOTAL (Axis 1-5)	ERDF	<b>3,627.37</b>	<b>591.99</b>	<b>480.63</b>	<b>516.17</b>	<b>508.19</b>	<b>375.07</b>	<b>438.55</b>	<b>395.38</b>	<b>321.38</b>
	National Co-fin	<b>624.66</b>	<b>101.94</b>	<b>82.77</b>	<b>88.89</b>	<b>87.51</b>	<b>64.59</b>	<b>75.52</b>	<b>68.09</b>	<b>55.34</b>
	<b>Total</b>	<b>4,252.06</b>	<b>693.93</b>	<b>563.39</b>	<b>605.06</b>	<b>595.71</b>	<b>439.66</b>	<b>514.07</b>	<b>463.47</b>	<b>376.73</b>

Note: the table does not include private funding for PA 4 and 5

PA5.3 is not implemented on a regional basis and is not included in the figures. The IB is in the Ministry of Tourism

Source: ROP

**Table 22: ROP - Status of Commitments by Region up to 30 June 2009**

Region	NE	SE	S	SW	W	NW	C	BI
ERDF and National Co-financing	M€	M€	M€	M€	M€	M€	M€	M€
Regional Allocations (PA1-5)	681.97	553.67	594.63	585.42	431.99	505.19	455.55	370.25
Value of committed projects	124.29	83.96	103.57	99.09	63.22	110.12	80.49	6.41
Number of committed projects	79	35	32	41	47	66	73	33
Average committed amounts (M€)	1.57	2.40	3.24	2.42	1.35	1.67	1.10	0.19
Regional allocation percentages	16.3%	13.2%	14.2%	14.0%	10.3%	12.1%	10.9%	8.9%
Committed amounts as % of regional allocations	18.2%	15.1%	17.4%	16.9%	14.7%	21.7%	17.6%	1.7%
Percentage of total ROP committed per Region	3.0%	2.0%	2.5%	2.4%	1.5%	2.6%	1.9%	0.2%

PA 6 Technical Assistance is not included in the figures

Source: Regional Table prepared by the General Directorate for Authorising Programme Payments (DGAPP) at cut-off date 30.06.09, and analysis by the Evaluation Team

103. In terms of prognosis, in the draft TA contracts between the AM and the RDAs for the forthcoming period there is a proposed target that 60% of the total allocation should be contracted by the end of 2010. Most of the RDAs have indicated that this target is achievable. There are no similar targets in the first TA contract for the Ministry of Tourism which means that the performance of this IB cannot be assessed in the same way as for the other IBs. Neither the MAROP nor the IBs maintain a prognosis system by region in the manner shown for the PA perspective (See Chapter 5) on a systematic basis. This information is prepared when considered necessary, for example, in preparation for Monitoring Committee meetings.

## Analysis of the Project Portfolio

104. The portfolio analysis is presented to give a more in-depth view of performance, down to the KAI level. Apart from satisfying the requirements of the Terms of Reference for the evaluation, the portfolio analysis provides detailed stand alone information of the performance of the implementation of the ROP up to 30 June 2009. The analysis of each KAI is organised under the following headings:

Rationale

History

Position at 30 June 2009

    Process effectiveness - Submitted, Accepted and Committed projects

    Regional Perspective

Output and Result indicators

Prospects for achievement of the strategic objectives

Information on committed project outputs was not available in a summarised form for this evaluation. Accordingly, the data available in the SMIS was used to construct information on committed outputs for PA 2 and PA 4 in the portfolio analysis. Programme results are only considered in terms of potential impact.

105. The Terms of Reference require that the performance should be assessed by reference to both the current level of achievement of the target indicators and the future prospects for achievement of the ROP strategic objectives. Two four-point assessment scales, introduced in **Chapter 1**, were used to provide our evaluation conclusions on the performance for each PA. The first scale (good, satisfactory, unsatisfactory, poor) is used to provide the evaluation conclusions on the process effectiveness of the actual performance up to the cut-off date for the evaluation, 30 June 2009. The second scale (high, significant, moderate, low) is used to provide the evaluation conclusion on the prospects for achieving the ROP strategic objectives.

### **Priority Axis 1**

#### **Rationale**

106. The ROP planning document identifies the major role that cities play in the local economic development, as well as in contributing to a balanced regional development at country level. The economic decline of certain cities and towns after 1990, due to declining local industries, has been a major factor that contributed to increasing disparities between towns and cities, or between different neighbourhoods within cities. To reverse such trends, the ROP aims to support cities and towns to become local or regional growth and development centres, by supporting investments in urban infrastructure - including transport and social services - and in business support structures. The ROP is funding projects that are part of integrated development plans, for three types of applicants:

- Growth poles - a list of seven cities and their hinterlands that are considered to have the potential to fulfill the role of growth poles in their respective regions;
- Urban development poles - a list of 13 cities of smaller size than the seven growth poles;
- Urban centres - open to any town with more than 10,000 inhabitants, other than the growth poles and urban development poles.

107. The development plans can address a pre-defined set of three intervention areas:

- city infrastructure, including transport;
- social services infrastructure;
- business support infrastructure.

108. The regional allocations for PA 1 are shown in Table 23, which also identifies the selected seven growth pole cities. The total regional allocations respect the overall regional allocation percentages established in the ROP strategy (Table 22). As no growth pole or urban development pole funding was allocated to the Bucharest Ilfov region, its entire allocation for PA 1 is available for urban centre support only. This may turn out to be an optimistic allocation decision for this region.

**Table 23: PA 1 - Regional Allocations**

Region/Growth Pole	(Growth Poles)		(Urban Development Poles)		(Urban Centres)		Totals M€
	ERDF M€	State budget M€	ERDF M€	State budget M€	ERDF M€	State budget M€	
1 North East (Iasi)	91.21	20.04	36.48	8.01	54.73	12.02	222.49
2 South East (Constanta)	74.05	16.27	29.62	6.50	44.43	9.76	180.63
3 South (Ploiesti)	79.53	17.47	31.81	6.99	47.72	10.48	194.00
4 South West (Craiova)	78.30	17.20	31.32	6.88	46.98	10.32	191.00
5 West (Timisoara)	57.79	12.70	23.11	5.08	34.67	7.62	140.97
6 North West (Cluj)	67.57	14.84	27.02	5.94	40.54	8.91	164.83
7 Centre (Brasov)	60.92	13.38	24.37	5.35	36.55	8.03	148.61
8 Bucharest Ilfov	0.00	0.00	0.00	0.00	99.04	21.75	120.79
Totals	509.37	111.90	203.73	44.75	404.67	88.88	1,363.32

*Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions*

*Source: MAROP on financial allocations for Priority Axis 1*

109. This PA is significant to the overall ROP strategy as it has a total allocation of 31% of ROP funds. Another important consideration for this PA is that the project selection method is different from the other PAs due to the requirement to submit an integrated plan in support of the proposed projects. For the growth poles, project feasibility studies are not required to be submitted for consideration until after the integrated plans and the projects have been selected. The linkage of the portfolio of projects to an integrated plan should improve the prospects for the overall achievement of the PA objectives and should be a more efficient commitment method than project based selection.

110. A co-ordinated approach to investment in cities is not unique to Romania. It is part of an innovative search for the best mix of interventions that give a city a competitive edge and an economic focal point for its region. It is interesting to compare the ROP approach to growth pole development and urban development with the approaches adopted in other European countries. For instance, a study of the competitiveness of cities in Ireland, compared with other cities in Europe and beyond, highlighted four key elements that contribute to increasing the competitiveness of cities.



These elements were:

- **enterprise** - the mix of firms weighted towards high-value industries, the availability of a skilled workforce and competitive costs of doing business
- **connectivity** - physical and electronic infrastructure to facilitate trade and business and to move goods, services, and people quickly and efficiently
- **sustainability** - a sustainable urban environment is determined, among others, by the land use policy and planning, transport and environment sustainability
- **attractiveness and inclusiveness** - disparities are minimised and social exclusion is avoided, criminality is low, entertainment infrastructure is adequate.

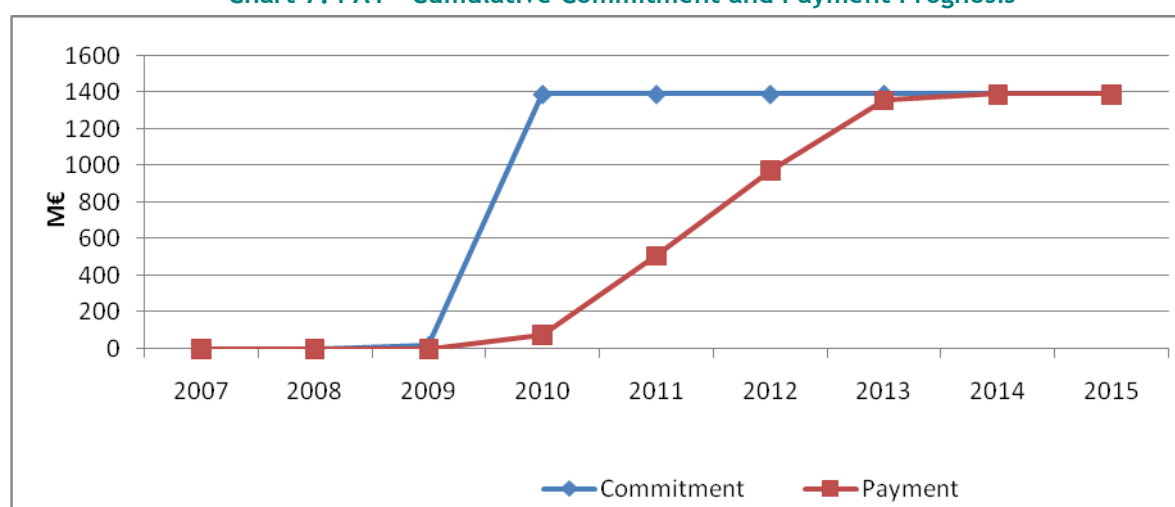
Table 24: PA 1- Prognosis 2007-2010 as at 30 June 2009

Priority Axis 1	Allocations	Actual Commitment	Commitment prognosis	Actual Payment	Payment prognosis
	2007-2010	To 30 June 2009	2007-2010	To 30 June 2009	2007-2010
	M€	M€	M€	M€	M€
1.1 Integrated Development Plans	618.27	0.00	1,363.35	0.00	76.2

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions

Source: The ACP file, Directorate General Authorising Programme Payments (DGAPP)

Chart 7: PA1 - Cumulative Commitment and Payment Prognosis



Source: The evaluation team

### History

111. PA1 was launched in December 2008, later than the other PAs. The main reason for the delay was the longer preparation time required by the MAROP for this PA, due to the novelty of the approach for Romania, the innovative nature of the intervention and the consequent need for extensive discussions between stakeholders. The approach in this PA is also new to Romania from a potential applicant point of view and required the creation of working groups at this level and a greater than normal inter-institutional collaboration for the development of the integrated plans. The inclusion of this PA in the ROP came at a late stage which meant that there was less preparatory time than for the other PAs.



### *Growth Poles*

112. Important preparatory work was carried out throughout 2008 in co-operation between Romanian institutions (Managing Authorities, ACIS, towns and cities representative organisations) and DG Regio. An assessment was made of the current status of Romania's urban development and using the idea of maximising the impact of the available funds as an underlying principle, the growth poles were identified and the means to fund their development projects from all the Operational Programmes were discussed. The Government Decision 998/2008 establishes the growth poles as follows:

- ▶ Seven growth poles: Braşov, Cluj-Napoca, Constanţa, Craiova, Iaşi, Ploieşti, Timişoara. A percentage of up to 50% of the funds allocated to PA1 was allocated to the growth poles.

The preparation of the integrated plans for the development of the growth poles began in 2008 and the first plans were submitted to the MAROP after the cut-off date for the evaluation.

113. The MAROP has held a series of bilateral meetings with the growth poles throughout their preparatory work period to assess progress made, problems met and identify solutions. In addition, Phare-funded technical assistance was provided to help the growth poles create the necessary management structures and to prepare their integrated development plans.

### *Urban Development Poles*

114. The identification of the Urban Development Poles and the preparatory work carried out throughout 2008 followed the same approach described in paragraph 112 for the growth poles. The Government Decision 998/2008 identifies the urban development poles, as follows:

- ▶ Thirteen urban development poles: Arad, Baia-Mare, Bacău, Brăila, Galaţi, Deva, Oradea, Piteşti, Râmnicu-Vâlcea, Satu Mare, Sibiu, Suceava, Târgu-Mureş. A percentage of up to 20% of the funds allocated to PA1 was allocated to the urban development poles.

While work on the urban development plans has progressed in the first half of 2009, no plans had been submitted up to the cut-off date for the evaluation.

### *Urban Centres*

115. The urban centres are defined as towns with over 10,000 inhabitants, other than the growth poles and the urban development poles. The Integrated Development Plans of the growth poles and the urban development poles can be funded from all of the Operational Programmes, including the National Programme for Rural Development. The Integrated Development Plans of the urban centres can only be funded from the PA1 of the ROP up to the allocated amounts for each of the poles. Other sources must be identified for the further funding needs. There was a deadline of 31 March 2009 for submission of integrated urban centre plans.

**Position at 30 June 2009****Process effectiveness - Submitted, Accepted and Committed Projects<sup>11</sup>**

116. By the cut-off date<sup>12</sup>, no project applications had been received for either the Growth Poles or the Urban Development Poles.

117. 89 integrated plans containing at least 252 projects had been submitted for KAI1.1.3 (Urban Centre plans) (Table 25).

**Table 25: PA1 - Urban Centres - Submitted, Accepted and Committed Projects**

Region	Allocation		Plans / Projects applications			Plans/ Projects accepted		Projects Committed	
	ERDF M€	State Budget M€	Number of plans / projects	Requested amount M€	% of Allocation	Number	Requested amount M€	Number	Requested amount M€
1 North East	54.73	12.02	16/ 27*	68.28*	102.2%	0	0	0	0
2 South East	44.43	9.76	11/ 38	68.06*	125.6%	0	0	0	0
3 South	47.72	10.48	12/ 35	143.73	247.0%	0	0	0	0
4 South West	46.98	10.32	11/ 41*	93.93*	163.9%	0	0	0	0
5 West	34.67	7.62	10/ 24	80.58	190.5%	0	0	0	0
6 North West	40.54	8.91	15/ 40*	79.12	160.0%	0	0	0	0
7 Centre	36.55	8.03	9/ 27*	92.20*	206.8%	0	0	0	0
8 Bucharest Ilfov	99.04	21.75	5/ 20	60.92	50.4%	0	0	0	0
<b>Totals</b>	<b>404.67</b>	<b>88.88</b>	<b>89/ 252*</b>	<b>686.83*</b>	<b>148.2%</b>	0	0	0	0

Source - weekly reporting of the Intermediary Bodies (week 29/6 - 3/7 2009)

\*) partial figures, as not all of the projects have been recorded in the reporting documents.

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions. The percentage for Bucharest Ilfov reflects the fact that all of its allocation for PA 1 is for Urban Centres.

118. The types of projects proposed include rehabilitation or modernisation of city infrastructure, transportation, social or community centres, business infrastructure development. It is significant that by the cut-off date only five projects in the field of business infrastructure were identified amongst all of the 89 plans submitted at national level. Informal information received from the regional visits suggests that the level of support for business infrastructure in the integrated plans for growth poles and urban development poles is very low. The information and publicity plan for 2010 could be used to address this issue.

<sup>11</sup> In this report, project applications refers to projects submitted to the IBs for evaluation for funding, projects accepted are those projects have have passed the administrative and eligibility check and have been awarded a score higher than 3.5 points in the technical and financial evaluation stage. These projects are at the stage of preparing technical documentation. Commitments refer to projects where the financing contract has been signed with the MAROP.

<sup>12</sup> Some information reflects the position at 3 July 2009 which was the closest weekly report available to the MAROP.

119. The selection process of the urban centre plans started later than anticipated because a conflict of interest issue arose with the available evaluators and it took two months to resolve the matter. 83 urban centre plans were admitted and their attached projects are being evaluated.

#### *Regional Perspective*

120. Based on the progress in evaluating the plans up to 30 June 2009, five regions had a significant safety margin for absorbing the allocation (Table 25). In addition to ensuring that the funds will be fully absorbed, it demonstrates a high level of interest on the side of the beneficiaries. In one region (Centre) four plans were rejected because of missing documents or missing the integrated plan itself. There were good rates of application from the South and Centre regions. Bucharest Ilfov (BI) only has applications for 50% of its allocation.

121. As it includes the capital city, Bucharest Ilfov inevitably is in a particular situation. As no growth poles or urban development poles were chosen for this region, the potential applicants (sub-units of the city of Bucharest and other towns in the region) can only apply for Urban Centres support. The number of potential applicants is much smaller than the number of potential applicants in the other regions (roughly one third). In this situation, a second call for proposals with continuous submission will be launched under for the Urban Centres for this region. Information regarding the value of the projects under preparation indicate that there are good chances that the funds allocated to the Bucharest Ilfov region for the Urban Centres will be absorbed.

#### *Output and Result indicators*

122. The situation for output and result indicators is shown in Table 26. No indicators from the submitted plans were introduced in the SMIS at the cut-off date. The target value for the result indicator for inhabitants benefiting from the intervention does not reflect the potential value from such a significant investment. The target of 400,000 inhabitants represents little more than the population of a single growth pole city. A more representative target would be 20% of the combined total population of the known target areas (i.e the seven growth poles and 13 urban development poles). This would be consistent with the target awareness objective for the ROP, which is 20% of the total population of Romania. Similarly, it is possible that more than 1,500 jobs will be created if all of the jobs are counted, not just those created as part of the business infrastructure support projects.

**Table 26: PA1 - Output and Result Indicators**

Indicator	Target	Actual Position at cut-off date	Future prospects (based on the current project portfolio)
<b>Output indicators</b>			
Integrated urban development plans accepted	30	0	As more than 30 integrated plans have already been approved by the evaluation commissions, there are high chances that the target is achieved and even exceeded.
Projects ensuring the improvement of the urban infrastructure and urban services, including urban transport	60	0	Target is likely to be achieved, based on the number of project proposals submitted.
Projects promoting the	15	0	Five such projects had been identified by the cut-off date.

Indicator	Target	Actual Position at cut-off date	Future prospects (based on the current project portfolio)
development of sustainable business environment			
Projects ensuring the rehabilitation of social infrastructure, including social housing and improvement of social services	25	0	Target likely to be achieved, based on the number of project proposals submitted.
<b>Result indicators</b>			
Inhabitants benefiting from the implementation of projects within integrated urban development plans	400,000	0	This indicator will be exceeded. The target is very low.
Companies established in the regional and local growth poles	400	0	Achieving this indicator depends on the number of business infrastructure projects included in the plans submitted by the growth poles and by the urban development poles. That is 20 towns, or an average of 20 companies per town. Assuming that only half or less would submit business infrastructure projects, that means more than 40 companies per town, established in the newly developed business infrastructure facilities. Achieving this target is very unlikely.
Jobs created / saved	1,500	0	The newly created jobs may come from various projects, not just those connected with business infrastructure development. At present, the beneficiaries are led to believe that this indicator applies to business infrastructure projects only, as only the respective selection grid mentions the indicator related to jobs. The beneficiaries should be requested to monitor and report the number of jobs saved or newly created from every of the approved projects, regardless of its nature.

Source: Revised ROP indicators (September 2009)

### Prospects for achieving ROP Strategic Objectives

**Table 27: PA1 - Commitment Prognosis**

	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	73.65	1,289.70	0	0	0
As of 30 June 2009	19.97	1,363.35	0	0	0

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions  
Source - Files prepared by Directia Generala Autorizare si Plati Programe, MDRL

123. For 2009, there is a commitment target of M€ 20.4 for PA 1 as a whole. The chances to achieve this target are very low due to the delays incurred to date in the selection process of the applications received from the urban centres. The contracting prognosis anticipates that all of the funds allocated for PA1 will be committed by the end of 2010. The prospects for achieving this target are mixed. For the urban centres, where applications were already submitted, and for the

urban development poles where they are expected throughout the remainder of 2009, the likelihood is high that all of the applications may be processed, and contracts concluded, by the end of 2010. The situation is slightly different for the growth poles, where after selecting the integrated plans, feasibility studies and technical plans need to be prepared for some of the submitted projects, which will mean a longer commitment period. Given the relatively high number of projects per plan, and the experience in project evaluation for other PAs, the chances that all the feasibility studies and technical plans will be prepared and approved in due time are quite low.

**Evaluation Conclusion: PA 1 - Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?**

Priority Axis	Evaluation Question	Process effectiveness - current output and result performance to 30 June 2009	Prospects for achieving the ROP Strategic Objectives
1	Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?	Poor	Moderate
<p><b>Comments</b></p> <p><u>Process effectiveness:</u> No financing contracts (selected operations) had been signed by 30 June 2009.</p> <p><u>Prospects for achieving the PA objectives:</u> In spite of a slow start, progress is being made. The urban centres have submitted integrated plans that exceed the allocation by at least 40%, which suggests a significant prospect for full absorption of the urban centre allocation. Moderate progress in developing the plans for the Growth Poles and the Urban Development Poles was noted. Due to their complexity, it is too early to reach a conclusion on the prospects for achieving the strategic objectives of the Growth Poles. The MAROP is aiming to fully commit all the funds in PA 1 by the end of 2010 but has a reasonable margin of safety to absorb the funds.</p>			

**Priority Axis 2**

*Rationale*

124. The connection of the county roads to the national and TEN-T networks proposed under the ROP is expected to produce economic and social outcomes for regional development in areas with underdeveloped economic infrastructure. The investments will be focused in those areas where the topographic characteristics of natural environment and historical and economic evolutions impeded an adequate development of the transport infrastructure. The improved road network is expected to contribute, in the medium term, to an increase of capital flows, higher labour force mobility, and better accessibility within the country, promoting sustainable development and contributing to the creation of new opportunities for job creation in urban and rural areas.

125. The rehabilitation and modernisation of the urban street network is needed in order to avoid excessive traffic concentration, to shorten the distances and travel time between the urban functional areas, and to eliminate bottlenecks in the main access points to cities by supporting urban streets projects which connect

- towns/cities thoroughfares to the national crossing roads network (category I streets);
- functional areas to residential ones (category II streets); and

- functional and residential areas to connecting streets and/or to towns/cities thoroughfares (category III streets).

The overall prognosis is for the entire PA allocation to be committed by the end of 2009 and for the full ERDF to be absorbed by 2012.

### History

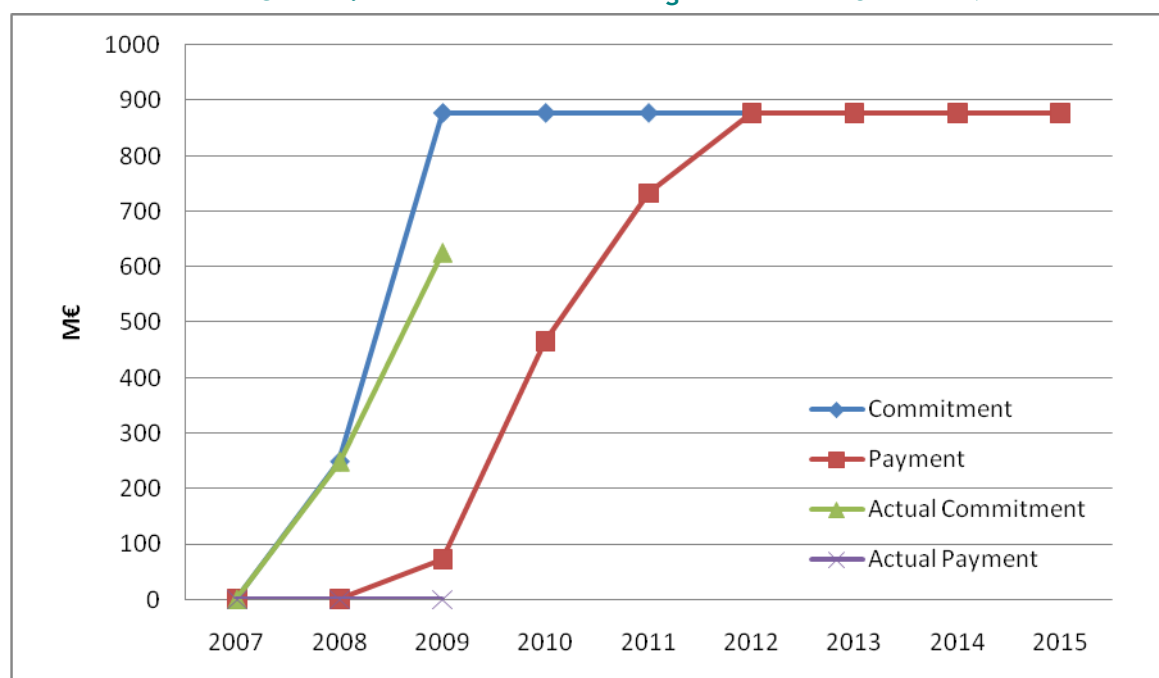
126. The open call for proposals under PA 2 was the first to be launched under the ROP on 10 September 2007. Eligible applicants are County Councils and Local Counties of towns and municipalities. In six out of the eight regions the submission of projects under PA 2 was suspended by the MAROP in October 2008 as the 150% cap of the regional allocation was exceeded. The Axis remains opened only in BI region<sup>13</sup>. PA 2 also produced the first commitment under the ROP, apart from PA 6, on 22 April 2008. The first works contract under ROP was signed on 14 January 2009 in the SW region, Gorj County. The MAROP has decided to overcommit for projects up to 110% of the regional allocations under PA 2.

**Table 28: PA 2 - Prognosis 2007-2010 as at 30 June 2009**

	Allocations	Actual Commitment	Commitment prognosis	Actual Payments	Payment prognosis
Priority Axis	2007-2010	at 30 June 2009	2007-2010	at 30 June 2009	2007-2010
	M€	M€	M€	M€	M€
2 County roads/ Urban streets	399.80	628.16	876.71	0.21	465.26

Source: MAROP ACP analysis for 30 June 2009

**Chart 8: PA 2 - Actual versus Prognosis as at 30 June 2009**



<sup>13</sup> In the West region PA 2 was closed on 31 August 2009.

**Position at 30 June 2009***Process effectiveness - Project Applications, Acceptances and Commitments*

127. The overall allocation for PA 2 is far below the demand at country level. This is demonstrated by the high number of projects submitted across the regions. The level of demand is higher than the table suggests as PA 2 has been progressively closed since October 2008. Even so, the amount requested in the accepted projects at the evaluation cut-off date exceeds the allocation by 79%. The highest number of project applications was registered in the poorest regions - NE and SW. In these two regions, in particular, the high rate of applications was influenced by the multitude of projects prepared with Government support provided under GD 811. Progress on the the first works contract (Gorj County) is good<sup>14</sup>. Apart from this case, only one other project (one section of Brasov Ring road) was completed.

**Table 29: PA 2 - Submitted, Accepted and Committed projects**

Region	Allocated		Project applications		Projects accepted		Projects Committed	
	ERDF M€	State Budget M€	Number	Requested amount M€	Number	Requested amount M€	Number	Requested amount M€
1 North East	123.77	16.46	60	383,38	52	361,70	17	107,93
2 South East	100.48	13.36	20	203,92	20	203,92	10	84,95
3 South Muntenia	107.91	14.35	39	316,52	27	231,93	11	102,08
4 South West Oltenia	106.24	14.13	49	338,77	33	268,48	13	104,84
5 West	78.41	10.43	26	156,85	15	108,88	6	39,03
6 North West	91.68	12.19	23	246,98	18	212,29	6	94,83
7 Centre	82.66	10.99	43	275,45	17	113,79	7	54,08
8 Bucharest Ilfov	67.19	8.93	14	59,88	11	36,01	2	3,98
<b>Totals</b>	<b>758.36</b>	<b>100.82</b>	<b>274</b>	<b>1,981.75</b>	<b>193</b>	<b>1,537.00</b>	<b>72</b>	<b>591.71</b>
		<b>100%</b>		<b>230.7%</b>		<b>178.9%</b>		<b>68.9%</b>

Source: Regional data supplied by DGAPP

*Regional perspective*

128. It is confirmed by the situation the accepted projects that all regions have already significantly exceeded their allocations, except BI region, by 22% (in Centre and West regions) and up to 158% in the NE region. Furthermore, variations result mainly from the different structure and size of the individual projects, for instance the average amount requested in Centre region is M€ 6.7 whereas in the NW region it is M€ 11.8. In the case of BI, where the Axis is still opened, one important limitation was the reduced territory of the region outside Bucharest and the limited number of potential beneficiaries. In addition to this the wealth of Bucharest's administrations caused a general disregard for the financing opportunities under ROP. Within the current crisis economic context there are indications that the interest for applying for funds under the ROP has changed and several projects are under preparation for the city of Bucharest.

<sup>14</sup> A first section of 4.3 kilometers of the road was finalised at mid-August 2009. The evaluators visited the beneficiary and the site.



### Priority Outputs and Results

129. There is already no problem in reaching the overall output indicator for the KAI based on the existing portfolio of committed projects. The distribution of the output indicators over the 3 Operation categories is less balanced than the targets set at the programming stage (58% - County roads, 27% - Urban streets and 15% - Ring roads).

130. The analysis (Table 30) shows that there is a disproportion between the projects concerned with rehabilitation or modernisation of genuine county roads both in terms of the number of projects accepted - 117 (71%) out of the 164 projects analysed in more detail are from this category - and in terms of the length of the roads to be rehabilitated within the scope of the proposed projects - 2,857 Km (82%) out of 3,495 Km in total. The situation does not vary too much in the case of the 72 projects committed until 30 June 2009: 53 projects (74%) out of 72 are concerned with County Roads and they propose the rehabilitation /modernisation of 1,447 Km (91%) out of the 1,584 Km committed up to 30 of June 2009. It is expected that the targets for County roads will be exceeded by 2.5 to 3 times, that there are moderate chances to meet the target for Urban streets and no prospect to reach the Ring road indicative target. It is clear at this stage that the overall target will be comfortably exceeded.

**Table 30: PA 2 - Output and Result Indicators**

Indicator	Target Km	Actual position at 30 June 2009		Future prospects (based on the current project portfolio of accepted and committed projects)			
		No. of completed projects	Km	No. of accepted projects	Km	No. of committed projects	Km
<b>Output indicators (kms of roads constructed /rehabilitated /modernised)</b>							
County Roads	877	0	0	117	2,857.38	53	1,447.27
Urban Streets	411	0	0	37	555.15	13	85.10
Ring roads	219	1	6	10	81.98	6	51.13
Total	1,507	1	6	164*	3,494.51	72	1,583.51
<b>Results indicator (Passengers and freight traffic on the rehabilitated, constructed, modernized roads)</b>							
	<b>Target</b>	<b>Actual position at 30 June 2009</b>		<b>Expected position at end of programme</b>			
Number of passengers using the rehabilitated roads	No target	not measured		no basis to calculate			
Freight vehicles using the rehabilitated roads	No target	not measured		No basis to calculate			

\*Data were not available for the analysis of 29 out of 193 accepted projects at 30 June 2009

131. There is inconsistent data within SMIS regarding the result indicator for the Axis, the section concerned with indicators presents in general only the length of the roads that will be modernized /constructed /rehabilitated. The financing applications all contain Traffic Studies as this was a specific request of the Guide for Applicants and from the limited number of cases revised all projects foresee that they will meet or exceed the results indicator. This will need confirmation through traffic surveys after a certain period from projects finalization.



### Cost effectiveness analysis

132. PA 2 is the only PA where a cost effectiveness analysis could be made for this evaluation. An analysis of the unit costs for the 65 road projects under PA 2 with tenders launched from the beginning of the programme up to mid-August 2009 was made. It is important that the MAROP maintains a continuous survey of these unit costs for establishing benchmark prices. Such an exercise would also be worthwhile beyond the scope of the ROP for the benefit of the Government and with a view to inform the design of the structural instruments within the future programming period. The 65 projects considered include 22 projects for which the acquisition procedure is finalised and the contracts for works are signed. The unit costs are shown in Table 31.

