

## 2. OVERVIEW OF NSRF CONTENT AND PROGRESS

### 2.1 CHAPTER INTRODUCTION

This Chapter presents a short overview of the Romanian NSRF 2007-13. In addition, the Chapter provides a set of consistent information on financial progress to June 2010, which helps overcome the different data cut-off dates used by the Interim Evaluations.

The Chapter has three subsequent sections as follows: Section 2.2 contains an overview of the NSRF; Section 2.3 summarises its objectives, structure and funding; Section 2.4 summarises its financial progress to end-June 2010.

### 2.2 NSRF OBJECTIVES AND STRUCTURE

#### 2.2.1 *Programming Context*

The period 2007 to mid-2010 was the first half of Romania's first round of EU Structural Fund programming. With Bulgaria, it is one of only two Member States for which 2007-13 is the first such period.

It is therefore to be expected that during the NSRF period to date Romania would face the initial teething problems previously faced by other new Member States, including the EU-10 in the 2004-2006 period. These challenges have been enhanced by the fact that Romania has since 2008 faced a period of serious domestic and international economic difficulty, such as never experienced in earlier EU Structural Fund rounds. While this crisis is, of course, shared with other Member States, Romania and Bulgaria are doubly challenged by having to deal with this during their first round.

#### 2.2.2 *Objectives*

The overall objective of the NSRF is to "reduce the economic and social development disparities between Romania and EU Member States, by generating a 15-20% additional growth of GDP by 2015".<sup>13</sup> This strategic vision is to be achieved through investment under the four thematic priorities of:

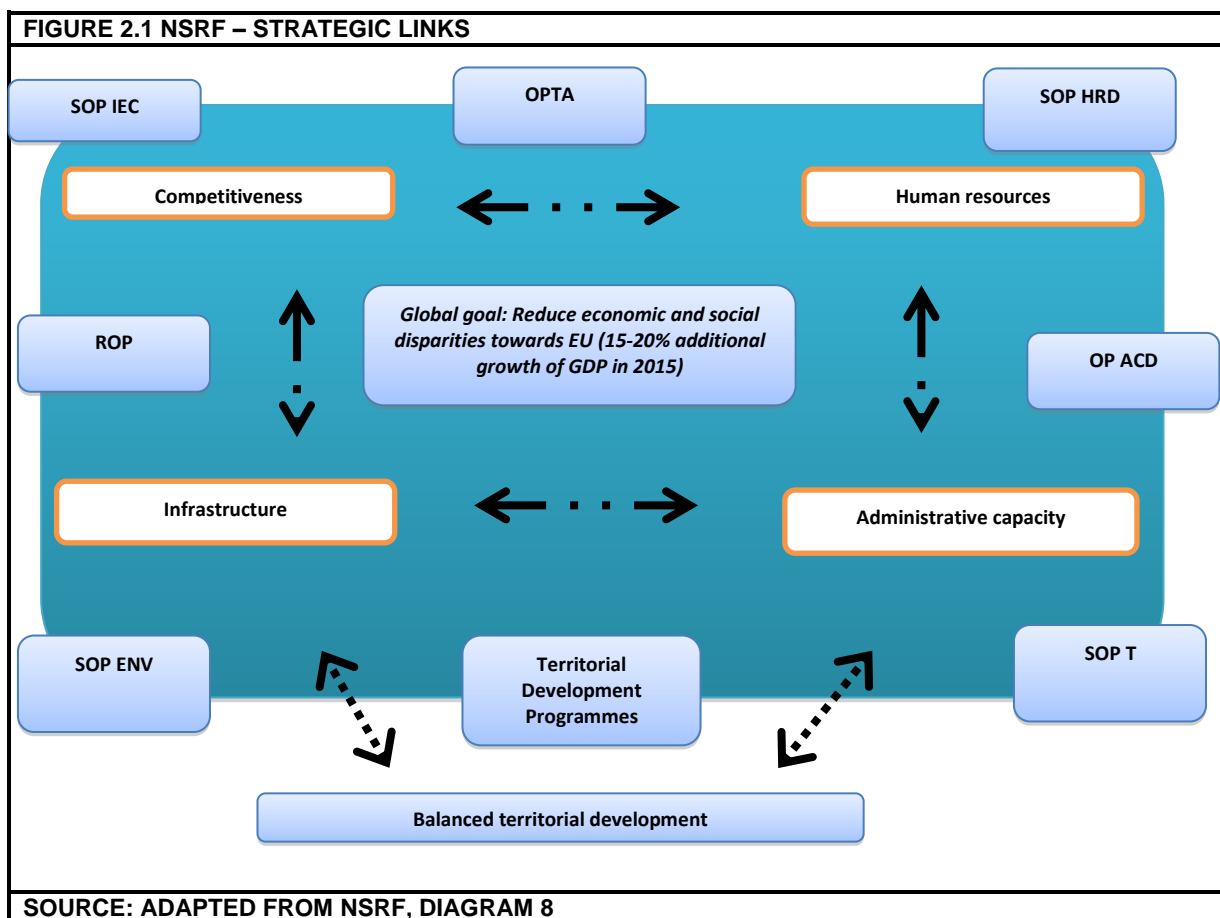
- development of basic infrastructure to European standards;
- increasing the long-term competitiveness of the Romanian economy;
- development and more efficient use of Romania's human capital;
- building an effective administrative capacity;
- promoting balanced territorial development.

The aim of the fifth thematic priority is to "stop and potentially reverse the trend of widening regional disparities".

---

<sup>13</sup> Government of Romania, *National Strategic Reference Framework 2007-2013*, 2007, Section 3.1

These issues are implemented through the individual OPs, as shown in Figure 2.1. As indicated, each OP contributes to more than one thematic priority.



The mainly sectoral basis of the individual OPs is a common one across new and some older Member States.<sup>14</sup> This involves two infrastructure-oriented OPs - namely Environment and Transport - an Enterprise Competitiveness OP, a Human Resources Development OP (SOP-HRD), an Administrative Capacity Development OP, and a Technical Assistance OP. The Cross-Border Co-operation is not dealt with further in this report.

### 2.2.3 Implementation Structure

The NSRF is planned, managed and delivered on a relatively centralised basis, with MAs and most IBs being located in central Ministries. The main exception to this is the ROP, where the IBs are regional development agencies. Other exceptions are aspects of the HRD OP where several regional bodies act as IBs, while some other IBs also have a regional structure, e.g. the Research IB in SOP-IEC.

There are obviously debates in Romania and elsewhere about the optimum overall administrative structure for OPs, and many Member States have altered this between different funding periods. However, the Romanian one is common to many other old and new countries, particularly those which do not have a tradition of strong regional government.

<sup>14</sup> See KPMG, *EU Funds in Central and Eastern Europe*, Budapest, 2008.

MAs are Ministries, and IBs are generally either departments of the lead Ministry or another Ministry. Management and implementation is therefore strongly embedded in the structures, procedures and culture of the national central public administration, in particular in Ministries. This means that the nature and quality of NSRF planning and management is highly interlinked with the nature and performance of the public administration system as a whole. The wide breadth of the NSRF heightens this link, as does the prominent role of the public sector as an NSRF beneficiary, as well as programme manager. The NSRF Interim Evaluation 2009 calculated that at end June 2009 “public” beneficiaries constitute 75% of the total approvals and “private” 25%. However, state companies were classified as “private”.<sup>15</sup>

This again is not unique to Romania. In all Member States the nature of structural funds implementation is highly dependent on the specific national context, notwithstanding common EU Regulations, Guidelines and requirements. This connection is a strong theme of the recent Ex Post Evaluation of the 2000-06 Cohesion Policy undertaken for DG Regio, especially its module on Management and Implementation.<sup>16</sup>

#### **2.2.4 NSRF/OP Budgets**

Figure 2.2 shows the share of the individual OPs in the overall NSRF budget 2007-13 of approximately €19 bn. SOP-T and SOP-ENV are the two major OPs, accounting for approximately half of all expenditure. These are followed by ROP, HRD, and SOP-IEC. These five together account for 97% of the whole NSRF, while ACD, OPTA and ETC each have approximately 1%.

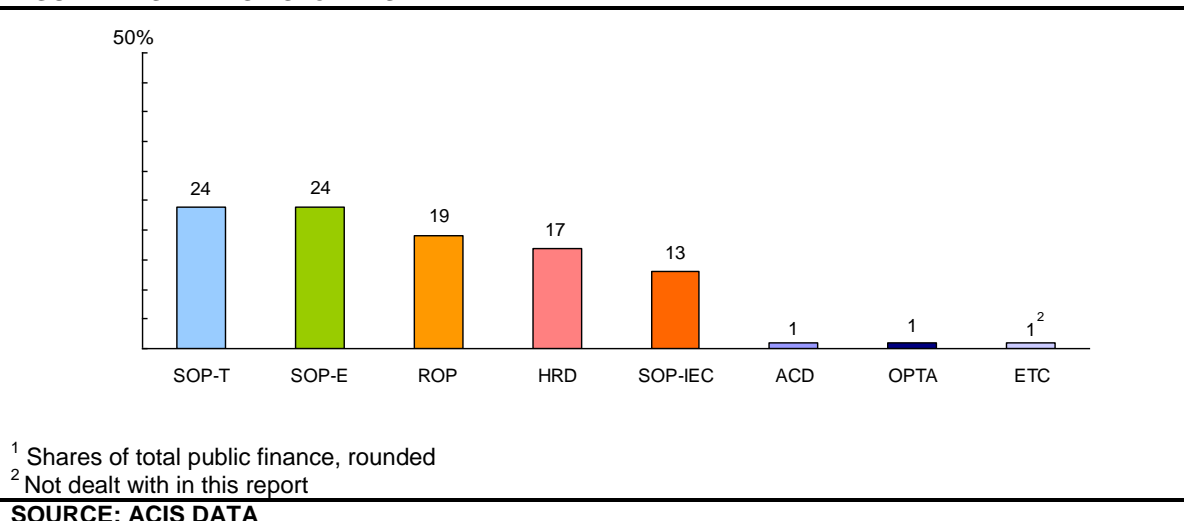
However, it should be said that OP significance is not exclusively dependent on size. Each OP has its own distinct role, features and significance, e.g. the ROP is the only regionally-implemented OP, SOP-IEC only one primarily directed at enterprise, while both ACD and OPTA have strategic significance for implementation of the NSRF despite their relatively small size.

The NSRF is also relatively concentrated in a small number of individual major Priority Axes. The five largest Priority Axes, namely TEN-T, Water and Waste-water, National Transport Infrastructure, Growth Poles and Waste Management together account for about half of all planned expenditure. This means that both the progress and the outlook for the NSRF is heavily dependent on the fate of these and a number of other relatively large Priority Axes – particularly in the two infrastructure OPs and SOP-IEC.

---

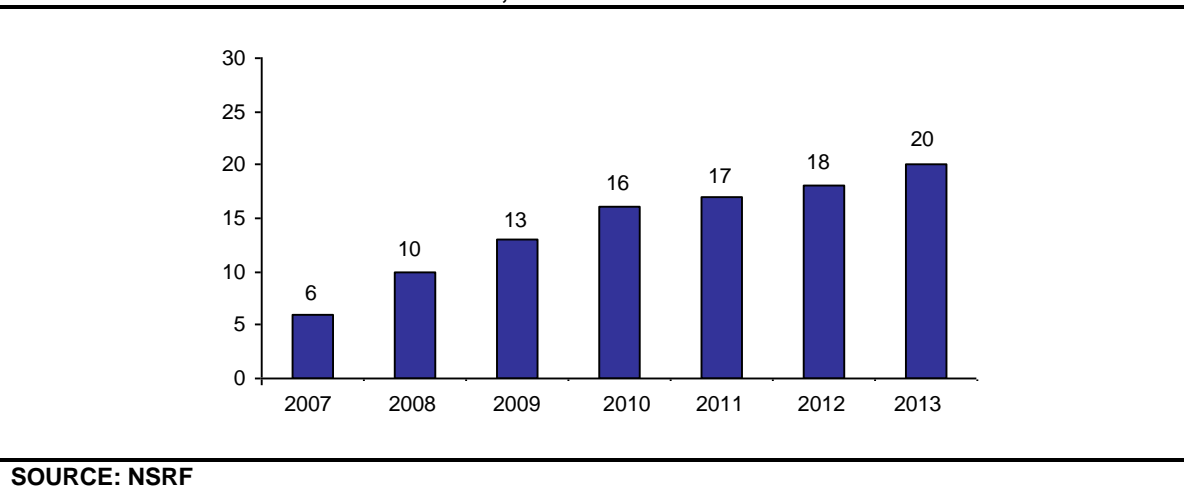
<sup>15</sup> The NSRF Interim Evaluation 2009, Fig. 25.