**Table 31: PA 2 - Unit Costs per Kilometre of Road**

Projects with signed works contracts (22)		Achieved unit cost (€)		
Operation type	Number of projects	For works (Contract price divided by no. of kilometers)	ERDF contribution per km (ERDF contribution to the project divided by number of kilometers)	Total cost (Project cost divided by number of kilometers)
County roads	13	209,284	204,795	278,207
Urban streets	7	1,503,045	1,472,984	1,755,628
Ring roads	2	1,135,787	503,470	1,677,209
Projects with works tenders launched (65)*		Estimated unit cost (€)		
Operation type	Number of projects	For works	ERDF contribution	Total cost
County roads	48	322.803	299.478	416.541
Urban streets	13	1.348.936	1.290.635	1.814.280
Ring roads	4	1.072.131	721.824	1.493.115

\*this category includes the 22 projects for which the tenders for works were finalised

133. Both the estimated and achieved unit costs in the case of County roads appear reasonable as compared to market prices. The analysis should be read with caution as there are two important limitations that could influence the reasonableness conclusion:

- the limited number of “confirmed” prices, as only 22 contracts were let by mid-August 2009; and
- the fact that an in-depth analysis to distinguish precisely between the various categories of works, such as rehabilitation /modernisation, consolidation works required in many case is beyond the scope of this evaluation.

On the positive side there is quite a high degree of uniformity between the unit costs estimated under the 13 County roads projects with works contracts let and those 35 with works contracts under tendering.

134. Urban streets and Ring roads unit costs are significantly bigger than for County roads. This is justifiable by the amount of collateral works that are proposed for body of the road within towns to

renew the utilities networks. Ring roads are essentially new roads for which construction costs are inherently higher.

135. The calculations reveal a positive tendency to achieve savings within the context of the economic crisis, in the case of County Roads. For this Operation, there was a good uniformity in the estimation of unit cost for works across the 48 cases considered (13 contracts already let and 35 under tendering). In the case of Urban streets and Ring roads, the tendency for savings is confirmed by the nine projects with works contracts signed, but is less than for County roads. The higher average prices in the case of contracted works as compared to works under tendering results from a more severe unbalance between the estimated prices of the two categories.

*Comparison between regions with respect to unit costs*

136. In response to a request from the MAROP Evaluation Unit, the cost effectiveness analysis was widened to the regional level, as set out in the tables below.

**Table 32: PA 2 - Achieved unit costs - County Roads (13 projects out of 22)**

Region	No. of projects	Unit cost (€)		
		For works (Contract price divided by number of kilometers)	ERDF contribution per km	Total cost (Project cost divided by number of kilometers)
North East	1	111,346	109,119	146,901
South East	3	217,141	211,788	296,840
South Muntenia	1	171,783	168,348	227,882
South West	2	173,230	169,310	224,529
West	1	140,593	137,781	205,354
North West	1	391,333	383,506	525,348
Centre	2	237,659	232,905	328,514
Bucharest Ilfov	2	216,218	211,893	257,300
<b>Average cost</b>	<b>13</b>	<b>209,284</b>	<b>204,795</b>	<b>278,207</b>

**Table 33: PA 2 - Estimated unit costs - County roads (48 projects (out of 65))**

Region	No. of projects	Unit cost		
		For works (Contract price divided by number of kilometers)	ERDF contribution per km	Total cost (Project cost divided by number of kilometers)
North East	11	330.676	297.298	408.927
South East	6	312.975	293.682	412.555
South Muntenia	8	339.801	315.698	441.776
South West	8	260.004	242.995	336.661
West	2	346.131	328.228	455.915
North West	6	403.732	372.619	517.519
Centre	5	283.069	266.049	376.201
Bucharest Ilfov	2	376.062	325.294	447.515
<b>Average cost</b>	<b>48</b>	<b>322.803</b>	<b>299.478</b>	<b>416.541</b>

137. There are no major differences between the Regions. The situation of the estimated unit costs displays a more accurate picture, as the achieved prices are influenced by the savings from tenders, which are probably reflecting more the particular market conditions for each case. For the estimated unit costs, the smallest unit cost for works (Region South West) are 20% less than the average, whereas the highest costs (in Region North West) are 25% more than the average. Prices in the other six Regions are within a margin of 17% maximum variation from the average, but prices in three Regions, which account for 52% of the projects are within a narrow margin of 5.2% variation from the average.

**Table 34: PA 2 - Achieved unit costs - Urban streets (7 projects)**

Region	No. of projects	Unit cost (€)		
		For works (Contract price divided by number of kilometers)	ERDF contribution per km	Total cost (Project cost divided by number of kilometers)
North East	4	1,978,281	1,938,715	2,733,679
South East	1	1,769,851	1,734,454	2,428,268
South West	2	419,169	410,786	553,587
<b>Average cost</b>	<b>7</b>	<b>1,503,045</b>	<b>1,472,984</b>	<b>1,755,628</b>

**Table 35: PA 2 - Estimated unit costs - Urban streets (13 projects)**

Region	No. of projects	Unit cost (€)		
		For works (Contract price divided by number of kilometers)	ERDF contribution per km	Total cost (Project cost divided by number of kilometers)
North East	5	2.030.625	1.941.852	<b>2.739.486</b>
South East	3	1.534.927	1.463.322	<b>2.042.145</b>
South Muntenia	2	481.352	461.672	<b>647.525</b>
South West	2	513.290	483.662	<b>665.589</b>
Centre	1	788.976	788.357	<b>1.135.540</b>
<b>Average cost</b>	<b>13</b>	<b>1.348.936</b>	<b>1.290.635</b>	<b>1.814.280</b>

**Table 36: PA 2 - Achieved unit costs - Ring roads (2 projects)**

Region	No. of projects	Unit cost (€)		
		For works (Contract price divided by number of kilometers)	ERDF contribution per km	Total cost (Project cost divided by number of kilometers)
South West	1	315,412	309,103	449,123
Centre	1	1,956,163	697,837	2,905,295
<b>Average cost</b>	<b>2</b>	<b>1,135,787</b>	<b>503,470</b>	<b>1,677,209</b>

**Table 37: PA 2 - Estimated unit costs - Ring roads (4 projects)**

Region	No. of projects	Unit cost (€)		
		For works (Contract price divided by number of kilometers)	ERDF contribution per km	Total cost (Project cost divided by number of kilometers)
South West	2	793,820	749,880	1,051,760

West	1	744,722	689,701	963,645
Centre	1	1,956,163	697,837	2,905,295
<b>Average cost</b>	<b>4</b>	<b>1,072,131</b>	<b>721,824</b>	<b>1,493,115</b>

Source for Tables 32 to 37: Analysis by the Evaluators of SMID held data

138. Unit costs in North East region are influenced by the high cost of almost M€ 7 per kilometer for an underground passage in Bacau. In South East, the amount refers to one of the main streets in Galati for which the full rehabilitation cost reaches nearly M€ 1.8. Although they are few, the projects are very diverse, which makes the comparison between prices in various regions less relevant. Estimated costs are smaller in the case of smaller localities, such as in Region South and in the case of less complex works, such as in North East, except for Bacau, and South West Regions. There will be many similar projects under PA 1, which will make cross-comparison interesting, but for sure at a later stage of the programme.

139. Prices are very similar for three out of the four ring road projects - Dragasani, Targu Jiu and Ineu, which is a correct reflection of both the size of the respective localities and the existing road network. In the case of Brasov (Centre), where the price is significantly higher, the road network from which the current ring road is part is far more complex and it is formed of major national roads.

#### Future Prospects for achieving ROP strategic objectives

**Table 38: PA 2 - Commitment Prognosis**

Commitment prognosis for PA 2	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	628.16	0	0	0	0
As of 30 June 2009	628.16	0	0	0	0

Source: MAROP, ACP files

140. There should be no problem to finalise contracting for the existing allocation for the Axis and the extra ceiling of 10% decided upon by the MAROP by end-2009 as planned. There is a sufficient number of accepted projects and the commitment rate has accelerated in the second quarter of 2009 and this trend continues. Within the period from 30 June to mid-August 2009, nine projects have been contracted in addition to the existing 72 at the cut-off date.

#### Conclusion: PA 2 - Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?

Priority Axis	Evaluation Question	Process effectiveness - current output and result performance to 30 June 2009	Prospects for achieving the ROP Strategic Objectives
2	Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?	Unsatisfactory	High
<b>Comments</b>			
Process effectiveness: The first road project (six kilometres for the Brasov ring road) was completed by the cut-off date. 22 other projects are at implementation stage and a further 42 were close to			

signature.

Prospects for achieving the PA objectives: The existing allocation from the ROP has been significantly exceeded and submission of project applications is suspended in 7 out of 8 regions. It is expected that the current allocation and an additional 10% allowed for by the MAROP will be fully committed by end-2009. Based on the level of contract prices achieved for the works contracts, and the economic conditions there is scope to increase the over-commitment rate to approximately 137% of the allocation for this Axis. The target output indicators should be exceeded by 2,5 - 3 times, due mainly to county roads projects. From a cost-effectiveness perspective, the excess of outputs from county roads will more than compensate for the higher costs seen in ring roads or urban streets. The unit costs estimated and achieved to date reflect good value-for-money. In the case of Ring roads the analysis is based on a limited number of projects, whilst in the case of Urban streets the diversity of projects makes a general conclusion less meaningful.

### Priority Axis 3

141. Sustainable economic development requires a balanced investment in economic, social and environmental infrastructure, including adequate social and healthcare services and educational facilities. A chronic lack of funding in the past was a key cause for the constant degrading of the social and healthcare services in Romania. For education, in addition to poor funding, the increase in the mandatory education period from eight to ten years created an additional pressure on the already inadequate schools infrastructure. In response to these needs, PA3 aims to support, with a specific emphasis on regional needs, the development of healthcare, social and educational infrastructure, as well as the capacity to provide assistance to population in emergency situations. Ultimately, PA 3 is concerned with investing in regional social infrastructure which has important quality of life implications for the regions. It has a mix of social and economic effects and is thus relevant to sustainable development objectives.

142. The contracting and payment prognosis for PA3 up to 2010 (Table 39) shows that it is expected the the annual allocations up to 2010 will be exceeded by 36% and that about 60% of the total available funds will be committed by that date and 18% would be reimbursed.

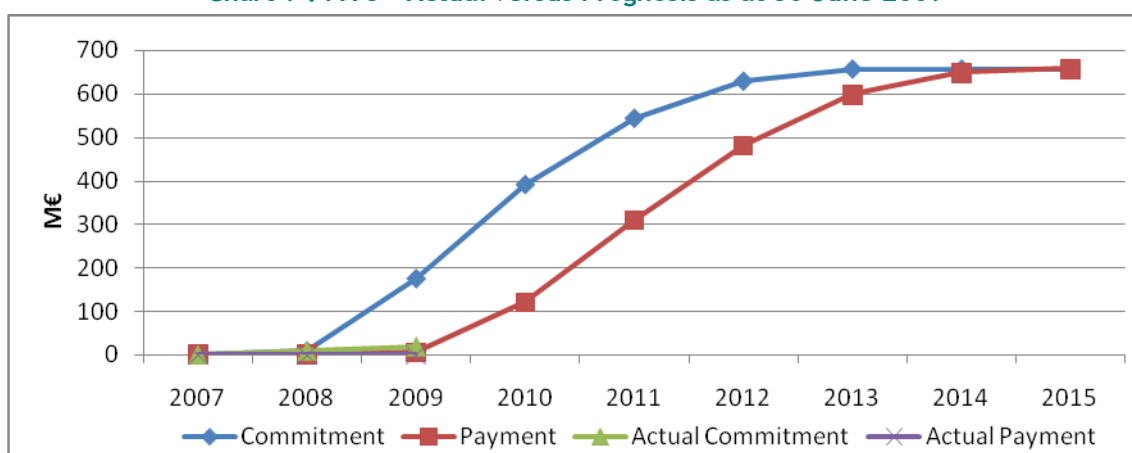
**Table 39: ROP Priority Axis 3 - Prognosis 2007-2010**

Priority Axis and Key Areas of Intervention	Allocations		Actual Commitment	Commitment prognosis	Actual Payments	Payment prognosis
	2007-2010		at 30 June 2009	2007-2010	at 30 June 2009	2007-2010
	ERDF M€	State budget M€	M€	M€	M€	M€
3.1 Health Services Infrastructure	67.29	10.29	1.56	83.16	0.0	11.41
3.2 Social Services Infrastructure	38.57	5.89	2.45	58.17	0.0	9.29
3.3 Equipment for Emergency Situations	38.57	5.89	8.19	97.51	0.0	50.30
3.4 Education Infrastructure	110.44	16.89	6.01	145.28	0.0	46.83
<b>3. Social Infrastructure</b>	<b>254.87</b>	<b>38.96</b>	<b>18.21</b>	<b>384.12</b>	<b>0.0</b>	<b>117.83</b>

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions

Source: The ACP file, Directorate General Authorising Programme Payments (DGAPP)

Chart 9 : PA 3 - Actual versus Prognosis as at 30 June 2009



Source: The evaluation team

### KAI 3.1 - Health Infrastructure

#### Rationale

143. One of the problems affecting the medical care system in Romania is the inadequate availability of good quality ambulatory treatment, which would facilitate the access to quality medical care for patients who are physically remote from hospitals and would reduce the cost of treatment per patient. A further problem is the poor condition of hospital infrastructure, both regarding the buildings as well as the equipment. The ROP seeks to develop the quality of the medical care in Romania by improving the facilities for ambulatory treatment and by rehabilitating a number of key hospitals in different regions.

#### History

144. KAI 3.1 was launched in January 2008. The eligible applicants are the local authorities or inter-community associations. The first applications were received in March 2008. The Ministry of Health has prepared a list of hospitals in need of rehabilitation that would apply for ROP funding under this KAI. Originally, the Ministry of Health launched comprehensive feasibility studies for hospitals' rehabilitation, even before deciding to apply for ROP funding. The project values of the resulting feasibility studies were in excess of M€100, which far exceeded the individual project amounts that are available under the ROP. As a result, the Beneficiaries have prepared additional feasibility studies to cover parts of the rehabilitation needs that would fit within the maximum values fundable under KAI 3.1 of the ROP. There is good additionality present in this KAI.

*Position at 30 June 2009**Process effectiveness - Project Applications, Acceptances and Commitments***Table 40: KAI 3.1 - Submitted, Accepted and Committed Projects as at 30 June 2009**

Region	Allocation		Project applications		Projects accepted		Projects Committed	
	ERDF M€	State budget M€	Number	Requested amount M€	Number	Requested amount M€	Number	Requested amount M€
1 North East	24.09	3.68	5	4.82	3	2.77	0	0.0
2 South East	19.55	2.99	8	24.67	8	24.72	0	0.0
3 South Muntenia	20.99	3.21	0	0.0	0	0.0	0	0.0
4 South West Oltenia	20.67	3.16	4	11.24	4	11.18	1	0.43
5 West	15.26	2.33	6	4.13	2	1.73	0	0.0
6 North West	17.84	2.73	10	5.0	3	2.50	1	1.13
7 Centre	16.08	2.46	3	2.14	2	1.83	0	0.0
8 Bucharest Ilfov	13.07	2.00	0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>147.55</b>	<b>22.56</b>	<b>36</b>	<b>52.00</b>	<b>22</b>	<b>44.73</b>	<b>2</b>	<b>1.56</b>

*Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions*

*Source - weekly reporting of the Intermediary Bodies (week 29/6 - 3/7 2009)*

145. The current portfolio of accepted projects includes ambulatory units only. Hospitals that have been selected by the Ministry of Health to apply for ROP funding under this KAI had not yet submitted their applications by the cut-off date. Ten such hospitals are expected to apply, requesting funds between M€ 10 to M€ 17 each<sup>15</sup>. The project applications under evaluation will absorb a significant proportion of the available funds which is likely to leave a shortage for the larger hospital projects. This could weaken the overall impact of PA 3.

*Regional perspective*

146. At 30 June 2009, the regional absorption objective was not being achieved in this KAI. Of the four most underdeveloped regions that have the highest allocations, only two (South-East and South-West) were processing applications at a higher rate (in terms of value) than the four more developed regions. Moreover, no project applications had been received by either the South or Bucharest Ilfov regions by the cut-off date, which could mean that the disparities between some of the regions are increasing<sup>16</sup>. For Bucharest-Ilfov region - unless hospitals submit applications within the next 3-4 months, some of the funds could be reallocated to other regions with an adequate absorption rate. In the city of Bucharest, the local system for the administration of healthcare makes the potential applicants ineligible and no solution to this problem has been found. Contradictory information was received from the RDA and the MAROP on whether this matter has been discussed between the two bodies.

<sup>15</sup> The first applications were submitted shortly after 30 June 2009.

<sup>16</sup> After 9 July 2009, projects started to be submitted in South Muntenia Region. The value of applications received exceeded the financial allocation by 50%. Therefore the submission of projects for the KAI was suspended for this region starting from 28 September 2009.



### Output and Result indicators

**Table 41: KAI 3.1 - Output and Result Indicators**

Output indicators	Target	Actual position at cut-off date	Future prospects (based on the current project portfolio)
Number of medical units rehabilitated/ modernised / equipped	50	0	Based on the existing portfolio of projects and the estimated number of further projects, the output indicator is likely to be achieved
Result indicators	Target	Actual position at cut-off date	Future prospects (based on the current project portfolio)
Persons benefiting from the rehabilitated/ modernized/equipped health care infrastructure	30,000 per day	0	In the absence of a baseline, it is difficult to assess whether the indicator can be achieved and it cannot offer information on the changes in the number of persons benefiting from better healthcare facilities due to the ROP intervention.

147. The cost-effectiveness of this KAI can be assessed by estimating the cost of the investments per person that benefits from it. Assuming that the current target number of beneficiaries is achieved, the costs per beneficiary of the new investments is approx € 5,800.

148. The result indicators will be measured through surveys. Until the surveys are carried out, the MAROP may have no clear indication of how many persons benefit from the investments. The project monitoring procedure requires a monitoring of the progress towards indicator achievement (implicitly of both output and result indicators) which suggests that the MAROP should keep records about the achievement of the indicators throughout the implementation period, not necessarily having to wait for the results of the surveys. The SMIS system includes a special section on indicators, including results indicators. Out of twenty projects recorded in the SMIS system under KAI 3.1, about 30% (7 projects) have no targets identified for the results indicators.

149. The system for the collection of results indicators and recording them within the SMIS was discussed with the SMIS team in ACIS. The system provides for the capture of results data at project level and is capable of aggregation to PA level in all cases except for percentages. Accordingly, the non-recording of the results targets noted in paragraph 148 above appears to be a data input issue for the MAROP and the IBs.

### Prospects for achieving ROP strategic objectives

**Table 42: KAI 3.1 - Commitment Prognosis**

	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	36.95	46.22	58.23	28.71	0
As of 30 June 2009	22.45	60.71	69.65	17.30	0

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions

Source - Files prepared by Directia Generala Autorizare si Plati Programe, MDRL



150. The contracting prognosis for 2009 - 2013 was revised between March - July 2009, decreasing the targets for 2009 and 2012 and increasing the targets for 2010 and 2011 respectively. The current value of the portfolio of accepted projects (M€ 49.3) is now more than double the 2009 prognosis. The 2010 target can only be achieved if the hospitals start submitting their applications early enough so that their selection and contracting can be finished before the end of 2010. Historic evidence indicates that the contracting process is very slow and if this continues, there are risks of not achieving the 2010 commitment targets<sup>17</sup>.

### **KAI 3.2 - Social Infrastructure**

#### ***Rationale***

151. The ROP planning document states that economic development depends, in a wider context, on well-developed social services. For instance, the absence of adequate social services limits the opportunity to reinsert those sections of the population facing social difficulties into the labour market. In addition, people who would be able to be more active on the labour market now may spend a considerable amount of time to care for elderly people, disabled people, children etc. This situation has important implications for the equal opportunities objectives of the EU which is one of the horizontal objectives for the Operational Programmes. In Romania, the quality of social services is often poor due to inadequate infrastructure facilities for the social centres. KAI 3.2 aims to improve social services by the rehabilitation, modernisation, and equipping of the social centres' infrastructure.

#### ***History***

152. KAI 3.2 was launched in January 2008. The eligible applicants are local public authorities, suppliers of social services (public or private) or partnerships between local administration and suppliers of social services. The first applications were received in February 2008. Applicants can formulate projects to rehabilitate and equip, or only to rehabilitate, social services infrastructure. The underlying logic is that equipping social services units without proper rehabilitation is ineffective.

#### ***Position at 30 June 2009***

#### ***Process effectiveness - Project Applications, Acceptances and Commitments***

153. At 30 June 2009, 79 projects with a value of M€40.3 had been received. The types of social centres supported through the selected projects is diverse and includes institutions for elderly people, children support, healthcare, support for disabled people.

---

<sup>17</sup> Information received after the cut-off date indicates that the commitment rate has accelerated. Ten contracts were signed by 31 August 2009.

Table 43: KAI 3.2 - Submitted, Accepted and Committed Projects

Region	Allocation		Project applications		Projects accepted		Projects committed	
	ERDF M€	State budget M€	Number	Requested amount M€	Number	Requested amount M€	Number	Requested amount M€
1 North East	13.80	2.11	25	13.02	16	8.87	2	1.27
2 South East	11.21	1.71	13	7.81	11	6.64	2	1.18
3 South Muntenia	12.03	1.84	2	0.39	0	0.0	0	0.0
4 South West Oltenia	11.85	1.81	11	6.04	6	3.07	0	0.0
5 West	8.74	1.34	7	3.85	3	1.54	0	0.0
6 North West	10.23	1.56	12	4.54	6	3.85	0	0.0
7 Centre	9.22	1.41	9	4.68	6	3.14	0	0.0
8 Bucharest Ilfov	7.49	1.15	0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>84.57</b>	<b>12.93</b>	<b>79</b>	<b>40.33</b>	<b>48</b>	<b>27.11</b>	<b>4</b>	<b>2.45</b>

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions

Source - weekly reporting of the Intermediary Bodies (week 29/6 - 3/7 2009)

### Regional perspective

154. Based on project applications, the least developed regions with the highest allocated funds, (the North-East and South-East regions) have the highest potential absorption rates, while the South region, the second least developed region in Romania, has a very poor potential absorption rate. The region of Bucharest was in the same position, with no projects submitted by the cut-off date. The main reason is the very slow pace of preparing applications in these regions, due to a lower level of interest on the side of the potential beneficiaries than in the other regions. That means that while the gap between some regions decreases, it increases between other regions.

### Output and Result indicators

155. Regarding the output indicator, a possible response would be for the MAROP to reduce the cap value of the funding per project, but this is not recommended. Project applications show that the need is for higher individual projects which would support a revision of the target value of the indicator from 270 to 160. This approach is preferred by the evaluation team because a higher than expected number of applications have included equipment as well as the rehabilitation of buildings.

156. The result indicator will be measured through surveys. That means that until the surveys are carried out, the MAROP may have no clear indication of how many persons benefit from the investments. However, the project monitoring procedure requires a monitoring of the progress towards indicator achievement (implicitly of both output and result indicators) which suggests that the MAROP should have records about the indicators achievement throughout the implementation period, not necessarily having to wait for the results of the surveys.

Table 44: KAI 3.2 - Output and Result Indicators

Output indicators	Target	Actual position at cut-off date	Future prospects (based on the current project portfolio)
Number of social centres rehabilitated / modernised / extended / equipped	270	0	The output indicator will not be reached given the current average project values and the overall allocation for KAI 3.2. The original value of 270 was based on estimates of lower levels of grants per project.
Result indicators	Target	Actual position at cut-off date	Future prospects (based on the current project portfolio)
Persons benefiting from the rehabilitated/modernized/extended/equipped social services infrastructure	10,000	0	The target value appears to be quite low on an average basis (62 persons per centre if a maximum number of 160 social centres are supported). In itself, this indicator does not measure the extent to which the original objective referring to better social services is achieved. In the absence of a baseline, it is difficult to assess whether the indicator can be achieved

157. The cost-effectiveness of this KAI can be assessed by estimating the cost of the investments per person that benefits from it. Assuming that the current target number of beneficiaries is achieved, the cost per beneficiary of the new investments is about € 9,950.

#### Prospects for achieving ROP strategic objectives

Table 45: KAI 3.2 - Commitment prognosis

	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of March 2009	13.93	44.24	26.05	13.29	0
As of June 2009	13.93	44.24	26.05	13.29	0

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions  
Source - Files prepared by Directia Generala Autorizare si Plati Programe, MDRL

158. The current portfolio of accepted projects is sufficient to meet the immediate targets foreseen in the contracting prognosis. If the submission of project applications continues at the same rate, it would also be adequate to reach the commitment targets for 2010. However, the speed of the commitment process is very slow and this creates a significant risk of not achieving the commitment targets for either 2009 and 2010. For the remainder of 2009, the MAROP expects to commit 18 projects (M€ 9.8) which is significantly lower than the 2009 target value of M€ 14<sup>18</sup>. Applications are expected from both Bucharest Ilfov and South Regions but the regional balance will need to be kept under review.

<sup>18</sup> Information received after the cut-off date indicates that until 4 September 2009, 14 contracts have been committed, suggesting that the target of 18 contracts for 2009 may be exceeded.

### KAI 3.3 - Equipment for Emergency Situations

#### Rationale

159. The National Strategy for interventions in emergency situations aims to improve the capacity and the quality of the public safety system by setting up eight regional emergency-response bases. The ROP is contributing to this objective by supporting investments in equipment both for the future regional bases as well as for the existing county bases. The overall objective is to improve the capacity of each of the regions to respond to emergency situations by increasing the speed of intervention.

#### History

160. KAI 3.3 was launched in October 2007. The eligible applicants are inter-community development associations (ADI) set up in each region. The process to prepare project applications encountered numerous unforeseen factors, such as the complex and arguably contradictory legal framework under which the ADI had to be established; the slow process of co-operation between the counties in setting up the ADI; and difficulties in transferring co-financing funds from the County Councils to the ADI. There were also various delays in receiving necessary inputs from external institutions - for example, awaiting the Annual Plans for Risk Assessment and Coverage from specific institutions, and awaiting technical specifications for the equipment from the Ministry of Health. The first application was received in June 2008.

#### Position at 30 June 2009

#### Process effectiveness - Project Applications, Acceptances and Commitments

**Table 46: KAI 3.3 - Submitted, Accepted and Committed Projects**

Region	Allocation		Project applications		Projects accepted		Projects commitment	
	ERDF M€	State budget M€	Number	Requested amount M€	Number	Requested amount M€	Number	Requested amount M€
1 North East	13.80	2.11	1	9.15	1	9.15	0	0.0
2 South East	11.21	1.71	0	0.0	0	0.0	0	0.0
3 South Muntenia	12.03	1.84	0	0.0	0	0.0	0	0.0
4 South West Oltenia	11.85	1.81	1	9.40	0	0.0	0	0.0
5 West	8.74	1.34	0	0.0	0	0.0	0	0.0
6 North West	10.23	1.56	0	0.0	0	0.0	0	0.0
7 Centre	9.22	1.41	1	8.19	1	8.19	1	8.19
8 Bucharest Ilfov	7.49	1.15	0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>84.57</b>	<b>12.93</b>	<b>3</b>	<b>26.74</b>	<b>2</b>	<b>17.34</b>	<b>2</b>	<b>8.19</b>

Source - weekly reporting of the Intermediary Bodies (week 29/6 - 3/7 2009)

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions

161. Three of the regions had submitted their project applications by 30 June 2009 and the other regions were expected to submit their project applications in the following 3 to 4 months. The reasons for the submission delays were mentioned earlier but each of the eight ADI has been successfully working to overcome the problems encountered, so the chances are high that all of them will be submitted by the end of 2009.

#### *Regional perspective*

162. All of the regions will submit either single or multiple applications. It is thus expected that all of the regions will absorb their allocated funds.

#### **Output and Result indicators**

163. The output indicator is “510 mobile units equipped for emergency interventions”. The result indicator is defined as “average response time of mobile units in rural and urban localities - infrastructure for emergency situations” and aims for a reduction in response time from 30-45 minutes to 12 minutes in rural areas and from 20 minutes to 8 minutes in urban areas. The result indicator is a standard indicator for this kind of activity but requires investment in data capture equipment and the establishment of systems (for example, to log the time of calls to the centres) to record the required data to monitor the achievement of the indicator. The KAI does not provide for this so it is unclear how the data needed to measure this indicator will be collected.

164. The portfolio of accepted (and committed) projects includes two projects. Between them, these projects aim to equip 152 mobile units. As for the response time, the set target values are less ambitious than what the ROP has set - i.e. they aim for 21 to 26 minutes response time in rural areas and for eleven to twelve minutes in urban areas.

#### *Prospects for achieving ROP strategic objectives*

**Table 47: KAI 3.3 - Commitment Prognosis**

	2008	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€	M€
As of 31 March 2009	8.29	32.06	57.16	0	0	0
As of 30 June 2009	8.29	32.06	57.16	0	0	0

Source - Files prepared by Directia Generala Autorizare si Plati Programe, MDRL

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions

165. The commitment target for 2009 cannot be reached with the current portfolio of accepted projects. All of the funds allocated to the KAI 3.3 are expected to be committed by the end of 2010. The contracted project from the Centre region completed the selection and contracting process in a time-period of six months. If this processing speed is maintained for the coming applications, which are expected before the end of 2009, then the cumulative contracting targets 2007 to 2010 will be met by the end of 2010.

### KAI 3.4 - Education Infrastructure

#### Rationale

166. The ROP identifies a number of problems affecting the educational sector including the poor state of educational facilities, low level of IT equipment in schools, difficulties for children in rural areas or who are part of disadvantaged groups to attend obligatory school, and a recent increase in the number of students while the facilities of the universities have lagged behind in both capacity and quality. The objectives for KAI 3.4 are to improve the quality of the educational infrastructure - including educational equipment and accommodation facilities - in order to make progress towards European standards and to increase the access to education for both children and adults. This KAI has important economic and social implications and is highly relevant to a regional programme.

#### History

167. KAI 3.4 was launched in February 2008. The eligible applicants are local public authorities, state-owned institutions for higher education and public institutions offering continuous training services. The first applications were received in May 2008. The submission of project application has intensified in the second quarter of 2009.

#### Position at 30 June 2009

#### Process effectiveness - Project Applications, Acceptances and Commitments

**Table 48: KAI 3.4 - Submitted, Accepted and Committed Projects**

Region	Allocation		Project applications		Projects accepted		Projects committed	
	ERDF M€	State budget M€	Number	Requested amount M€	Number	Requested amount M€	Number	Requested amount M€
1 North East	39.53	6.04	105	144.33	42	86.11	0	0.00
2 South East	32.08	4.91	31	31.47	19	13.48	3	4.05
3 South Muntenia	34.46	5.27	22	31.13	8	8.17	0	0.00
4 South West Oltenia	33.93	5.19	26	43.24	12	25.35	1	1.96
5 West	25.04	3.83	14	18.76	3	4.01	0	0.00
6 North West	29.28	4.48	42	45.68	23	20.32	0	0.00
7 Centre	26.39	4.04	21	22.41	10	14.04	0	0.00
8 Bucharest Ilfov	21.46	3.28	0	0.00	0	0.00	0	0.00
<b>Totals</b>	<b>242.17</b>	<b>37.04</b>	<b>261</b>	<b>337.02</b>	<b>117</b>	<b>171.48</b>	<b>4</b>	<b>6.01</b>

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions

Source - weekly reporting of the Intermediary Bodies (week 29/6 - 3/7 2009)

168. The range of project applications is dominated by projects referring to schools (pre-university educational facilities). From 95 accepted projects that have been recorded in the SMIS database, 81 refer to schools, ten to pre-university campuses, three to university campuses and only one project refers to vocational training schools. This tendency will have an impact on the achievement of the indicators for KAI 3.4.

### Regional Perspective

169. The North-East region has reached an impressive volume of accepted projects - twice its regional allocation. The South-West has reached with its portfolio of accepted projects 70% of its regional allocation. The South Muntenia region portfolio of accepted projects is more modest, at 22% of the regional allocation<sup>19</sup> while no project was submitted in Bucharest-Ilfov Region. The same problem as described under KAI 3.1 applies for the city of Bucharest, where there is an unresolved difference of opinion on the eligibility of the departments in charge of school administration. The Bucharest Ilfov region relies on five expected applications from schools in Ilfov county and two applications from universities.