<sup>16</sup> EPRC, *Ex Post Evaluation of Cohesion Policy Programmes 2000-06 Co-financed BY THE ERDF (Objective 1 and 2) Work Package 11: Management and Implementation Systems for Cohesion Policy*, Final Report to the European Commission, July 2009.

**FIGURE 2.2 SHARE OF OPs IN NSRF<sup>1</sup>**

Planned expenditure under the NSRF and most OPs is heavily back-loaded towards the end of the 2007-13 period, see Fig. 2.3. This is important in interpreting trends in progress to date. Some 30% of NSRF funding was allocated to the first three years of programming 2007-09, and 45% for the first four years 2007-10. SOP-IEC is an exception, with the annual planned expenditure peaking in the middle of the period.

As described in Section 2.4, progress to date indicates progress well behind this, with actual expenditure of 10% at mid 2010, one-third of the 2007-09 target.

**FIGURE 2.3 NSRF ANNUAL ALLOCATIONS, % OF TOTAL 2007-13**

## 2.3 OP FINANCIAL PROGRESS

### 2.3.1 Overview

Financial progress of the NSRF can be measured at a number of stages: value of applications; value of approvals; value of contracted projects; value of actual payments.

These can each be compared either with the allocation for the whole period 2007-13 or with the allocation for the years 2007-10 (allowing for the fact that the full year 2010 has not yet passed).

Figure 2.4, final row, summarises the position of the NSRF at mid-2010, using the 2007-10 allocations as the comparator. This confirms the already well-known fact that progress is high in terms of applications, and then gradually falls off as it moves towards contracts and especially payments.

<b>FIGURE 2.4 FINANCIAL PROGRESS RATIOS TO END-JUNE 2010 (AS % OF 2007-10 ALLOCATIONS)</b>				
	<b>Applications</b>	<b>Approvals</b>	<b>Contracted</b>	<b>Paid</b>
ROP	663%	132%	119%	21%
OPTA	90%	68%	66%	3%
SOP-IEC	1003%	124%	67%	13%
ACD	212%	54%	44%	3%
SOP-HRD	509%	144%	101%	9%
SOP-T	188%	57%	57%	2%
SOP-ENV	234%	118%	100%	11%
<b>NSRF</b>	<b>462%</b>	<b>111%</b>	<b>91%</b>	<b>10%</b>
<b>SOURCE: ACIS</b>				

Figure 2.4 shows that applications were well in excess of the allocation at 462%, approvals at this stage are just above 110%, and the value of contracts is about 90% of the period total. After very low figures in the earlier periods, both approvals and contracting is now therefore, for the NSRF as a whole, broadly on par with the 2007-10 target.

Payments, however, constitute only 10% of the allocation for the 2007-10 period. This highlights a consistent theme of the individual Interim Evaluations, namely that a crucial issue now is the outlook for actual absorption, i.e. whether this will continue to be low, or will it also start to rise towards the originally planned amounts.

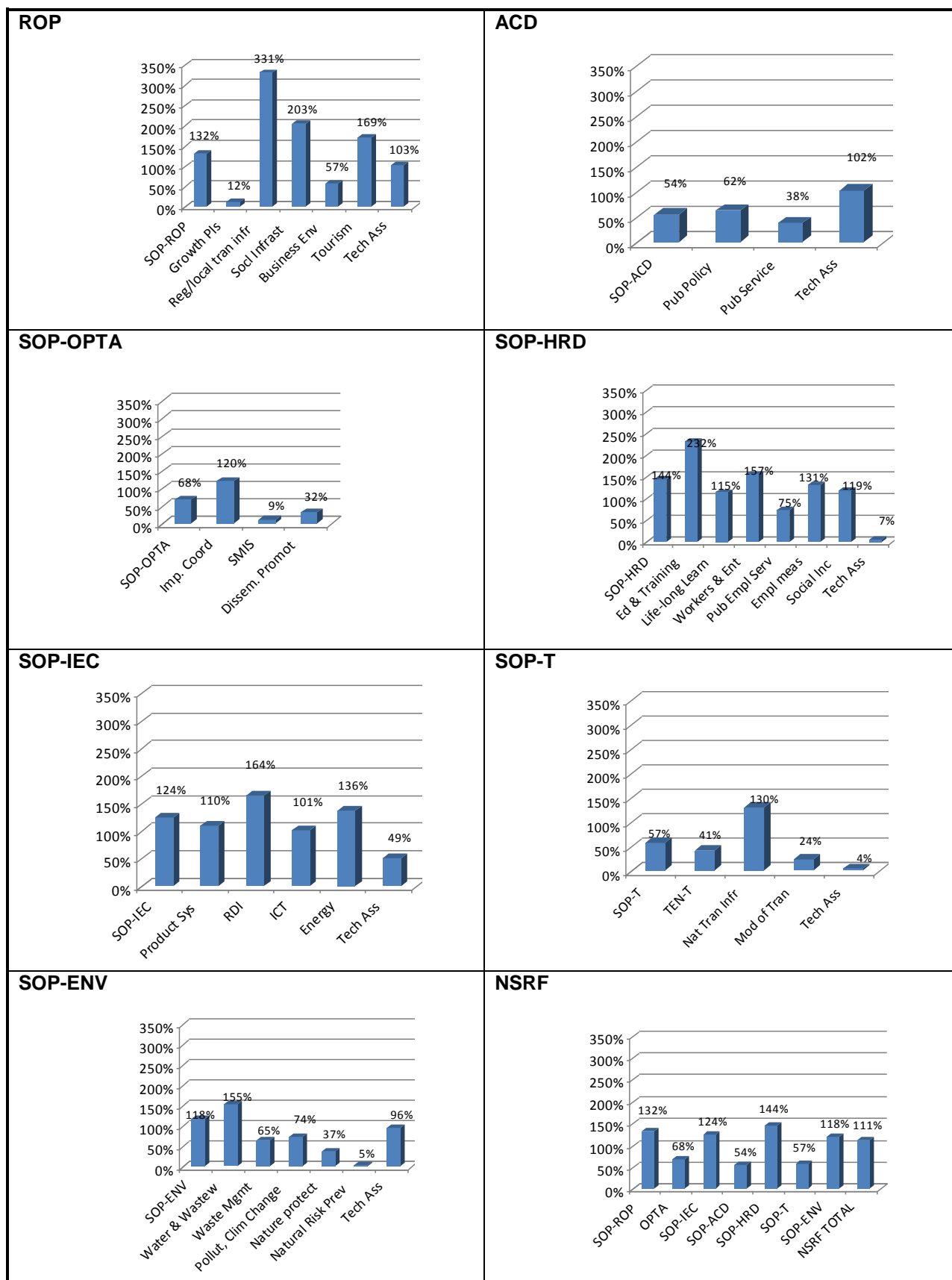
### **2.3.2 Progress by OP**

Figure 2.4 above also contains similar progress data by individual OP. It shows a highly variable performance across OPs. Focusing on contracting, it can be seen that, while the NSRF average is 91% of the allocation to 2010, this figure ranges from a high of 119% in the case of ROP down to 44% in the case of OP ACD.

Regarding actual payments, the situation is equally variable. Relatively high payments have been achieved in the two OPs, ROP and SOP-IEC, whereas the SOP-T, ACD and OPTA Programmes have the lowest levels of expenditure. This position is somewhat contrary to what might have been expected in the context of the economic crisis, which a priori might be expected to affect demand-led OPs more directly. It suggests that the public structures are the ones with the greatest challenges as far as absorption is concerned.

Variable performance also applies at Priority Axis, KAI and operation level. Here much of overall financial progress is driven by a high level performance in a small number of PAs, KAIs and operations alongside slow performance in others within each OP.

**FIGURE 2.5 APPROVED EXPENDITURE TO END-JUNE 2010 AS % OF PROJECTED EXPENDITURE 2007-10**



**FIGURE 2.6 APPROVED EXPENDITURE TO END-JUNE 2010 AS % OF PROJECTED EXPENDITURE 2007-13**

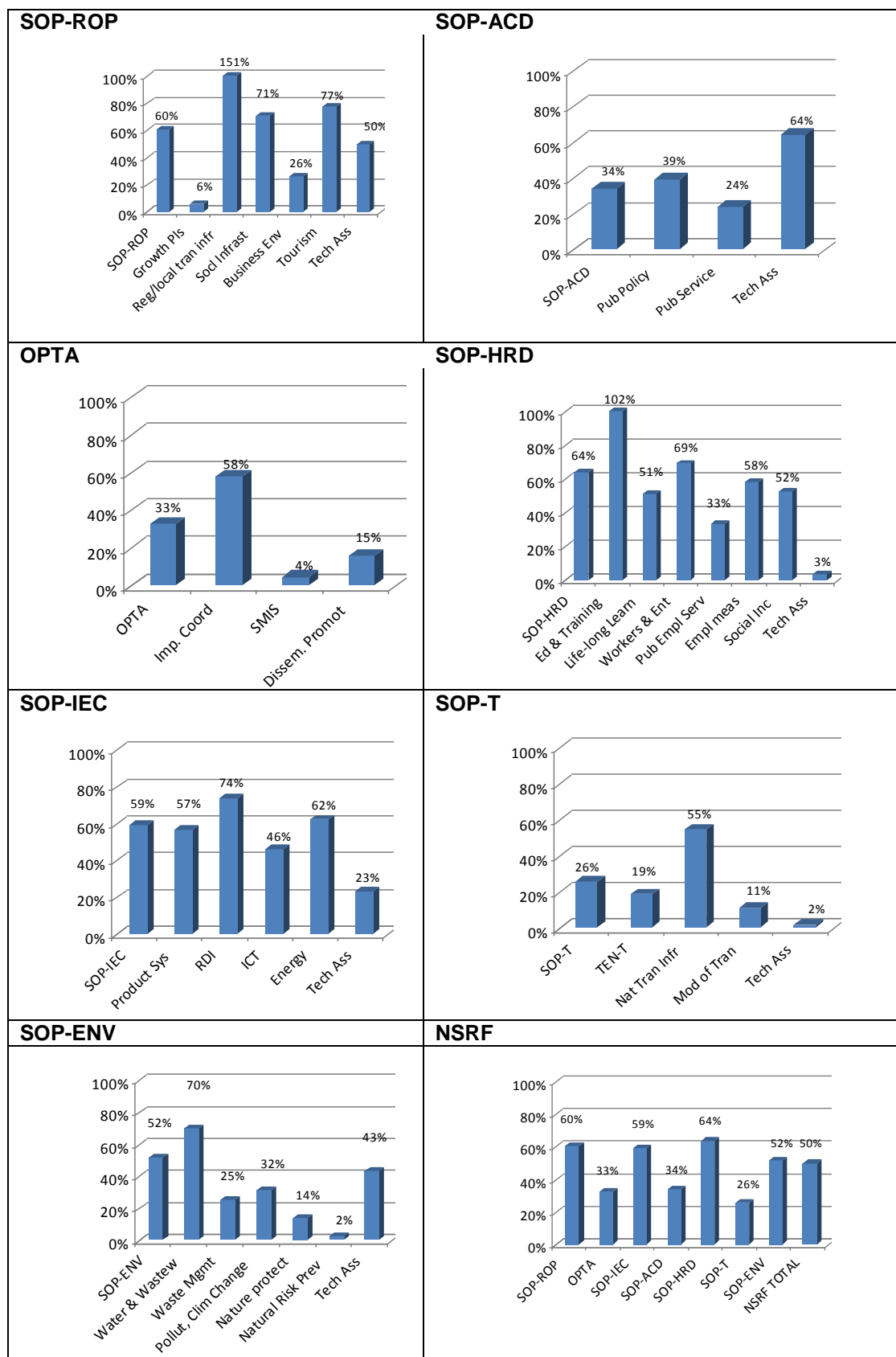


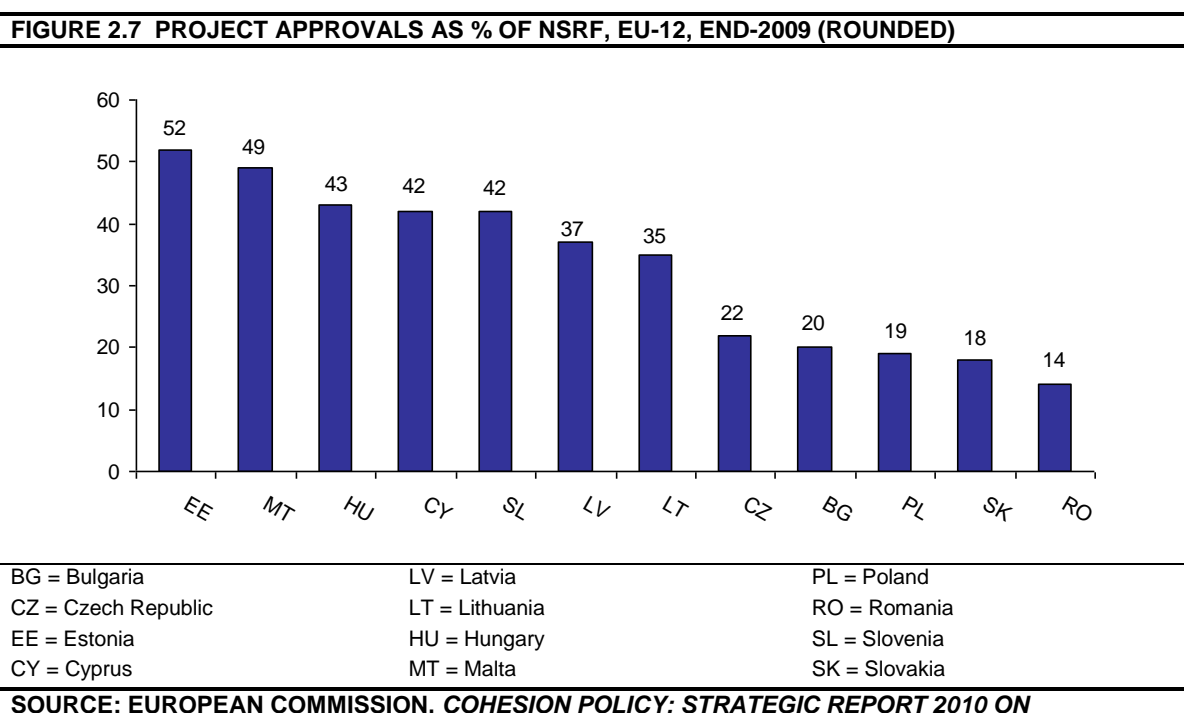
Figure 2.5 shows financial progress by PA within each OP to end June 2010 graphically. Here progress is again measured as “approvals”. Again the Figure compares this to the 2007-10 budget allocation, i.e. consistent with the data in Figure 2.4.

Taking 100% of approvals against budget allocation as a benchmark, the NSRF total is 111%. As noted already, OPs well above this are ROP, SOP-IEC, HRD, and SOP-ENV, below are OPTA, ACD and SOP-T. A similar pattern is evident using the planned figures for the full 2007-13 period, see Figure 2.6.<sup>17</sup>

At PA level the highest proportion of approvals (200%+) are ROP PA3 (local transport) and 4 (business environment), and HRD PA2 (education and training). All OPs show considerable variability by PA, with SOP-IEC and SOP-HRD the most consistent.

### 2.3.3 International Comparisons of Progress

At the end of 2009, the European Commission, with inputs from individual Member States including Romania, prepared a “Strategic Report” on the EU-wide status of implementation of the structural instruments in the current round. This provides a basis for comparison of Romanian performance with that of other Member States during this period. The measure used by the Commission was the value of approvals as a percentage of the total NSRF budget of each Member State. Figure 2.7 presents the results for the EU-12.<sup>18</sup>



<sup>17</sup> A target of 100% approvals against expenditure targets is of course a benign one, as the OP financial targets relate to actual expenditure, not approvals. Figures 4.2 and 4.3 in Chapter 4 show the same data as in Figures 2.5 and 2.6, but this time for actual expenditure to June 2010. Viewed in this way progress is of course much lower.

<sup>18</sup> There may be some differences in the definition of “approvals” used across Member States.



**IMPLEMENTATION OF THE PROGRAMME 2007-13, COMMISSION STAFF WORKING DOCUMENT,  
BRUSSELS, 31.3.2010, ANNEX 1**

Figure 2.7 shows Romania with the lowest level of approvals among the EU-12. This was the second lowest in the EU as a whole, after Greece. Others in the EU-12 on or below the 25% mark included the Czech Republic, Bulgaria, Poland and Slovakia.

This comparison with the current period has the advantage of essentially “controlling” for the role of the economic crisis, since all 12 countries face it. However, it can nevertheless be said to be unfair to Bulgaria and Romania, given their unique position.

An alternative comparison is with the EU-10 during the 2003-06 as their first period, admittedly a period when there was no economic crisis. Since their first round was a much shorter three-year one, it is obviously not valid to compare their performance during their first three years, i.e. their full NSRF period, with the Romanian performance in the context of a full seven-year period. This is because programming is likely to be different in a shorter period. Hence a more valid comparison is to compare the Romanian three-year performance with the 2007-2009 Romanian allocation (i.e. as if it too had a three-year NSRF).

At end-December 2009 actual payments under the Romanian NSRF totalled on average about 10% of the NSRF 2007-09 allocation (EU funds only).<sup>19</sup> This includes pre-financing. At the end of 2006, the EU-10 had on average received cumulative reimbursements from the ERDF under Objective 1 of 41% of the total for the NSRF period. This figure ranged from a low of 28% in Latvia to a high of 66% in Slovenia.<sup>20</sup> The clear conclusion is that progress, defined in terms of either contracting or spend, is a distinct challenge facing the Romanian NSRF as of mid-2010.

---

<sup>19</sup> Figure from *State of Absorption of Operational Programmes under Objective 1*, 31<sup>st</sup> December 2009, presentation by Ministry of Public Finance, ACIS.

<sup>20</sup> Figure from European Commission, *Ex Post Evaluation of Cohesion Policy Programmes 2000-2006*, Co-financed by the ERDF, Synthesis Report, April 2010, Table 1.5.

## 3. MAIN FINDINGS OF INTERIM EVALUATIONS

### 3.1 CHAPTER INTRODUCTION

This Chapter sets out the main findings and conclusions of the OP Interim Evaluations. This is done using the four common issues of the ECU Guidelines for IEs – “relevance”, “consistency”, “effectiveness”, “efficiency”, and the questions/issues within these (see Figure 1.2 earlier). The subsequent sections of the Chapter deal with these in turn. Text boxes containing selected excerpts from the IE Reports are used to illustrate points being made. The choice of these is based on IE text which is typical of the message of the IEs as a whole, the choice of text boxes is not meant to be comprehensive across all OPs or to imply that the OP involved is somehow especially significant in the context.

As indicated in the agreed SyR Methodology, the Chapter is therefore structured on a thematic rather than OP basis. SyR Report readers with an OP-specific focus will also find the IE Summary Reports in Appendix 1.

The focus of the Chapter is on reporting “findings” of the SyR in terms of what IEs actually say. The SyR’s own interpretation of these findings is presented in the Conclusions and Recommendations in Chapter 4.

### 3.2 ISSUE 1: RELEVANCE OF THE CRISIS

#### 3.2.1 *Important Changes since 2005/06*

The major focus of all Interim Evaluations regarding changes since OPs were prepared is, as would be expected, the onset of the economic crisis in 2008. This tends to dominate analysis in the Reports of change since programmes commenced.

The nature of the implications of the crisis as described in the Interim Evaluations differ somewhat depending on the nature of the OP. However, all relate to obstacles to progress through a variety of channels. Common difficulties cited include a fall-off in demand for interventions, a rise in applicant drop-out rates, lack of availability of public and private co-financing among beneficiaries and potential beneficiaries, as well as shortages in availability of personnel in relation to support structures for implementation.

**Box (i) Impact of the Economic Crisis on SOP-IEC**

*“In the first place, the negative evolution of demand and the vulnerability of public finances have led to the worsening of the perspective for investments, both as regards the domestic capital and the foreign one, at least for the period 2008-2010. Several investment projects have been cancelled, whereas others have been preserved, expecting for the crisis to be outcome.*

*In the second place, the access of small and middle companies at financing sources, which was an issue even before the crisis, has worsen even more, both due to the additional prudence of the banks and due to the fall of the real estate market and of the collaterals afferent to crediting. Decreasing the access at financing sources directly affects the implementation of POS CCE. This fact has led, on one side, at the beneficiaries’ giving up at the implementation of already won projects within POS CCE, and, on the other side, at the „self-selection” of potential applicants from the private sector, based on somehow Darwinist principles, because only the companies having a solid financial situation can afford implementing investment projects within POS CCE.*

*Also, the restraint of the economic activity and the decrease of the population’s incomes have led to a major pressure put on the state budget, being it necessary to constrain the budget and to massively decrease the expenses. This fact has led to the considerable decrease of the national public resources for stimulating competitiveness and puts in danger the existence of the principle of complementariness between structural instruments and national funds. One of the most eloquent examples refers at AP2, where the initial program was to substantially increase the national budget of research and development, which materialized in 2007 and mainly in 2008, later on, in 2009 and in 2010, a severe decrease taking place.*

*More than that, the pressure on the budget has led to finding new ways of increasing incomes at the state budget, which was transposed in a tendency of fiscal increases, which have led to the decrease of the incomes of the private environment. This fact had direct implications on the small and middle companies’ capacity to obtain the resources necessary to implement the projects and affected negatively the demand within some calls of POS CCE intended mainly to companies.”*

**SOURCE: SOP-IEC IE REPORT, SECTION 4.3**

None of the Interim Evaluations attempted to quantify the precise impact of the crisis, i.e. what would be the “counter-factual” in terms of progress if the crisis had not occurred. Consequently, their confidence that it is having a usually adverse affect is based mainly on stakeholder consultation and feedback, and on reported delays in implementation.

The SOP-IEC IE placed particular emphasis on the crisis and its implications. As evident from Box (i), it gives one of the most explicit analyses of the multiple and complex ways in which the crisis can affect an OP, both directly and indirectly. These include the direct impact on public finances, decline in demand for some project outputs, difficulties in access to finance for SMEs, but also important indirect and less obvious effects such as falling asset values lowering beneficiaries borrowing capacity.

In the case of the two infrastructure OPs, HORAD noted that the crisis is having a downward effect on the short-term need for some infrastructure. However, this is seen a temporary phenomenon which will not affect the long-term case for infrastructure investment.

The SOP-HRD report examined the crisis in detail from a labour market perspective. It emphasised, more than other IEs, that the crisis has structural as well as temporary implications. In particular, already marginalised groups will find themselves even more so and, with greater competition for employment, their integration into the labour market will become even more challenging.

In the case of ACD, the crisis is seen as having a very specific impact. The associated crisis in the public finances is giving rise in practice to a re-ordering of public service reform priorities.

The impact of the crisis is generally seen by the evaluators as negative for OP progress, although this is not universally so. The ROP IE noted the likely fall in costs of infrastructural projects, for

example, which potentially allows greater cost effectiveness. However, the IE also notes that this may actually increase rather than reduce difficulties in absorption, highlighting the complex and multi-faceted nature of the impact of the crisis.

In terms of relevance, Interim Evaluations generally conclude that OPs have not lost their relevance. A number of factors underlie this conclusion, see Box (ii). Firstly, the crisis is a global one and hence does not in itself reflect any particular weakness or change of the underlying structures of the Romanian economy generally or of the sector involved. Secondly, the relatively slow rate of progress means that evaluators have tended towards the view that it was premature to question the relevance of OPs which have barely started actual implementation. In this regard the cut-off dates of earlier IE data analysis increased the tendency towards this position. Thirdly, there was (and remains) considerable uncertainty as to the duration and ultimate implications of the crisis.