### Output and Result indicators

**Table 49: KAI 3.4 - Output and Result Indicators**

<b>Output indicators</b>	<b>Target</b>	<b>Actual position at cut-off date</b>	<b>Future prospects (based on the current project portfolio)</b>
Rehabilitated/modernised/equipped educational units - pre- university education infrastructure	130	0	Chances to be achieved are very high
Rehabilitated/ modernised/extended/ equipped campuses - pre- university educational infrastructure	30	0	Chances to be achieved are low
Rehabilitated/ modernised/ extended/ equipped centers for continuous vocational training (CVT)	35	0	Chances to be achieved are almost zero
Rehabilitated/ modernised/ extended/ equipped campuses- university education infrastructure	15	0	Chances to be achieved are very low
<b>Result indicators</b>	<b>Target</b>	<b>Actual position at cut-off date</b>	<b>Future prospects (based on the current project portfolio)</b>
Disadvantaged children benefiting from the rehabilitated / modernized /extended/equipped educational units - pre- university education infrastructure	5,000	0	All of the result indicators are foreseen to be measured through surveys performed by the Ministry of Education.
Pupils benefiting from the rehabilitated / modernized /extended/equipped pre- university education infrastructure	40,000	0	In the absence of baseline values, it is impossible to assess the extent to which one of the objectives of this KAI „to increase access to education” was achieved, based on these indicators. The degree of achieving the second objective of this KAI „to improve educational infrastructure” cannot be measured with these indicators.
Persons benefiting from the rehabilitated/ modernized/ extended/equipped infrastructure for the continuous vocational training (CVT)	3,000	0	
Students benefiting from the rehabilitated/ modernized/extended university campuses	2,000	0	

Source: The evaluation team

<sup>19</sup> The situation has changed significantly after the cut-off date. At 17 September 2009, 100 projects had been submitted compared to 22 at 30 June 2009. The call for proposals is currently suspended.

170. The cost-effectiveness of this KAI can be assessed by estimating the cost of the investments per person that benefits from it. Assuming that the current target number of beneficiaries is achieved, the costs per beneficiary of the new investments is about €6,300.

*Prospects for achieving ROP strategic objectives*

**Table 50: KAI 3.4 - Commitment Prognosis**

	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of March 2009	111.64	47.83	47.90	47.69	24.17
As of July 2009	95.15	50.13	53.63	53.13	27.19

Source - Files prepared by Directia Generala Autorizare si Plati Programe, MDRL

Note: Figures are ERDF and National Co-financing, but exclude beneficiary contributions

171. The portfolio of accepted projects is sufficient to meet the 2009 commitment targets. The MAROP estimates that 59 contracts with a value of M€ 94 will be concluded between July - December 2009. As only four contracts were concluded at 30 June 2009, the target for the rest of 2009 is unrealistic. The prospects to reach the combined 2009 to 2010 commitment target depends on an increase in the efficiency of the commitment procedures.

**Conclusion: PA 3 - Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?**

Priority Axis	Evaluation Question	Process effectiveness - current output and result performance to 30 June 2009	Prospects for achieving the ROP Strategic Objectives
3	Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?	Poor	Significant

**Comments**

Process effectiveness: No financing contracts (selected operations) had been signed by 30 June 2009.

Prospects for achieving the PA objectives: The portfolio of accepted projects for all KAIs in PA 3 is sufficient to achieve the commitment targets for 2009. In case of KAI 3.4 the portfolio is sufficient to cover the 2010 commitment target as well. The most negative internal factor is the slow speed of the contracting process. Two of the regions - South and Bucharest - Ilfov - are slow in submitting project applications for this Axis. There is a difference of opinion on the eligibility of relevant administrative organizations in Bucharest to submit project applications under KAI 3.1 and KAI 3.4. The potential impact is twofold - a moderate risk that the overall contracting targets at KAI level are not achieved and a risk that these regions will lose funds if their rate of project applications does not improve soon.

The limited co-operation with external institutions has been a cause for delays that have affected KAI 3.1 and 3.3. Unforeseen events have also affected KAI 3.1 and KAI 3.3. These were legal changes or unanticipated legal complexities, difficult co-operation between stakeholders (e.g. reaching agreement between stakeholders in setting up the ADI), administrative difficulties (e.g. difficulties in transferring co-financing funds from the County Councils to the ADI). Some of the output indicators are clearly not achievable (KAI 3.2 and the Centres for Continuous Vocational Training under KAI 3.4).



Target values for the result indicators are not foreseen to be fully recorded in the SMIS project fiches. The MAROP and its IBs propose to organise regular surveys to capture the data for results indicators and enter this information in the SMIS. There is a low level of readiness to collect data on the results indicators.

#### Priority Axis 4

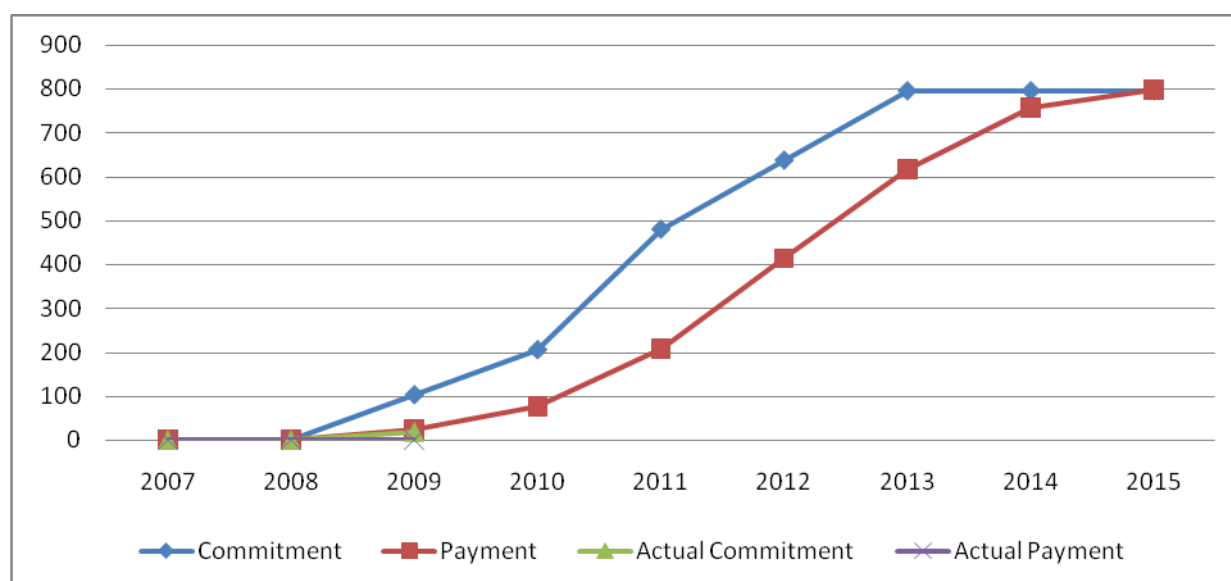
172. The disparities between regions in terms of the entrepreneurial/industrial development, measured by the number of enterprises per 1000 inhabitants, has deepened within recent years. Bucharest Ilfov region has three times more enterprises compared with North-East Region. Furthermore, there are 2.5 times less enterprises by 1,000 inhabitants in Romania, compared with EU-15 average, with an unequal distribution across the eight Development Regions.

173. Conditions for business location are insufficiently developed in most of the regions, while the SMEs, especially micro-enterprises, have difficulties in accessing financing, particularly in the lagging regions and mono-industrial localities, in severe decline after 1990, when the country embarked upon a large and complex economic restructuring process. This situation is addressed by PA 4 by contributing to strengthening the local business environment. There are two strong practical arguments for including this PA under the ROP - the expertise gained by RDAs, as implementing bodies of SMEs projects funded under the Economic and Social Cohesion sector of Phare, and their closeness to the beneficiaries, which can ensure a successful implementation of business projects.

**Table 51: PA 4 - Prognosis 2007 - 2010 at 30 June 2009**

	Allocations	Actual Commitment	Commitment prognosis	Actual Payments	Payment prognosis
Priority Axis and Key Areas of Intervention	2007-2010	at 30 June 2009	2007-2010	at 30 June 2009	2007-2010
	M€	M€	M€	M€	M€
4.1 Business Support Structures	125,14	0	155,89	0	45,89
4.2 Rehabilitation of Polluted Sites	107,35	0	0	0	0
4.3 Support for micro enterprises	130,35	18,82	50,13	0	27,59
<b>Axis 4 Regional and local business environment</b>	<b>362,83</b>	<b>18,82</b>	<b>206,02</b>	<b>0</b>	<b>73,48</b>

Chart 10: PA 4 - Actual versus Prognosis as at 30 June 2009



#### KAI 4.1 Business Support Structures

##### *Rationale*

174. The presence of business support structures is a vital factor for increasing the Regions' attractiveness as locations for investment in economic and social activities and a key tool for stimulating the regional and local business environment. The existing business support structures are in many cases insufficient, due to a lack of logistics, equipment, utilities, and space needed to carry out economic activities. At the same time, some of them are not fully operational, and need to be assisted in order to be able to improve the services rendered to enterprises. For this reason, the support will be given to the development and creation of new locations for business support structures, providing advanced equipment and utilities. The aim of this is to attract innovative enterprises, which will perform or benefit from research activities.

##### *History*

175. The first call for proposals was launched on 25 April 2008. Eligible applicants are local authorities, partnership between administrative units, chambers of commerce, business associations and small and medium-sized enterprises (SMEs), including microenterprises. Projects are under the scope of the State aid rules and co-financing varies from 30% to 60% (in case of local authorities from the Bucharest Ilfov region)

##### *Situation at 30 June 2009*

##### *Process effectiveness - Project Applications, Acceptances and Commitments*

176. The open call for proposals remained open at the cut-off date for the evaluation. The interest to submit projects is rather poor up to present. Six of the 41 projects submitted have been in fact re-submitted, which is distorting the statistics of the submitted projects. The rejection rate was relatively high (ten projects out of thirty). The eligibility and conformity check is responsible for

most of the rejections (nine out of ten). There was no project committed up to 30 June 2009<sup>20</sup>. In four cases from regions Centre and Vest there is a significant delay in providing the independent assessors for the economic and technical evaluation.

**Table 52: KA 4.1 - Submitted, Accepted and Committed Projects**

Region	Allocated (ERDF + State Budget)	Project applications		Projects accepted		Projects Committed	
		Number	Requested amount M€	Number	Requested amount M€	Number	Requested amount M€
1 North East	43,88	7	27,66	6	23,72	0	0
2 South East	35,63	5	1,72	1	0,46	0	0
3 South Muntenia	38,27	3	16,77	1	0,85	0	0
4 South West Oltenia	37,68	5	12,78	2	8,00	0	0
5 West	27,81	3	14,63	0	0	0	0
6 North West	32,51	5	9,47	1	0,20	0	0
7 Centre	29,31	9	43,61	3	23,27	0	0
8 Bucharest Ilfov	23,83	4	9,81	0	0	0	0
<b>Totals</b>	<b>268,92</b>	<b>41</b>	<b>136,45</b>	<b>14</b>	<b>56,50</b>	<b>0</b>	<b>0</b>
%	100		50,74		21,01		0

177. The scheme allowed for the participation of public and private entities, state aid scheme imposing 30 to 60% own contribution. Own contribution of local authorities - considered large companies was generally set at 50%, except of BI, which is hardly affordable within the current economic crisis circumstances, hence their participation below expectations. The majority of the projects submitted to date are from private operators. Only nine projects<sup>21</sup> out of 41 were submitted by local authorities. Public Private Partnerships (PPP) would have provided an ideal combination for matching land resources (public authorities) and capital for investment in utilities (private sector). Unfortunately, the regulation but more importantly, the lack of practice and guidance<sup>22</sup> regarding PPP in Romania is hindering the exploration of this concept under the ROP as well as in the case of other public interventions.

178. The situation of the local public authorities is frustrating because of the efforts invested in project preparation in several cases, including with Government support, before the State aid schemes were developed by the MAROP. A significant category of potential applicants - represented by the industrial parks created under the specific legislation in Romania and owned by the local authorities but through companies in which they are the major investor - was excluded from the scheme as they are large companies according to the EU definition. The argument of the MAROP, which makes sense, is that large companies are eligible under the SOP Competitiveness.

<sup>20</sup> One project was contracted up to mid-August 2009 and three were signed by the end of August 2009

<sup>21</sup> In fact 7 projects, as 2 projects were each submitted twice

<sup>22</sup> The public procurement legislation allows PPP under the form of concession contracts for goods and services that theoretically provide the elements for public and private entities to join resources and apply under the ROP. In practice, this is very complicated.

### Regional perspective

179. In the case of regions lagging behind in terms of project submission /acceptance (BI, W, SE, NW) re-allocations to other KAIs appear a reasonable option at this stage, particularly in the case of Bucharest-Ilfov, where the private sector has already made substantial progress in providing business support structures, it is more difficult to make a strong case that public intervention, under the state-aid constraints, can make an optimum contribution to the priority axis objective.

### Outputs and Results indicators

**Table 53: KAI 4.1 - Output and Result Indicators**

Output indicators	Target indicator	Position at the Cut-Off date	Prospects of meeting the target	
			Indicators per Accepted Projects	Indicators per Committed Projects
Business support structures created	15	0	14	0
<b>Result indicators</b>				
Occupancy rate for new business support structures (after 2 years from project finalization)	50%	0		
Jobs created	4,000	0	1,604	0

Source: Target - ROP; Accepted and Committed projects - analysis of SMIS data

180. The output indicators set are easy to achieve. Already 14 projects have been accepted and will probably be committed out of the 15 set as target. The result indicators are more difficult to appreciate at this stage and potentially controversial in interpretation. For instance, the first committed project has set a target of 440 new jobs created (25% of the total target within the 14 accepted projects<sup>23</sup>) within the companies that will choose their business centre as location for their activity. This seems ambitious as it can be assumed that many of the tenant companies will come with their existing staff. The second result indicator - occupancy rate of 50% - is achievable, but will need measurement after two years from the completion of the projects.

### Future Prospects for achieving ROP strategic objectives

**Table 54: KAI 4.1 - Commitment Prognosis**

Commitment prognosis for KAI 4.1	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	76.82	74.97	122.62	0	0
As of 30 June 2009	103.37	75.82	118.52	0	0

Source: MAROP ACP analysis for 31 March 2009 and 30 June 2009

181. The commitment target for 2009 is achievable given the portfolio of accepted projects. The commitment of the rest of the allocation is more difficult to predict. It is unlikely that other public authorities than the seven that have already submitted projects will apply under this KAI and within the short to medium term circumstances. Intelligence from potential private applicants is reaching

<sup>23</sup> The indicators for two of the 14 projects accepted were not in the SMIS and are not included.

much slower the IBs, so essentially the number of potential applicants is unknown, except for a limited number of cases that have prepared projects but are currently on hold due to the difficult credit and market conditions. The private sector is on the other hand more flexible and with better prospects to implement projects more rapidly, which is an argument for the scenario that if projects will be forthcoming later on in the course of the programming period there will still be enough time for their implementation. The MAROP also needs to pay attention to the deadline set by the corresponding State aid scheme (2012) for project implementation and consider early enough its modification in conjunction to the project submission to take account of realistic implementation timescales.

## KAI 4.2 Rehabilitation of Polluted Sites

### *Rationale*

182. Industrial sites where the economic activity has ceased are spread throughout the country, presenting a negative image for investors. Nevertheless, they are often located in the most favourable geographic areas close to the transport networks and districts (services and other facilities) and benefit of unused public utilities networks (water, gas, sewerage, etc.) which could be rehabilitated, improved and developed. The rehabilitation of these industrial areas will support not only the improvement of the environment conditions, but it will also provide better conditions for new investment due to the existing infrastructure. The inclusion of this operation in the Regional Operational Programme for 2007-2013 is underpinned by all economic and social analyses made at regional level and foreseen in all regional strategies.

### *History*

183. The open call for proposals under KAI 4.2 was launched on 25 April 2008. The eligible applicants are local public authorities. The projects need to be implemented in two phases: first phase concerned with cleaning up /demolitions /decontamination of the unused sites, minimum co-financing required from beneficiaries set at 2% of the eligible expenditure; and second phase concerned with investments to prepare the site for new economic activities under the State Aid rules, with minimum co-financing required from beneficiaries of 50% (60% only in the case of BI region). No project application has been submitted to date.

### *Situation at 30 June 2009*

**Table 55: KAI 4.2 - Submitted, Accepted and Committed Projects**

Region	Allocation M€ (ERDF + State Budget)	Projects submitted	Projects accepted	Projects committed
North East	37.65	0	0	0
South East	30.57	0	0	0
South Muntenia	32.83	0	0	0
South West Oltenia	32.32	0	0	0
West	23.85	0	0	0
North West	27.89	0	0	0
Centre	25.15	0	0	0
Bucharest Infov	20.43	0	0	0
<b>Total</b>	<b>230.69</b>	<b>0</b>	<b>0</b>	<b>0</b>

184. The recent ad-hoc evaluation carried out by the MA has described in detail several reasons behind the lack of interest of the public authorities to submit projects under KAI 4.2. Additional research has been made during this interim evaluation consisting of interviews with the MAROP, the IBs and other relevant factors at central level and capturing the opinions of the representatives of the local authorities during the regional workshops. Of the 55 responses to the questionnaires for the beneficiaries and potential beneficiaries, only one local authority indicated that they are preparing an application under KAI 4.2<sup>24</sup>.

185. Our research confirmed the findings and the conclusions of the ad-hoc report of the MAROP and essentially we agree with the fact that rehabilitation of abandoned industrial sites and re-introduction in the economic environment continues to be a highly relevant area for Romania. At the same time our evaluation has confirmed the continued absence of intentions of the local authorities to apply under this KAI. The main reason is that the local authorities do not own anymore sites that could constitute the basis for preparing eligible projects under KAI 4.2. It may well be that at the time the initial research during the programming period for the ROP was made the situation was different, but in the meantime, with the expanding real estate market, the local authorities have either sold or have concluded concession contracts for the lands they owned. Other industrial sites that could be transferred to local authorities in perspective, such as the mining areas, are currently subject to various government programmes that will postpone such transfers until a time horizon which is not affordable under ROP. Finally, as in the case of other KAIs, the State aid rules have sharply reduced the appetite of the local authorities for profit generating investments.

186. The ad-hoc report presented three alternative courses of action. Our conclusion is that the first option to maintain the KAI allocation is not an option due to the general lack of interest from potential beneficiaries. Even if some local authorities will eventually consider applying for financing, the time requested will become too big a risk in terms of funds' absorption. The second option to maintain only a part of the allocation under the programme to fund a selection of pilot projects is also not an option in our view. There is evidence that under the parallel pilot scheme with the same objective under the SOP Environment, the TA provided under Phare assisted by the National Agency for Environment Protection<sup>1</sup> have struggled to identify pilot projects and eventually identified 3 projects, either due to complicate ownership issues or simply because of lack of interest from the local authorities. If such efforts were needed under the auspices of the specialist line ministry it is difficult to anticipate that within the existing constraints it will be both cost-effective and successful for the ROP to invest more resources in such actions. The only alternative remains in our view a straightforward decision to re-allocate all the funds from KAI 4.2 to other KAIs or priority axes with a view to ensure the achievement of the Axis objectives in the first place - sustainable job creation and secondly the objectives of the programmes - job creation and stop increasing in regional disparities.

### ***Output and Results indicators***

187. As no project applications have been received, no outputs or results are registered at the cut-off date.

---

<sup>24</sup> Calan town

Table 56: KAI 4.2 - Output and Result Indicators

Output indicators	Target indicator	Position at the Cut-Off date	Prospects of meeting the target	
			Indicators per Accepted Projects	Indicators per Committed Projects
(surface of degraded sites rehabilitated - Hectares)	500	0	0	0
Result indicators				
Jobs created	1,000	0	0	0

Source: MAROP

Future Prospects for achieving ROP strategic objectives

Table 57: KAI 4.2 - Commitment Prognosis

	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	0	0	78,56	78,64	78,20
As of 30 June 2009	0	0	78,56	78,64	78,20

Source: MAROP ACP analysis for 31 March 2009 and 30 June 2009

188. The current commitment targets set for 2011, 2012 and 2013 are unrealistic in the light of the arguments presented above.

### KAI 4.3 Support for micro enterprises

#### Rationale

189. The support for local/regional micro-enterprises aims at restructuring lagging behind areas, with economic growth potential especially for the small and medium towns. As a result, it is hoped that new jobs will be created due to the fact that they have the necessary flexibility to adapt to the demands of a dynamic market economy. The ROP supports the establishment and development of productive and service micro-enterprises and use of the endogenous potential of the Regions (natural resources, raw materials, human resources, etc). Furthermore, micro-enterprises will be encouraged to use new technologies and innovations, IT equipment and services with an essential role in increasing competitiveness, productivity and quality of services.

#### History

190. The first call for proposals was launched in March 2008 with a deadline for receiving applications on 16 June 2008. The allocation for this first call accounted for approximately 20% of the allocation for the KAI. Eligible applicants are microenterprises with maximum nine employees and M€ 2 turnover or total assets. The State aid rule of de minimis support applies which presupposes a maximum intensity of the grant support of € 200,000 (€ 100,000 in the transport sector) per company in three consecutive years. The rules set for this KAI require in addition to the de minimis rule a minimum contribution of 30% to the eligible expenses of the project from the beneficiary.

191. A total of 777 applications were submitted and the first financing contracts were signed beginning with March 2009. The rejection rate was high at 44% (345 applications rejected). The main reasons for rejections were conformity and eligibility issues and the applicants had not the opportunity to improve their applications. It is therefore expected that many of them will use the second call to re-submit their projects.

### **Position at 30 June 2009**

#### *Process effectiveness - Project Applications, Acceptances and Commitments*

**Table 58: KAI 4.3 - Submitted, Accepted and Committed Projects**

Region	Allocated, of which:		Project applications		Projects accepted		Projects Committed	
	Total KAI 4.3	First call	Number	Requested amount M€	Number	Requested amount M€	Number	Requested amount M€
	M€	M€						
1 North East	32,66	6,44	142	12,96	61	4,98	58	4,83
2 South East	26,51	5,22	80	7,39	33	3,09	16	1,27
3 South	28,47	5,61	54	10,63	20	1,37	20	1,37
4 South West	28,03	5,52	61	5,90	32	3,00	15	1,21
5 West	20,69	4,08	79	6,50	41	3,49	39	3,34
6 North West	24,19	4,77	130	10,00	75	4,89	60	3,40
7 Centre	21,81	4,30	169	13,17	83	6,00	61	4,32
8 Bucharest Ilfov	17,73	3,49	62	4,27	37	0,78	29	0,64
<b>Totals</b>	<b>200,09</b>	<b>39,43</b>	<b>777</b>	<b>70,82</b>	<b>382</b>	<b>27,61</b>	<b>298</b>	<b>20,38</b>
%		100		179,61		70,02		51,69

192. By 30 June 2009, 298 financing contracts were signed out of a total of 382 accepted applications. In August 2009 the MAROP has published for consultations the guide for applicants for a second call for proposals intended for September 2009, this time with continuous submission of projects.

193. The allocation for KAI 4.3 under the first call of M€ 39.43 from ERDF will not be absorbed in spite of the high interest from applicants across the regions converted in 777 project applications. Hence, already approximately M€ 10 are earmarked as available for the second call. This is not a problem in itself given the fact that the MAROP has already decided to move towards continuous submission of projects under the second call.

194. The type of call chosen for the first tranche of 20% of the allocation for this KAI proved inappropriate from the perspective of the resources available especially at the level of MAROP to process the applications and commit the funds. The time required to evaluate, select and contract individual projects which was approximately one year on average is unacceptable for the beneficiaries especially under the circumstances of difficult and changing economic environment. The MAROP has adopted measures to address the situation for the second call expected to be launched in September 2009. The main changes are: continuous submission of projects, revision of



the internal procedures related to selection and contracting and revision of the simplified guidelines for procurement under the scheme.

195. Whilst from an administrative point of view the changes introduced for the second call are definitely effective, from an economic perspective this might pose problems for the applicants. Under normal circumstances, it would be expected that many projects are submitted in the first three to six months after the launch of the call as everybody would expect that the funds will be consumed rather fast. This could be problematic for a rapidly changing economic environment and prevent a more balanced and arguably a more effective distribution of the funds over the programming period. Nevertheless within the current economic circumstances there is every chance that by default the absorption of funds may be slower due to the various market and banking environment constraints. In any event, the MAROP should carefully scrutinize the application process with a view to apply further modifications if there will be the case.

#### *Regional perspective*

196. In the first call there were significant differences between regions in terms of number of applicants. The number of submitted projects varied from 54 in South to 169 in Centre, hence placing under pressure the budgets available for the champion regions and arguably generating better projects for these ones. Of the poorer regions, the case of SW is more worrying as the number of applications was very low. Although NE and SE will not be in the position to consume their first call allocation, it is expected that many of the rejected projects will be re-submitted under the second call. A case for possible re-allocations between regions could be made after a reasonable waiting time since the KAI re-launch and when the regional allocations will be close to be committed in full, which is not expected to be very soon.

#### *Output and result indicators*

**Table 59: KAI 4.3 - Indicators corresponding to the current project portfolio**

	Target indicator	Position at the Cut-Off date	Prospects of meeting the target	
			Indicators per Accepted Projects	Indicators per Committed Projects
<b>Output indicators</b>				
Companies assisted	1,500	0	382	298
<b>Result indicators</b>				
Jobs created	1,000	0	1,681	1,269

*\*First Call was allocated approximately 20% of the KAI 4.3 allocation*

197. According to the picture supplied by the situation of commitment after the first call, there should be no problem in meeting the target output indicator for the KAI. Similarly there are very optimistic prospects, according to what has been stated by the applicants, to meet the targets set for the result indicator “job creation”. This is especially because in reality the pro-rata perspective of the current contracted /accepted projects should apply to a corresponding target of 15% of the KAI targets instead of 20% foreseen originally. In order to maximise the potential impact of KAI 4.3 the programme result indicator (number of jobs created) could be supplemented with the number of jobs maintained in view of the changes to the economic climate.

198. A specific issues related to the implementation of the projects under KAI 4.3 relates to the ability of the beneficiaries to organise the public procurement even under the more relaxed conditions imposed by the simplified procedure developed by the MAROP. The only solution to this would consist in increased efforts from MAROP and IBs to provide more detailed guidelines accompanied by case study models through their websites and intensify the training activities for the benefit of the project beneficiaries.

*Future Prospects for achieving ROP strategic objectives*

**Table 60: KAI 4.3 - Commitment Prognosis**

	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	47,65	26,28	70,52	70,89	70,51
As of 30 June 2009	23,30	26,83	77,41	78,63	79,68

Source: MAROP ACP analysis for 31 March 2009 and 30 June 2009

199. Providing that the worst part of the economic crisis will pass towards the second half of 2010 there should be no problem to reach the contracting targets set under the KAI. At the moment this seems dependent of the Government adopting additional measures in support of the microenterprises willing to apply for funding.

**Conclusion: PA 4 - Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?**

Priority Axis	Evaluation Question	Process effectiveness - current output and result performance to 30 June 2009	Prospects for achieving the ROP Strategic Objectives
4	Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?	Poor	Moderate
<b>Comments</b>			
<p><u>Process effectiveness:</u> No financing contracts (selected operations) had been signed by 30 June 2009.</p> <p><u>Prospects for achieving the PA objectives:</u> The overall prospects for achieving the Priority Axis strategic objectives are mixed, due mainly to the lack of progress under KAI 4.2 and slow progress in KAI 4.1. Job creation - the main result indicator for the Axis - appears to be in a comfortable position due to KAI 4.3, but progress here is expected to be slower in the near future due to the economic crisis. The additional research to the ad-hoc evaluation realized by the MAROP for KAI 4.2 during the course of this evaluation has confirmed the main impediments identified to apply under the scheme and the absence of real prospects to receive any application. Under 4.1, State aid rules are proving to be a major obstacle for the eligible public applicants that have submitted only a very limited number of project proposals. The private sector has been more active, but project submission is slow for the moment due to the economic crisis and future prospects are unknown. It is difficult to envisage the potential impact of KAI 4.1 intervention in BI region where there is a strong presence of business support structures supplied already by the private sector. The first call for proposals under KAI 4.3 was quite successful in the end despite the too long duration of project selection and contracting. The MAROP has adopted several corrective measures with respect to the second call for proposals under KAI 4.3, expected to be launched in September 2009, based on the experienced difficulties within the first call. The changes proposed should prove effective but additional challenges are now arising due to the worsening credit and economic climate.</p>			

## Priority Axis 5

### Rationale

200. The National Strategy for Regional Development, prepared on the basis of Regional Development Plans and the National Strategic Reference Framework 2007-2013, has identified tourism development as a key priority, taking into account the touristic potential that exists in each of the eight development Regions of Romania. In order to benefit from the natural, cultural and historical heritage in different touristic areas and include them in tourist circuits, the tourist infrastructure needs to be rehabilitated and promotion and marketing activities to be intensified in order to attract tourists.

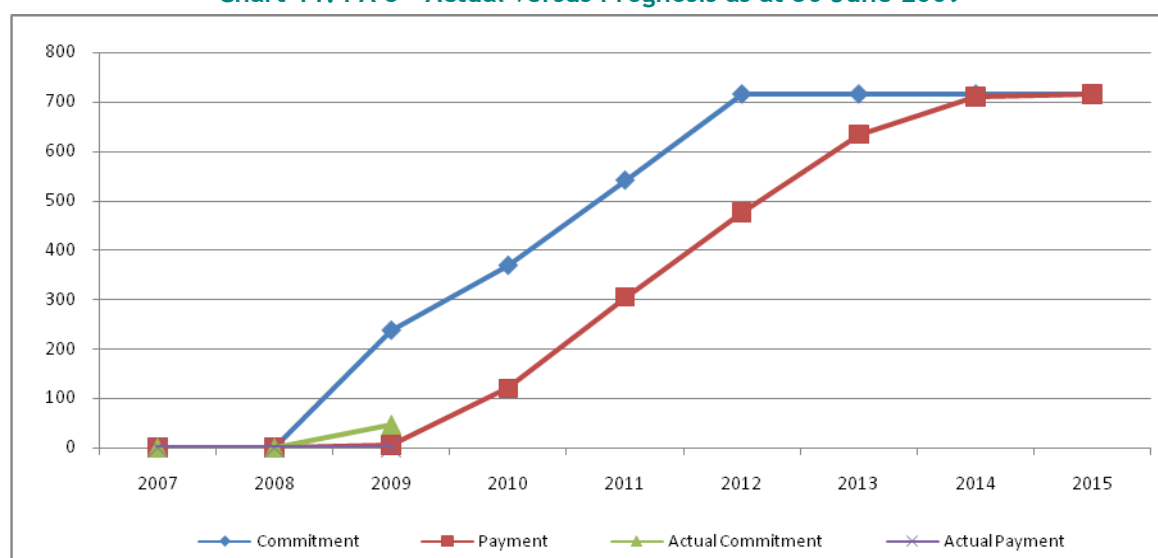
201. Special attention is paid in the strategy to the sustainable tourism development in respect to preservation of natural and cultural resources and to the limitation of negative human effects on the environment. All these aspects have been considered in the programming of PA 5 of ROP. The three KAls under PA 5 aim at valorization of cultural and natural resources in Romania by increasing its attractiveness as a European tourist destination.