**Box (ii) Implications of Change for OPTA Relevance**

*“The economic recession has invalidated the macro-economic assumptions and indicators foreseen at the time of OPTA programming (2007). However, OPTA remains largely relevant for all beneficiaries and ample for addressing their current needs. It is therefore not necessary to adjust the OP for reason of uncovered needs.”*

**SOURCE: OPTA IE REPORT, EXECUTIVE SUMMARY**

### 3.2.2 Changes in Context Expected in the Future

Interim Evaluations all look to the prospect of an ease in the crisis but, like economic analysts generally, are not certain when this might happen. IE views on this also depend somewhat on the time when Interim Evaluations were carried out.

The ROP IE, the first one carried out and finalised in 2009, looked to some prospect of recovery towards the end of 2010. But more recent Interim Evaluations are less confident in this regard. The Romanian National Strategic Report prepared in early 2010, predict GDP growth of 1.3% in 2010, and 2.4% in 2011, after a fall of 7% in 2009.<sup>21</sup> The HORAD, finalised in February 2011, cites forecasts of -1.9% in 2010, 1.5% in 2011 and over 4.0% in 2012 and 2013.

SOP-IEC, which is in a sense at the front-line of the implications of the crisis, points to some more strategic issues arising in terms of the focus of the programme. However, these were not translated into immediately implementable recommendations for the period to 2013. In particular, it proposed greater sectoral prioritisation, but this would be difficult to implement at OP level in the absence of an agreed national strategy in this regard. ACD sees an emerging crisis-driven shift in priorities in public sector reform towards financial management issues.

Nevertheless, an anticipated return to “normality” at some point over the NSRF period is a common factor underlying judgements about continued relevance. HORAD for example anticipates a return to growth in the requirement for transport and infrastructure investment once the crisis eases. The crisis is thus generally regarded by IEs as a temporary macro-economic led phenomenon, rather than one involving a basic shift in economic relationships or structures with knock-on fundamental significance for OP strategies.

<sup>21</sup> Government of Romania, *National Strategic Report 2009 on Implementation of Structural and Cohesion Funds*, January 2010, Section 6.1.

### 3.2.3 How the Changes Affect OP and Priority Axis Implementation

Interim Evaluations, especially their research phase, have all been carried out at a time when implementation – in the sense of actual project expenditure – was only commencing. Implementation in terms of programme planning, development of implementation systems, launches and receipt and processing of applications was of course more advanced. Hence there is relatively little comment on how actual project implementation is being affected by socio-economic changes since the NSRF was planned.

Reflecting their timing and Terms of Reference, the Interim Evaluations instead tended to focus on the intermediary stages prior to project implementation, i.e. launches and associated publicity and information, application procedures and guidelines, levels of applications received, processing, evaluation and approval of applications, and contracting.

The Evaluation Reports all contain detailed examination of how each of these stages have been affected by changes, particularly the economic crisis. In the case of launches, per se this was generally not affected. Some launches were delayed for other reasons, mainly delays in decision-making, rather than the crisis itself. Some launches have also been delayed by changes or uncertainties regarding policy and objectives, e.g. in the case of policy on growth poles.

In the case of applications, there is a view in all OP Interim Evaluations that the crisis has had an adverse effect on levels of applications. This is based on feedback from MAs, IBs and other stakeholders. However, there is no quantitative evidence provided to support this. Furthermore, the situation is complicated by the fact that the pre-crisis period was one of a low level of application activity anyway, i.e. a pre- and post-crisis time series of application levels is not possible. Levels of actual applications have generally been rising, but this reflects the influence of increased publicity, awareness and familiarity.

The crisis may have had some affect in terms of delaying application processing, particularly where this involved the contracting of external project evaluators. However other factors, notably delays in procurement procedures, were equally important.

Untypically, the HRD OP views the recent changes as necessitating a re-think of aspects of its priorities, advocating a shift from current institutional capacity-building to greater focus on supporting service provision for a rising number of people who are unemployed or outside the labour market.

#### Box (iii) Relevance: SOP Transport

*“Conclusion: In the short to medium term, the crisis affected traffic and the future available financing. Probably the most important external constraint arising from the crisis is the need to rationalise public spending sharply and implement reforms in the public administration in general, and the transport sector in particular. However, the current approach of the Ministry of Transport (MoT) and beneficiaries seem to be “business as usual”, relying on the assumption that budget rectifications can occur several times a year. The current forecasts of full absorption in 2013-14 must therefore be considered unrealistic.”*

**SOURCE: SECOND AD HOC “REVIEW OF INVESTMENT IN TRANSPORT AND ENVIRONMENT INFRASTRUCTURE”, PARA 135**

The crisis is seen by the HORAD report as affecting implementation of the transport OP in a number of ways – both questionmarks about actual availability of public investment funds and also

scarcity of programme management and of technical skills necessary for project design. HORAD points out that half of all MA posts are now vacant. Administrative obstacles – not all crisis-related of course – affect rail more than road investment, which may cause an imbalance in implementation as between transport modes.

In relation to project contracting, there is some indication in the IEs that the crisis is causing beneficiaries whose projects have been approved to delay contracting. However, evidence of this in the Evaluation reports is based on consultations with MAs and IBs.

There is also a priori reason to believe that the crisis is slowing implementation because of uncertainty, and because of access to finance problems. Again, however, evidence in the Interim Evaluations is qualitative. It is equally emphasised that delays in expenditure may be due to the slowness of the submission and processing of reimbursement claims.

The findings of the Interim Evaluations are therefore that the crisis has a number of negative effects, that these affect both actual and potential beneficiaries and also the programme implementation system, that these effects operate through a variety of channels, and that they are often mutually reinforcing.

The description of this situation in the OPTA IE report is typical of the IE analysis for other OPs also, see Box (iv). However, no Interim Evaluation has provided hard evidence of the differential affect of the crisis over and above other factors. Of course a difficulty is that in some cases it actually merely reinforces factors that already existed and may sometimes even be blamed for factors that already existed.

#### **Box (iv) Impact of Crisis on OPTA**

*“The effects of the crisis emerged through several channels. Firstly, the strain on the national budget determined the Government to use OPTA support for paying the 75% wage bonus for staff involved in the management and implementation of SI (previously aimed to be covered through national resources).*

*Secondly, all public institutions, including the OPTA Managing Authority (OPTA MA) and most of the beneficiaries of OPTA, were affected by the Government policy of cutting expenditure. One direct consequence was that of imposed hiring restrictions. Apart from the fact that staffing complements could not be expanded, restrictions also included vacancies, which could only be filled in one case out of seven. ACIS, as the main OPTA beneficiary, was also confronted with the staff freeze issues, which put a lot of pressure on existing personnel.*

*Thirdly, the economic crisis also affected the Government’s availability to launch spending for certain niche-aspects of OPTA, although there were plenty of resources programmed. For instance, governmental spending for information and communication activities was restrained – at first discouraged informally (end-2009), and then also suspended formally. Starting with the second quarter of 2010, there are no more formal restrictions, but this type of spending is still considered to be low priority considering the present budget constraints.”*

**SOURCE: OPTA IE REPORT, PARAS 29-31**

## **3.3 ISSUE 2: CONSISTENCY**

### **3.3.1 Is Implementation of the Priority Axes Complementary?**

The SOP-IEC Interim Evaluation did not raise particular issues in this regard, although it reflected a degree of general concern as to whether the different interventions directed at enterprises, including SMEs, were as coherent and consistent with each other as they might be. Some issues were also raised regarding external consistency between operations directed at sectors being

supported by both SOP-IEC and by ROP, e.g. the health and education sectors where ROP supports infrastructure investment and SOP-IEC supports ICT.

More generally, SOP-IEC expressed concern about whether the OP is as coherent as it might be, or whether a more strategic approach would be preferable, e.g. focused on key priority sectors, on specific challenges emerging from the crisis, e.g. company-level competitiveness, or more spatially defined strategies (linked to growth poles). However, as already noted, the Evaluation found it challenging to make immediately implementable proposals in this regard, at OP level. Such an approach would necessitate an agreed national strategy in this regard.

**Box (v) Consistency: SOP Transport**

*“Conclusion: The implementation to date of the projects under the different KAIs is not complementary, with road projects being more developed than railways, water and air transport projects. The projects tend to support a modal shift from rail to road, contrary to that which is desired, i.e. from road to rail. An additional determinant of this modal shift is that the initial railway construction programme under PA1 will now be finalised in two programming periods of SOP T (by 2022). While the preparation of railway projects has recently speeded up and those to be submitted in 2010 will likely exhaust the relevant allocations, the risk to railway projects remains in those cases where the MoT expects quicker implementation and absorption by reallocations to road projects.”*

**SOURCE: SECOND AD HOC “REVIEW OF INVESTMENT IN TRANSPORT AND ENVIRONMENT INFRASTRUCTURE”, PARA 143**

The HORAD notes the further pace of road than rail investment under the OP, and the fact that this may cause a de facto imbalance in the planned balance between the two.

The OPTA IE defined and then dealt with “consistency” and “coherence” very explicitly. The report was positive regarding the level of consistency, both internally within the OP and also between OPTA and the TA Priority Axis in the individual OPs. The latter is an interface which would have an in-built potential for lack of consistency. The role of the Co-ordinating Committee for Technical Assistance (CCTA) and of Working Groups was seen as particularly positive in this regard. It found that “the thematic WGs are not only relevant for coordinating TA and avoiding overlap, they also contribute to increased consistency of TA with wider policies for improving public administration. This applies also to the way in which OPTA interventions are correlated with OP ACD objectives and implementation. OPTA and OP ACD both deal with horizontal issues such as public procurement” (OPTA IE Executive Summary).

### **3.3.2 Are the OP and Priority Axes Coherent with the latest Romanian Strategies and Policies?**

The Interim Evaluation reports recognised the role of relevant Romanian development strategies where these exist. No major concerns were raised about the consistency between the activities funded under the OPs and these strategies. Some other issues were raised about strategies, at both OP and PA level, however.

The ACD IE notes that the Programme now exists in the context of a new underlying Public Service Reform Strategy. In particular, new priorities are emerging as a result of the economic crisis, especially regarding public expenditure but these have not yet been brought together in a coherent strategy. As shown in Box (vi), it concludes that the ACD OP is sufficiently flexible to cope with these major changes in its strategic context.

**Box (vi) Is the OP ACD strategy consistent with the latest national strategies relevant to the fields of intervention?**

*“Our conclusion is that from September 2009, there has been a fundamental shift in the PAR priorities arising from the effects of the financial crisis on public expenditure. The new PAR elements are visible in Law 329/2009 but otherwise are not assembled in one coherent programming document. There are two overall objectives both relevant to PODCA: a significant reduction in public expenditure and support to the business environment. PODCA has been shown to be sufficiently flexible to support the main expenditure reduction actions as identified in the functional reviews being made by the World Bank, better regulation (the standard cost model), the administrative code and the latest project applications from NACS. KAI 1.2 could also support future projects for the introduction of the MTEF and multi-annual budgeting.”*

**SOURCE: ACD IE REPORT, P. (ix)**

The HORAD raised the issue of whether the likely differential pace of investment between roads, on the one hand, and railways, on the other hand will cause a departure from the strategy of a shift away from private and towards public transport.

Both the HRD OP and the HORAD make the point that their OPs lack an underlying strategy, and to a degree that the OPs themselves are the strategy. The HRD IE states that: “there is a notable absence of strategy regarding the development of human capital in Romania – some stakeholders regard the SOP HRD as the most advanced strategic statement in that regard” (HRD IE, p. 77). However, the existing Integrated Strategy for HRD for Lifelong Learning 2009-2020 has the potential to partially fulfil this role.

In the case of SOP-IEC, observations were made with regard to absence of clear strategies in some relevant areas, including competitiveness, external trade, and policy vis-à-vis SMEs. The SOP-IEC IE also raised questions about the existence of a number of different relevant strategies and the fact that there are some differences both between these, and between them and the OP. ICT and the knowledge economy was cited as a case in point where there are a number of slightly different and differently defined targets regarding broadband penetration objectives for Romania.

The quality of some strategies was also cited as being weak. For example, in SOP-IEC Priority Axis 2 the quality of the overall research strategy was questioned, and the reason for the arbitrary allocation of some sectors to the NSRF for funding, and some being funded nationally, were pointed out.

In the case of OPTA, the lack of consistency with implementation of the National Evaluation Strategy was cited. This Strategy was intended to provide an over-arching framework for evaluation of publicly-funded policies and programmes within which OPTA and other NSRF evaluation would be located, but in practice the planned national evaluation strategy under the leadership of the Government General Secretariat has not gained traction.

Straddling ROP, SOP-IEC and OPTA are the issues of growth and competitiveness poles strategy. The failure to develop a fully coherent national strategy in this regard is seen as a major difficulty, and as having direct consequences for implementation of the operations involved, and indeed knock-on consequences for some other operations, e.g. in PA2 (Research) in SOP-IEC.



### 3.3.3 Is Implementation to date Adequately Addressing the Horizontal Objectives?

In the Interim Evaluation Reports this was not a prominent issue. This may reflect the fact that it was not very prominent in IE ToR, given their focus on early stage progress and implementation processes.

The matter was most explicitly addressed in the HRD OP, given the prominent role of the equal opportunities horizontal objectives in that OP. The Report found that the principle was being adequately addressed, see Box (vi).

#### Box (vii) Treatment of Horizontal Priorities in SOP-HRD

*“Based on this review we found that the Horizontal Priorities are well represented and presented throughout the programme implementation. For example, representatives of relevant agencies and organisations are represented on the SOP HRD Monitoring Committee, such as (e.g. National Agency for the Roma Population, Civil Society Development Foundation, National Agency for Equal Opportunities between Women and Men etc). Likewise we found that in the Applicant Guides (grants and strategic projects) the principle of equal opportunities is heavily emphasised and for “other horizontal themes” the applicants are required to demonstrate the clear contribution of the project to at least one of the horizontal objectives (sustainable development, innovation and ITC, active ageing, inter-regional/trans-national approach), each of which is clearly defined. Annex 4 of the Application Form makes it clear to applicants that they will be graded in accordance with relevant horizontal objectives. The AIRs contain specific chapters dedicated to “Equal Opportunities” and “horizontal themes” and information referring to horizontal issues per KAI is provided. Horizontal objectives form part of the content of training on project implementation provided to beneficiaries during 2009.”*

**SOURCE: HRD IE REPORT, SECTION 4.2**

## 3.4 ISSUE 3: EFFECTIVENESS

### 3.4.1 What is Actual Implementation Progress to the Cut-off Date?

Here the picture as described in the Interim Evaluation reports is a mixed one. Generally strong progress is seen with regard to the establishment of structures, procedures and practices surrounding implementation. In most cases, also, there has been good progress in launching calls (with some exceptions in the case of individual operations) and in obtaining responses to these calls. Response to calls has, however, been quite variable with some calls heavily over-subscribed and some under-subscribed. The Report expressing most concern at this level is the HORAD, which raises questions about the capacity of the transport implementation structures.

#### Box (viii) Efficiency: SOP Transport

*“Conclusion: SOP T is a learning exercise and solutions are found to problems as they are encountered, partly based on previous experience gained with ISPA and Phare projects. There are, however, some institutional weaknesses that need urgent correction, as they appear to be systemic and cannot be solved without explicit and clear policy decisions. The most important of these is the lack of clarity on the respective roles of MoT and its subordinated companies, which negatively affects the continuity of guidance. This results in unclear lines of responsibility and a high degree of informality in problem solving (inadequately documented ad hoc solutions, many of which lack clear timetables and deadlines), combined with a largely ineffective risk management system.”*

**SOURCE: SECOND AD HOC “REVIEW OF INVESTMENT IN TRANSPORT AND ENVIRONMENT INFRASTRUCTURE”, PARA 168**

Variability in effectiveness is evident within OPs and within Priority Axes, i.e. issues around launches, application levels, processing and contracting have tended to be quite PA and KAI-specific. Hence, addressing them is also often quite operation-specific.

After a slow start and some long delays, progress in processing applications has also improved and is moving towards the point of being reasonably effective. Moving approved projects through to contracting stage has also improved, although the crisis is seen as causing some hesitation on the part of some applicants with regard to both contracting and initiation of implementation.

The principal weakness cited by all Interim Evaluations, and of course this is based on the observable data (see Chapter 2), is slowness regarding implementation and expenditure. This leads in all cases to a clear conclusion that whatever progress is happening at earlier stages, it needs to be increasingly translated into project implementation. The need to speed up implementation is therefore a central issue emerging from all IE Reports.

### ***3.4.2 The Gap Between Actual and Planned Implementation***

The Interim Evaluations all see a clear gap, particularly at the downstream end of the project cycle. Approvals, and in particular expenditure, were relatively low at the time of the Interim Evaluations, notwithstanding when they took place. This gap as at end-June 2010 has already been referred to in Chapter 2 in terms of volume of approvals (Figure 2.5).

Achievement of targets would equate to nearly 100% of planned expenditure 2007-10 being achieved by mid 2010. As Fig. 4.2 in Chapter 4 shows, no OP comes close to this – the highest being ROP with 21%. No PA achieves 100% either, the nearest being ROP PA2 (transport infrastructure) at 72%. Other PAs above 20% of the 2010 target are ROP TA, and SOP-IEC PA 1 (productive sector).

The nature and extent of IE analysis of physical progress was closely associated with the early stage at which these evaluations took place, and their heavy focus on financial progress. In all cases progress was largely defined as financial, inter alia because the relatively low levels of absorption being achieved meant that there was limited physical progress on which to report insofar as if financial progress was very slow physical progress by definition was going to be similar. In those cases where quantified physical (output or result) targets were present and analysed these generally indicated a performance well behind target and were deemed as poor or unsatisfactory both overall and at Priority Axis level.

### ***3.4.3 Will the Progress to Date Lead to Achievement of the Objectives of the Priority Axis?***

Strictly speaking, it is clear that if expenditure patterns as described in the IEs, and reflected in Fig. 4.1, continue, objectives could not be achieved. However, various reasons are given in the Evaluations why current progress is likely to improve. In particular, a great many initiatives have been taken over the 2007-10 period in order to overcome obstacles.

**Box (ix) Likely Ability of OPs to Achieve their Objectives; ROP and ACD IE Conclusions****ROP**

*“The design of the ROP responds directly and comprehensively to its envisaged role as described in the NSRF. While it is still too early to see its results and impact at the regional, national or EU level, the pre-requisites for successful achievement of the ROP objectives are in place – a portfolio of projects covering all of the ROP Priority Axis, proper mechanisms to support project application and project implementation.”*

**SOURCE: ROP IE REPORT, PARA 33**

**OP-ACD**

*“By reference to the target indicators up to 2010 and the overall target for 2015 and in terms of ESF absorption, our overall conclusion is that the objectives of PODCA were not being reached at 30<sup>th</sup> June 2010. The training schemes under KAI 1.3 and the administrative simplification projects under KAI 2.2 appear to make the most relevant contribution to objectives. There are some individual examples of excellent projects relevant to both PODCA and ESF wider objectives, but not enough to achieve the desired impact. Some large projects (like the ECDL training) are necessary but the PODCA needs more projects with specific results based on measurable indicators. In most cases, the originally designed results indicators do not have specific projects contracted at 20 June 2010 and a reassessment of the indicators is appropriate. The three priority sectors for KAI 2.1 do not have the capacity or apparent interest to bring forward meaningful projects that fit the original PODCA design.”*

**SOURCE: ACD IE REPORT, P. X**

The ROP was probably the most optimistic in this regard, reflecting the period when it was prepared, but with caveats (see Box (ix)). OPTA is also somewhat optimistic. SOP-IEC is somewhat less committal, and took the view that it is too soon to tell one way or the other, and that a crucial factor will be what happens within the next 1-1½ years regarding implementation. However, it concluded that overall OP objectives and targets should not be changed. HORAD (dealing with transport and environment) concludes that physical objectives are under review due to delays in implementation. A likely explanation for differing levels of optimism is the timing of drafting of the IEs, with optimism declining somewhat over the period.

### **3.4.4 Factors Contributing to the Gap between Actual and Planned Performance**

The pattern of difficulties emerging from the Interim Evaluations is quite consistent. The listing of these in ROP is typical of the IEs, see Box (x).

“External” factors (external to OPs) cited include:

- the impact of the economic crisis;
- state-aid rules/other regulatory issues;
- complex procurement procedures;
- access to finance for applicants;
- lack of experienced sub-contractors, including project evaluators;
- absence of policy agreement on issues;
- novelty of the application system and process system for applicants.

“Internal” factors (that is, internal to the OP) include:

- lack of experience of Cohesion Policy instruments;
- capacity of staff, including unfilled posts;

- staff turnover;
- lack of access to procurement, audit and other specialist skills.

#### **Box (x) External and Internal Factors in ROP Progress**

##### **“External Factors**

- *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, in particular the appeals process, and*
- *the application of the State Aid rules.*

##### **Internal Factors**

- *duration of the selection process;*
- *over-commitment rates;*
- *availability of independent evaluations (project);*
- *scoring issues;*
- *definition of eligible expense;*
- *rejection rates.”*

**SOURCE: ROP IE REPORT, PARAS 36-38**

A common observation in the IE reports is that the manifestation of these issues is quite operation-specific. Each OP and Priority Axis contains cases where very specific obstacles play a particular role. A number of OPs also cite some issues particularly important for them, which are not widespread, e.g. in the case of OPTA the existence of PHARE-funding for some period after the commencement of the NSRF is cited in relation to low TA uptake. Starting with 2006, privatisation of previously publicly-owned brown-field sites has caused eligibility problems for SOP-ENV beneficiaries. All other IEs cite many similar highly detailed difficulties as reasons for unexpected delays.

Also common was a perception that MAs and IBs do not get adequate support or priority from their wider parent body. IEs say that OP implementation is seen as an MA/IB problem, not as an organisation-wide one.

#### **3.4.5 IE Comments on Indicators**

A number of factors affected the nature and extent of comments in Interim Evaluations regarding indicators other than financial indicators. Firstly, the relatively early stage at which interim evaluations took place meant that the primary focus was on the stages in programme implementation prior to actual expenditure and implementation. Therefore there was a greater focus on financial than on non-financial indicators. Secondly, the ToR for a number of the interim evaluations did not ask for comments on the indicators as such. Those which did were up to HRD and ACD ROP, although in the latter case this was presented primarily as the task of improving the indicators rather than commenting upon them (and has not yet been completed). In the ROP case the issue was presented more as one of whether the analysis of indicators during the SWOT was still relevant, and the Interim Evaluation concluded that it was.

The Interim Evaluation most critical of the relevant OP indicators system was in the case of HRD where it concluded the system had a number of problems (Page 182) while continuing to be broadly relevant. This included allowing individual projects to nominate their own indicators and the absence of impact indicators in the system. A number of the interim evaluations reported difficulties in using the MIS system as the basis for the indicators.

In terms of targets, IE assessments were closely related with those of the strategies as a whole. As already noted, the general view was the strategies were still relevant notwithstanding the economic crisis. Reflecting this the targets including the OP level targets in SOP-IEC and the OPTA were still seen as relevant and no more recommendations were made for change. In the case of ACD the slow pace of achievement of results was deemed as a basis for the proposal that the indicators be reviewed (see Box (ix)).

## **3.5 ISSUE 4: EFFICIENCY**

### ***3.5.1 How has Implementation of the OP to Date Affected the Relevance of the OP?***

Cases are given where the implementation experience has affected relevance, although usually at the operational rather than the OP-wide level. The emergence of more market interest in the provision of broadband services, for example, is cited as the reason for difficulties in implementing the broadband operation within SOP-IEC Priority Axis 3. Difficulties in implementing growth poles raises questions about the relevance, not of the concept as a whole, but of the overall strategy currently being adopted.