**Table 61: PA 5 - Prognosis 2007 - 2010 as at 30 June 2009**

	Allocations (ERDF + State budget)	Actual Commitment	Commitment prognosis	Actual payment	Payment prognosis
Axis 5	2007-2010	To 30 June 2009	2007-2010	To 30 June 2009	2007-2010
	M€	M€	M€	M€	M€
5.1 Culture patrimony	105.19	40.34	156.11	0.0	54.89
5.2 Tourism infrastructure	105.34	4.03	131.23	0.0	41.77
5.3 Promotion of tourism potential	68.56	5.19	34.81	0.0	4.42
<b>Total Priority Axis 5</b>	<b>279.09</b>	<b>49.56</b>	<b>322.15</b>	<b>0.0</b>	<b>100.86</b>

Source: ACP file at 30 June 2009 submitted by DGAPP ( in August)

**Chart 11: PA 5 - Actual versus Prognosis as at 30 June 2009**



**Output and Result indicators for PA 5**

202. Starting with September, the MAROP and ACIS propose to have a single set of outputs and result indicators for PA5 and not separate indicators for each KAI. As seen in Table 62 below, at the cut-off date of the Report there has been no progress towards the achievement of the indicators, as commitments for most of the projects were concluded in 2009.

**Table 62: PA 5 - Output and Result Indicators**

Indicator/ unit	Target (2015)	Position at cut-off date	Prospects for achievement of ROP strategic objectives (based on SMIS available data)
<b>Output</b>			
Projects in tourism/ No.	400	0	It was initially planned that 100 touristic patrimony infrastructure projects to be achieved under KAI 5.1 and 300 tourist infrastructure projects – accommodation and leisure implemented to be achieved under KAI 5.2. For KAI 5.1, a look to the Project Fiches registered in SMIS indicates that for the 36 projects registered, 41 patrimony objectives will be restored and for KAI 5.2, 21 new structures created & 39 structures rehabilitated/modernized. This indicator reflects the ROP strategic objective but a look to the current situation indicates that the target set up is not likely to be achieved. The current 70 accepted and committed projects almost cover the allocation under 5.1; under KAI 5.2, there are 75 accepted and 4 committed projects that are covering almost half of the allocation. Under KAI 5.3, there are 19 projects committed under the first call of proposals (Operation B).
SMEs assisted	350	0	The analysis of Project Fiches registered in SMIS indicates that for the 75 projects accepted by closing date, although requested, only 22 projects have listed this indicator. This indicator was set up based on the high interest under 5.2 of SMEs in the area of rehabilitating the accommodation infrastructure. A simple calculation based on the current project portfolio of accepted and committed projects indicates that the target it is likely not to be achieved. Moreover, the interest in the operations that excludes the rehabilitation of tourism accommodation structures was rather low.
Promotional campaigns for advertising the tourism brand	10	0	Target likely to be achieved if the tender for the touristic brand will be finalized in due time; any delays might affect the realization of all promotional campaigns.
National Tourism Information and Promotion Centres supported	10	0	This indicator is related to KAI 5.3 (Operation C). The achievement depends on the submission in due time of the Financing Requests by the 9 County Councils and by the Local County of Sighisoara. At the cut-off date, the Ministry of Tourism reported some concerns/uncertainty on submission of applications by authorities in Bucharest & Constanta. Once the 10 applications submitted, there should not be specific concerns on the achievement of the target. However, as any type of infrastructure project, there are several factors affecting the planning and execution of activities.

Indicator/ unit	Target (2015)	Position at cut-off date	Prospects for achievement of ROP strategic objectives (based on SMIS available data)
<b>Result</b>			
Tourists arrived in rehabilitated / modernized / equipped accommodation structures	400,000	0	The current SMIS registered projects for KAI 5.2 indicate a number of 786,015 tourists arriving in new facility/ benefiting from the new facility. Most probably, there will be an increase in the number of visitors rather than in the number of tourists as there was no restriction to the eligible location of an application e.g. in tourist areas/resorts with a tourist potential.
Overnights-staying in rehabilitated / modernized / equipped accommodation infrastructure /	800,000	0	This indicator valid for KAI 5.2 will be monitored through surveys. Only 67 of the 145 project applications were registered in SMIS; the aggregation of this indicator based on the registered projects indicated an increase of 19,158 overnight stays. As data was not available, it is difficult to estimate the prospect for achieving this indicator. The current economic crisis could also be an obstacle in achieving the indicator.
Jobs created / saved	1,000	0	Under KAI 5.1, no specific reference was made to job creation/maintained indicator in the Project Fiches; in some cases reference was made to the number of jobs created/maintained under the expected results. Under KAI 5.2, 468 jobs are expected to be created (see comment below) There are concerns in respect to the achievement of this indicator as the current economic crisis could be an obstacle.
Visitors at the Information and Promotion Centres	1,000,000	0	Target likely to be exceeded if the Centres will be located in strategic areas close to touristic monuments.
Web site visits	1,500,000	0	Target likely to be exceeded if the information to be provided is updated and presented in other languages as well

203. Under KAI 5.1, the analysis of SMIS revealed that, overall, only 50% of the project applications had Project Fiches registered in SMIS. For the registered projects, the main categories of indicators were the number of patrimony projects and the number of tourists/ visitors to the restored locations. The SMIS data shows that for 16 projects (out of the 36 projects registered), no indicators at all were registered in the Indicator Table. These could be found elsewhere in SMIS fiche, quantified in some cases, under the Expected Results Tables or in Project Activities. In some cases the indicators are clearly understated. For example, for the restoration of a monastery in the South Region only 15 visitors were registered in the Fiche. In other cases, the number of visitors could be overstated (e.g. target of 583,000 visitors in Targu Mures medieval fortress). This kind of situation obviously distorts the aggregation of data leading to a wrong assessment of achievement of indicators.

204. Under KAI 5.2, only 67 of the 145 project applications were registered in SMIS. Out of these, for six projects, there were no indicators at all while for another five projects, the indicators were

shown under the expected results heading instead of the indicators heading. This will affect the aggregation of SMIS data and the accuracy of MAROP monitoring reports.

205. Some data accuracy issues were also noted. For example, in the case of SMIS project code 3841 for a hotel rehabilitation project in the South East Region, the indicator recorded was 39 structures instead of one structure. For SMIS project code 2296 project in the West Region the increase of overnight stay is shown as 28,800 whereas the indicator should be a percentage. SMIS project code 3436 records the creation of 250 new jobs for the rehabilitation of a SPA, which is high.

## PA 5.1 Tourism Patrimony

### History

206. The KAI 5.1 was launched on 14 March 2008 and addresses the restoration and sustainable valorification of the cultural patrimony and creation/modernization of the infrastructure. The eligible potential applicants are local public authorities, authorities of central public administration, NGOs, religious units and partnerships between these types of applicants. The majority of applications submitted to 30 June 2009 have come from local and central public authorities and religious units. Although there are legislative provisions to provide for setting up partnerships, no applications were submitted by partnership as it is considered by potential applicants to be difficult to put this arrangement into practice.

### Position at 30 June 2009

#### Process effectiveness - Project Applications, Acceptances and Commitments

207. At the cut-off date, 81 applications were received in seven out of the eight Regions. The average value of a project ranges between M€ 1,6 (South Region) and M€ 7,1 (West Region). The situation is presented in the Table below.

**Table 63: KAI 5.1 - Submitted, Accepted and Committed Projects**

	Allocation (ERDF + State Budget)	Projects Submitted (ERDF + State Budget)		Projects Accepted (ERDF + State Budget)		Projects Committed (ERDF + State Budget)	
	M€	Number	M€	Number	M€	Number	M€
North East	37.65	15	49.51	11	32.28	1	3.57
South East	30.57	10	32.94	8	27.25	1	3.87
South Muntenia	32.83	4	6.04	2	3.92	0	0
South West Oltenia	32.32	11	38.02	10	42.10	0	0
West	23.85	4	17.93	2	17.04	1	10.42
North West	27.89	21	52.79	14	42.9	2	10.98
Center	25.15	16	52.14	8	32.39	2	13.05
Bucharest Ilfov	<b>20.43</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Regional Table KAI at 30 June 2009 submitted by DGAPP (The exchange rate used is 1 Euro = 4,29 RON)

208. The table shows that at 30 June 2009, there was a sufficient value of project applications to absorb the available funds. The submission of projects is expected to continue and to speed up as a result of the finalization of technical documentation under the GD 1424/2007. This TA for the preparation of the technical documentation will end in October 2009. From 204 projects financed under this GD, 63 are eligible for KAI 5.1. Until now, 18 applications prepared under this Government support were submitted. It is expected for other potential applicants to submit applications, taking into account that the technical documentation is being prepared to match the requirements in the Guidelines for Applicants. Moreover, there is a contractual obligation for all Beneficiaries of TA under GD 1424/2007 to submit Financing Requests. For those projects with technical documentation prepared under HG 811/2006, out of the 14 eligible projects, two contracts were signed. This rather low rate of applications is caused by the need to readapt the technical documentation in order to match the eligibility criteria as the applications were prepared before the launching of the Guidelines. In summary, it is expected that there will be a considerable excess demand for funding under this KAI.

#### *Regional perspective*

209. The figures in the Table show that there has been a high interest for this KAI especially in North West (21 projects), Centre (16 projects) and North East (15 projects). In these regions a significant number of projects were submitted very shortly after the launching of the call for proposals in March 2008. A moderate number was submitted in the South West (11 applications) and 10 applications in South East. The lowest number of applications were submitted in the West (4 applications) and South Muntenia (6 projects) Regions.

210. There should be no concerns regarding the absorption of funds in Centre, North West, North East and South West Regions where the projects submitted already exceed the allocated amount. The submission of applications was suspended from 30 July 2009 in the Centre Region as the total projects contracted and under evaluation exceeded the budget allocated for 2007-2013 by more than 150%. Also, for South East and West Regions there are good chances to absorb the funds taking into account the projects under preparation and the fact that the rejection rate to date (average 23%) was within the acceptable limits. The values of the projects submitted in West and North West Regions are rather high as these are complex projects related to rehabilitation of historical centers of the cities; these projects were matured during the pre-accession stage. There is a low number of applications from the South Region but several projects are reported to be under the preparatory stage.

211. The highest concern is in Bucharest Ilfov Region, where no applications were submitted so far. This is due to the fact that the only Ilfov County has a limited number of historical monuments under its ownership. Many historical monuments have changed ownership in recent years, being given back to their initial private owners. Nevertheless, the Municipality of Bucharest has just contracted the preparation of the technical documents under 1424/2007 Governmental Decision and is expected to submit five applications before the end of this year. The optimistic scenario for the BI Region indicates that the allocated amount will be spent and even exceeded following the submission of the applications under preparation.

212. The total amount for the accepted projects represents 80% of the total allocation. Taking into account the reasonable rejection rate, there should be no concerns as to the achievement of the



absorption of the funds. The funding allocation will need to be managed to achieve the desired regional balance.

#### *Prospects for achieving ROP strategic objectives*

**Table 64: KAI 5.1 - Commitment Prognosis**

	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	91.2	49.6	44.8	44.9	0
As of 30 June 2009	114.8	41.2	37.1	37.4	49.9

*Source - Files prepared by General Directorate for Certification and Payments, MDRL*

213. According to the prognosis, 13 projects totaling M€ 69.2 are expected to be committed by end of 2009 which would meet the 2009 target. This is possible as over half of the applications are in an advanced stage of the technical and financial evaluation. Except Bucharest Ilfov and South Muntenia Regions were applications are going to be submitted until end of 2009 (once the technical documentation under GD 2424/2008 will be finalized), taking into account the low rejection rate in the technical and financial evaluation stage for this KAI, the current portfolio of accepted projects will definitively meet and even exceed the total allocation. A regional decision should be taken in respect to the opportunity for reallocations from other KAIs.

#### **KAI 5.2 Tourism Infrastructure**

##### ***History***

214. An open call for proposal was launched on 29 April 2008 (continuous submission). There are five categories of eligible operations covered under two headings - tourism infrastructure owned by public utilities (non-profit) where local public authorities or bodies under their aegis or partnerships between these authorities are eligible and mixed public and private tourism infrastructure (not public private partnerships) under the State Aid scheme provisions.

215. The total financial allocation has not been split among the operations. A high number of projects were submitted targeting rehabilitation, modernization and extension of tourism accommodation structures while for the remaining four operations, the number of applications was low. The MAROP suspended the submission of applications in all eight Regions starting on 19 December 2008, in order to analyse the likelihood of meeting the KAI 5.2 objectives and programme indicators.

216. By 19 December 2008, 145 applications had been received, out of which 106 applications (76%) addressed the rehabilitation, modernization and extension of the accommodation structures, whilst 38 applications (24%) targeted the remaining four types of operations. Out of the 38 projects covering the four types of operations, eight projects were related to mountain tourism infrastructure; 24 projects for leisure infrastructure and six were for SPA resorts.



**Position at 30 June 2009***Process effectiveness - Project Applications, Acceptances and Commitments***Table 65: KAI 5.2 - Submitted, Accepted and Committed Projects**

	Allocated value	Submitted Projects		Accepted projects		Committed projects	
	M€	Number	M€	Number	M€	Number	M€
North East	37.70	31	61,40	23	32.28	1	1.14
South East	30.61	32	41,13	14	27.25	2	3.17
South Muntenia	32.87	13	20,32	6	3.92	0	0.00
South West	32.36	14	24,94	10	17.73	0	0.00
West	23.89	8	16,70	2	5.91	0	0.00
North West	27.93	8	25,14	4	13.27	0	0.00
Center	25.18	37	45,74	15	23.82	1	0.82
Bucharest Ilfov	20.47	2	3,42	1	1.73	0	0.00
<b>TOTAL</b>	<b>231.01</b>	<b>145</b>	<b>238,78</b>	<b>75</b>	<b>125.91</b>	<b>4</b>	<b>5,13</b>

Source: Regional Table KAI at 30 June 2009 submitted by DGAPP (The exchange rate used is 1 Euro = 4,29 RON)

217. By 30 June 2009, four projects were committed and the analysis of Technical Projects and pre-contractual visits of the remaining 71 accepted applications were in an advance stage. It is expected that once the evaluation, selection and contracting process is finalised, the MAROP will issue an instruction specifying the date for re-launching KAI 5.2. Three options were presented in the ROP Monitoring Committee held in May 2009:

- 1) Eliminating the operation related to accommodation structures and re-launching the call for proposal for the remaining four operations;
- 2) Eliminating the operation related to accommodation structures and re-launching the call for proposal for the remaining four operations only in tourist resorts defined in conformity with Annex 5 of the GD 852/2008;
- 3) Implement a project portfolio proposed by the Ministry of Tourism.

218. A meeting attended by the representatives of MAROP and Ministry of Tourism was held in July 2009 to discuss the best arrangement for re-launching the scheme. On 18 August 2009 a new Guideline for Applicants was posted for consultation on the MAROP website ([www.inforegio.ro](http://www.inforegio.ro)). The deadline for submitting comments is 30 August 2009. The main eligibility conditions remain the same: project value between RON 700,000 and RON 85,000,000; financing between 70% and 50% of eligible expenses; minimum of one year experience in tourism sector or related areas for SMEs. The activities related to accommodation structures have been removed. The current arrangement shows that a higher emphasis is placed on joint public and private applications within the State Aid rules. The 106 applications already received that are targeting rehabilitation of accommodation structures remain in the system and are currently evaluated.

219. There is a wide range of unit values in the applications. At one extreme, there was a requested amount in excess of M€ 5.5 for one project in the West region. At the other extreme, the South East and other regions had individual project applications worth M€ 0.25.

*Regional perspective*

220. The highest number of applications was submitted in the Centre (37), South East (32) and North East (31) Regions while eight applications were submitted in each of the three Regions: North West, West and Bucharest-Ilfov. In South West and South Muntenia, 14, respectively 13 applications were submitted.

221. A large number of projects (129) are subject to the State Aid rule requiring a high co-financing percentage; these were submitted mainly by private companies. 25 projects were submitted by public authorities, of which 12 are subject to the State Aid. The requirement for a high co-financing percentage under State Aid is discouraging the submission of applications by Local Public Authorities, especially under the current socio-economic changes where the availability of credit is limited and financial resources scarce. In some cases, public beneficiaries that prepared the technical documentation under GD 1424/2008 Government support are in a difficult position and might not submit an application when the KAI is reopened. The above mentioned issues have been raised by Public Authorities in all six workshops organised in the Regions. These aspects are reflected by the answers provided in the Questionnaire for ROP Beneficiaries (see Question 2 below).

	Yes = 1	No = 2	0 = I don't know
<b>2) Modifications of the general socio-economic conditions</b>	26	21	8

222. The most frequent socio-economic conditions mentioned by ROP Beneficiaries were:

- Economic crisis - changing of the economic context;
- Insufficient co-financing resources for the projects submitted within ROP, fact that leads to difficulties in ensuring the co-financing rate from the local budget (e.g KAI 4.1, 5.2 where co-financing ranges between 40%-50%), determining in the end the municipalities to contract banking credits for ensuring the necessary co-financing for these projects;
- Lack of funds for paying the minimum contribution as well as for the elaboration of the Feasibility Studies and Tehnical Projects;
- Co-financing funds reduced compared to the previous years;
- Implementation capacity reduced due to the lack of co-financing resources, respectively the financial incapacity to prepare the tehcnical documentation (feasibility studies, etc)
- Considering the actual economic context, some projects prepared to be financed from ROP are no longer a priority for the beneficiaries;
- Implementation capacity is also affected by the limited budgetary resources due to the financial crisis. Therefore at the level of public institutions is no longer encouraged the submissions of investment projects.

223. Although the total value of the submitted projects exceeds the total allocation, there is a high rejection rate (48%). For three regions, the current portfolio almost covers the existing allocation with very little funds available to the region for the second call. At the other extreme the Bucharest Ilfov Region has a poor level of applications which is a cause for concern. There is also a very high rejection rate in the West Region where six out of eight applications have been rejected so far.

*Prospects for achieving ROP strategic objectives***Table 66: KAI 5.2 - Commitment Prognosis**

	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	62.53 <sup>1</sup>	89.44	88.99	89.05	0
As of 30 June 2009	115.70	71.77	71.23	71.41	0

Source - Files prepared by Directia Generala Autorizare si Plati Programe, MDRL

224. The commitment target for 2009 has been drastically increased (almost doubled) since the March prognosis. According to the prognosis, 60 projects are expected to be committed in 2009. Based on the experience to date, it appears unlikely for such a big number of projects to be committed until end 2009 taking into account the complex procedure requiring approvals from several departments and thus, the target of M€ 115.70 cannot be met.

225. Special attention should be placed on Bucharest-Ilfov and South Muntenia Regions where the current portfolio is expected to be increased for the second call that once the technical documentation will be finalized under GD 1424/2008 technical assistance. For North East, South East, South West and Centre Regions, it appears that there will be extremely low funds available for the second call, whilst for North West and West Regions 50% respectively 75% will be available in case that all projects submitted so far will be committed.

### **KAI 5.3 Promotion of Tourism**

#### **Rationale**

226. To increase Romania's attractiveness as a touristic destination, KAI 5.3 seeks to create a positive image through the creation and promotion of a national touristic brand, developing and consolidating internal tourism, by supporting the promotion of touristic products and marketing activities, and to establish and equip National Centers for Tourism Promotion (CNIPTs).

#### **History**

227. The IB for KAI 5.3 is the Ministry of Tourism<sup>25</sup> (MT). There are three Operations (A, B and C) within this Axis out of which only operation B has a regional approach.

228. The call for proposals for Operation A (Tourism brand) was launched on 11 September 2008. The MT is the sole eligible applicant for this operation and is entitled to submit a maximum of three project applications during the ROP implementation period. The tender for the acquisition of services for the creation of the national brand (maximum value is M€ 2) was launched, with a deadline 4 May 2009. At the cut-off date, the evaluation of the short-listed applications was ongoing<sup>26</sup>.

<sup>25</sup> Through the Directorate of Tourism Promotion at the Ministry.

<sup>26</sup> The tender was appealed which is causing a delay in declaring the winner.

229. For Operation B (Internal Tourism), the eligible unit values for project applications range from RON 170,000 to MRON 1. The deadline for completing the technical evaluation was extended to 4 May 2009 by which date 45 project applications were submitted (29 applications from Local Public Authorities and 16 from NGOs).

**Position at 30 June 2009**

*Process effectiveness - Project Applications, Acceptances and Commitments*

**Table 67: KAI 5.3 (Operation B) - Submitted, Accepted and Committed Projects**

KAI 5.3 Operation B	Allocated value (ERDF + SB)	Submitted Projects (ERDF + SB)		Accepted projects (ERDF + SB)		Contracted projects (ERDF + SB)	
	M€	Number	M€	Number	M€	Number	M€
North East	24.53	5	0.81	2	0.27	0	0
South East	19.92	9	1.70	3	0.57	0	0
South Muntenia	21.40	3	0.44	1	0.18	0	0
South West Oltenia	21.07	3	0.38	1	0.11	0	0
West	15.55	3	0.56	1	0.19	0	0
North West	18.18	5	0.72	3	0.44	0	0
Center	16.39	14	2.42	7	1.18	0	0
Bucharest Ilfov	13.32	3	0.54	1	0.18	0	0
<b>TOTAL</b>	<b>150.36</b>	<b>45</b>	<b>7.58</b>	<b>19</b>	<b>3.12</b>	<b>0</b>	<b>0</b>

Source: Regional Table KAI at 30 June 2009 submitted by DGAPP (The exchange rate used is 1 Euro = 4.29 RON)

230. The figures in Table 67 reflect a relatively low interest by the potential applicants. In order to measure the impact of the information and publicity activities, MAROP carried out in January-March 2009 a survey. The results were provided at the national level and at the regional level, so that they can be used both by the MAROP and IB in the Ministry of Tourism when establishing the activities for the second call.

231. At the cut-off date, the pre-contractual visits were being carried out and some commitments are expected starting from August 2009. A second call will be launched; the Guidelines for Applicants has been revised to extend the eligibility to rural areas and to allow for a continuous submission of applications instead of submission by a fixed deadline. The approval of the new Guidelines is awaited in order to re-launch the call for proposal. The expected date for launching the second call is September 2009.

232. For Operation C (IT and CNIPT<sup>1</sup>) the financial allocation is M€ 20 (out of which M€0.7 is for an integrated IT system for Romanian tourist attractions). The range of unit values of projects is between MRON 1 and MRON 2.5 (IT project). For the IT system, the applicant (MT) will submit one project proposal. There is no progress to date as it is envisaged to have a minimum of three functional Centers in order to submit a proposal.

233. The deadline for submitting applications for setting up the ten CNIPT is 1 October 2009. The applicants are Local Public Authorities in ten selected locations<sup>1</sup>. Most of them are reported to be in a preparatory phase in terms of identifying the locations for the centres and in preparing the applications. The IB in the MT has been in close contact with the ten eligible applicants but no meetings have taken place to clarify aspects related to the preparation of the applications. It was reported by MT that by the end of June, eight County Councils had confirmed the identification of the locations (property related documents were sent to MT), while for the remaining two locations (Constanta and Bucharest) the feedback is rather poor.

234. The aim of this Operation is to set up a national network of Tourist Information Centres in areas with high tourist potential. This network will include the 10 National Tourist Information and Promotion Centres created with the support of structural funds and the existing Tourist Information Centres network, which will be accredited by the Ministry of Tourism, according to the new criteria established by the Minister of SMEs, Trade, Tourism and Liberal Professions Order no. 1096/2008.

#### *Regional Perspective*

235. For Operation B, the highest number of projects were submitted in the Centre Region (14) followed by South East (9). In 4 Regions (South, West, South West and Bucharest Ilfov) only three projects per region were submitted. From discussions with potential beneficiaries, it appears that there was insufficient promotion of this operation. The rejection rate is high (58%) which again is thought to be due to insufficient understanding of the requirements by the potential applicants. Most of the rejections occur at the administrative and eligibility stages of evaluation.

236. Although there is a regional perspective for Operation C, through the ten proposed CNIPTs, the operation is outside the regional allocation mechanism for the ROP.

#### *Prospects for achieving ROP strategic objectives*

**Table 68: KAI 5.3 Operation B - Commitment Prognosis**

Commitment prognosis for KAI 5.3 Operation B	2009	2010	2011	2012	2013
	M€	M€	M€	M€	M€
As of 31 March 2009	3.8	17.3	64.7	64.5	0
As of 30 June 2009	5.2	17.4	63.2	64.5	0

Source - Files prepared by Directia Generala Autorizare si Plati Programe, MDRL

237. For Operation A, the contracting prognosis envisages M€ 2 contract to be concluded in September 2009. This is unlikely to happen as the appeal regarding the final list of companies to be further evaluated (announced on 25 June) is being analysed. The achievement of the 2009 commitment is uncertain to date.

238. For Operation B - the 19 projects to be committed in August and September as a result of the first call are totaling M€ 3.15, a figure below the prognosis for 2009. The 2009 target has been raised under the July 2009 prognosis. The second call for proposal based on a continuous submission has not launch yet; therefore, it appears unlikely for the remaining M€ 2 to be contracted until end of the year so that the set up target for 2009 will not be met.

**Conclusion: PA 5 - Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?**

Priority Axis	Evaluation Question	Process effectiveness - current output and result performance to 30 June 2009	Prospects for achieving the ROP Strategic Objectives
5	Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?	Poor	Significant
<b>Comments</b>			
<u>Process effectiveness:</u> No financing contracts (selected operations) had been signed by 30 June 2009.			
<u>Prospects for achieving the PA objectives:</u> The current portfolio of accepted projects for KAI 5.1 is sufficient to meet and even exceed the total allocation. The chances to meet the commitment targets by 2009 are ambitious (16 projects to be committed until end of 2009) but not impossible. Special concern should be raised for BI region where the ownership issue coupled with poor interest of Bucharest municipality led to no projects being submitted at the cut-of date. For South region, although slow, there are chances to meet the allocation as some applications were reported to be underway.			
There has been a high interest in the KAI 5.2, especially for accommodation infrastructure but the rejection rate was high. It is being proposed to eliminate this operation for a second call for proposals in order to enable the achievement of indicators. For 4 Regions (NE, SE, SW and C), it appears that there will be extremely limited funding left for the second call, whilst for NW and W regions, 50% respectively 75% will be still available. The State aid rules discouraged the public applicants.			
Under KAI 5.3 Operation B the rejection rate was high and the interest from beneficiaries rather low as a result of an insufficient promotion campaign. The target for 2009 is unlikely to be achieved as the launching of the second call for proposal is being delayed. The indicators under Operation A are likely to be achieved.			

## Priority Axis 6

### Rationale

239. This Priority Axis is aiming at the transparent and efficient implementation of the ROP through provision of support for the implementation, management and evaluation of ROP and for the information and publicity activities related to ROP.

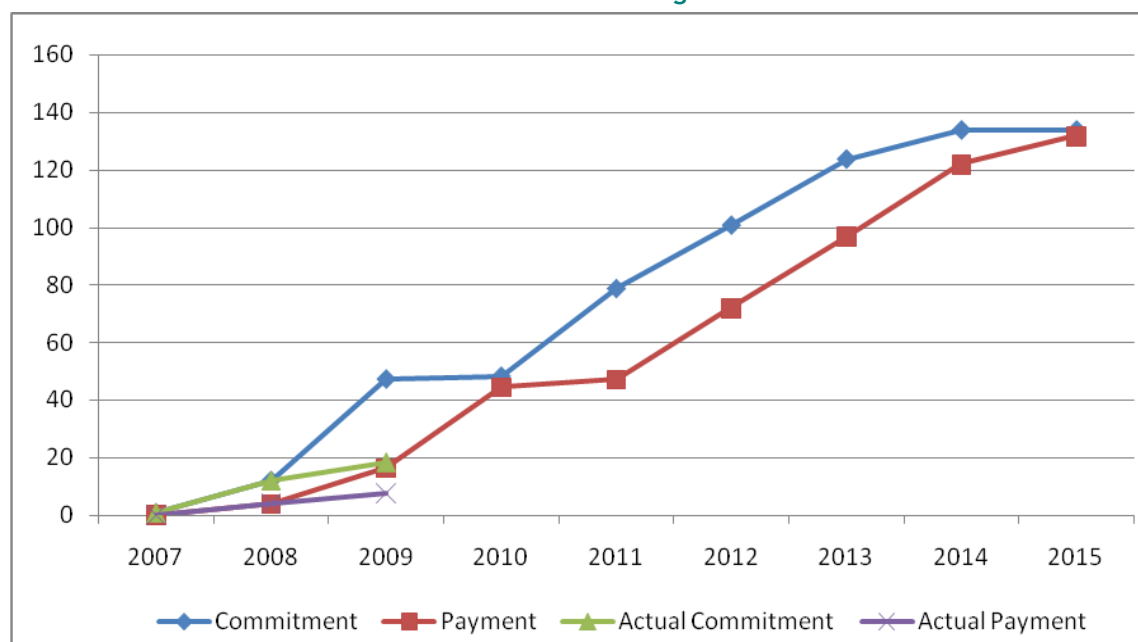
**Table 69: PA 6 -Prognosis 2007 - 2010**

	Allocations (ERDF and SB)	Commitment prognosis (ERDF and SB)	Payment prognosis (ERDF and SB)
Axis 6	2007-2010	2007-2010	2007-2010
	M€	M€	M€

6.1 Implementation, management and ROP evaluation	52.81	49.42	34.29
6.2 ROP Publicity and Information	11.04	9.78	7.36
Totals Priority Axis 6	63.85	59.20	41.65

Source: MAROP ACP analysis for 30 June 2009 (July File)

Chart 12: PA 6 - Actual versus Prognosis as at 30 June 2009



#### History and situation at 30 June 2009

Table 70: PA 6- Commitments and Payments as at 30 June 2009

	Committed (ERDF + SB)		Payment (ERDF + SB)	
	Number	M€	Number	M€
6.1 Implementation, management and ROP evaluation	9	10.06	9	6.95
6.2 ROP Publicity and Information	10	8.07	10	1.03
<b>PA 6</b>	<b>19</b>	<b>18.13</b>	<b>19</b>	<b>7.98</b>

Source: MAROP ACP analysis for 30 June 2009 (July File)

240. The launching date of this KAI was 16 August 2007, when the Technical Assistance Strategy was approved by the ROP Monitoring Committee. The instructions for the applicants were issued in draft in November 2007 and officially, published in Official Gazette in January 2008 (instruction number 5). The Ministerial Order for the eligible expenditures was published in April 2008. Up to 30 June 2009, 19 financing contracts were concluded for the eight IBs in the RDAs and for MAROP (9 financing decisions for KAI 6.1 and 10 for KAI 6.2). Under 6.1, all contracts (for the period 2007-2008) with IBs and MAROP were concluded in 2007 and during 2008. Under KAI 6.2, the last two contracts (for the period 2007 to 2009) for the IBs in South East and South Regions were signed in the middle of May 2009. For MAROP, two contracts were concluded under 6.2 due to the fact that a lot of communication related activities also for the nine IBs are being carried out by MAROP.



241. The first audit mission in 2008 (Evaluation the Conformity of ROP Management System) noted that the structures of the IBs were not unitary and that there was no clear separations between the functions of the IB departments and other Departments of the RDAs. Based on a recommendation of the audit mission, the organigram, internal operating rules (ROF) and job descriptions for each IB were updated so that the IBs now have a common structure. The number of personnel in the IBs varies between 22 and 40. The IBs have a good complement of staff with previous experience of working with pre-accession instruments. The RDAs have County Offices for each county represented, that employ at least one person dedicated to the ROP who will support the IB in the monitoring and verification activities.

242. The first contracts under KAI 6.1 (2007-2008) expired at the end of 2008 and the last reimbursement claims are currently being processed by the MAROP (See Chapter 4). Under KAI 6.2, six of the IBs concluded a contract by March 2009 and the other two IBs (South Muntenia and South East) in May 2009. For the first contracts under KAI 6.1 and KAI 6.2 covering 2007-2009, the allocation was made based on each IB's proposals and negotiations with MAROP. The initially allocated amount will not be fully spent due mainly to identification of ineligible expenditures (e.g consumables). For the second KAI 6.1 contract, the IB allocation has been made based on the percentages set up under KAI 1-5 for each IB (the percentage was applied to the amount composed of savings under the first KAI 6.1 contract and the M€ 8.8 allocation for 2009). The first contract under KAI 6.1 to be signed by IB in the MT with MAROP is about M€ 1,57. No communications activities (KAI 6.2) are devolved to the MT.