### ***3.5.2 Is the Management System Functional and Operating Efficiently?***

This question has been the subject of a great deal of comment in the Interim Evaluation Reports, and in other related sources such as the NSRF Formative Evaluation, the Government's Strategic Report 2009, Annual Implementation Reports, Monitoring Committee reports, Ad Hoc Evaluations, and the Government's 2010 statement on NSRF implementation.

A consensus finding across IEs and other sources would be that the system is functional in the sense that it has been put in place, that it is operating, and that it is improving over time as a result of incremental adjustments based on experience. There is also recognition that the system is very closely embedded in Romania's public administration generally. As in other Member States, its efficiency is very interlinked with that of the public administration system as a whole. The prominence of the public sector as a beneficiary reinforces this link.

Given the close relationship between the two, and the broad range of sectors covered by the NSRF, it is difficult for the NSRF management and implementation system to operate in a way that is considerably more efficient than the public administration as a whole. NSRF implementation is inevitably governed by the same laws, rules and regulations, and implemented by the same institutions acting as MAs and IBs, and in many cases also beneficiaries. The important role of, and difficulties with, generic public administration systems and procedures comes across strongly in all IEs. Indeed "external" obstacles to progress generally refer to the twin issues of the economic crisis, and also the complex public administration system.

Interestingly, description of this latter system as "external" by MAs and IBs is a matter of concern, and again hints at an absence of "joined-up-government" regarding Cohesion Policy implementation. Indeed, a somewhat contradictory picture emerges from IE reports. On the one hand, the Romanian NSRF implementation is closely integrated into the public administration system and procedures. On the other, that system and the dedicated NSRF implementation

structures (MAs, IBs) are not seen by that system as an integral part of it, and vice versa. IEs constantly refer, for example, to difficulties that MAs and IBs face in access to procurement, legal, audit, HR and other specialist service functions of their various parent organisations.

IE reports found that there have been major difficulties to overcome during this first NSRF programming period. However, there is also recognition that many difficulties have been overcome, particularly at an operation level. There has been a great deal of fine-tuning of rules, regulations and implementation arrangements which were emerging as causing difficulties. The pace of project appraisal, for example, is seen generally as having speeded up from the extremely slow levels of 2008. More recently, approval and contracting has also speeded up.

It is also important to recognise that the challenges being faced are not unique to Romania, and are shared with other new Member States. This is especially so in the case of the EU-10 who went through a similar process of adaptation to EU Structural Fund usage during the 2004-06 period. This can be seen from Appendix 4 which describes the EU-10 management and implementation experience in that period, and much of which will resonate with participants in the 2007-10 period in Romania.

Regarding efficiency, IEs express concerns about aspects of the system. ACD regards the high level of application rejections as inefficient, and as reflecting a need for greater support to applicants in making proposals. The draft HRD IE is also critical of the project selection system, based on a high rejection rate (52%) and the length of time taken to process applications (average 6 months). The MA would regard this as reflecting the fact that the system is overburdened.

**Box (xi) Efficiency of HRD OP project Selection**

*“based on an analysis of the output of the evaluation and selection system we conclude that the system is inefficient when measured on the basis of overall effort and investment against output (e.g. 52% rejection rate and 24% of available funds contracted to end-2009 following 77 calls for proposals and the submission of 5,989 applications) and/or when measured on the basis of time taken to the processes, e.g. around 6 months on average from application to approval and, on average, almost three months after application.”*

**SOURCE: HRD IE REPORT, p. 119-20**

Given the low level of actual implementation to date, the Interim Evaluations generally did not address the issue of cost effectiveness very explicitly. An exception was ROP which, in the case of local roads, examined patterns of unit costs and established that, probably reflecting the onset of the crisis, these are actually lower than originally anticipated.

## 4. SYNTHESIS CONCLUSIONS AND RECOMMENDATIONS

### 4.1 CHAPTER INTRODUCTION

This Chapter presents the conclusions and recommendations of the Synthesis Report. These are structured around the Expected Results as required by the ToR, Section 6. The results were required under four strategic headings (subsequently referred to here as “Issues”):

- Issue (1)** *consequences for OP strategy and its implementation of the financial and economic crisis;*
- Issue (2)** *relevance, efficiency and effectiveness of the existing OP strategies, including best practices and failures explaining the asymmetry of implementation between OPs and within each OP;*
- Issue (3)** *relevance of the implementation mechanisms;*
- Issue (4)** *potential for upgrading the impact of investments, including the increase of synergies and complementarities between programmes and priorities, and judgement on the quality of the investment.*

Findings, conclusions and recommendations under each of these four issues are presented in Sections 4.2-4.5 respectively. Section 4.6 summarises the relationship between the findings, conclusions and recommendations in matrix form.

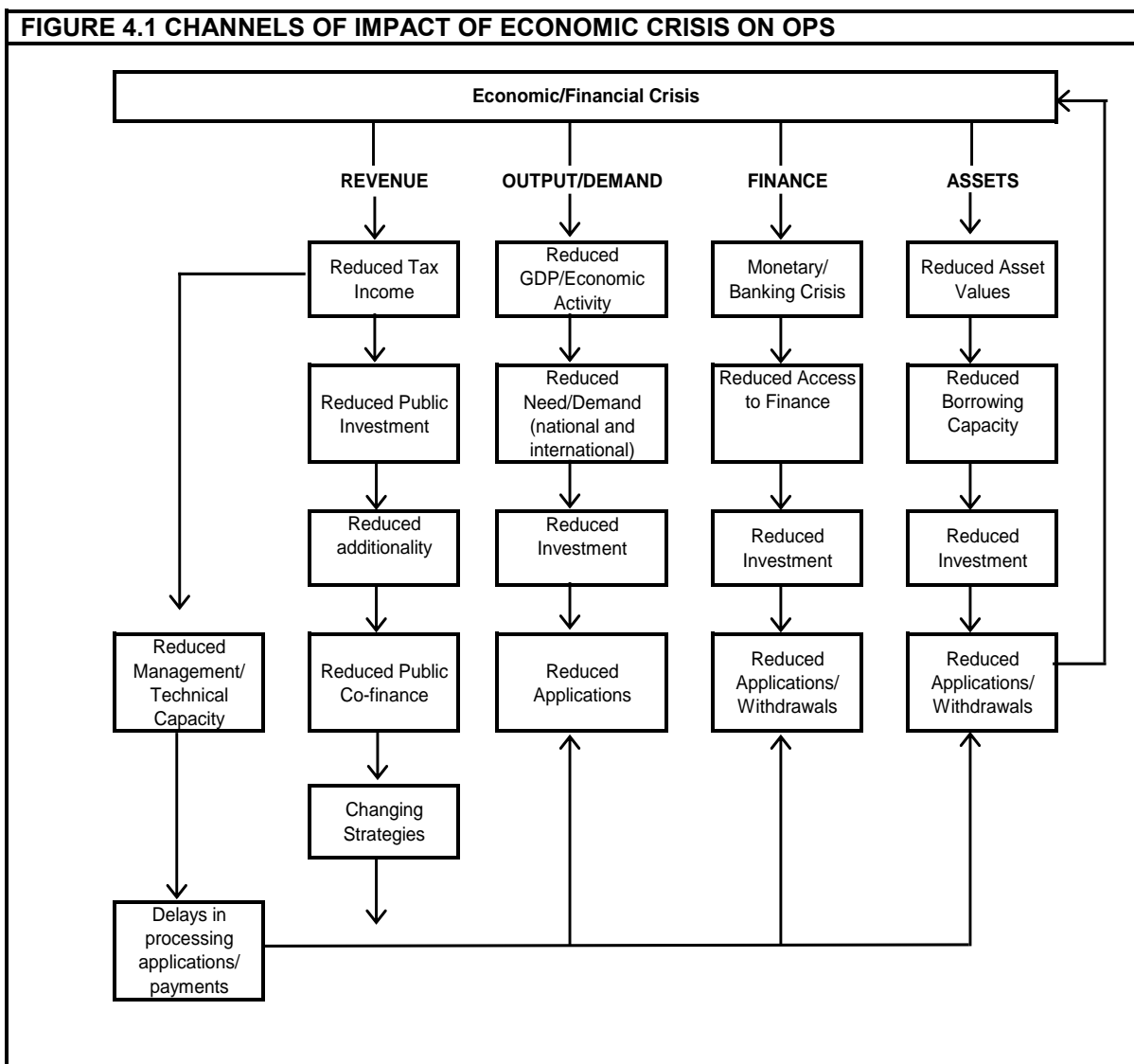
Given the nature of a Synthesis report, findings as presented here represent the SyR author’s perspective on the findings of the IEs which are most pertinent to the four Issues. Conclusions and Recommendations represent the SyR author’s conclusions and recommendations based on the IEs as a whole, and in the light of other pertinent information. The individual OP IEs’ own Summary Reports are attached as Appendix 2 of the report.

### 4.2 ISSUE 1: CONSEQUENCES OF THE CRISIS FOR OP STRATEGY AND IMPLEMENTATION

#### 4.2.1 Findings

The Interim Evaluations all see the economic crisis as having had very significant implications for the OPs, particularly regarding the progress of their implementation. The crisis is in all cases cited as a major reason for lack of progress at a number of levels, reduced demand in the case of demand-led OPs including SOP-IEC and ROP, lack of availability of co-financing for both public and private sector beneficiaries, reduced demand for the output of some projects, uncertainty among investors, as well as shortages of managerial and technical resources to oversee OP implementation.

The crisis therefore emerges from the IE reports as multi-dimensional, as affecting OPs through a variety of channels, and as involving mainly negative and mutually reinforcing influences. Figure 4.1 summarises these influences schematically. Even this inevitably oversimplifies the many nuances at the level of individual OPs.



No Interim Evaluation attempted to quantify the precise impact of the crisis on progress, i.e. how actual progress differs from the counter-factual of implementation in the absence of the crisis. Admittedly, this would be difficult to do, since very often the crisis is intertwined with difficulties which would have been experienced anyway.

The general assessment in the Interim Evaluations is that the effects of the crisis are decidedly negative, and there is relatively little attention given to any potentially positive effects, e.g. reduced costs or greater interest in new approaches. An exception is ROP which highlights potential for reduced prices in the case of public infrastructure.

Despite seeing the crisis as of critical importance, Interim Evaluations take a cautious view in relation to implications for OP strategies, i.e. they did not see the crisis, at least as yet, as fundamentally affecting these strategies. Reasons for this view are that the crisis is external and macro-economic in nature, that it does not change Romanian structural issues fundamentally, and that it is also likely to be time-linked in nature. In the specific case of the Environment OP, its strategy is based on achievement of EU standards and so is immune from the crisis. It could be added that as far as convergence objectives and targets are concerned, the EU-wide averages are



also affected by the crisis so that Romanian convergence targets may not necessarily be made redundant by the crisis.

#### **4.2.2 Conclusions**

The conclusions emerging in relation to this Issue No. 1 are three-fold. Firstly, while important the crisis does not of itself call for fundamental change in NSRF or OP Strategies. It does, however, have a very significant effect on their implementation and particularly its pace. Secondly, it also reduces demand among some potential beneficiaries, it creates uncertainty, and it damages market prospects for some commercial projects.

Thirdly, in the case of public sector projects, which dominate the OPs, the crisis creates difficulties with regard to availability of some nationally financed inputs, although there is a government commitment that the formal co-financing element of the NSRF as a whole will not be affected by public expenditure cut-backs. It raises questions about the necessity for some public infrastructure where demand may, as a result of the crisis, be lower than would have been originally projected. It also makes absorption more difficult both directly via the reduction in need or demand, and indirectly in terms of access to finance and reduced confidence.

#### **4.2.3 Recommendations**

R(a) all reasonable options to speed up absorption need to be considered by each MA within the existing objectives and operating rules of the NSRF and OPs;

R(b) use TA to more proactively support actual and potential beneficiaries;

R(c) use TA to outsource OP management and technical functions in cases of scarce internal capacity and bottlenecks.

### **4.3 ISSUE 2: RELEVANCE, EFFICIENCY AND EFFECTIVENESS OF OP STRATEGIES**

#### **4.3.1 Findings**

After a slow beginning, the efficiency and effectiveness of OP Implementation is seen by the Interim Evaluations as having gradually improved. Operations have been successfully launched, applications received and processed, and increasingly approved and contracted. This reflects incremental improvement across the OPs – at PA, KAI and operational level – addressing many early inadequacies or blockages. The pace of implementation has also improved, and previous delays in application processing periods have been reduced.

As noted in regard to Issue No. 1 above, the crisis is not seen by most Interim Evaluators as having a generic impact on the relevance of OP Strategies. However, it does affect the strategies of some individual Priority Axes where the rationale or demand for these may be affected. Based on the IE analyses, these cases include HRD and to a degree SOP-T. In the case of HRD it is arising because of likely worsening of the economic prospects for disadvantaged groups and likely greater urgency of need for service provision in this regard. In the case of SOP-T, the report authors note likely more rapid progress in road than in rail investment. In the circumstances an unplanned de facto change in transport strategy could arise within the OP.

Similarly effectiveness, initially problematic, has been improving, particularly in the earlier stages of the project cycle. However, implementation and especially actual project expenditure are still challenges across all OPs and most Priority Axes.

On the – albeit crude – indicator of levels of expenditure approvals or payments as against NSRF objectives it is clear that ROP, SOP-IEC, HRD and ENV are relatively high-performing, and OPTA, ACD and SOP-T relatively low. This suggests that:

- OPs or PAs dealing with relatively smaller non-infrastructure projects and large numbers of external beneficiaries have to date performed better;
- the relatively internal public sector OPs are performing worse than more external-focused (companies and NGO) ones. This is contrary to what might be expected in a financial downturn;
- the two technical assistance type OPs (OPTA and ACD) have performed especially poorly – a concern since these should be helping to support NSRF implementation as a whole.

With regard to practices and failures that explain the asymmetry of implementation between and within OPs, it is noteworthy that many OPs include both well-performing and under-performing Priority Axes and KAIs. It is therefore not possible to point to unambiguously “successful” or relatively “unsuccessful” MAs and IBs as such, most demonstrate both successes and failures to date. High OP performance is usually explained by a few high-performing PAs, alongside slower ones.

Similarly, overall strong performances in many individual PAs is still usually explainable in terms of successful KAIs and operations alongside other poorly performing ones within the same PA, e.g. in SOP-IEC PAII (Research) is seen as having an effective IB and as progressing relatively well. Nevertheless, some individual operations within this PA remained problematic at the time of the Interim Evaluation.

It is also evident from progress described in the IEs that individual MAs and IBs can be relatively successful or unsuccessful at different stages in the programme’s cycle, e.g. OP and PAs with high levels of approval do not necessarily also have the highest levels of contracting and expenditure.

Many other issues affecting implementation to date are generic across OPs, including problems with public procurement, vacant posts, and cumbersome bureaucracy. These are detailed in individual OP Interim Evaluations, and indeed elsewhere. Insofar as these are related to difficulties with the Romanian public service and its procedures generally, individual MAs and IBs cannot easily overcome these difficulties on a stand-alone basis.

A number of factors also emerge at the sub-OP level, factors in relative success are:

- minimisation of blockages at all stages in the project selection cycle, e.g. there is no point having high levels of applications, or even approvals, if there are difficulties at contracting stage;
- the presence of experienced staff from the pre-accession period seems to be an advantage in a number of relatively successful IBs, e.g. in ROP and in SOP-IEC.

### 4.3.2 Conclusions

Based on the Interim Evaluations, (together with the NSRF Formative Evaluation and the Strategic Report), two broad alternative conclusions could be drawn about the efficiency and effectiveness of the OP implementation to date:

- (a) **optimistic view – maintain present incremental improvement approach:** this view is that the continuous improvements to procedures and institutions that have been made since NSRF implementation started are now bearing fruit, that large projects (especially in infrastructure) take time to progress, that progress is particularly evident in terms of approvals and contracting, and that expenditure and project implementation will now also logically accelerate. This view therefore implies that the IEs have been undertaken at a particular point in time, and that the situation will be quite different in 1-2 years. This view is at least implicit in the OP Interim Evaluations.

Issues about this view are, of course, that insofar as the economic crisis is affecting implementation – and all IE reports say it is – the various administrative changes and improvements will not address this dimension. Also, whatever happens from 2010 onwards, the OPs all have a “mountain to climb” in terms of expenditure and subsequent project implementation which is still far below NSRF and OP targets;

- (b) **pessimistic view – a radical change in approach is needed:** this view is that the absorption challenge is becoming so great that fairly radical organisational change is needed and that there is a danger of complacency. Arguments for this view are the danger of a lagged impact of the economic crisis, a longer crisis than predicted, and the fact that many relatively “easy early” wins in absorption terms are already complete, e.g. Jeremie.

Arguments against this pessimistic view are that it is not taken in any Interim Evaluation, and that high level change in terms of organisational architecture would not help to overcome the detailed implementation problems, e.g. existing staffing arrangements, public procurement procedures, financial and audit requirements would all still exist. Indeed it can be concluded that radical change could be counter-productive and would actually reduce rather than increase the likelihood of absorption and project implementation accelerating.

It could also be argued that the pessimistic view involves unnecessary panic about absorption on the basis that N+2/3 will provide a solution, and may also be open to subsequent flexibility. However, against that it should be said that expenditure is a necessary, but of course not sufficient, condition for impact. Also, late expenditure will have a knock-on impact on 2014-20 absorption (as Phare did in the early years of this round). Low expenditure in the current period also could weaken Romania’s negotiating position regarding the 2014-20 round.

This Synthesis Report takes the view that a middle ground between the two extremes above is needed. Such a middle ground means that there is a need to continue the process of incremental improvements, but that this alone is unlikely to be enough to ensure adequate acceleration in absorption and implementation. Consequently, other steps are needed. In particular, sizeable financial reallocations need shortly to be planned and put into effect.

### 4.3.3 Recommendations

- R(d) develop a framework for reallocations now, based on PAs and operations that could absorb additional funds over the life of the NSRF rather than reactively seeking destinations for unspent monies on an ad hoc basis later;
- R(e) identify a number of PAs and operations which have the potential to absorb significant amounts of additional funding, and which also meet other criteria in terms of eligibility, strategic appropriateness, potential impact, avoidance of deadweight, e.g. local roads<sup>22</sup>, SMEs, third-level research. An obvious starting point is provided by the existing relatively high expenditure PAs (see Figures 4.2 and 4.3);
- R(f) consider inclusion in OPs of some appropriate expenditure areas that are not already part of the NSRF, e.g. eligible non-cofinanced transport projects in SOP-T, the Justice sector in ACD;
- R(g) undertake targeted promotion to likely potential applicants;
- R(h) remove money from operations which are currently delayed for substantive reasons or not performing because of fundamental obstacles to their implementation which have not yet been resolved, by a certain deadline (e.g. end Q1 2011). Again, a starting point is the relatively low or no approval or absorption PAs.
- R(i) prioritise improved functioning of TA at NSRF and OP level as a potential enabler of absorption across the NSRF and OPs;
- R(j) appoint “OP-level monitors” to advise/support MC/MAs at OP level. Their role would be to proactively identify and support MC/MA to address bottlenecks and obstacles to implementation;
- R(k) review the operation of the existing project-level monitoring and audit activity with a view to ensuring a beneficiary-oriented and customer-focused support dimension;<sup>23</sup>
- R(l) raise with the European Commission the possibility of treating the 2007-13 and 2014-20 periods as a single, seamless NSRF period from a strategic perspective.<sup>24</sup> This would allow additional 2007-13 allocation to potentially high-absorbency areas (e.g. roads) without concerns about imbalance in strategies (e.g. public transport strategy). The strategic balance issue could then be rectified over the longer period.

Figure 4.4 contains an outline summary of the principles and criteria for a reallocation framework proposed in the recommendations above. These latter could be applied at OP or KAI level. They essentially represent a formalisation of the type of decision-making process that should anyway take place in this context.

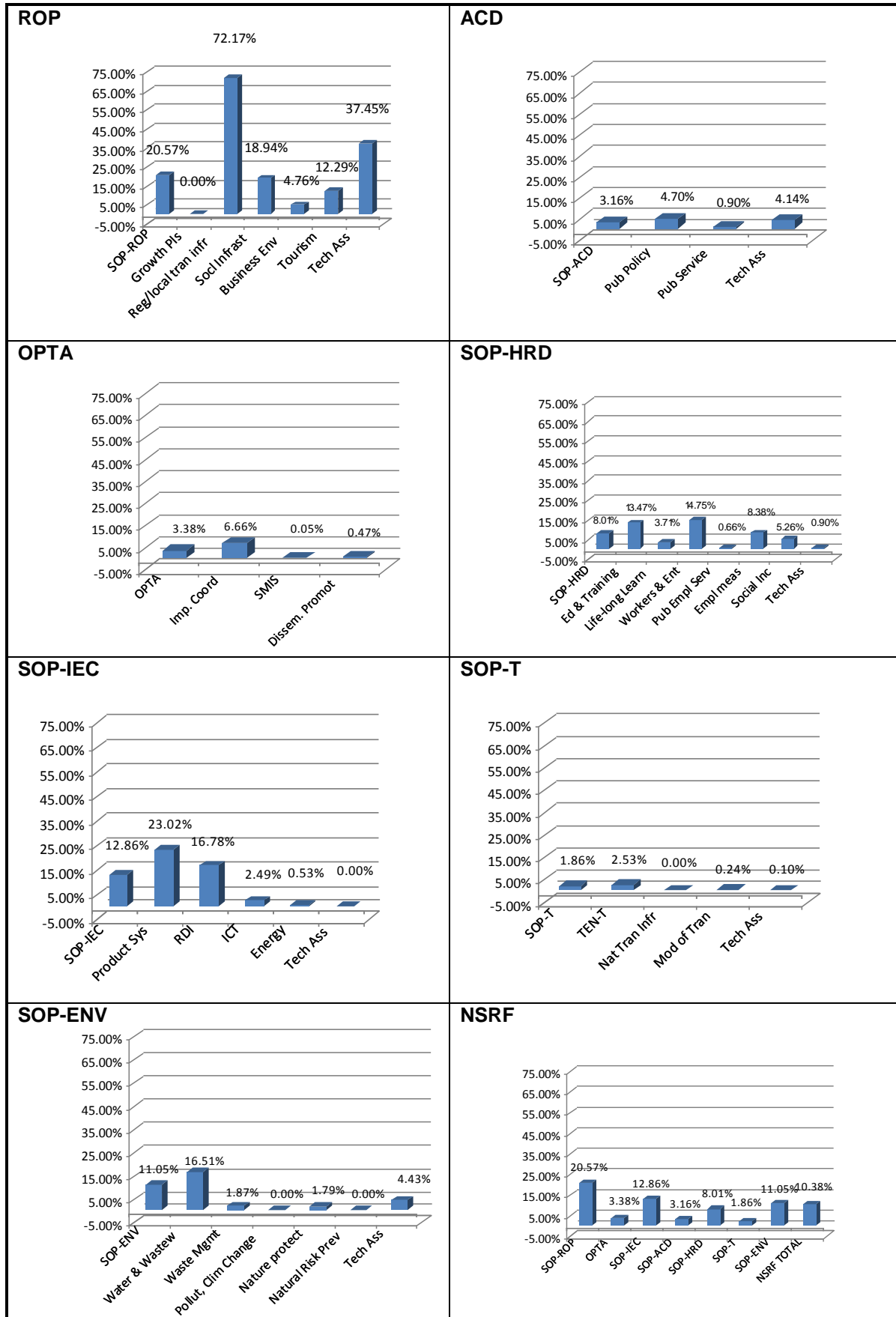
---

<sup>22</sup> DG Regio Ex Post Evaluation Synthesis Report suggests removal of road improvements from post-2013 Cohesion Policy.