243. The signature of the second contracts for IBs under KAI 6.1 is on hold as the approval of the Ministerial Order regarding the eligible expenses by the Ministry of Public Finance was severely delayed<sup>1</sup>. The new Ministerial Order for eligible expenditure was approved by the MDRL on 22 June 2009 and on 10 July 2009 by the Ministry of Public Finance and was officially published in the Official Gazette on 20 July 2009. Although draft instructions were submitted by MAROP to all IBs in the first quarter of 2009, MAROP was reluctant to sign new contracts as to avoid that situation under first contracts for KAI 6.1, when there was a difference in the eligible expenditure recognised. The delay caused a severe cash flow problem with a negative impact on both MA and the IB's activities. In addition, for the IBs, the local stakeholders who should contribute to their budgets are affected by the financial crisis and there are frequent cases where the County Councils have not paid the agreed contributions or have paid rather late.

244. It is unlikely that the IBs will receive the pre-financing under the second KAI 6.1 contract earlier than October or November 2009. This forecast is influenced by the dates of projects submission, as well as by the quality of these projects. This delay has also a knock-out impact on the MAROP's activity in terms of the increasing workload especially in the Department of Programme Management responsible for the monitoring and verification of reimbursement claims submitted under KAI 6.1 and KAI 6.2.

245. Overall, there are signs that the allocation for KAI 6.2 will be most likely underspent. This observation is based on discussions held in the regions in May 2009. At that time, several RDAs (South East, South West, Bucharest Ilfov, North West) expressed their intention to submit addenda to decrease the initial allocation and to modify the indicators. The reasons varied from one region to another; the main ones were related to difficulties in contracting services or cash flow problems (RDAs were not able to advance funds in due time to enable the start up of the communication related activities). By the cut-off date, only one addendum has been signed for the contract



concluded with RDA South West which resulted in a significant decrease of the budget but no change to the indicators. The RDAs maintain that it is likely that the indicators will not be achieved and the allocations will not be entirely spent and this appears to the Evaluation Team to be a reasonable view.

### Output and Result indicators

**Table 71: PA 6 - Output and Result Indicators**

Indicator/ unit	Target (2015)	Position at cut-off date	Prospects for achievement of ROP strategic objectives (based on SMIS available data)
<b>Output</b>			
Studies, analysis, reports, strategies (number)	40	Target exceeded	More than 40 reports and studies were delivered under the first contract.
Participants in training courses (IB/AM staff, beneficiaries and potential beneficiaries) (number)	2000	There was no reference in the Fiches to this indicator.	According to MAROP, this indicator was included in each individual project, but SMIS does not contains this type of indicator. Instead, 29 reunions of committee and relevant working groups are supposed to be achieved.
Participant training days (number)	10,000	No reference so far to this indicator. According to MAROP, this target will be exceeded.	This will be taken into consideration in the second contracts under 6.1 and 6.2. However, several training activities were organised by MAROP since ROP launching.
Communication and publicity events (number)	900	484 publicity and information campaigns/events were organised according to SMIS Project Fiches	In fact, this number has been exceeded and it is likely that the overall indicator to be exceeded by 2015.
<b>Result</b>			
Degree of population awareness on ROP (%)	20%	8%	The 8% achievement of the indicator is expected to be realized at the level of MAROP under the first contract ending in 2009.

246. It was reported that the indicators for the first TA contract for IBs and MAROP were achieved and even exceeded. This is shown by the target set up in the project Fiches. Other 32 studies, reports and strategies are listed in the 6.2 contracts.

247. The Communication Plans includes indicators for all information and promotion actions (22); not all are considered for reporting according to the project indicators of the TA contract. There is no clear correlation between all the Communication Plans' indicators and contract indicators (described in the Project Fiches). It is expected that for the next contracts under KAI 6.2, the indicators will be further amended to reflect ACIS's requirement to correlate the TA indicators in SMIS

for all the Operational Programmes. There are other indicators described in the project fiches (e.g. studies, analysis, reports, accessing web page, Guidelines etc.)

#### Prospects for achieving ROP strategic objectives

**Table 72: PA 6 - Commitment Prognosis**

	2007	2008	2009	2010	2011	2012	2013	2014	2015
	M€	M€	M€	M€	M€	M€	M€	M€	M€
<b>KAI 6.1</b>									
As of July 2009 DGAPP	0.89	9.21	26.54	0	29.40	18.54	19.49	5.98	0
As of August 2009 DGP	0.9	9.16	28.91	10.36	32.5	6.39	21.91	0	0
<b>KAI 6.2</b>									
As of July 2009 DGAPP	0	2.03	6.38	0.95	0.95	3.45	3.47	4.09	0
As of August 2009 DGP	0	1.72	6.34	1.71	6.83	3.74	1.0	0	0

Source - Files prepared by Directia Generala Autorizare si Plati Programe, MDRL and by DGP;

248. The above table shows a difference of opinion within the MAROP on how the commitment of KAI 6.1 and 6.2 will proceed. This difference is resulting from the fact that the commitment prognosis was updated in August only by DGP in MAROP. Furthermore, the MAROP outlook is not shared by the RDAs and there is a clear need for further discussion to arrive at a common position for the remaining programming period. Based on the actual situation at 30 June 2009, it is likely that some reallocation could be considered from KAI 6.2 to KAI 6.1 but this depends on the outcome of the discussions between the MAROP and the RDAs.

#### Conclusion: PA 6 - Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?

Priority Axis	Evaluation Question	Process effectiveness - current output and result performance to 30 June 2009	Prospects for achieving the ROP Strategic Objectives
6	Does the progress registered in the ROP implementation lead to the achievement of the programme objectives?	Poor	Significant
<b>Comments</b>			
<u>Process effectiveness:</u> There were significant delays in reimbursing the IBs under the first KAI 6.1 contract that ended in December 2008. These delays, which have a significant adverse impact on the work of the IBs are likely to continue for the second contracts where the pre-financing is not expected to be transferred until October 2009 at the earliest.			
<u>Prospects for achieving the PA objectives:</u> The communications activities meet the requirements of the implementing regulations. One addendum for IB in South West RDA to decrease the budget and the target indicators for KAI 6.2 was concluded to date. There is a good chance that the funds allocated for KAI 6.2 will not be fully absorbed. Some reallocations to KAI 6.1 could be considered starting with the 2009- 2010 contracts taking into account the disbursement rate under both KAIs under the current contracts. The MAROP proposes to consider the situation after finishing in 2010 the second contracts under KAI 6.2 and after completing by end of 2010 of the contracts concluded under KAI 6.1 for 2009-2010.			

### Analysis of the effectiveness and impact of the information and publicity system

249. The evaluation question for communication is concerned with the effectiveness of the Communications activities to date. The general approach to responding to this question has been to:

- Study the objectives of the plans and their coherence with the overall communication strategy and the EC requirements;
- Study the outputs and results to date;
- Make an assessment of the effectiveness to date and the challenges ahead.

#### Requirement for a Communications strategy

250. EC Regulation 1828/ 2006 provides that the MAROP should develop and implement a Communication Strategy and Plan<sup>1</sup> or that the Member State should develop a communication plan that will cover several programs or all the operational programs co-financed from European Regional Development Fund (ERDF), European Social Fund (ESF) or Cohesion Fund. There is a clear requirement to focus on three target groups - potential applicants, applicants, and the general public.

251. The MPF (ACIS) responded to the requirement for a Communication Strategy by drafting one strategy for all the Romanian Structural and Cohesion Funds Ops. This National Communications Plan (NCP) includes certain provisions that are specific to the ROP. The MA ROP has drafted a Communications Plan covering the entire programming period (2007-2013) and this is divided into annual action plans at national and regional level.

#### National Communication Plan (NCP):

252. The NCP established four specific objectives, five target groups and three main activities, as follows:

**Table 73: Specific objectives, Target Groups and Main Activities for the National Communications Plan**

Specific objectives	Target groups	Main activities
1. To ensure of correct information of all target groups on the funding opportunities under ROP 2007-2013 2.. To promote the socio-economic impact of the funding assistance and inform the general public on the added value of communitarian assistance and on the role in regional development in Romania 3. To ensure the information, awareness and conformity with regard to the horizontal themes: equal opportunities and sustainable development 4.To establish an efficient system for internal communication (efficient network and tools) for all interested parties involved in implementation of ROP measures	potential beneficiaries, beneficiaries, general public, internal public and mass-media.	Information (information sessions, conferences, MAROP website <a href="http://www.inforegio.ro">www.inforegio.ro</a> , Help-Desk/ Information offices <sup>27</sup> , mass-media events, Regio information network) Promotion (radio and TV publicity campaign, press campaign, outdoor campaign, promotion materials) Evaluation(specific indicators have been established to evaluate the performance of information and publicity measures)

<sup>27</sup> One information office alt the level of MAROP and 8 Information offices at the level of each region have been established

253. Two additional target groups were identified as support groups that needed to be constantly informed about the ROP implementation and information and publicity measures. These were support groups<sup>28</sup> and other interested parties<sup>29</sup>. The main activities represent the channels of communication identified by the communication strategy for the target groups<sup>30</sup> and these can be further analysed between electronic communication and direct communication.

254. For the inception phase of ROP implementation, the MAROP identified the mass-media and internet<sup>1</sup> as the main information and communication tools to be used on the basis that these were the most efficient channels that would ensure a broad dissemination of the main messages of the ROP. The MAROP partially delegated the implementation of the plan through a framework agreement that included information and publicity activities with the eight RDAs. The role of the RDA IBs is to ensure an efficient and effective implementation of the information and publicity actions at the regional and local level. The MAROP did not devolve responsibility for communications activities to the Ministry of Tourism Intermediary Body and is organising the communications activities for this IB.

255. All the RDAs have developed regional Communication Plans (CP) that set the main communication and information activities that should be taken in order to achieve, for each target group, a high level of knowledge of the funding opportunities under ROP. The IB's CPs are designed based on the NCP and the National Communications Strategy.

### *Objectives of the Communications Strategy*

256. As part of the consideration of effectiveness of the Communication Plans, a quick review was made of the coherence between the plans at National, MA ROP and IB levels. The review compared the NCP with two RDA level plans (North East and Central). The Regional Communication Plans (RCP) have a good coherence to the general and specific objectives of the NCP. Generally, the RCPs are coherent and consistent with the NCP in terms of format/ design of CP, formulation of the objectives, measures and actions.

257. There are three main criticisms of the hierarchy of Communications Plans. These are the approach to higher level results indicators, the general nature of the set objectives and a SMART analysis of the objectives.

258. The result indicator for KAI 6.2 is focused on achieving a 20% awareness of the ROP in the general population. The Communications Plans are generic that is they are not well tailored to the specific interventions proposed in the ROP but rather seek to raise general awareness of ROP. The plans would be more effective if specific results indicators were established for the three target groups mentioned in the implementing regulation and if there was a direct link between the impact of the Communications Plans and the overall objectives of the ROP itself, that is, the achievement of the ROP objectives and the absorption of the ERDF allocations. Without these links, it is difficult to reach conclusions on the direct contribution that the information and communications expenditure and activities is making to the finding of suitable projects to achieve the ROP objectives.

---

<sup>28</sup> EU Commission Representation, local EU information points/ offices, CABs (Citizens Advisory Bureaux), Academic institutions/ academic research institutions

<sup>29</sup> EC, European Parliament, Government of Romania, Monitoring Committee, CRESC

<sup>30</sup> Potential beneficiaries, beneficiaries, general public, internal public and mass-media

259. For example, it did not appear from a review of the documents that the information and communications activities would be used in a pro-active way to reach potential beneficiaries (one of the target groups) for key areas where there is a shortage of project applications. This issue was discussed in more detail with the Communications Unit at the MAROP. It was established that the Annual Action Plans are developed by each RDA for the implementation of their Communication Plans. The Communications Plans are regarded as strategic documents with a general approach of information and promotion measures that need to be implemented at the level of each Region. The Regional Annual Action Plans are the tools used to include the specific actions that could be taken in order to increase the absorption rate and level of awareness of ROP.

260. We studied the available Annual Action Plans designed for 2009 and found that, generally, the Regions identified the need for specific measures to increase the absorption rate for those KAIs for which a low level of interest had been registered. However, different approaches to deal with this issue were adopted. Some Regions explicitly included actions in this respect while others treated the issue in a more general manner when designing the Annual Action Plan (Table X). There is a lot of scope to improve the direct contribution of communications activities to the priority axis results. The starting point is for all Annual Activity Plans to describe the specific activities proposed to address the immediate communications needs that are identified in the annual evaluation of the communications plans. Specific examples of the types of activities that would be appropriate at this time are:

- activities to inform potential applicants about simplification and improvement of access to co-financing.
- specific actions dedicated to NGOs and private firms in order to increase their information level on access to ROP funding, or the measures taken to deal with the problems that currently exist. The evaluation has identified a specific need from NGOs and private firms for more technical and practical information.

**Table 74: ROP - Communications Activities directed to areas where project applications are lower than expected**

Region	Planned information actions explicitly targeting KAIs where there is a shortage of applications	Period of implementation
Bucharest-Ilfov	Information seminars for potential beneficiaries (for KAI 1.1, 3.1, 3.2, 4.1, 4.3, 5.1, 5.3) – 200 participants; also information caravans (15 events, 20 participants/ event)	January-October 2009
North-East	Information seminars for potential beneficiaries (for KAI 1.1, 3.1, 4.1, 4.3, 5.1); 5 events, 1 day each	First 6 months of 2009
Central	1 information seminar on KAI 4.2; 11 regional launching seminars; 18 general information and sessions for potential beneficiaries.	February, April, May, October, November May-October 2009
North-West	Actions not explicitly included but general training and information sessions for potential beneficiaries included	February, March, October, December 2009
South	Information and training sessions for potential beneficiaries; 9 events/ 30 participants/ session	Quarter II and III 2009
South-West	Actions not explicitly included but general information sessions for potential beneficiaries included (5 sessions/ year)	Function of the launching calendar
South-East	Actions not explicitly included but general information sessions for potential beneficiaries included	January – December 2009

West	Actions not explicitly included but general information sessions on Priority Axis and KAIs for potential beneficiaries included	January-December 2009
------	---	-----------------------

261. When considering the extent to which the objectives are SMART<sup>31</sup> the evaluators found that the objectives are more generic than specific, are measurable in terms of activities rather than results, should be achievable and realistic but are not timebound.

#### *Outputs and results to date*

262. The Communications outputs are reported according to common headings under the broad categories of conferences, mass-media events, publications and promotion events, as follows:

**Table 75: ROP - Categories of Communications activities / outputs**

Conferences, information sessions	Publications	Promotion events
Mass-media events	Press magazine and regional newsletter	TV, press and outdoor campaign
Regio section on RDA website	Information office (Help-Desk)	Promotional items production
Regio webpage (web domain allocated)	Call center	
Information network		

263. The above list supports the evaluation observation on the generic nature of communications activities. However, the list also shows that the communications plans anticipate a broad and comprehensive set of information and communications activities.

264. The evaluation studied the 2007 and 2008 activity reports for all regions and made the following observations:

**Table 76: ROP - Assessment of 2007/8 Communications Activities**

Region	Evaluator observation on 2007/ 2008 output statistics
Bucharest Ilfov	Poor communication activities for 2007; no promotion actions delivered; information network not active; unsatisfactory level of information and promotion measures for 2007; poor promotion activities in 2008
North East	Good level of delivering information and promotion activities for 2008;lack of promotion activity in 2007; more attention needs to be paid for increasing the functionality of the information network
Central	Good level of implementation information and promotion activities for 2008 especially; good participation for the information sessions, good regional coverage of the newsletter; not visible involvement of the information network members
North West	In general, for 2007-2008, good level of implementation promotion activities; more effort need to be allocated for the functionality of the information network and relation with mass-media
South	Very poor information and promotion activity in 2007; for 2008, good participation to the information sessions and active press activity (considering the no. of articles issued); significant no. of members selected for the information network but efforts should be oriented to activate it.
South West	Satisfactory level of information actions for 2007; no promotion actions reported for 2007; for 2008, a good participation registered to information sessions and satisfactory level of promotion activities. Intensification of activities related to the functionality of the information network is needed.

<sup>31</sup> Specific, Measurable, Achievable/ Attainable, Realistic, Time-bound

South East	No available data for 2007; for 2008 good activity for Help-Desk, satisfactory no. of members for the information network identified but efforts needs to be allocated to activate the network. Also, poor promotion activities delivered in 2008
West	Good participation rate to the information sessions but more efforts needs to allocated for _entralizi the activity at the level of Help-Desk and activate the information network; more varied promotion activities could support the implementation of the CP.

265. In general, the activities in 2007 and 2008 concentrated on the information needs of potential beneficiaries. While this is a reasonable approach, it does mean that the communications interventions were imbalanced towards potential applicants rather than to the general public. In 2009 more intensive efforts are proposed towards general awareness raising about the ROP for the general public. Most of the proposed actions depend on the successful implementation of the related public procurement for a mass-media campaign, filler TV, publications and promotion events and the updating of the InfoRegio website. At the cut-off date the procurement process for these acquisitions is blocked and the signing of contracts was estimated to take place in September 2009. The impact of these information and promotion actions is proposed to be measured by survey, to be made in 2010. As a significant part of these actions will only take place in late 2009, the second quarter of 2010 is the earliest time that an evaluation of immediate impact could be made.

266. In terms of regional variations in the communication activities, the recorded statistics for access to the regional help desks and participation in information events in 2008 are shown in the following two charts. The interpretation of the two charts would require a reference to context demographic variables. Nevertheless, the charts do reveal a low activity level for Bucharest Ilfov but high activities in the South East.

Chart 13: Participants at Regional Information events

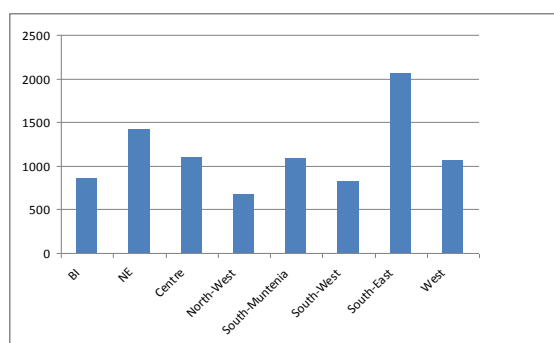
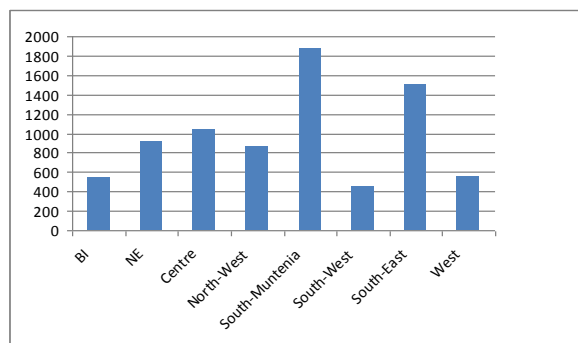


Chart 14: ROP - Access to help desk by Region in 2008



267. The responses to the questionnaire issued to local public authority beneficiaries provided information on the main information sources used in collecting information about the ROP (Table 77). The responses show that information and communication activities of both the MAROP and the IBs are important. Specifically, the MAROP website and the information events organised regionally were the two most important sources of information.



Table 77: ROP - Main Information Sources used for the ROP

1.2 What are the main information sources used in collecting information about ROP? Please prioritize the options below on a scale from 1 to 5 (1 - the most used; 5 - the less used).	Total					
	1	2	3	4	5	x
Ministry website	33	5	1	2	1	10
Information sessions organized by RDAs	7	26	5	1	2	11
Information provided in the mass media (national and/or local)	1	3	9	11	16	6
Information/promotion done by MDRL/City Councils	1	5	23	10	2	3
Other type of events organized at central/regional/local level (e.g through the multipliers network)	0	1	5	14	19	3

### Effectiveness of implementation of the strategy

268. The consideration of effectiveness is typically made by comparing the actual position with the stated objectives. The communications plans provide for an annual survey to enable an effectiveness assessment to be made. The SMART limitations of the objectives (for example, the absence of timebound objectives) also restrict the comments that can be made. Our assessment of the degree of achievement of objectives of the NCP and one of the Regional Plans (North East) is shown in the following tables.

Table 78: ROP - Progress in achieving National Communications Plan objectives

Specific objective	Comment on actual achievement	Recommendation
To ensure of correct information of all target groups on the funding opportunities under ROP 2007-2013	The survey suggests that this objective is being achieved.	More effort to reach target groups with a low reach according to the survey
To promote the socio-economic impact of the funding assistance and inform the general public on the added value of EU assistance and on the role in regional development in Romania.	There is insufficient evidence to make an assessment at this stage.	This activity should be further performed after implementation of a considerable number of projects in order to clearly establish the degree of achievement of this specific objective. Method of assessing achievement of this indicator needs to be further developed.
To ensure the information, awareness and conformity with regard to the horizontal themes: equal opportunities and sustainable development	Guidelines for applicants covers this. Also the brochure Equal Opportunities and Non-discrimination Guidelines published and distributed by MAROP in 2009 contributes to the achievement of this specific objective.	Method of assessing achievement of this indicator needs to be further developed.
To establish an efficient system for internal communication (efficient network and tools ) for all interested parties involved in implementation of ROP measures	Performance statistics suggest that the communication between IBs and AM needs to be improved	



**Table 79: ROP - Assessment of effectiveness of Communications Activities - North East Region<sup>1</sup>**

Specific objective	Comment on actual achievement	Recommendation
To stimulate interest for European funding through dissemination of information on ROP and SOPs	The survey suggests that this objective is being achieved.	
To pull out all the relevant information on requirements, eligibility requests and procedures that should be known by ROP potential applicants	39,9% of the respondents know the general objective of the ROP; but moderate knowledge of eligibility criteria, evaluation and selection criteria for ROP, as an average of the results per different target groups (best informed Local public authorities, lowest level – business environment)	More effort to reach target groups with a low reach according to the survey More effort for a better informing on specific procedures and requirements concerning ROP
To inform the beneficiaries on the liabilities regarding the implementation and reporting conditions as well as on information and publicity requirements, issued by the role of beneficiary of European funding	Insufficient evidence to make an assessment.	More effort to inform the beneficiaries on the implementation process for projects funded under ROP
To ensure the visibility of achieved results in the implementation of ROP at the level of NE Region, to identify and disseminate successful projects as examples of good practice	Approx 50% of the respondents have information on the ROP implementation	More effort to identify and disseminate successful projects as examples of good practice
To develop and maintain close relationship with the press in order to ensure transparency of the ROP implementation process in NE Region	Press is involved in different information actions of RDA NE; there are proposals made by journalists to improve the communication process	Efforts to integrate the proposals of the journalists in planning communication activities for ROP
To develop collaboration and partnership relationships with all relevant institutions, aiming the achievement of CP's objectives for Regio	Efforts are made continuously in this respect to develop and maintain collaboration and partnerships with different stakeholders	Continuously efforts required in this respect
To ensure the visibility of decisions and actions of NE RDA as IB involved in the administration of European funds	Internet and website <a href="http://www.inforegionordest.ro">www.inforegionordest.ro</a> cover the most part of the process as well as different type of information and promotion actions initiated by RDA under the CP.	Continuously efforts required in this respect

### *Internal and external factors influencing performance of Communications activities*

#### **Indicators**

269. One experience after two years of implementation of the CPs relates to the potential to reset the indicator targets. For example, the target result indicator in the NCP for the 2007 to 2010 period, for membership of the information network, was set at 200 members. After the activities in 2008 there are already 697 members proposed at the level of all regions.

270. The NCP proposed that the reporting of indicators would be done in the years 2007, 2010 and 2015. This is a light regime for the monitoring of communications activities. Where some RDAs are unlikely to meet the set indicators (for example, targeted numbers of attendees at seminars, the

solution has been to retrospectively revise the indicators. Another change made was to defer targeted procurement activity from 2008 to 2009.

271. The monitoring procedure for NCP indicators was improved in May 2009 by centralizing the counting of the values of the activity indicators achieved by the MAROP and the Regions to achieve a national perspective on performance. A further improvement would be to introduce an annual review of communications indicators. This would complement the existing system of making the annual activity plans.

272. It is well established that the implementation of some communications activities included in the CP was delayed due to difficulties encountered in the procurement process at the level of MAROP. At the evaluation cut-off date, the signature of five contracts (mass-media campaign, filler TV, publications, organization of different events, updating the website) had been postponed due to claims initiated. The optimistic view is that these contracts (worth RON 10,349,900 excluding VAT) will be signed in September 2009, which is very much behind schedule. The achievement of the proposed indicators will depend on the successful implementation of these contracts in a shorter period of time than initially proposed. Any increase in the target value of an indicator should consider a systematic analysis of values achieved / indicators in 2007, 2008 and 2009.

### Network of Multipliers

273. Following the example and success registered by the *Network of Multipliers for European Information*<sup>1</sup>, MA ROP and IBs concentrated their efforts in building multipliers networks at central and regional level. For the central level this objective has not been reached yet. A draft of Rules for organization and functioning (ROF) for the network was done by the MA ROP and was sent to the Interim bodies for consultation<sup>1</sup>.

274. A one day network meeting will be organized in September 2009. Also, a three day workshop is planned for the members of the network and for setting up a forum on the info regio website. These actions appear to be organised rather late in terms of the actual status of ROP implementation. Major difficulties in organising meetings of the network were caused primarily by the lack of interest to participate in such activities. Solutions need to be proposed as soon as possible to improve the situation as the multiplier network could bring a significant added value to the information activities. Further support activities for the network should be organised.

275. At the level of the IBs, the situation regarding the functionality of the network is mixed. For example, in RDA BI the network held its first meeting in July 2008. The members consist of representatives of local public authorities for Bucharest and Ilfov, Prefect Institutions representatives, BI Interim Bodies of different Operational Programs, Chambers of Commerce. For the meeting on May 2009 out of approximately 50 members, only 11 participated.

### Funding

276. In March 2008 the communication plan for the MAROP was approved by the EC. There is a large difference in time in the submission of funding requests by the RDAs. For example, the NE submitted its first request in December 2007 while SE and South only submitted a request in the beginning of 2009. The delays are mainly attributed to internal cash flow constraints within the RDAs but it is also clear that communications activities have different levels of priority within the RDAs.

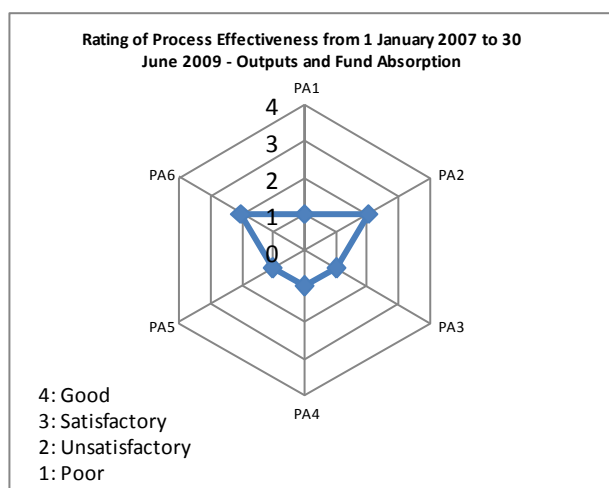
The value of contracts to the cut-off date of the evaluation was RON 9.10 million (M€ 2.12 million). At this point, it is unlikely the available funding under KAI 6.2 will be fully spent by any of the RDAs (even the NE) due to the delays in starting the procurement process in some regions, the length of time consumed by the tendering procedures and by subsequent appeals of tender award decisions and the complete failure of some tender competitions. The MAROP have stated that the allocations for KAI 6.2 are modest in comparison with the communications needs of the ROP and that they are confident the RDAs will be able to absorb these funds appropriately. However, a further issue is that the delays in processing claims for reimbursement (discussed elsewhere in this report) are preventing the RDAs from implementing some of the activities in the RCPs.

## Conclusions and Recommendations

### Overall Chapter Conclusion

277. From an overall priority axis perspective, the progress achieved to date when measured by actual outputs and by fund absorption is generally poor (See spider diagram). This assessment ignores the fact that the period under evaluation has been concerned with finalizing the preparations for implementation and with launching the calls for proposals for all PAs. The general position in terms of project applications under processing and the prognosis made by the MAROP suggests that the ROP funds will be absorbed and the programme indicators will be met. The regions most in need - NE and SW - are making more progress in implementation than the regions less in need - BI and W.

278. In spite of a slow start, PA 1 is making progress due to the good support provided by the MAROP to the municipalities to prepare their integrated development plans. Within the most advanced component concerned with urban centres the prospects for funds absorption are good (paragraphs 121, 122).



279. PA 2 is the driving force of the programme in terms of funds commitment and progress in projects' implementation. It is realistic that the entire allocation and the current 10% additional safety margin are committed by the end of 2009. Practical experience already available from project implementation has the potential to generate adjustments to be adopted by the MAROP with the aim to secure the entire funds absorption under the programme and for the benefit of other axes.

280. The progress under PA 3 is mixed (paragraphs 151, 159, 166, 172). Whilst the portfolio of accepted projects is sufficient to achieve the commitment targets for 2009, future prospects are variable between the KAIs and regions. Progress has been affected by less than optimum inter-institutional cooperation, disputes between stakeholders and administrative difficulties. The speed of contracting has been too slow in general. Region Bucharest Ilfov is lagging behind in submitting project applications; in this region, there are specific issues that hinder the submission of applications for KAIs 3.1 and KAI 3.4. Result indicators at project level are not properly reflected within the monitoring system.

281. The progress under PA 4 is overall unsatisfactory owing to the lack of progress in KAI 4.2 and moderate progress in KAI 4.1. State aid rules are proving a serious obstacle for the public applicants, whereas the private applicants, although have responded well up to present, especially under KAI 4.3 are increasingly affected by the economic crisis and need further support from the Government. The administration of the first call for proposals has been problematic in terms of timeliness but corrective measures are being adopted. Based on the existing project portfolio, job creation targets under the axis should be at hand.

282. Under PA 5, there is a sound portfolio of projects applications under KAIs 5.1 and 5.2. Exceptions might be BI and South regions. First call under KAI 5.2 has shown a mis-balance between the interests of the applicants in the operations proposed. This is being addressed through the modifications of the guides for applicants for the second call expected to be launched in September 2009. In the case of 4 regions it is likely that there will be very limited funding available under KAI 5.2 for the second call. There was insufficient response under KAI 5.3 due to insufficient promotion activities and lack of interest from potential beneficiaries.

283. Under the first KAI 6.1 TA contracts there were delays in processing the reimbursement claims that had an adverse effect on the IBs activities. Funds allocation under KAI 6.2 is unlikely to be spent due to the timely availability of funds at the level of the IBs to contract the services proposed for promotion activities. The delay in processing the reimbursement claims under KAI 6.2 is affecting the implementation of the Communication Plans.

284. The implementation of the Communication Plans and Strategy is effective as the established objectives are being met. There is coherence between the regional Communication Plans with the National Communication Plan, even if this is not reflected in the target indicators. The information and promotion measures are implemented differently by the IBs based on the specific regional particularities. There is scope for improving the coherence of the indicators in use between KAI 6.2, the regional communications plans and the national plan.

285. A much more focused approach on specific target groups might directly contribute to an increase in the number of applications and to an increased rate of absorption. The network of multipliers is not yet operational due to unavailability of its members. For KAI 5.3, the relatively low rate of application in the first call is attributable to a poor visibility and promotion but also to lack of interest by potential beneficiaries in such a relatively small project.

### *Chapter Recommendations*

#### **Performance of PA 1 is critical over the next 18 months and needs a risk management strategy**

##### **Conclusion:**

For PA 1, given the high number of projects per plan, and the experience of project evaluation for other PAs, the chances that all the feasibility studies and technical plans will be prepared and approved in due time to achieve the commitment target are quite low (paragraph 124).

##### **Recommendation:**

The MAROP should adopt a medium term risk-counteracting management strategy for PA1.

A detailed timetable, for the period up to the end of 2010, for the application, selection and contracting process for each of the sub-domains of PA 1 should be drawn up and discussed with the IBs and, where relevant, with the applicants expected to apply. Individual timetables for each growth pole and urban development pole should also be made.

The progress made in preparing the project applications, selection and evaluation and preparation of technical plans should be regularly monitored and potential slippage detected. Corrective measures should be identified by the MAROP in co-operation with the IB.