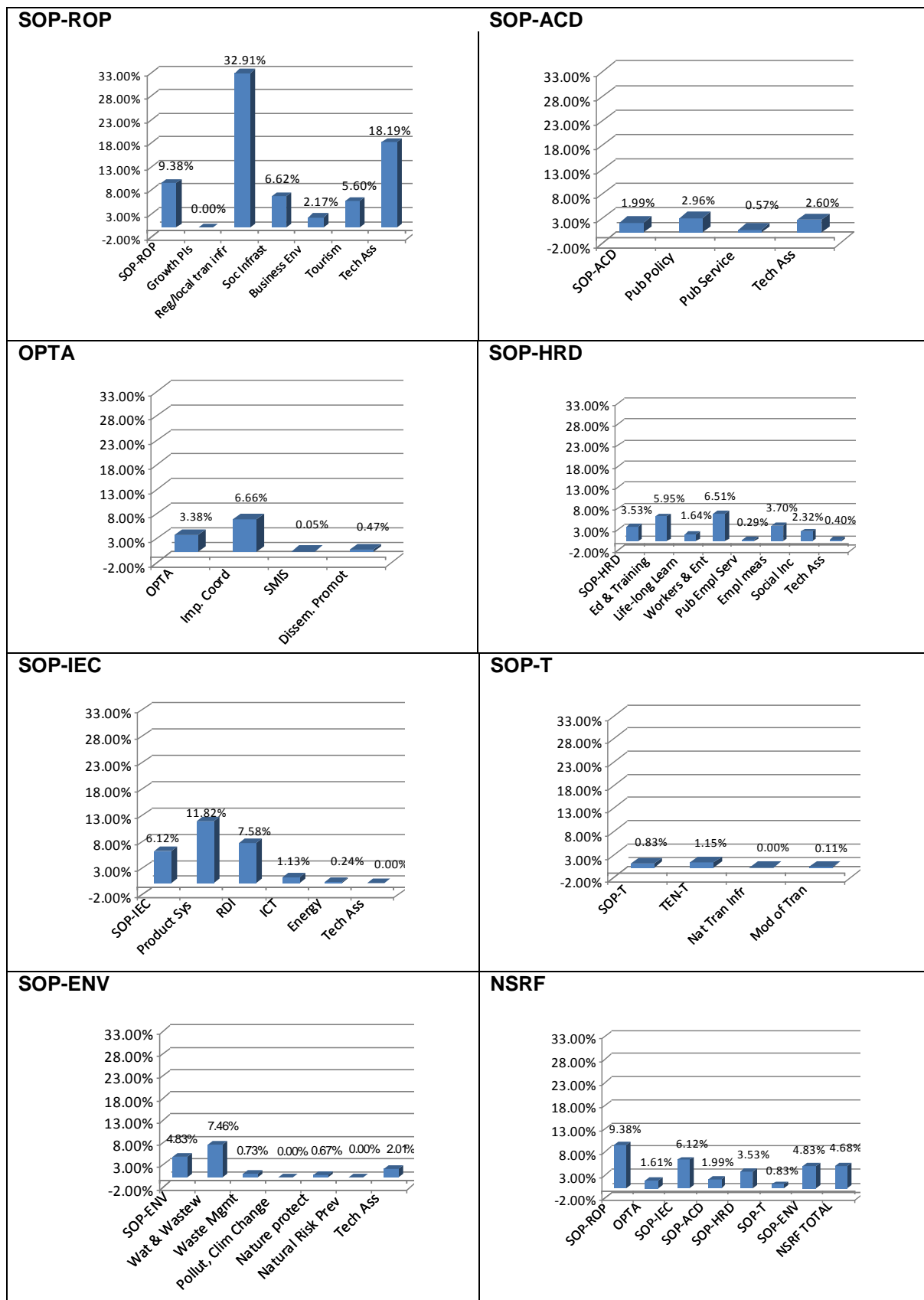
<sup>23</sup> Ad Hoc No. 1 reports that monitoring/audit visits are seen by beneficiaries as an added burden.

<sup>24</sup> This could be considered for the two new Member States only, in the exceptional circumstances of the financial crisis.

**FIGURE 4.2 ACTUAL PAYMENTS TO END-JUNE 2010 AS % OF PROJECTED EXPENDITURE 2007-10**




**FIGURE 4.3 ACTUAL PAYMENTS TO END-JUNE 2010 AS % OF PROJECTED EXPENDITURE 2007-13**





**FIGURE 4.4 PROPOSED FINANCIAL REALLOCATION FRAMEWORK – OUTLINE**

<p><b>Overall Principles</b></p> <ol style="list-style-type: none"> <li>(1) Each decision should be subject to a formal analysis by the MA and its recommendation to the Monitoring Committee. (This does not necessarily mean each re-allocation should be subject to a formal ad hoc evaluation);</li> <li>(2) A re-allocation should be seen as two distinct decisions, namely into what operation the money should be allocated, and from what KAI/operation the money is to be released;</li> <li>(3) It is desirable that it will be driven as much by “demand” as “supply” issues, but there is a tendency for the latter to dominate;</li> <li>(4) In relation to principle no. 2, it should not be automatically assumed that the two operations involved are necessarily within the same KAI, or even Priority Axis or OP. While the administrative attractiveness of an approach that remains within the same Priority Axis and OP is clear, at least in principle it should also be clear that this link should not be an automatic one, but should be the subject of a conscious decision;</li> <li>(5) Pure lack of popularity to date should not be itself the sole basis for a re-allocation.</li> </ol>
<p><b>RE-ALLOCATION CRITERIA</b></p>
<p><b>“Recipient” PAs/KAIs</b></p>
<p><b>Existing PAs</b></p> <ul style="list-style-type: none"> <li>▪ Current level of absorption (high)</li> <li>▪ Current level of approvals (high)</li> <li>▪ Current level of application (high)</li> <li>▪ Objectively assessed pipeline (high)</li> <li>▪ Affect of economic crisis on relevance (high)</li> </ul> <p><b>Potential New PAs</b></p> <ul style="list-style-type: none"> <li>▪ Objectively assessed likelihood of absorption (high)</li> <li>▪ Eligibility (high)</li> <li>▪ Compliance with all EU/NSRF/OP/other criteria (high)</li> <li>▪ Absence of any fundamental obstacles to implementation (high)</li> <li>▪ Affect of economic crisis on relevance (high)</li> <li>▪ Administrative ease of implementation (high)</li> </ul>

<p><b>“Supplier” PA/KAI</b></p> <ul style="list-style-type: none"> <li>▪ Current level of absorption (low)</li> <li>▪ Current level of approvals (low)</li> <li>▪ Current level of applications (low)</li> <li>▪ Objectively assessed pipeline (low)</li> <li>▪ Affect of crisis on relevance (high)</li> </ul>



## 4.4 ISSUE 3: RELEVANCE OF THE IMPLEMENTATION MECHANISMS

### 4.4.1 Findings

The Interim Evaluations have pointed to many difficulties, including both general and operation-specific, in the implementation mechanisms of the OPs. However, they also avoid any proposals for major changes in implementation mechanisms, essentially accepting their relevance while encouraging continuous improvements.

### 4.4.2 Conclusions

For the remainder of the 2007-13 period there is no realistic option but to retain the existing OP implementation mechanisms and make these work as efficiently and effectively as possible.

Most IE Reports make detailed administrative recommendations in this regard, reflecting the emphasis of ToRs on detailed and immediately implementable recommendations frequently at the level of KAIs and operations.

For the post-2013 period, alternative implementation approaches could be considered. However, if these are to be serious options, examination and development of them should begin now. Any attempt to put in place radically changed options at the commencement of the 2014-2020 round could be a recipe for even greater difficulties.

Indeed, one of the lessons of the current period is that an implementation system that is “expenditure ready” at all levels is a pre-requisite for absorption. There is a clear pattern at present that KAIs and operations that have difficulties are ones which were not actually ready for implementation at the launch of the NSRF and OPs, e.g. growth poles, energy and cross-border co-operation.

### 4.4.3 Recommendations

- R(m) retain focus on making the existing implementation structures more effective and efficient in 2007-13 period;
- R(n) if alternative mechanisms are to be considered for the next period, commence examination of these now, including looking in detail at approaches of other relevant<sup>25</sup> Member States, how they have worked and why.

## 4.5 ISSUE 4: POTENTIAL FOR UPGRADING THE IMPACT OF INVESTMENT

### 4.5.1 Findings

With regard to the actual or likely impact of investment, the 2009 Interim Evaluations are in many ways akin to ex ante evaluations. There was, as yet, very limited track record at the time of most Interim Evaluations of actual project implementation, given the relatively small level of approvals. The focus was on implementation mechanism and the progress of this.

---

<sup>25</sup> Relevant here includes in particular other relatively centralised public administration systems.

The approach taken in the Interim Evaluations to investment quality has therefore been one of looking at the mechanisms through which approved projects are selected and making an assessment of this mechanism. This includes launches and associated information provision, the application process, the project selection criteria and procedures, and approvals.

In this regard, the Interim Evaluations are mostly quite positive, and complement the very extensive work that has been done, and the very detailed information and other guidelines that exist. A caveat to these assessments is of course that they have been desk and consultation-based. The Interim Evaluations did not include site visits or appraisal of individual applications. The Interim Evaluation ToR generally also did not make explicit reference to impact, again on the basis that they were primarily process reviews taking place at a very early stage in actual project implementation.

Where IEs expressed concerns about project appraisal, selection and approval systems these mostly concerned their effectiveness and efficiency, not the nature of approved projects emerging from them.

A separate NSRF evaluation, namely the First Ad Hoc Evaluation, did examine at beneficiary level the capacity of Public and Private NSRF beneficiaries, including via interview and case studies. It examined how beneficiary implementation is affecting the achievement of the objectives of projects. It identified challenges at three levels: "societal", "organisational" and "individual". It identified a series of significant obstacles at all levels. Proposals for improvement reinforced many of the existing initiatives regarding simplification and more flexible procedures. They also included more use of TA to support beneficiaries, as well as facilitation of experience sharing among beneficiaries.

A number of ToR did ask about likely ability of programmes to achieve the ultimate objectives.<sup>26</sup> In this regard, Interim Evaluations were generally cautiously optimistic, but on the assumption that the implementation mechanisms would continue to improve and that the economic crisis would gradually ease.

Synergies and complementarities between Programmes and between Priorities within Programmes are in place in principle. At the broadest level the NSRF involves a series of complementary OPs, and considerable work was done at ex ante stage to ensure that overt overlap or duplication was minimised. Nevertheless, a number of OPs are dealing with similar but different aspects of the same sectors and issues, and it is not clear to what extent there is practical on the ground co-ordination and efforts to ensure complementarity in this regard. Some of the remits of Priority Axes also make this challenging. For instance the health and education sectors are supported by both the Regional and Competitiveness OPs, in one case through infrastructure and in the other through ICT. A simpler delineation of beneficiaries into one OP or the other might have been more effective. Also, a broadly-based Regional OP such as ROP, while desirable for many other reasons inevitably runs the risk that it comes close to duplicating what the national sectoral OPs are doing. Based in particular on the OPTA Interim Evaluation, which considered this issue on an NSRF-wide basis, Ad Hoc Working Groups do appear to be an effective approach to improving co-ordination and synergies, and removing obstacles to, both implementation and impact.

---

<sup>26</sup> This evaluation question was a legacy in some ToRs of the requirement for the IE to contribute to the Strategic Report.

The Interim Evaluation of OPTA made specific reference to co-ordination levels across OP and was complimentary in this regard. However, arguably a weakness still is that this level of co-ordination and co-operation is very much focused on procedures and processes, rather than actual substance. Where co-operation on substance is needed, the evidence of practical on the ground co-operation is not great. There is scope for more practical co-operation therefore at both the strategic and at the micro level. In the latter case, more sharing of information about individual beneficiaries across the NSRF would be helpful.

Regarding project quality, ensuring that the project application system is working effectively is ultimately the key to this. No amount of evaluation or oversight can replace the role of the project assessors, so the need is to ensure that they have sufficiently clear guidelines, are skilled and informed, and are independent and professional in their work. Interim Evaluation reports did not raise any particular problems in this regard. However, given the relatively limited level of interaction with potential beneficiaries in the Interim Evaluation process, and the expanding number of beneficiaries as the NSRF progresses, it is now desirable to initiate reviews of the quality of the projects and their implementation emerging from the project selection system.

#### **4.5.2 Recommendations**

- R(o) initiate independent quality examination of a sample of ongoing contracted projects using experienced development project assessors;
- R(p) creation of more temporary Ad Hoc Working Groups to deal with specific co-ordination issues and blockages, e.g. other big delayed operations.