### **Some reallocations of funds are appropriate now and in early 2010**

#### **Conclusion:**

The evaluation has identified several areas where a change to the allocations should be made. These are:

- a. re-allocation of KAI 4.1 funds in BI region
- b. Re-allocate the KAI 4.2 allocation to other KAIs (PA 1 and PA 5)

#### **Recommendation:**

CMPOR based on the proposal formulated by MAROP in consultation with RDB of the BI Region, should decide on the re-allocation of funds in its next meeting.

Two general decision rules for reallocation based on the strategic objectives of ROP should be established. We suggest that these should be:

- PA/ KAI perspective - reallocation to other KAIs within the PA or to other PAs that complement the priority objective affected by the reallocation.
- Regional reallocation - in order to respect the regional disparity containment objective, a reallocation from a region should be made to only to those regions that are more disadvantaged, and in the proportion of the original regional allocation percentages for those regions.

For the two specific reallocations we recommend:

- Reallocate unused BI funds for KAI 4.1 to all other regions for KAI 4.1. This decision should be considered at the MCROP meeting in Spring 2010.
- Reallocate the unused KAI 4.2 allocation to PA 1 and PA 5. The reason for this is that KAI 4.1 and KAI 4.3 have a full allocation and PA 1 and PA 5 are the other PAs in ROP that have a high job creation target. The reallocation should be in proportion to the job targets of the two potential benefitting PAs and follow the principle of the regional allocation percentages. This decision should be considered by the MCROP in October 2009.

### 3. The major external and internal factors that can influence or have influenced the performance of MAROP and IBROP in the programme management and implementation

286. The evaluation question and areas of examination covered in this chapter are:

**Evaluation Question 3: Which are the major external and internal factors that can influence or have influenced the performance of MAROP and IBROP in the programme management and implementation?**

#### **Areas of Examination**

*3.1 Analysis covering all the ROP PAs identifying and explaining recurrent external factors that have influenced the programme management and implementation performances, at the level of each development region / IB and within each KAI, including the ones related to administrative capacity at regional and central level;*

*3.2 Analysis of the context of occurrence and evolution of these factors and underline the trends for the near future;*

*3.3 Identification and presentation of a series of practical measures and actions that may be immediately implemented in order to improve the effects of the factors identified within this analysis.*

287. The analysis to identify and explain recurrent internal and external factors was made as part of the portfolio analysis which was reported in Chapter 2. Also, the review of systems in chapters 4 and 5 was used to refine our consideration of external and internal factors. The main sources of information for the analysis were the interviews conducted in the MAROP and IBROP, the questionnaire to beneficiaries and analysis of the information collected.

#### **Major external factors that can influence or have influenced the performance of MAROP and IBROP in the programme management and implementation?**

288. The immediate effects of the socio economic changes and of the financial and economic crisis on the current implementation of the ROP are the two major external factors influencing the performance of the ROP up to 30 June 2009. For this final part of the analysis, we consider the other external factors that have influenced the implementation of the ROP, which were identified in the conduct of the portfolio analysis and the systems examination.

289. The external factors identified and analysed are:

- Exchange rate movements
- Co-operation with external institutions
- Complexity of the legal framework
- Public procurement
- State Aid rules

*Analysis covering all the ROP PAs identifying and explaining recurrent external factors that have influenced the programme management and implementation performances, at the level of each regional development region/IB and within each KAI, including the ones related to administrative capacity at regional and central level;*

*Analysis of the context of occurrence and evolution of these factors and underline the trends for the near future;*

#### *Exchange rate movements*

290. The movement between the Euro and RON exchange rate has led to a depreciation in the RON by about 20% since 2008. Feedback from the RDAs and from beneficiaries is that the change in exchange rates is affecting the implementation of ROP in several ways. Where there is substantial importing involved, for example under KAI 4.3, the movement in the exchange rate increases the cost of investment which makes it more difficult for project applications to proceed as more financing is needed from other sources.

291. On the other hand, the economic crisis has led to a fall in the consumer price index and to both material and labour prices in general. In some cases, this has offset the adverse effects of the exchange rate movements.

#### *Co-operation with other external Institutions*

292. External contributors are those external entities (organisations, individuals) whose input is needed during different stages of the programme implementation process. In the implementation of ROP to date, specific examples of delays caused by a loss of effectiveness in the co-operation with external contributors are:

- Ministry of Public Health for the delay in project applications for major hospital rehabilitation under KAI 3.1 and for providing technical specifications for equipment to be supported under 3.3;
- Directorates of Public Health (DPH) at local level - for issuing permits for the social centre projects under KAI 3.2 in the South East Region. The issue appears to be a lack of awareness of ROP by specific DPH;
- Ministry of Public Finance for the delay in approving the Ministerial Order for eligibility of expenditure under KAI 6.1;
- The Unit for Coordination and Verification of Public Procurement (UCVAP), which should attend and monitor large tender events but has not done so in a number of specific cases. There are increasing signs of a capacity problem for the UCVAP to cover its responsibility to monitor large tenders in the regions. This has a follow-on effect on the control work undertaken by the RDAs.

293. There are other institutions like the National Authority for Regulation and Monitoring of Public Procurement (ANRMPP) and the National Council for Appeals that have contributed to implementation delays in the ROP. As these institutions have an independent status, they are not treated in the evaluation as external contributors.



i. *Complexity of the legal framework*

294. Feedback from beneficiaries has pointed to several aspects of the legal framework that add to the difficulties in submitting good project applications. The number of permits that may be required has both a monetary and time cost. The frequent number of modifications and corrections to the guidelines for applicants that arise from legislative changes is hard to track (Table 80). For example, there were seven corrigenda for PA 3 so far, one of which had 22 individual points. Another example is the lengthy process of up to one year to obtain environmental permits for mountain tourism project applications. The issue of the complexity of the legal framework and the resulting difficulty to track amendments to the Guidelines for Applicants was raised by participants in all seven regional workshops held for the evaluation.

**Table 80: Evaluation Questionnaire Responses on the Complexity of Documents**

5) Prepaation of the Financing Application Please characterize the process of elaboration of an application submitted for financing under ROP, having in view the following aspects (1 – Excellent; 2 – Very good; 3 – Good; 4 – Satisfactory; 5 Unsatisfactory)	1	2	3	4	5	Total
Clarity of the Guideline for Applicants in defining the eligible activities and expenditure – please exemplify	2	21	24	2	4	
Complexity of the documentation requested through the Applicants' Guideline	1	12	25	10	5	
Availabiltiy of human/material resources within your institution necessary for preparing the application form	7	17	19	7	3	
Modifications (e.g Corrigenda) occured during the period of preparing the application form	1	5	19	18	9	
Other (please exemplify)						

*Public Procurement*

295. As far as the speed of implementation is concerned, an analysis of the 22 projects for PA 2 with signed contracts for works and a further lot of 45 projects in PA 2 for which the procurement notice was published on SEAP at mid-August 2009 shows that appeals during procurement represent the main cause for delays. Although eleven projects were committed under the ROP between April and October 2008, the first contract for works was only signed on 14 January 2009 due to appeals up to the level of the Court of Appeal. In this tender competition, there were 14 bids, three eliminated for conformity reasons, and eleven evaluated in full, which was a highly complex job for the beneficiary, the County Council of Gorj County.

296. For the first lot of 22 projects with signed works contracts at the cut-off date, in 19 projects, the average duration of the procurement was 212 days. For the second lot of 45 projects, the average time interval between from the date of commitment of ROP funds to publication of the procurement notice publication is 80 days, but this is highly influenced by the contestations referring to previous publications. Of the 45, ten have already been contested so far. Taking into account the experience within the first lot of 22 projects, the higher number of contestations occurs after the announcement of the winning bid.



297. Within the current context in Romania a radical solution to mitigate or eliminate the effects of the appealing procedure on the efficiency of the procurement process is appropriate. While the vast majority of the claims are not justified, their lasting effect is highly detrimental both for the programme in terms of the potential to affect the ERDF absorption rate and for the country as a whole with respect to the resources consumed for the resolution of the claims at all levels.

#### *State Aid rules*

298. The MAROP has conceived three State Aid schemes in order to respond to the relevant EU rules. This was an ambitious task as it had a character of novelty in Romania. It has also involved intensive consultation with the Competition Council. There is a deadline of 2012 for some State Aid schemes<sup>32</sup> which could impact on the implementation schedule for specific ROP projects. The high level of co-financing required where State Aid is relevant is a barrier to receiving project applications in KAI 4.1 and 5.2 even where feasibility studies and technical documentation has been completed.

***Identification and presentation of a series of practical measures and actions that may be immediately implemented in order to improve the effects of the factors identified within this analysis.***

External factor	Issue	Practical Measure
Exchange rate movements	Project cost increases for Euro based expenditure due to adverse exchange rate movements	None, it is a business decision for the beneficiary / contractor on whether to hedge the exchange risk.
Co-operation with external institutions	Delays in the processes caused by delays in issuing permits or in issuing ministerial orders.	The effect of delays in issuing permits or ministerial orders should be made known to the responsible institutions at the highest level.
Complexity of the legal framework	Frequent updates to the Guidelines for Applicants are hard to follow.	Improved communication with beneficiaries on updates to the Guidance for Applicants and responding to queries.
Public procurement	The appeals process wastes time and money. Many appeals have no justification.	MAROP to monitor the situation. The reasons for successful appeals should be made known to the officials responsible for the project evaluation, selection and commitment processes.
State aid rules	High levels of own contribution is discouraging some applicants.	MAROP to keep this under review and propose changes to the schemes or reallocation away from the schemes if absorption of funds becomes an issue

<sup>32</sup> After the cut-off date, the *de minimis* scheme under KAI 4.3 and the State Aid scheme for tourism under KAI 5.2 were modified including an extension of the closing dates of the schemes.

## Major internal factors that can influence or have influenced the performance of MAROP and IBROP in the programme management and implementation?

*Analysis covering all the ROP PAs identifying and explaining recurrent external factors that have influenced the programme management and implementation performances, at the level of each development region / IB and within each KAI, including the ones related to administrative capacity at regional and central level;*

*Analysis of the context of occurrence and evolution of these factors and underline the trends for the near future;*

299. Two major internal factors (the duration of the project evaluation selection and commitment process and the rate of rejections) are considered in Chapter 4 as they are specifically referred to in the areas of examination for that chapter. The major internal factors identified and examined in this chapter are:

- Overcommitment rates
- Availability of independent evaluators
- When eligible project applications subsequently become ineligible
- Definition of eligible expenses
- Role of CRESC
- Transparency of the Project Selection Procedures and Effectiveness of Communications with Applicants

### Overcommitment rates

300. An analysis of the contract prices achieved based on the 22 projects with works contracts concluded at mid-August 2009 was performed by the evaluation team. Important savings were realised in 21 of these projects<sup>1</sup> varying from 7.3% to 54.6% of the estimated contract price, and with an average saving of 27.7%.

301. There is a historic tendency of construction companies on the Romanian market to under-bid on the assumption that contract prices will be further adjusted based on several arguments allowed by the procurement legislation. The current economic crisis has brought increased competition for public projects and reduced construction costs which, combined, represent strong arguments for lower prices in construction. This tendency is likely to continue in the medium term.

302. At the level of the 22 projects considered in money terms, the savings of 27% from the combined ERDF and State Budget expenditure under ROP represent M€ 38.24. Taking into account that the average amount asked for from the ROP corresponding to the portfolio of accepted projects is M€ 7.96 that could well mean that an additional lot of four projects could have been committed together with the current 22 projects within the available funding. Specifically, the 22 projects should have absorbed M€ 140.95 (16.4%) out of the M€ 859.18 allocated under ROP from ERDF and the State Budget. If this trend is maintained, the savings will reach M€ 256.41 when the allocation ceiling of M€ 859.18 + 10% is reached. Accordingly, in order to achieve the target of spending the entire allocation FEDR and State Budget allocation for the Axis, the commitment should go up to as much as M€ 1.179.05 which is 137% of the original ROP allocation (Table 81).

**Table 81: ROP - Analysis of Contract Prices achieved for PA 2 as at mid-August 2009**

Number of projects with works contracts signed	22
Estimated value of the works (without VAT)	M€* 141,10
Contract price (without VAT)	M€ 102,04
Discount rate offered – range	7.3% - 54.6%
Average discount rate (based on the number of contracts)	29.7%
Average savings rate (based on the value of contract prices)	27.7%
Savings corresponding to ERDF + SB (Rate)	27.1%
Savings corresponding to ERDF + SB (Net amount)	M€ 38.24
ERDF + SB commitment needed if current savings rate maintained	M€ 1,179.05
Overbooking rate needed to absorb the ERDF funds	37%

\*exchange rate used 1 Euro = 4.29 Ron

303. The current overbooking of 10% is mostly the effect of the evolution of the exchange rate rather than of the predictions with respect to savings realised within implementation. There are already and there will continue to be savings of a much lesser scale than in the case of the works contracts in the case of the other eligible expenditures. There are two arguments in support of an increase in the overbooking rate approaching 137% of the original allocation.

304. The Government of Romania has repeatedly declared itself in favour of instituting national investment programmes for infrastructure especially within the context of the economic crisis. One of the programmes under discussion - “10,000 kilometers of County roads” would be very similar to ROP PA 2. There is a strong argument that such programmes would take over the financing of additional projects from the ROP if the reimbursement claims actually exceeded the ROP allocation. From an efficiency and transparency perspective it would be a very suitable allocation mechanism for the Government, as it will remove the burden of other administrative costs and will use a proven mechanism already well established and widely accepted by the local authorities. This would open up the possibility of having a unified process for project selection which would reinforce the additionality of the ERDF support and provide a more efficient allocation mechanism.

305. Postponing a consideration to increase the level of overbooking would have an extremely detrimental effect on achieving the n+3/n+2 rule. Within the current cash-flow estimations of the MAROP, the savings are kept within the individual cash-flow projections of the respective projects, which underpin the calculation of the overall cash-flow projection for the ROP. In reality, the savings are equivalent to the last reimbursement claims in the programme, which is the most critical in terms of the effect over the n+3/n+2 rule. If the MAROP waits until these savings are confirmed, at the end of the project implementation period and only then starts the contracting of other projects based on the confirmed savings, this will delay too much the reimbursement from the EC of the originally committed budgets.

306. On the other hand, the beneficiaries are aware of the savings and will make all efforts to increase the amounts dedicated to works on various grounds through addenda to the financing contracts, without proposing the modification of the technical solution which is not allowed. Many of these requests may be found justified and thus will be approved by the MAROP, which means that

part of the initial savings will be consumed within the project variations. An extremely rough estimation of the level of such claims is 20% of the savings achieved. Accordingly, the MAROP should consider an increase of the overbooking level from the current 110% to a minimum of 130%.

#### **Availability of independent evaluators**

307. Considerable delays (between 50 - 100 days, in exceptional cases up to six months) have arisen due to difficulties in the timely provision of independent evaluators. According to the procedure, the MAROP should provide the list of selected evaluators to an IB within seven working days from the receipt of a written request for independent evaluators. It emerged that the company (selected by the MAROP through a Phare contract) was also involved in project preparation activities and it was considered that the proposed evaluators are in a conflict of interest. Apart from the conflict of interest issue, there were cases where the selected evaluators were not available when needed. All RDAs have experienced this kind of delay.

308. The idea to allow three days for technical and financial verification by the independent evaluators is questionable taking into account the degree of complexity that can be found in a technical study and the volume of information to be reviewed. We noted several cases where the MAROP had rejected the evaluation reports from the independent experts, asking for clarifications.

#### **When eligible project applications subsequently become ineligible**

309. In the South East region there are four examples of social projects where the technical project evaluation was completed but it subsequently was established at the commitment stage that due to an increase in the budget in the technical and evaluation stage, the project had exceeded the maximum eligible amount in the guidelines and became ineligible. The budget of the projects exceeded the maximum eligible value, after inclusion in their budgets of certain expenses that were not included in the initial budget, respectively expenses necessary for the realization of the technico- economic documentation (feasibility studies) or expenses related to the technical expertise of the buildings where the projects was taking place) The management and control system at the level of IB should have detected this situation at the technical project stage. Also the evaluators and project applicants should have known that the change in budget would make the project ineligible. A mechanism for reinforcing the management and control systems for this kind of error should be developed by the MAROP.

#### **Definition of eligible expenses**

In some cases, the definition of eligible expenses has confused the beneficiary. Although the Ministerial Order provides a detailed list, this lack clarity and introduce inconsistencies. For example, school desks are not eligible under KAI 3.4 for schools (as they are considered furniture, which is not an eligible expense); the same item would be eligible under KAI 3.2 for a social centre. In another case, a Ministerial Order set up a minimum unit value for expenditure which prevented a project applicant from purchasing a large quantity of necessary low value equipment items (due to the requirement that every purchased item is a fixed asset). Although such a provision is a direct consequence of the European regulation, this has not been made clear in due time to the beneficiaries

## Role of CRESC

310. The initial project evaluation, selection and commitment procedures included a strategic evaluation by the CRESC between the technical and financial evaluation and the technical project stages. The role of CRESC was to provide a regional strategic perspective in the selection process. This is important as the ROP is a national programme and apart from the regional fund allocation percentages, there is no other mechanism to consider regional priorities. At the end of 2008, the strategic evaluation role of the CRESC was removed. No alternative mechanism to the strategic evaluation role played by CRESC was in place at the evaluation cut-off date. As the selection process is well advanced, the absence of CRESC is not a significant issue but it would be desirable to include regional strategic interests when considering the allocations to the reserve project lists in the regions.

## Transparency of the Project Selection Procedures and Effectiveness of Communications with Applicants

311. The evaluation team has considered the transparency of the project evaluation, selection, and commitment procedures. This was also examined through the regional workshops and the questionnaire issued to beneficiaries. In general the evaluation process is transparent. Applicants are always notified of the results of each evaluation stage but there are cases when the notification procedure did not entirely respect the time limits. A notification is sent at the end of the evaluation process presenting the reasons for rejection. The completed evaluation grid detailing the scores and reasons for scoring is not sent to the applicants but this is not a normal practice in Romania or in other Member States. The respondents to the questionnaire have confirmed their general satisfaction with the clarity of the Guidelines for Applicants but were less satisfied with the level of complexity of the documentation required at the application stage and with the mechanism for issuing frequent corrigenda to the guidelines. (Table 82).

**Table 82: ROP - Aspects of Transparency in the Selection Process**

	1	2	3	4	5
<b>5) Preapation of the Application</b> <b>Please characterize the process of elaboration of an application submitted for financing under ROP, having in view the following aspects (1 - Excellent; 2 - Very good; 3 - Good; 4 - Satisfactory; 5 Unsatisfactory)</b>					
Clarity of the Guideline for Applicants in defining the eligible activities and expenditure - please exemplify	2	21	24	2	4
Complexity of the documentation requested through the Applicants' Guideline	1	12	25	10	5
Availabiltiy of human/material resource within your institution necessary for preparing the application form	7	17	19	7	3
Modifications (e.g Corrigenda) ocured during the period of preparing the application form	1	5	19	18	9
Other (please exemplify)					

## Conclusions and Recommendations

*Chapter Conclusion: Which are the major external and internal factors that can influence or have influenced the performance of MAROP and IBROP in the programme management and implementation?*

312. The main external factors affecting the implementation of the ROP, apart from the socio-economic changes and the effects of the financial and economic crisis, are the movement in the Euro:RON exchange rate, a loss of effectiveness in the co-operation with external contributors, the complexity of the external legal framework, including the time and cost involved to obtain permits in support of project applications and the frequency and number of amendments to guidance documents, the public procurement law, including the appeals process, and the State Aid rules.

313. None of these external factors have had a severe effect on the implementation of ROP so far. The impact of the public procurement law is likely to have a negative impact on project implementation over the next 2 years. The effect of the State Aid rules needs to be kept under close review by the MAROP.

314. The main internal factors influencing the performance of ROP are the impact of savings experienced to contracting on the overcommitment rate, issues with the availability of independent assessors, the clarity of the definition of eligible expenditure, CRESC, and the transparency of the processes.

### *Chapter key recommendation*

**The over booking rate for PA 2 should be increased to 130% immediately**

#### **Conclusion:**

Savings arising from public procurement in PA 2 are substantial and provide an opportunity to increase the overbooking rate (paragraphs 301, 303).

The system for preparing the payment prognosis is not adjusted for savings which may give a misleading indication of the n+3/ n+2 position (paragraph 306).

#### **Recommendation:**

The MAROP should increase the overbooking level from the current 110% to 130% for PA 2 as soon as practicable. The level of savings from other KAIs and the potential for further overbooking should be monitored closely by the MAROP and included in the monthly management reports.

The ROP has a potential to secure cost-effective supply of pipelines of projects for other Government initiatives for infrastructure investments therefore this measure and possibilities for its extension to other Axes should be discussed at the level of the Government.

The selection of the remaining projects should prioritise the strategic objectives of the national programme now that the regional absorption of the allocations is almost assured.

#### 4. Is the ROP implementation system appropriate for the selection contracting and monitoring of the projects launched at the level of each development region and within each key area of intervention?

315. The detailed analysis asked for in this evaluation was conducted through the portfolio analysis which is reported in Chapter 2. This chapter deals with the factors arising from consideration of the system for project evaluation, selection, and commitment.

316. The evaluation question and areas of examination covered in this chapter are:

**Evaluation question 4: Is the ROP implementation system appropriate for the selection contracting and monitoring of the projects launched at the level of each development region and within each key area of intervention?**

##### **Areas of examination:**

*4.1 Detailed analysis of the selection and contracting process, carried out at the level of each development region and each key area of intervention, including*

- *The analysis of the extent to which the system and duration of project evaluation and selection could influence the accomplishment of programme strategic objectives, potential changes / adjustments of the implementation system;*
- *The analysis of the way in which the selection criteria have been applied and of the main grounds for rejections*

*4.2 At the level of each IB and MA, the analysis of the efficiency of the functioning of the project monitoring system and of the way in which it provides the necessary information for the monitoring of programme indicators.*

#### **Detailed analysis of the selection and contracting process carried out at the level of each development region and each key area of intervention**

##### *Overview of project submission, acceptance and commitment data at 30 June 2009*

317. The following table summarises the position for projects submitted, accepted and committed at the cut-off date for the evaluation.



**Table 83: ROP - Analysis of Submitted, Accepted and Committed projects for Priority Axes 1 to 5 as at 30 June 2009**

Key Area of Intervention	Projects Submitted*		Projects Accepted		Projects Committed	
	Number	M€	Number	M€	Number	M€
1.1.1	0	0.0	0	0.0	0	0.0
1.1.2	0	0.0	0	0.0	0	0.0
1.1.3	89/252*	686.8*	0	0.0	0	0.0
2.1	274	1,981.7	193	1,537.0	72	591.7
3.1	36	52.0	22	44.8	2	1.5
3.2	79	40.3	48	26.9	4	2.4
3.3	3	26.7	2	17.3	2	8.2
3.4	261	337.0	117	171.5	4	4.7
4.1	41	136.4	14	56.5	0	0
4.2	0	0.0	0	0	0.0	0.0
4.3	777	70.8	382	27.6	298	20.4
5.1	81	250.2	64	184.8	6	42
5.2	145	238.6	75	138.5	4	5.1
5.3	45	7.5	19	3.2	0	0

\*) partial figures, as not all of the projects had been recorded in the reporting documents by the 30 June 2009.

318. The procedures for the evaluation and selection of projects for ROP are executed by three separate units. The selection of projects submitted under PA 1 to PA 4 and KAIs 5.1 and 5.2 of PA5 is carried out in the Evaluation and Selection Department of each IB in each RDA. The evaluation and selection of projects for KAI 5.3 is divided between Evaluation and Selection Unit of the IB in the Ministry of Tourism and the MAROP. For PA 6 (KAI 6.1 and 6.2), project applications are submitted by the IBs in the eight RDAs and from Directorates within the MAROP. Starting in 2009, a project application under KAI 6.1 is also submitted by the IB in the MT. The project evaluation and selection procedures were elaborated by MAROP in consultation with the IBs in the RDAs.

319. Initially, in 2007, there were seven steps in the evaluation, selection and commitment process. These were: administrative conformity; eligibility; technical and financial evaluation; strategic evaluation; technical project; pre-contractual visit; and commitment.

320. The *administrative conformity check* of the applications submitted to the RDAs during a month, consisting of checking the Financing Request, the Annexes, and the validity of documents, would start at the beginning of the following month. The time allowed in the procedures for this check was between four working days in case there are no clarifications and up to 19 working days (in case the maximum number of clarifications are requested).

321. The *verification of eligibility* for those applications that pass the administrative conformity check starts on the next day after the finalisation of the administrative conformity check. The purpose of the eligibility check is to confirm the project application complies with the terms and criteria specified in the Guidelines for Applicants for each KAI. The eligibility check for a project

application could last between five working days (if there were no clarifications) and 20 working days (for the maximum number of clarifications requested).

322. All applications that satisfy all eligibility criteria then entered the *technical and financial verification*. This stage is performed by a commission of independent evaluators who assess the degree in which an application is meeting the ROP objective for the respective Axis, the coherence and clarity of the methodology, financial sustainability and financial efficiency, project sustainability, etc. The commission is composed of two independent evaluators with technical and financial competencies (to respect the “four-eyes” principle) and a thematic evaluator (assessor) who assesses the project application from the point of view of the horizontal themes (sustainable development, equal opportunities, environmental policy). The technical and financial evaluation should start within fifteen days of the date an IB submits a request to the MAROP. Initially, the technical and financial evaluation could last between three working days (in case no clarifications are requested) and 24 up to 27 working days (in case the maximum number of clarifications is requested).

323. Where project implementation did not include works, once the technical and financial evaluation was completed, the funding commitment could be made after the pre-contracting visit. For those projects involving works, the applicant should submit the Technical Project (TP) within a maximum of six months of notification of selection by the IB. The evaluation of the Technical Project is done in correlation with the Financing Request and the Feasibility Study. Based on the findings, the project budget could be adjusted and the Financing Request modified accordingly.

324. The relevance of the project within the context of the Regional Development Strategy, its capacity to generate value added and correlation with other interventions was assessed by the Regional Committee for Strategic Coordination and Correlation (CRESC) within the *strategic evaluation process*. The CRESC Secretariat was provided by each RDA. The strategic evaluation was made for those projects that obtained a minimum of 3.5 points in the technical and financial evaluation.

325. In order to shorten the evaluation and selection period, the following measures were taken by MAROP starting with January 2009:

- Removal of the strategic evaluation undertaken by CRESC (responsibilities were limited through HG 1383/4 November 2008);
- Unification of the administrative and eligibility check into one phase that includes three stages (lasting a maximum of four days up to 25 days in case clarifications are requested; further five days can be granted by MA in exceptional situations) realized on a continuous basis for each individual project submitted;
- The technical and financial evaluation was carried out individually and on a continuous basis for each project so that the speed of this verification is not influenced by other projects; the delay at this stage was caused by the fact that the initial evaluation mechanism envisaged evaluation in monthly sessions; in some cases a project had to wait for a month or more for the evaluation of these projects. This has been remedied in the procedure applicable with January 2009 so that a project should not be influenced by the stage of preparation of other projects; To date, this period has been shortened and could last between three working days (in the

absence of clarifications) up to eighteen days (if the maximum number of clarifications are requested).

- Shortening the internal deadlines for preparation and approval of documents between IB and MAROP;
- On the new contract that is submitting independent evaluators, payments are done based on a project correctly evaluated (with no comments from MAROP on the Evaluation Report and with no comments related to the quality of technical-financial evaluation).

*The extent to which the system and duration of project evaluation and selection could influence the accomplishment of programme strategic objectives, potential changes / adjustments of the implementation system;*

### Duration of the processes

326. Under the original procedures as set out above, the actual experience was that the initial evaluation procedure could last for about 200 days from the moment of submission of the applications until the signature of the financing contract (150 days when the Technical Project was not needed, anywhere between 250 - 350 days when the Technical Project was needed). In practice, the procedures took around one year to be completed. The 2008 Annual Implementation Report stated that the changes made by the MAROP starting with January 2009 had reduced the duration of the project selection and commitment process by up to ninety days. The feedback from beneficiaries, received through the evaluation questionnaire and the regional workshops, indicated that only a small number of respondents were entirely satisfied with the duration while most were only barely satisfied (Table 84).

**Table 84: ROP - Degree of Satisfaction with Duration of Selection Process**

<b>6) Evaluation, selection and contracting process (1 - Excellent; 2 - Very good; 3 - Good; 4 - Satisfactory; 5 Unsatisfactory)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Difficulties in answering the clarifications' requests	2	10	31	10	i.
Duration of the evaluation and selection process	ii.	12	15	1 8	7
Duration of the contracting process	iii.	6	21	12	5
Others	iv.	v.	vi.	vii.	viii.

327. The evaluation has noted that in general, the deadlines for the administrative and eligibility checks are met for the continuous submission of applications but small delays were recorded where deadlines were set up for the submission of applications, usually due to a last minute submission of projects.

328. More significant delays have been experienced at various stages of the technical and financial evaluation. Some of the delay is caused by inherent factors like the quality of the submitted documents and the maximum need for clarifications on them. In other cases, the time taken by the MAROP to respond to queries or to approve technical and financial evaluation reports was longer than allowed for in the procedures. This is due to the increased workload at the MAROP. Another area where delays were incurred is the approval of the technical and financial report by the MAROP. On average, delays of between 25 - 75 days have occurred and in exceptional cases going up to more than 150 days. In summary, most of the delays during the evaluation, selection and commitment

process are attributable to the MAROP and the most significant issue is the provision of independent evaluators (See below).

329. Under PA 6, the evaluation of the Financing Requests submitted by the IBs or by MAROP under KAI 6.1 and KAI 6.2 is performed by the MAROP. The process was smooth for the first applications, as the IBs in the RDAs had previous experience and were guided by instructions provided by the MAROP. Two of the nine contracts concluded under the first KAI 6.1 contract were signed in 2007 and the remaining seven, in the first half of 2008. The submission of the current round of applications was delayed due to a delay at the Ministry of Public Finance in the finalisation of the Ministerial Order for the eligibility of expenditure.

### *The analysis of the way in which the selection criteria have been applied and of the main grounds for rejections*

#### **Application of the selection criteria**

##### *Inclusion of ROP objectives in the evaluation process*

330. The evaluation team studied the guidelines for applicants and the evaluation grids for all PAs and KAIs and concluded that the relevant PA objectives were clearly stated in the guidelines and were properly reflected in the evaluation grids.

##### *Scoring issues*

331. The current process uses the “four-eyes principle” for the technical and financial evaluation. So far, no cases of a wide deviation in scores, that would need mediation, were brought to our attention either in the MAROP or in the IBs.

332. The established system is that any project with a score of 3.5 (out of 5) at the technical and financial check is considered accepted. After this stage, projects will be committed on a first come first served basis after completing the technical project evaluation stage. This means that better quality projects may fail to be committed in favour of lower quality projects with a more efficient submission - a reward for efficiency over effectiveness. The system employed is reasonable for this stage of implementation but a greater emphasis on project quality would be more appropriate in the second half of the programming period.

#### **Rates of rejection of projects**

333. Selected rates of rejection of project applications are shown in the following table for PA 3 and PA 5.

Table 85: Projects rejected by Priority Axis 3 and 5 and Stage of Selection

KAI	Submitted	Project rejected at the stage of:					
		Administrative and Eligibility check		Technical Financial check		Technical Project check	
		Number	%	Number	%	Number	%
3.1	36	6	17%	4	13%	0	0
3.2	79	13	16%	3	5%	0	0
3.3	3	0	0%	0	0%	-	-
3.4	261	19	7%	13	5%	0	0
5.1	81	11	14%	3	4%	0	0
5.2	145	47	32%	12	12%	0	0
5.3	45	16	36%	10	34%	na	na

334. The most frequent reasons for rejection in the administrative conformity and eligibility check reported during the meetings in the IBs and discussions with Project Officers in the DGP in MAROP are:

- Lack of documents requested through the Financing Requests and Guidelines (Urbanism Certificate, documents proving the ownership/right for administration of the building which is subject to financing, missing CVs/job description, etc);
- Submission of documents (agreements, etc) with expired validity;
- The standard template not in line with the requirements and Financing Request partially completed;
- The primary activities in the applications not meeting the eligibility criteria;
- Applicants is not within the category of eligible applicants;
- Total value of the project exceeding the maximum eligible value;
- Conditions imposed by the provisions of the State Aid Schemes not respected (e.g. activities started before the signature of the contracts).

335. Under the *technical and financial evaluation*, the applications scoring less than 3.5 points were rejected. Some of the general reasons are presented as follows:

- Lack of justification of the need to finance the respective objective from public funds;
- No proof regarding the contributing to the achievement of objectives for the Priority Axis of the KAI;
- No correlation between activities proposed and timetable of activities;
- Lack of correlation between the technical solution with the result of technical expertise;
- Lack of correlation between the budget and the project activities;
- Poor financial analysis and lack of relevance of the results;
- Budget wrongly prepared;
- Inability of the applicant to prove the capacity to ensure sustainability.

### Efficiency of the functioning of the project monitoring system and of the way in which it provides the necessary information for the monitoring of programme indicators

336. The established monitoring procedures are comprehensive but involve intensive monitoring activity and will consume a lot of resources. As project implementation is in an early stage, the processes are not yet fully implemented. In particular, the requirement for quarterly site visits is higher than is required by the implementing regulations. The analysis of the procedures indicates that there will be a considerable duplication of work between technical monitoring and expenditure control. The rationale for the established high levels of monitoring is to serve as a precaution to alert the MAROP to implementation difficulties as quickly as possible. It is also imposed to take account of the novelty of the system and the lack of experience in the IBs for this work in a structural funds environment. There is an intention to reduce the level of monitoring once the capabilities of the IBs are confirmed.

337. The initial strong level of monitoring is also justified by the limited experience of beneficiaries managing relatively large projects in a structural funds environment with a complex regulatory framework. The public procurement process is already causing start up delays leading to a need to reschedule the activities and for contract addenda.

338. The current ROP system for project monitoring is properly designed to serve the two key elements of control and provide an early warning, including providing support to the beneficiaries throughout the implementation process to identify and implement the necessary corrective measures; to record progress made towards achieving objectives and indicators. From a review of the written procedures and discussions with the IBs, the monitoring procedures were found to be clear, detailed and comprehensive. The monitoring tools (all of the templates used for data collection and reporting) were also thoroughly prepared.

339. A specific internal issue has arisen as regards the establishment of compliance with public procurement legislation. An inter-institutional agreement between MAROP/ ANRMAP and UCVAP for sharing information of procurement compliance checking should be in operation. Under this agreement, the UCVAP should share information on its checking of the compliance with the public procurement law with the IBs to eliminate the need for IB officers to duplicate this compliance check, for those tenders already cleared by the UCVAP. Feedback from the IBs is that the existing inter-institutional agreement is not working and that the sharing of information is poor. Therefore, a further strengthening of the cooperation between these institutions (MAROP - ANRMAP - UCVAP) in respect to verification/observance of how the public procurement procedure is being respected, avoiding duplication of efforts for verification but also in establishing the limits for competence of these institutions is needed.

#### Single Management Information System (SMIS)

340. The SMIS was designed to serve as a single system for all OPs that would capture the data necessary to manage and control the OPs and meet the reporting requirements at national level and to the EC. The MAROP and the IBs have secured online access to the system. Data is input at IB level. There is a strong central control over the SMIS exercised by ACIS. Funding for the maintenance and further development of SMIS is sourced through the Operational Programme Technical Assistance (OPTA). A considerable amount of ROP related data has been entered into SMIS.

341. The evaluation team made maximum use of the data in SMIS for the analysis in this report. The one-page project fiche for all projects accepted that had been entered in the SMIS were extracted and used to compile the statistics for output indicators noted in Chapter 2. This gave the team a hands-on experience in the use and functionality of the SMIS.

342. From the point of view of the MAROP, the facility offered by the SMIS is currently limited in a range of respects. In order to input data, the IB employees must be in the RDA headquarters in order to physically type in the data to the SMIS screens. This contributes to delays in data inputting and to a risk of a higher data input error rate than alternative data input methods like the uploading of files directly into the system. There is a predominant emphasis on entering data into the SMIS but small progress has been achieved as concerns using data from the SMIS. A reason for this is that the planned project to further develop the reporting capabilities of the system is delayed. The data can be interrogated but for analysis purposes, there is a limited number of predefined reports and requests for special ad-hoc SMIS based reports need to be sent to ACIS for processing.

343. A third issue with the data in SMIS is the question of its integrity, directly linked to the quality of data entered and the degree to which the system is correctly used - that is, its reliability and continuing validity as an information source for the MAROP. The evaluation team noted many cases of simple errors in the data recorded in the SMIS for project indicators. There is a clear need for the users to pay more attention to check both the accuracy and consistency of the data in the SMIS system.

344. The uncertainty over data integrity and the limited development of reporting capabilities of the SMIS need to be addressed in order to be a fully reliable source of information to the MAROP for monitoring purposes, both project and programme monitoring. Also, in order to make full use of the system for analysis purposes the export of data to other data analysis platforms should be explored. It is likely that the audit interrogation and analysis tool IDEA would be able to interrogate the SMIS in an advanced way, but a request from the Internal Audit Unit has indicated that their request to purchase a license for the use of IDEA has not been approved by the Ministry (MDRL) due to lack of funds. As a result, the usefulness of the SMIS system as a data source analysis for the MAROP is still quite limited.

345. A further limitation of SMIS as a repository of financial data is discussed in Chapter 5.

#### **Programme monitoring and analysis system**

346. For programme monitoring, the MAROP Directorates and the IBs have developed a comprehensive system for data exchange, depending extensively on the use of excel spreadsheets. Much of the data used in this report comes from the spreadsheets produced by the IBs and by the various Directorates in the MAROP. Specifically, the excel spreadsheets are used to produce the weekly, monthly and ad hoc reporting. In assembling the data for this report, the evaluation team was able to reconcile the data from the various reports to an acceptable degree of accuracy. This is a credit to the skills and expertise of the officers in the MAROP and the IBs who are responsible for this work.

347. There is an over dependence on the skills of the officers in the MAROP Directorates for the accuracy of the analysis work and there are high risks of data loss. Although the quality of



information is good, it is not sustainable in the longer term. Some loss of accuracy is inevitable but the main problem appears to be to lack of a formal cut-off control over the data. For example, a mix of weekly and monthly data is used, without a formal establishment of a common data position for all the MAROP Directorates and the IBs. A further issue is that some information is presented in Euros while other Directorates use RON. The analytical capabilities of the MAROP Directorates would be enhanced if an investment into SMIS would be completed with the implementation of a business intelligence and/or online analytical processing tool. According to ACIS, one of the activities already included in the stand-by SMIS-NSRF development contract consists in the reinstalling of the entire SMIS to include also Oracle Discoverer tool and other tools that will enable custom reporting and online analytical processing for all users. These tools, using the SMIS database, would provide a common underlying source of data for all structural funds bodies, including the various Directorates in MAROP and would improve their analytical capabilities and the efficiency of the production of management reports in the system.

## Conclusions and Recommendations

### Chapter Conclusions

348. The pro-active measures taken by MAROP starting with 2009 to speed up the evaluation, selection and commitment process and shorten its duration are working in the early stages of the process but significant delays recorded in the technical and financial evaluation stage indicate that further improvement in this area is needed (paragraphs 326 - 329). The rejection rates are within acceptable limits, which indicates the system is operating satisfactorily (Table 85). Overall, the system for project evaluation, selection and commitment is effective but not as efficient as is desirable.

349. The project monitoring system is well established but is at an early stage of implementation. Some duplication between the monitoring and verification processes will need to be rationalised in the future, but only where justified by the maturation of the system (paragraph 337). The SMIS does not fully serve the analytical and reporting needs of the MAROP. Little use can be presently made of the data in the SMIS for analysis purposes. The reporting capabilities, from a MAROP perspective, are quite limited (paragraphs 344, 345). The MAROP and the IBs use Excel spreadsheets as the primary application for the transfer and analysis of routine management information. So far, the system is working well due to the skill, experience and dedication of the officers in the MAROP Directorates and in the IBs but this system is unlikely to be sustainable in the longer term as it will be susceptible to an increasing degradation of data quality (paragraphs 347, 348).

### Chapter Recommendations

**The MAROP needs to accelerate its performance for the project evaluation, selection and commitment processes**

#### Conclusion:

Significant delays were recorded in the deployment of independent evaluators in the regions, for several of the KAIs (paragraph 329).

Aspects of the project evaluation, selection and commitment process under the direct control of the MAROP should be accelerated (paragraph 327).

**Recommendation:**

The MAROP should seek solutions to speed up those phases of the selection and commitment process which are under its direct responsibility, namely:

*Deploying independent evaluators;*

There are a number of alternative methods for the provision of independent expertise for project evaluation. It is important that this expertise should be developed in the regions and that the role of the MAROP in supplying evaluators should be phased out. Ideally, there should be a small cadre of internal expertise in the IBs to manage the project selection process. There will always be a need to partially outsource this function but a more efficient supply could be arranged, for example through the use of multiple contractors.

*Approving evaluation and selection reports; Final processing of contracting documents.*

To this end, a potentially useful measure would be setting up targets on the number of contracts to be concluded per month, for each KAI. The target can be calculated based on the values of the commitment prognosis (e.g. between now and the end of 2010), taking into account the average project values and should reflect the minimum number of contracts required to meet the commitment targets.

**Programme monitoring is not fully organised****Conclusion:**

The monitoring of results is proposed mainly through surveys but a survey plan has not been made. An arrangement to enter the survey data into SMIS has not been finalised.

**Recommendation:**

A survey plan for 2010 to begin collecting data for results indicators should be made now and the requirements for funding under KAI 6.1 should be established.

The MAROP should make an immediate review of the completeness and accuracy of the results information entered into the SMIS and the information which is missing. A collaboration with the SMIS team at ACIS should be made to clarify the system for capturing the results indicators in SMIS. Alternative arrangements for recording and maintaining any indicators that will not be entered into SMIS need to be established before the end of 2009.

**The SMIS is not delivering proper decision support capabilities for the MAROP****Conclusion:**

The decision support capabilities of the SMIS system are not yet fully developed. Little use is made by the MAROP of the data held in SMIS (paragraphs 344, 345).

The MAROP relies heavily on the use of excel files for the transfer of data from IBs to the Directorates and within the Directorates.

So far, the systems are working but there is a high risk to data loss and to overdependence on the expertise of a small group of officers in the MAROP (paragraphs 347, 348).

**Recommendation:**

The MAROP should elaborate its information systems needs to support routine management reporting and decision making. Practical solutions to the current over-dependence on Excel spreadsheets for programme analysis should be identified and implemented as soon as possible but no later than the middle of 2010.

There are three options (not mutually exclusive):

1. Seek enhanced access to SMIS data for analysis purposes by negotiating with the SMIS team for regular downloads of the required parts of the database.
2. Wait for the promised enhanced SMIS reporting modules (using the Oracle discovery analysis tool).
3. Investigate the feasibility of investing in tools such as business intelligence and workgroup applications complementary to SMIS, in order to respond to the specific procedures and reporting needs of MAROP and IBROP, that go beyond the objective and coverage of SMIS.

## 5. How are the performances of the ROP implementation system reflected at the level of reimbursement claims?

350. This Chapter is examining the following aspects:

**Evaluation Question 5: How are the performances of the ROP implementation system reflected at the level of reimbursement claims?**

### Areas of examination

*5.1 Analysis of the efficiency of the financial flow, including the current and forecasted financial situation in order to see to which extent the Managing Authority is able to meet the n+3 and n+2 rule;*

*5.2 Analysis of the use of prefinancing funds for the reimbursement of expenditure under the priority axes, in correlation with the impact on the compliance with the n+3 and n+2 rule, including at the level of each development region;*

*5.3 Impact on the efficiency of the payment process and on the achievement of programme objectives of the State Budget covering VAT equivalent corresponding to eligible expenditure incurred within the financing contracts.*

351. The n+3/n+2 rule sets a limit within which the funds allocated by the EC are absorbed by a Member State. The rule states that the financial allocation for year “n” must be spent and certified by the second or third year (n+2 and n+3). Unspent amounts are decommitted. It is important to note that the rule applies at the level of the OP and not at the level of individual projects or priority axis. The general rule applied is n+2. New Member States were granted a derogation to apply n+3 for the first three years of the implementing period. Nevertheless, it is recognized that the system of payments and reimbursement requires a close monitoring by the MA and IBs of expenditure in order to prevent decommitment. It is a common practice for Member States to develop a payment prognosis system to achieve this purpose. The MAROP follows this approach.

352. **The first area of analysis** for this chapter was concerned with an examination of the financial circuits established for ROP to consider the efficiency and effectiveness of the systems in place and to make recommendations to improve the systems. Apart from the expenditure verification procedures at the IBs and the MAROP and the document circuit from beneficiary to the CPA by which payments are made, the examination also considered the payment prognosis forecasting system by which the MAPOR monitors its absorption of ERDF and its position in respect to the n+3/n+2 rules. The methodology applied was a review of procedures manuals, interviews at MAROP, IBs and with relevant external parties like the Audit Authority and the ACIS, and analysis of relevant data.

353. **The second and third areas of examination** focus of specific aspects of the payments system and their effects on the implementation of ROP. The second area was studied by establishing the current position in respect of pre-financing and considering the effects of recent changes to the rate of pre-financing. The third area considered the decision taken in 2008 that the Ministry of Public

Finance would fund the payment of VAT on eligible expenditure for public beneficiaries who otherwise could not reclaim the VAT.

**Analysis of the efficiency of the financial flow, including the current and forecasted financial situation in order to see to which extent the Managing Authority is able to meet the n+3 and n+2 rule**

### **Expenditure Verification procedures**

354. In order to evaluate the financial circuits, the current procedure manuals were reviewed and compared against the systems description (Annex XII) and the general requirements of the implementing regulations. The financial circuit is divided into the following control cycles:

- Expenditure verification;
- Document flow from the beneficiary to the Certifying and Paying Authority;
- Prognosis forecasting system.

### ***Expenditure verification***

355. The expenditure verification is performed based on procedures transposing the provisions of EC Regulations (article 60 of EC Regulation 1083/2006 and article 13 of EC Regulation 1828/2006 - authorisation of payments) and observing the domestic legislation in place (including the recent Order 108/24.02.2009 of the Minister of Regional Development and Housing on fulfilling the responsibilities related to the management of the Regional Operational Programme).

356. Ministerial Order 108 sets the main responsibilities for both the MAROP and the IBs in relation to expenditure verification. For the MAROP, the key responsibilities are:

- to verify that all operations financed under ROP (works/ services, products, etc.) have been effectively delivered and that all expenditure notified by the beneficiary in relation to the projects are real and comply with the national and Community legislation. On site verification may be performed as well, based on sample checks, in accordance with the specific provisions, adopted by the EC;
- to ensure that there is in place a proper system for registering and storing in electronic format all the accounting documents, for each individual project financed out of the ROP, and that the project implementation data required for financial management, monitoring, verification, audit and evaluation - is properly collected;
- To ensure that the final beneficiaries and other institutions involved in the implementation of operations have in place a distinct accounting system, or separate accounting for all project-related transactions, observing the national financial-accounting legislation in force;
- To draft procedures on document registration/storage in accordance with the provisions of article 90 of EC Regulation 1083/2006 for all documents related to expenditure and audit needed for establishing a proper audit trail;
- To ensure that the Certifying and Paying Authority receives all the necessary information related to the procedures in place and verifications of expenditures.

357. The IBs have the following main responsibilities in relation to expenditure verification:

- Collect and verify the claims for reimbursement from the beneficiaries, together with the progress reports and financial reports;
- Verify, from a technical and financial perspective, the claims for reimbursement, against the provisions set by the procedures and expenditure manual (MVI/OI);
- Examine all the supporting documents attached to the claim of reimbursement;
- Perform on-site verification of data conformity for each claim for reimbursement and drafts the on site report, according to the procedures manual (MVI/OI);
- Submit to the MAROP all the data, information and documents which constitute the claim for reimbursement file, according to the provisions and standards foreseen by the procedure manuals. The IB also ensures that the documents are available at any time for the EC or other institutions, upon request, as stipulated by the national and Community specific legislation;
- Enter in the SMIS the information on claims for reimbursement submitted by the beneficiaries, and updates the data, according to the provisions set by the procedure manual (MVI/OI);
- Verify if the beneficiaries have a proper accounting system in place, for each project.

358. The above arrangements provide for an extensive and tight financial control system. The level of checking is substantial and in excess of the minimum requirements of the implementing regulations. The use of an extensive system is resource intensive and it is debatable if in the future it will be possible for the IBs to comply with the requirement for an on-site visit for each claim for reimbursement.

359. As indicated by the Twinning experts, the submission of a copy of all supporting documents (that already exists at the IB) for each claim for reimbursement will result in a substantial amount of documentation. This has already been seen in the case of a roads project where the supporting document for a first claim for reimbursement consisted of 9,767 pages, printed in two copies weighing 140 kilos that needed to be transported by a mini-van. The reason for the high volume was the requirement to include the full tendering documentation in the supporting papers. Clearly, the requirement is untenable, and wasteful. It would have been cheaper for the checks to be made at the premises of the beneficiary.

***Sample checks for verification of expenditure:***

360. The MAROP performs sample checks, the purpose of this is to verify if the IBs properly carry out their obligations on verification of expenditure. The sample check also allows the MAROP to gather the relevant information on how the management system is functioning at the level of the IB.

361. The General Directorate for Authorisation and Programme Payments in the MDRL has the obligation to carry out detailed controls, and verifies all the supporting documents submitted by the beneficiary, in the same manner as performed by the IB, but only for 10% of the eligible expenditure for each PA, but not less than ten claims for reimbursement from a region during the lifetime of a programme.

362. The main responsibilities of the ROP Authorisation Department are:

- To verify that the conditionalities for pre-financing are met, endorse the pre-financing payments, and later on, recover the pre-financing;
- To verify that the beneficiaries keep a separate accounting system for each project implemented;
- To verify the reports submitted by the IB prior to authorisation of expenditure;
- To examine the supporting documents attached to the claim for reimbursement, based on risk evaluation, and authorise the eligible expenditure

363. In the initial period, it is proposed to make a higher level of sample checks. This is reasonable until the effectiveness of the controls is confirmed. It is important, for resource availability purposes, to reduce the sample checks in cases where the control system is considered to be operating effectively.

#### **Processing the claims for reimbursement**

364. Annex XII stipulates that the IB has the obligation to perform a 100% verification of the support documents attached to each claim for reimbursement. The existing procedures (Annex XII, internal procedures, manuals, etc) are clear enough in defining the flow of documents related to the claims for reimbursement between the beneficiary, the IB and the MA.

365. In practice, the four-eyes principle is applied both at the level of the IB and the MAROP, but the 100% verification is not explicitly mentioned (at least not in Annex XII) as being a compulsory requirement for the departments responsible with the verification in the MAROP. The current system in place is that the MAROP verifies exactly the same documents as the IB (Public Procurement reports, invoices, bill of quantities, etc), the checklist being the same. After a number of audit missions performed by the Audit Authority during the last year the procedures became even more cumbersome. The procedures are expected to be reviewed again in September 2009 and if found satisfactory, for instance, in relation to the Public Procurement process, there is an opportunity to simplify the procedure.

#### **Checking of reimbursement claims for KAI 6.1 and 6.2**

366. The main KAI where payment reimbursement claims have been submitted is for KAI 6.1 and KAI 6.2. In these cases, the double application of the "four-eyes" principle caused particular problems for the verification of expenditure. The double checking is made in two separate Directorates (General Directorate for Authorisation and Programme Payments and Department for Programme Management in MAROP), both of which have high workloads. As there are only four persons in the Department for Programme Management in MAROP in charge of monitoring the two contracts under KAI 6.1 and KAI 6.2 for the eight IBs, it is obvious that unless the "four-eyes" procedures are simplified soon, it will not be possible to cope with the high volume of work. Delays in processing and paying the reimbursement claims for the IBs will be perpetuated.

367. As an example of what the evaluators observed, there were over 700 supporting documents to be checked for the first reimbursement claim under the contract concluded with RDA West under KAI 6.1. According to Point 5, Annex 3 of the first contract, thirty calendar days were allocated for the verification of documents and other fifteen for making the payment. The actual reimbursement



period exceeded 160 days. For the second KAI 6.1 contracts, there are some modifications in respect to the procedures (more time allocated to the MAROP to check documents from IBs, approve addenda, effect payments). The indicators are also expected to be revised (e.g. contracting rate 60%; rejection rate for reimbursement claims less than 3%, etc). The evaluation expanded the review to cover the efficiency of processing payment claims in four IBs and the results are shown in Table 86 below.

**Table 86: ROP - Trend in time taken to process reimbursement claims for KAI 6.1 and KAI 6.2**

IB/ Claim	Date submitted to AM	Date paid	Duration of processing (days)
<b>ADR North-West</b>			
Prefinancing 6.1	25.06.08	21.08.08	57
6.1 Claim 1	15.07.08	16.12.08	154
6.1 Claim 2	28.10.08	26.03.09	149
6.1 Claim 3	24.12.08	25.05.09	152
6.1 Claim 4	13.02.09	28.05.09	104
6.2 prefinancing	19.12.08	18.03.09	89
6.2 Claim 1	19.12.08	Not yet paid	
6.1 prefinancing	16.01.08	30.01.08	15
6.1 Claim 1	6.03.08	23.06.08	107
6.1 Claim 2	7.04.08	6.10.08	179
6.1 Claim 3	7.07.08	25.11.08	138
6.1 Claim 4	10.10.08	4.03.09	114
6.1 Claim 5	30.01.09	Not yet paid	
<b>ADR Centre</b>			
6.1 prefinancing	14.01.2008	30.01.2008	16
6.1 Claim 1	04.04.2008	12.06.2008	68
6.1 Claim 2	15.04.2008	21.07.2008	96
6.1 Claim 3	27.06.2008	05.11.2008	130
6.1 Claim 4	31.07.2008	13.11.2008	103
6.1 Claim 5	31.10.2008	16.03.2008	136
		31.03.2008	97
6.1 Claim 6	02.02.2009	28.05.2009	87
		01.06.2009	
6.2 prefinancing	10.11.2008/ 15.12.2008 03.03.2009	31.03.2009	97
6.2 Claim 1	03.02.2009 withdrawn in 17.04.2007; resubmitted in 29.05.2009	Not yet paid (24.06.2009)	
6.2 Claim 2	29.04.2009	Not yet paid (24.06.2009)	
<b>ADR South West</b>			
6.1 prefinancing	10.01.2008	30.01.2008	20
6.1 Claim 1	17.03.2008	06.06.2008	66
6.1 Claim 2	07.07.2008	04.09.2008	57

IB/ Claim	Date submitted to AM	Date paid	Duration of processing (days)
6.1 Claim 3	05.09.2008	24.11.2008	80
6.1 Claim 4	10.11.2008	23.12.2008	43
6.1 Claim 5	27.02.2009	22.05.2009	85
6.2 prefinancing	25.11.2008	22.12.2008	27
6.2 Claim 1	24.04.2009	Not paid yet	
<b>ADR South East</b>			
6.1 prefinancing	23.05.2008	11.06.2008	18
6.1 Claim 1	30.06.2008	04.09.2008	64
6.1 Claim 2	04.07.2008	11.09.2008	67
6.1 Claim 3	10.10.2008	23.02.2009	133
6.1 Claim 4	04.02.2009	22.05.2009	108
6.2 prefinancing	To be submitted in June		

Source: Information collected from the RDAs

### Prognosis forecasting system

368. When preparing the Financing Requests, the beneficiary is required to include a table with the planned timing of claims for reimbursement. The planned schedule for reimbursement is considered binding for the beneficiary and can only be modified through a notification to the contract, approved by the IB.

369. After the contract is signed, the planned schedule for reimbursement becomes part of the contract, and is the basis for the IBs to establish their forecast for claims for reimbursement. The claims for reimbursement are introduced by the IB in its internal system. The data is used for preparing the regional cash flow forecasting, and is sent to the MAROP, which aggregates it to produce a ROP level reimbursement perspective. The IB monitors the claims for reimbursement on a monthly basis. In case there are changes related to the reimbursement, the beneficiary is required to notify the IB by the fifteenth day of the month, and to resubmit an updated reimbursement table to the IB.

370. The basis for programme financial monitoring relies on the regular regional reports from the IBs which in turn are based on updated information from beneficiary. The accuracy of the forecast depends on the quality of communication between the three levels (MAROP, IB, beneficiary). The weakness in this forecasting system is that the updating of information is only one-way, from beneficiary to MAROP whereas the likely delays in processing at IB level and especially at MAROP may not be reflected in the updating of the prognosis. The financial monitoring needs to develop a closer view of the throughput of the claims through the system as it is important that the prognosis is as close to reality as possible.

371. The Department officially responsible for the forecast is the General Directorate for Authorisation and Programme Payments in the MDRL, although other departments produce some internal forecasts as well. This Department depends on a high level of skill in data handling which at the moment is working well but is over burdened. The starting point of the forecasting is the number of existing signed contracts, as indicated by the Contracting Department. The budget for 2009 was set in July 2008. The payment targets set for the 1st quarter of this year were not met, so adjustments were operated for the remaining quarters of 2009. The forecast is based on the assumption that the pre-financing is paid in the fourth month after contract signature and the first

claim for reimbursement will be authorised after six months. The figures for the prognosis are based on contracts already signed and on information provided by the IBs on number of project applications under evaluation and selection process.

372. At best, the current prognosis system is a crude estimate of the future. The reliability of the forecast reduces as the period under review is extended beyond 12 months. The current experience of significant savings in works contracts, noted in Chapter 4, has important consequences for the prognosis system, as the savings are not recorded in the prognosis and would affect the expected final payments rather than the more immediate payments. This means that if the system is not developed to recognise the potential effect of savings on works contracts, the perspective presented by the prognosis reports in terms of the margin of safety for achieving the n+3/n+2 limits will be false.

### **Reaching the payment targets for 2009**

373. According to the latest forecasts, it is expected that payment reimbursements of M€ 113.8 (March 2009: M€ 130.8) will be made in 2009. At 30 June 2009, only M€ 3.9 had been reimbursed. The expected reimbursements are mainly in respect of PA 2 (M€ 71.9) and KAI 4.3 (M€ 21.2). The extent to which the payment forecast will be met was considered for each KAI in the course of the Portfolio analysis in Chapter 2.

374. At the Spring Monitoring Committee meeting, the DG Regio representative signalled his view that the 2009 reimbursements should be in the region of M€ 400. This provides a sober context to the scale of the challenges that the financial control and payments system is about to face from now onwards. Clearly, these expectations will not be met.

375. The current prognosis reports suggest that there is a good margin of safety for Romania to avoid decommitment under the n+3 and n+2 rules. This appears to depend on the drawdown of pre-financing in 2007 and 2008 and is unlikely to be taking adequate account of the delays in processing claims that have arisen so far. It is desirable to add a stress test to the assumptions that underpin the payment prognosis and the Evaluators noted that some RDAs (Bucharest Ilfov, South West) are already applying this approach. An “early warning watch” also needs to be kept on all claims above a certain value (for example in PA 1, PA2, KAI 3.1 and 3.4, and KAI 5.1).

376. In general, our conclusion is that in the financial control arrangements there is an uneven weight in favour of compliance at the expense of efficiency of absorption. The effect of the delays on the cashflow (and operating budgets) of the RDAs is severe and was noted in the analysis of activities in the relevant priority axes. The MAROP management and those responsible for the expenditure verification process need to be more aware of the damaging effects of the delays in their work on the achievement of the ROP results. Based on current performance an average time to process a reimbursement claim might be 120 days with a wide range (say from 60 to 180 days). The prognosis model should be routinely tested (say every six months) to consider the effects of this pace of work on meeting the n+3/n+2 rule.

**Analysis of the use of pre-financing funds for the reimbursement of expenditure under the priority axes, in correlation with the impact on the compliance with the n+3 and n+2 rule, including at the level of each development region;**

377. The pre-financing mechanism under the ROP has functioned from the beginning of the programme under clear rules set by the MAROP with respect to the provision of signed contracts when requesting the pre-financing - currently 15% at the provision of any signed contract and a further 15% after the main works contract is signed; and with respect to the obligations of the beneficiaries to pay back the pre-financing if no reimbursement claims are submitted within fixed deadlines after set in relation to the moment when the pre-financing was received.

378. The legal framework concerning pre-financing has been improved starting with 2008 through several pieces of legislation. The more recent one - Emergency Government Ordinance (OUG) 64/2009 states the current conditions for granting pre-financing for projects financed under the ROP. As a general rule, the pre-financing payable has increased to 30% (from an original limit of 15%, subsequently raised to 20%), except for projects under the State Aid rules. For the *de minimis rule* (in the case of KAI 4.3), the cap is set at 35%. The beneficiaries under State Aid rules are required to provide bank guarantees for the entire amount of the pre-financing asked for.

379. Up to the evaluation cut-off date, the pre-financing has been effectively used by beneficiaries only under PA 2 and PA 6. The first call under KAI 4.3 was launched and contracts signed when the legal provisions did not allow pre-financing for private beneficiaries and the MAROP has not decided up to now to consider addenda to the financing contracts to include pre-financing for this category of beneficiaries. The beneficiaries under the second call under KAI 4.3 will have access to pre-financing. All beneficiaries under PA 2 have up to now applied for the 15% allowed by the previous rules. Addenda are currently prepared by the beneficiaries to supplement the pre-financing to 30% following the conclusion of the works contracts. Under PA 6 the main beneficiaries of the pre-financing were the IBs. In this case, although effective, the benefits of using the pre-financing facility have been reduced by the delays encountered in concluding the financing agreements discussed in section 5.1 of this chapter. For PA 6, the MAROP has so far maintained the pre-financing cap at 15%.

380. The pre-financing mechanism for projects not under State Aid rules has already proved a highly effective arrangement in the case of the projects under PA 2 and has every prospect to be so for all similar projects. Evidence in support of such an opinion were supplied by the analysis of the individual projects' cash-flow profiles, a more in-depth scrutiny of a limited number of the payment forecasts for the works contracts under PA 2 in South West region. Additional information was gathered during the interviews and regional workshops with the local beneficiaries. The analysis demonstrates that in most cases the payments programme within the signed contracts under the projects are uniformly spread over the implementation period and are correlated with the reimbursement schedule. By using the pre-financing, the financial burden is effectively removed from the beneficiary who remains in charge of the final payment(s) only. These final payments are generally affordable from the beneficiaries' own contribution for which they committed themselves anyway to provide during the project lifetime.

381. The only point left out from the scheme is the expenditure related to technical design in cases where there was no Government support for this purpose granted under GOs 811 and 1424. The beneficiaries are requested to pay the designers, at least partially, before the financing contract is

signed. This means that there is an approximately a six month gap between the moment in which the technical design is delivered and the moment the pre-financing reaches the beneficiary's account. Design costs can go up to 5% of the works value in general. In practice, due to the scarcity of resources at the level of local authorities, most of the beneficiaries are delaying as much as possible the payment of the designers.

382. As already described under the section concerning the KAI 4.3, the effectiveness of pre-financing is slightly different when it comes to private beneficiaries. In the first place, there is the difficulty to provide the required bank guarantee under the current conditions imposed by the banks. This is arguably the case to a lesser extent in the case of larger enterprises from the categories of small and medium-sized enterprises eligible under KAI 4.1 and KAI 5.2 than in the case of the microenterprises and in the case of the public authorities that apply for financing under State Aid rules, as they would be more trustworthy for the banks. The reality is that even for these beneficiaries the banks require guarantees other than cash collateral, which are in most cases difficult to provide as most of the more active potential applicants - be it private or public organizations - have already reached their limits.

**Impact on the efficiency of the payment process and on the achievement of programme objectives of the State Budget covering VAT equivalent corresponding to eligible expenditure incurred within the financing contracts.**

383. This evaluation question has two parts. The first part, concerning the general efficiency of the payment system has focused on delays in payments to the RDAs. Other payments are in a very early stage, although the evaluation team has noted that the first payment for roads projects under PA 2 have been made very efficiently, within 36 days of submission. Accordingly, the payment system has the potential to operate efficiently and the delays in payment to the RDAs can be attributed to early teething problems and to an external factor - the delay in the production of the Ministerial Order of the eligibility of expenditure.

384. This section of the report deals with the second part of the question - the payment from the State Budget of the amounts representing the VAT payable on the eligible expenses within the financing contracts.

385. According to the Romanian legislation, the ordinary and capital expenditure of the public institutions (line ministries, other specialist institutions of the public administration, other public authorities, autonomous public institutions and the institutions subordinated to these, regardless of their financing mechanism) are financed in full from the State Budget. Similarly, the local public institutions are financed from the local budgets, from their own sources of income or from subsidies granted from state/local budgets. The local budget allocations transferred from the state budget represent one of the most important revenue sources for the local budgets and the quotas come mainly from a certain share of the income tax but predominantly from a share of the VAT, which is earmarked for this purpose through the annual budget law.

386. The local budgets contain, within the "Development" section, the capital expenditure corresponding to the development policies at national, regional, county, area or local level accordingly, based on the approved programmes and projects. This type of expenditure may be financed from transfers to the local budgets. According to the Romanian legislation, the transfers from the State Budget to the local budgets for the purpose of covering the capital expenditure

programmed in line with the approved development policies are consolidated transfers, which means that when the general budget is constructed, the amounts corresponding to transfers are eliminated to avoid double counting.

387. On the other hand, the national contribution for each of the MPF is included within the budget of the MPF for the public co-financing, pre-financing and the continuation of the financing in case of temporary absence of funding. The national contribution also covers transfers of funds from the MPF to beneficiaries, within the budgets of the Territorial Administrative Units (UAT), for the funds needed to cover local co-financing and the ineligible expenses for their own projects. The budgets of Managing Authorities (MA) are also covered in respect of the funds needed for pre-financing or co-financing of projects financed under the TA priority axes of the operational programmes and for the funds designated to cover the ineligible expenses either in the cases where the MAs are themselves beneficiaries, or in the case where the beneficiaries belong to the public sector and they benefit from financing from the State Budget through the budget of the primary budget holder.

388. The main modification introduced within this funds circuit is the introduction within the budget of the MPF of the amounts representing the needs to cover the VAT liability for eligible expenses made within the operational programmes under the structural instruments. From the perspective of the budgetary process at the level of both the UATs and the State Budget, such a provision is in fact a simplified procedure. In other words, the impact on the consolidated budget is zero as long as the budgets of the UATs are “supplied” with funds using transfers from the State Budget through consolidated budget transfers earmarked for the implementation of the programmed investments. From a pragmatic perspective, such a legal provision is very effective in securing a more efficient cash-flow at the level the local beneficiaries, which financially are the weakest element in the chain of the structural instruments.

389. The 2008 Annual Implementation Report for the ROP refers to VAT reimbursement for the eligible expenses from the perspective of the State aid rules. The evaluation conclusions on this issue are set out in the following paragraphs.

390. The amounts corresponding to VAT are granted through direct or indirect payment only to specific categories of beneficiaries - local and central public administration authorities, subordinated units or units under their coordination, non-government and non-profit organisations, public utility organisations with legal personality that are functioning in the area of regional development (including the RDAs), not-for-profit organisations with legal personality, National Company for Motorways and National Roads (CNADNR), and the National Railways Company. Nevertheless the national legislation consisting of Ministerial Order (MO) 287/2008 of the Minister of Development, Housing and Public Works and the Recommendation of the EC no. 361 published in the OJ of the EU L124/2003 distinguishes between UATs and companies. In other words, because of the fact that the State aid scheme approved through the MO 287/2008, for regional development through the creation and development of business support structures within the ROP 2007-2013, applies to all categories of beneficiaries - companies and UATs - it is irrelevant to discuss a breach of the national or community legislation concerning State aid through the direct or indirect payment of the VAT by the MPF.

391. More recent arguments are offered by the approval of the Emergency Government Ordinance (OUG) 64/2009 (which replaces Government Ordinance 29/2007) that stated the intention of the Government to improve the existing legal framework both through providing for a more clear

definition of the mechanism for securing the provision of public co-financing and through the references made to the State aid legislation when discussing the funding needed for the financing of the total value of the projects. Under the circumstances, there is still room for further improving the existing legal texts to make more specific reference to the State aid legislation when discussing the amounts representing the VAT corresponding to the eligible expenses for the projects financed from structural instruments. It is in our opinion only a matter of form that has significant influence for the essence of the legal provisions in place.

## Conclusions and Recommendations

### Chapter Conclusions

392. The payment reimbursement system is in its early stages of implementation. Confidence in the degree and accuracy of expenditure verification work is not yet confirmed and the level of checking is kept artificially high (paragraph 359). This is an understandable approach. Some delays in processing the first claims for reimbursement have been experienced but improvements are expected (paragraph 368, Table 86). The payment forecast for 2009 has been reduced from March to June 2009, and is likely to need further downward revision. The payment prognosis analysis is, at best, a crude estimate and is likely to give misleading information, in particular, if the savings on works contracts are not taken into account (paragraphs 372, 373).

393. Pre-financing helps beneficiaries to manage their project cash flow especially in cases where the cash outlay is high at the early stages of project implementation. The use of pre-financing and the increased available rate of pre-financing are important incentives for project beneficiaries and encourage project applications (paragraph 381). In that sense, it contributes positively to meeting the n+3 rule as it supports the efficiency of project implementation and should lead to earlier payment reimbursement claims. The practical effect of pre-financing on the n+3 rule is otherwise small.

394. The government decision on providing for VAT is working well. The VAT requirements are calculated as part of the budgeting and cashflow forecasting systems in the MAROP and the figures are transmitted to ACIS on a regular basis (paragraphs 389, 391).

### Chapter Key Recommendations

#### The efficiency of processing payment reimbursement claims should be improved

##### Conclusion:

The IBs have experienced serious cashflow difficulties due to delays in payments for their services from the MAROP (paragraphs 367, 368). This has affected their capacity to operate, specifically in the organization of information and publicity events.

##### Recommendation:

A more efficient contracting method for the IBs (lump sum / or another type of contracts) should be found in order to speed up processing of the reimbursement claims from the IBs.

When the financial control system of the documents is well established, the level of checking applied by the MAROP should be reduced to the minimum required in the regulations.



A risk analysis should be performed, to identify where the most frequent errors occur and in which type of documents and transactions, as a basis for improving the efficiency of expenditure without increasing the risk that a material error is undetected.

**Unnecessary duplication of procedures and excess checking of payment reimbursement claims is affecting the efficiency of these processes.**

**Conclusion:**

Duplication of procedures between project monitoring and verification is non-productive and contributes to delays in the MAROP inputs to the project acceptance and commitment processes.

The current levels of expenditure verification at MAROP level, is leading to a serious work overload for key MAROP staff and consequently to delays in processing the reimbursement claims from beneficiaries (paragraph 377). The 4 eyes principle applied to the expenditure verification, both at the level of the MARPO and IBs, consisting in carrying out a double check of the reimbursement claims, 100% at the IBs' level and 10% at MAROP, with same checklist, is time and resources consuming and creates bottlenecks in processing the reimbursement claims received from the beneficiaries (paragraph 366). Some rationalisation of the internal procedures requirements will be necessary in the near future in order to increase the performance and to speed up the reimbursement of the ROP beneficiaries.

**Recommendation:**

When the monitoring system is firmly implemented (earliest - second half of 2010) an internal review should be made to consider the elimination of duplication of procedures between project monitoring and expenditure and operational verification. A common procedure could be drafted where current overlaps of the two activities are merged.

Based on the findings, measures should be taken to avoid bottlenecks in processing the reimbursement claims and payments to beneficiaries, by simplification of procedures to avoid overlappings that can influence the administrative capacity of the MAROP and IBs. Rationalisation and simplification of the internal procedures requirements, related to the 4 eye expenditure verifications should be considered by the MAROP.

## 6. What is the ROP contribution during the evaluated period to the implementation and achievement of strategic objectives?

395. This Chapter is concerned with the wider impact of the ROP to date, the prospects for impact from the completion of the ROP, and the challenges for the remaining implementation period.

396. The evaluation questions set for this chapter are:

### Evaluation Question 6: What is the ROP contribution during the evaluated period to the implementation and achievement of strategic objectives?

#### Areas of examination

#### 6.1 Analysis of the ROP contribution to:

6.1.1 *The implementation of the objectives of cohesion policy as they are stipulate by the Treaty establishing the European Community;*

6.1.2 *Fulfillment of the ERDF tasks/mission stipulated by the Regulation 1083/2006;*

6.1.3 *Implementation of the priorities detailed in the Community Strategic Guidelines for Cohesion Policy and specified within the priorities established by the National Strategic Reference Framework;*

6.1.4 *Achievement of the objective of promoting competitiveness and employment leading to the fulfilment of the objectives stipulated by the Integrated Guidelines for Growth and Jobs (2005-2008)*

6.2 *Identification of the achievements, opportunities and future prospects related to the strategy implementation;*

6.3 *Presentation of examples of best practices identified by the evaluator.*

397. The report has established that the implementation of the ROP in terms of project outputs and results and fund absorption is at a very early stage. Accordingly, a full examination of actual impact to date at any level is premature. There is sufficient progress in the launching of calls for all priority axes and in the generation of project pipelines and the establishment of a portfolio of accepted and committed projects, to make some comments on the potential for impact arising from the situation established at 30 June 2009. The following paragraphs should be considered in this context.

#### Analysis of ROP contribution to Strategic Objectives

##### *The implementation of the objectives of cohesion policy*

398. European cohesion policy is concerned with improving the competitive position of the EU as a whole and of its weakest regions in particular. All of the Romanian regions are classified as weak which makes them fully eligible for support under the convergence objective. The primary focus of cohesion policy has been on growth and jobs in order to improve the capacity of the regions to compete effectively in the EU internal market. GDP growth per inhabitant in Romania has consistently outperformed the EU over the last ten years (Chart 1). According to the EC, the OPs in

Romania should “contribute substantially to an overall increase in GDP of 15% for the period 2007 to 2013”.

399. Since 2000, the implementation of cohesion policy has used the Lisbon strategy as the basis for the development of the programme logic of the OPs. The Lisbon strategy reasserts the growth and employment objectives in specific terms and also identifies four priority areas for reform:

- Prepare the transition to a knowledge based economy
- Sustain economic growth
- Modernise the European social model
- Energy and climate change

The new Lisbon cycle covering the current programming period, 2007 to 2013, seeks to deliver further reform in each of the four priority areas. In terms of changing circumstances in the EU, arising from enlargement, internal and external migration and environmental change, the EC has found that cohesion policy offers a solid platform to provide a strategic response to the new challenges that arise. Similarly, in response to the financial and economic crisis, the EC has again used the flexibility of the cohesion priorities to shape its strategic response to the specific threats to growth and jobs that have materialised. In this regard, the availability of cohesion policy and the existing set of OPs provided a robust platform for a swift response to the crisis.

400. The Lisbon strategy also includes a strong commitment to sustainable development, which along with equal opportunities and the environment are the horizontal themes for the current OPs. In general, sustainable development seeks to achieve a balance between economic, social and environmental improvement<sup>33</sup>.

401. The ROP was developed as part of the set of seven OPs which altogether seek to implement different policy and sectoral aspects of the Cohesion Policy. The specific focus of the ROP is as a balancing programme to counteract the potentially adverse trends in regional disparities that might arise from the other six programmes. As all of the programmes are at an early stage of implementation, no significant adverse trends have arisen so far.

402. In terms of contribution to growth, the improvement in the roads network (PA 2) and the specific supports to business and tourism infrastructure (PA 4 and 5) will contribute to economic activity in the Romanian regions. The ROP strategy has deliberately concentrated support in PA 1 for the development of Romanian cities which is a significant growth oriented intervention. A lot will depend on how the proposed infrastructure improvements are used as platforms for increased economic activity and this is something that will only become apparent towards the end of the current ROP programme and in subsequent programmes. The supporting organisation structures to steer the implementation of the integrated plans for the growth poles and the urban development poles are new and untested. Accordingly, particular emphasis will be needed on the sustainability of the investments. As the growth poles and urban development poles are eligible for assistance from other OPs, a close monitoring of the co-ordination of the interventions for the implementation of the integrated plans will be needed, possibly involving the creation of a small dedicated team drawn from the MAs of the OPs that are major supporters of the growth poles and urban development poles.

---

<sup>33</sup> There are proposals to add culture and heritage as a fourth pillar of sustainable development.

403. The evaluation has noted that there is a high sustainable development content in many of the KAIs in the ROP, particularly in PA 3 and PA 5. This is not supported at the level of results indicators and we have concluded that the indicator coverage of sustainable development and of the contribution to the environmental objectives is weak. A small horizontal ad-hoc evaluation could be used to look into this issue in preparation for the next interim evaluation of the ROP in 2012. The evaluation could seek to establish the specific sustainable development, equality, and environmental benefits that are likely to be realised from the ROP project portfolio.

#### *Fulfillment of the ERDF tasks/mission stipulated by the Regulation 1083/2006*

404. Regulation 1083/2006 is the implementing regulation for the current programming period. The regulation sets out the requirements for managing the implementation of the OPs, which includes the definitions and structures of the main programming documents, the roles of the key actors (the MAROP, MCROP and IBROP), the financial management and financial control requirements of the EC, and the information and publicity requirements.

405. In the evaluation, we have visited and interviewed the key stakeholders (including the Audit Authority), reviewed the programming documentation and the procedure manuals for the management and implementation of the ROP and for financial control, and conducted a specific effectiveness examination of the implementation of the communications plans.

406. Based on the work done in this evaluation, we are satisfied that the MAROP is fulfilling its responsibilities under Regulation 1083/2006 and that, up to the cut-off date, the ROP is implemented in accordance with the provisions of the Regulation. However, in the report, we have observed three issues, specifically related to Regulation 1083/2006, which deserve to be reemphasised here.

#### *Level of verification of payment expenditure claims*

407. The level of verification of payment expenditure claims has been artificially set at a higher level that is envisaged by the Regulation. In practical terms, the MAROP is duplicating the control work of the IBROP. As the “4-eyes” principle is adopted, this means that the expenditure claims are checked by four separate people. The initial claims (especially under KAI 6.1) have had a large number of supporting vouchers, in some cases for very small amounts, each of which is checked. The consequence of the current arrangement is that there is considerable pressure in the Directorates in the MAROP (in particular) that perform this work, which is slowing down the general response time of the MAROP to the implementation of the ROP. It is understandable that the Management of the MAROP (and the Audit Authority) should keep a strong emphasis on financial control in this early period until it is established that the expenditure control system is working as was intended, but the current arrangements are not sustainable. We have recommended that an early review of the situation should be made with a view to reducing the control regime down towards the levels envisaged in Regulation 1083/2006.

#### *Monitoring of results*

408. Regulation 1083/2006 emphasises that the Operational Programmes are development strategies and that a particular emphasis should be made on the achievement of the targets for results which are established at the level of the priority axes. There are frequent references<sup>34</sup> to

---

<sup>34</sup> There are 14 direct references to priority axes targets in the regulation.

targets in the regulation, in particular when discussing monitoring and evaluation arrangements. The evaluation has found that the arrangements for the monitoring of results are not fully in place. In particular, the guidelines for applicants, do not always lead to project applications that provide project indicators that are linked to the priority axis targets.

409. The proposal is for the monitoring of results to be made through surveys, but there is no survey plan in place. Also, the result indicators were revised in September 2009 to move away from the use of percentages, which is a positive step. However, it is unclear what action the MAROP proposes to take to secure the alignment of the projects already committed to the new results indicators. An action plan for the IBs to work on this issue with the beneficiaries should be put in place. It will also be necessary to update the Guidelines for Applicants for any remaining calls and for a similar realignment to be made for project applications that have not yet reached the commitment stage. It is important that this work should be completed soon, say by the end of March 2010.

410. The arrangements for the input of results indicators in the SMIS are also unclear. There appeared to be different points of view on the precise indicators that would be taken into SMIS with no consideration of how the records of any indicators not captured in SMIS would be maintained. The SMIS Unit has stated that it is proposed that all results indicators at project level would be held in the SMIS system. In the evaluation, we noted a significant number of cases where the results indicators in the project fiches were either entered in SMIS in the wrong place or were not entered at all. There were also accuracy errors that need to be dealt with.

#### *Use of SMIS as part of the official financial records of the ROP*

411. It was noted during the evaluation that each individual supporting voucher for the payment reimbursement claims is entered into SMIS. In one extreme case, over 700 vouchers for one claim were involved which is clearly not in accordance with the proportionality principle which is mentioned in the regulations, and is generally applied by the EC. We were informed that this requirement is due to the inclusion of SMIS as part of the financial audit trail for the programmes.

412. Regulation 1083/2006 requires that a proper electronic accounting system should be used to hold the transaction records of the programme. Such an accounting system should follow the double entry principle. As the SMIS is a large modular database, not specifically designed with the particular functionality used in financial accounting systems, it is unlikely to meet the requirement in the Regulation 1083/2006 to serve as the electronic accounting system for the ROP. The financial audit trail needs to be within the financial accounting function and control procedures that exist in the Ministry, which means that the records should be captured within a ROP accounting system which is part of the Ministry's accounting system.

413. The current procedure of entering voucher records in the SMIS has little value and needs to be reconsidered in the wider context of the audit trails and the financial control of ROP expenditure. This is a serious issue that the MAROP should discuss with the Audit Authority, ACIS and the TAOP which is responsible for the maintenance of the SMIS system.

*Implementation of the priorities detailed in the Community Strategic Guidelines for Cohesion Policy and specified within the priorities established by the National Strategic Reference Framework*

414. The key aims of the National Strategic Reference Framework 2007-2013 (NSRF) are to “strengthen the strategic focus of Romania’s Economic and Social Cohesion and Regional Policies and to make the correct and appropriate linkages to the European Commission policies, notably the Lisbon Strategy, which builds policies for economic growth and the creation of jobs”. In pursuing its vision “to create a competitive, dynamic and prosperous Romania”, the NSRF sets out to reduce disparities between Romania and the EU “by generating an additional 10% increase in Romania’s GDP by 2015”. The NSRF relies on the ROP for “promoting balanced territorial development” aiming to “decrease the development disparities between Romania’s regions” and expects that the ROP will “support development by creating the necessary conditions to stimulate balanced economic growth in the lagging behind regions and restructure the urban and rural areas”.

**The general situation established by the evaluation is that although national GDP growth continued to increase until the onset of the financial and economic crisis in 2009, the regional disparity in GDP growth has not significantly changed since 2005 (**

415. Table 1 and Table 2). Accordingly, the general relevance of the proposed ROP interventions is unchanged.

416. The strategy for containing or decreasing the development disparities between the regions was to establish a regional fund allocation in proportion to relative GDP per inhabitant, adjusted for regional urban density factors. As the regional GDP disparity has not changed, the regional percentage allocations remain generally valid. In the portfolio analysis conducted in Chapter 2, we established that the progress in terms of commitments was generally in line with the regional allocations, but with Bucharest Ilfov lagging far behind and the North East ahead in terms of its committed percentage of overall ROP and the North West which was ahead in terms of the committed percentage of its regional allocation (Table 22).

417. The use of regional allocation percentages is a simple approach to the disparity objective that was appropriate for this first ROP, which emphasizes a significant investment in regional urban, transport, social, business and tourism infrastructure. Unless the financial and economic crisis has a sudden severe adverse impact on the implementation of the ROP, it is likely that the mechanisms established in the ROP will achieve their desired impact. There is a general opinion that the economic effects of the crisis in the EU27 have reached a low point and that a return to growth should be seen in 2010. There is the issue of lags in recovery, particularly in terms of the labour market, but the ROP job creation targets are not ambitious and we have concluded that the project portfolio in hand should deliver the expected results, even if there is a rising trend in beneficiaries withdrawing their projects after the commitment of funds. A more important effect is the lack of available credit and the initiatives taken at EU level and through the European Investment Bank to address the credit issue do not appear to have reached the level of the potential ROP beneficiary from the micro-enterprise intervention (KAI 4.3).

418. One of the functions of the ROP, as affirmed in the NSRF, is that the ROP should counterbalance the adverse regional economic effects of the other OPs in Romania. The situation at

the cut-off date was the ROP was one of the more advanced programmes in terms of implementation, so it is premature to see if this objective is being met. Also, the concentration of 31% of the ROP funds in urban infrastructure (PA 1) is likely to have a strong contribution to this objective. As this PA is in the early stages of implementation, with no committed projects, the intended mechanism to counter adverse regional disparities of the other OPs has not come into use.

419. In summary, the ROP is being implemented to fulfill the expectations set in the NSRF. The rate of implementation in terms of the regional percentage allocations is within tolerable limits. As the other OPs are at an earlier stage of implementation than the ROP, no adverse regional disparity effects from this source have emerged so far. The financial and economic crisis has, so far, not had a severe effect on the implementation of the ROP and the project portfolio and pipeline appears to be strong enough to withstand the current negative economic effects of the crisis. At the cut-off date, the regional disparities were little changed from the period when the ROP was developed and approved. Accordingly, the general strategy and implementation remains relevant.

420. In order to monitor the above programme management issues, the MAROP should:

- Include an ad-hoc evaluation in the plan for 2010 to stress test the project portfolio and the project pipelines (particularly for PA 1, 4 and 5). The purpose of the stress test is to establish the potential drop-out rate of projects after they are committed so that appropriate action to keep within the n+3 targets can be taken in good time.
- Update its perspective on the implementation of the regional allocation percentages and on changes to the underlying regional GDP per inhabitant indices so that a realignment of the regional percentages can be considered by the Monitoring Committee as early as possible. (There was no need for a realignment at the cut-off date).

*Achievement of the objective of promoting competitiveness and employment leading to the fulfilment of the objectives stipulated by the Integrated Guidelines for Growth and Jobs (2005-2008)*

421. The ROP interventions are mainly concerned with infrastructure and the objectives of the ROP are not primarily concerned with competitiveness. The main exception is PA 1 where the growth pole approach is influenced by the increasing attention being paid in the EU to improving the competitiveness of cities. As none of the growth pole plans or urban development pole plans had been submitted at the cut-off date, there was insufficient information to reach a conclusion on their likely contribution to increasing the competitiveness of Romanian cities in a European context. This issue should be considered in the next evaluation of PA 1 which is planned for 2011.

422. The employment objectives of the ROP are focused in PA1, 4 and 5. The evaluation has concluded that the project portfolio that existed at the cut-off date will exceed the employment creation targets in all three axes.

**Identification of the achievements, opportunities and future prospects related to the strategy implementation;**

*Achievements*

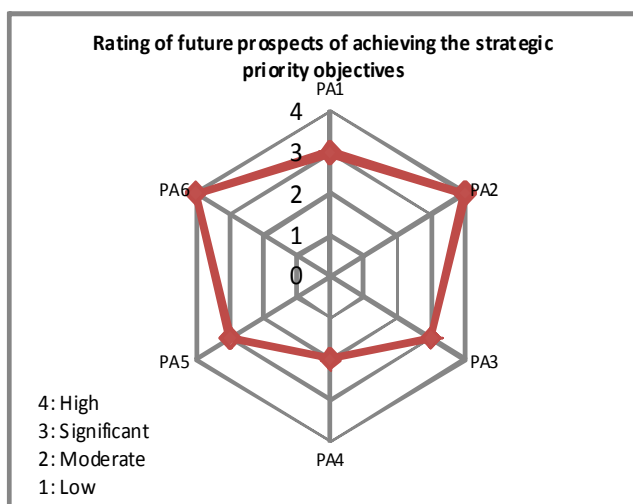
423. The evaluation has provided two assessments of the performance of the implementation of ROP. The first assessment is narrow, and gives a picture of the progress at a single point in time by



reference only to actual programme outputs and to fund absorption. This assessment reflects the early stage of implementation that has been reached. The second assessment (see the spider diagram) considers the prospects for achieving the strategic goals set for the ROP. This assessment is more positive and, in line with the assessment terminology defined in the introduction to the report, considers that a significant contribution to the strategic objectives of the ROP should be achieved by the end of the programme.

424. The main achievements of the ROP to date are in the successful establishment of the implementing structures, the launch of all PAs and the establishment of the project portfolio which, for this stage of the programme cycle, is on track to deliver the programme targets. The full commitment of PA 2 by the end of 2009 would be a good programme milestone.

425. The main areas of underachievement are in the slow progress of PA 1, poor fund absorption, in particular the long delays in reimbursing the RDAs, and the slow activation of the monitoring and financial management processes.



### Challenges

426. The main challenges facing the MAROP for the remainder of this implementation are:

#### *Securing the availability of socio economic data to monitor the regional disparity containment objective*

427. To measure its achievements with regard to the reduction of regional disparities, relevant socio-economic data must be available on a frequent and timely basis. As the available statistical data may not be updated frequently enough to satisfy the needs of the ROP, alternative means must be sought to gather the data when it is needed. This is likely to involve a collaboration (based on signed protocols with the NIS and the NCP. Some technical assistance may be needed to support the availability of regional socio economic data which is needed for updating the the regional development strategies and the next ROP.

#### *Development and Implementation of Results Monitoring*

428. There is considerable work to be done to improve the quality of data available in the SMIS for project monitoring and to set up and implement the system for the collection and storage of information for results monitoring. The project monitoring mechanism has a sound design but its performance has yet to be tested. The MAROP must be prepared to adjust the monitoring procedures in the light of the accumulated experience.

#### *Processing an increasing number of project applications*

429. The demands placed on the internal resources of the MAROP will increase sharply in time, as an increasing number of project applications accumulate at various stages of the selection and commitment process, particularly at the pre-contracting stage. A particular example comes from PA1, where in order to reach the commitment targets, a large number of projects will need to be processed and committed by the end of 2010.

#### *Addressing specific Bucharest Ilfov Regional Issues*

430. The Bucharest Ilfov Region has several characteristics that are not found in the other regions, as listed in Table 87. The unique features go a long way to explain the extremely low take-up of projects and fund absorption in this region. For PA 1, there is a further issue that as there are no growth poles or urban development poles in the region, its entire allocation under this PA is for urban centres. It was unclear at the cut-off date if the region would be able to fully absorb this allocation as projects worth only 50% of the allocation had been submitted for consideration.

431. It is clear that there are risks that the Bucharest Ilfov region may not absorb its regional allocation percentage of the ROP in full. This would not affect the regional disparity containment objective of the ROP as it is the richest region. Given the uniform approach adopted for the development of the ROP, there is also a relatively higher possibility of deadweight and displacement effects in the interventions in this region, although the higher own co-financing required for private applicants under the State Aid rules mitigate this to some extent.

432. The Bucharest Ilfov region needs good access to European funds if it is to be able to compete with the other 26 Member State Capital cities and regions. This is an essential part of overall Romanian convergence. In order to facilitate this there are several issues noted in Table 87 that should be addressed in the near future. A targeted information and publicity campaign is needed to change the attitude among potential beneficiaries that the Region does not need to attract EU fund support. A co-ordinated training or technical assistance is needed in the region to support the development of the capacity in the administrative units to develop strategic plans and the technical documentation to the standard required from projects supported by EU funds. As the region is not expected to be eligible under the convergence objective in the next programming period, a special strategy is needed, involving a co-ordination between the RDA Bucharest Ilfov, MAROP and MPF to identify the actions that would maximize the benefit to the region of all the opportunities presented by EU programmes. A specific plan for this region to develop the required institutional capacity for maximizing its access to EU funding is desirable.

433. Many of the issues in Table 87 are horizontal in nature which means that the RDA BI is in a good position to play a leadership role to ensure that the benefit to the region from the ROP is maximized. The MAROP has an important role to ensure that the funds available to the region are either absorbed or reallocated. The situation needs to be kept under review, and it would be appropriate to commission an ad-hoc evaluation of the performance of the region and of the plans and actions it might take to optimise the benefits derived from the structural funds in general and the ROP in particular.

**Table 87: Specific Features of the Bucharest Ilfov Region**

The BI Region has two big administrative Units compared to 5-7 administrative units in other Regions, and only 16 Local Public Administrations eligible for the majorities of KAIs. There are significant differences between the dimension of the Territorial Administrative Units and the different interests/opinions in respect to investment priorities.

In the case of Bucharest municipality, the amounts available through ROP related to the investment budgets of Bucharest Municipality and of the six Bucharest Sectors are less significant than in other Regions

During the last 3 years (2006-2008) the budgets (totals and investments) increased permanently and important budget surpluses were registered. The result was that the efforts were concentrated on spending the own funds and not on preparing technical documentation to be used when ROP calls for proposals were launched.

Until 2008, very few local public administrations declared the attraction of EU funds as a priority and there was no planning in this respect (see the limited number of Phare projects in the Region).

There are no long term investment plans that take account of investments to be financed under ROP or other Operational Programmes

Certain provisions of the Guidelines regarding the eligibility of applicants do not correspond with the organisation of the local public administration of Bucharest and needed the development of a new framework for project development and for obtaining the financing (PA 3 and PA 2)

Most Guidelines for Applicants were launched in the first half of 2008. In June 2008, local elections were organized. In the case of Bucharest-Ilfov, there were new appointments at the decision-making level (mayors) in approximate half of the potential eligible administrations. This has led to delays in preparation of the project pipeline (at the end of 2008).

Many of the projects discussed with the Beneficiaries and with the RDABI (especially in Bucharest) are delayed or blocked due to property ownership issues. Bucharest is the only Territorial Administrative Unit that does not yet have an inventory of the public property approved through Governmental Decision. Problems appeared also in Ilfov County (inconsistency between the Governmental Decision and the factual situation at the date of preparation of the documentation). This problem also affected the development of a pipeline for KAI 4.2.

### Presentation of examples of best practices identified by the evaluator

434. Two consultations were made with the MAROP and the IBs to identify examples of best practice according to the guidelines for strategic reporting under Article 29. Many projects were identified with a high sustainable development character or with a strong use of partnership. Unfortunately, the plans for growth poles and urban development poles are not sufficiently advanced to be considered at this time (this is considered to be the most innovative part of the ROP). The following two case studies were selected as being indicative of the general standard of projects that have emerged so far.

## Case Study 1:

PA 3	KAI 3.3
Total Project value	M€ 10.16
Of which ERDF	M€ 7.26
Project title	Provision of equipment for emergency situations in the Centre region
Reason for selection	The project is a major investment that addresses a need for equipment in the region to improve the response to emergency situations. The beneficiary organized an effective partnership within the regions to bring forward the project in an efficient manner. The project results will have a high social impact that has a wide effect on the inhabitants of the region.

## Case Study 2

PA 2	PA 2 Ring road
Total Project value	M€19. 48
Of which ERDF	M€ 4.68
Project title	Brasov Ring road Phase 1
Reason for selection	The project is a major investment in the road network at a busy part of the road network. The new road joins up two national routes (DN11 and DN13). The first part of the project (6km) is the first completed road project and has immediate results in terms of improved traffic flows and reduced congestion. The investment also supports the development of Brasov, which is a growth pole.

## Conclusions and Recommendations

### Chapter Conclusions

435. Along with the other Operational Programmes of Romania, the ROP plays an essential role in achieving the aims and objectives of the NSRF. Sufficient intermediate results have been achieved so far during ROP implementation which indicate that the ROP has the potential to achieve its stated objectives and intended impact and thus have a major contribution to the NSRF and implicitly to the Lisbon agenda strategic objectives (paragraphs 424, 425). So far the emphasis has been on converting the project pipeline into a portfolio of projects that will deliver the expected programme results. The focus for the remaining period will switch to project and programme monitoring, expenditure reimbursement and the management of the n+3 position. A particular challenge to be addressed is to help the RDABI to maximise the benefit derived from the ROP in the BI region (paragraphs 431 - 434).

### Chapter Recommendations

**A co-ordinated effort is needed to held the BI region to achieve the intended impact for the region from the ROP**

#### Conclusion

The BI region has consistently underperformed to date. This is due to a number of unique factors, both internal and external, including the delay in funding the RDABI, the allocation in PA 1 of the entire regional allocation to Urban Centres, the possibility of deadweight in KAI 4.1, the reluctance