



Synthesis of OP Interim Evaluations

Executive Summary

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1. INTRODUCTION

During the 2009-10 period, the Managing Authorities of most Operational Programmes in the Romanian National Strategic Reference Framework (NSRF) commissioned an Interim Evaluation from external evaluators.¹ The subsequent reports were completed over the period from Autumn 2009 to early 2011. In the case of the Transport and Environment Operational Programmes, a separate Review of Investment in Transport and Environment Infrastructure was carried out for the ACIS Evaluation Central Unit, with the agreement of the Managing Authorities.

The present report is a synthesis of these Interim Evaluation Reports. It also takes account of a number of other related documents, including the Romanian 2010 Strategic Report, the Interim Evaluation of the NSRF, and the Ad Hoc Evaluation of Beneficiary Capacity.

The Synthesis Report Terms of Reference specify that the expected result is to reach conclusions and make recommendations addressing four Strategic Issues:

- (1) consequences for OP strategy and its implementation of the financial and economic crisis;
- (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;
- (3) relevance of the implementation mechanisms;
- (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.

This Summary presents the key findings, conclusions and recommendations under these four headings.

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

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 for some PAs 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,

¹ Interim Evaluation of the Regional Operational Programme, East West Consulting, in consortium with ECO3, October 2009; Interim Evaluation of the Sectoral Operational Programme: *Increasing Economic Competitiveness*, GEA Strategy & Consulting/Fitzpatrick Associates/KPMG Romania July 2010; Interim Evaluation of the Operational Programme for Technical Assistance, KPMG Romania/GEA Strategy & Consulting/Pluriconsult, September 2010; Interim Evaluation of the Operational Programme Human Resource Development, KPMG Romania/Kantor/Eurolink, September 2010 (Draft Report); Interim Evaluation of Operational Programme Administrative Capacity Development, East West Consulting/NTSN, October 2010.

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. 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-limited 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.

Conclusions

The conclusions emerging in relation to Issue No. 1 are threefold. 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.

ISSUE 2: RELEVANCE, EFFICIENCY AND EFFECTIVENESS OF OP STRATEGIES

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 operation 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 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 implement NSRF implementation but are actually holding it back.

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.

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:** it is that the absorption challenge is becoming so great that fairly radical 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 be 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 could also 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.

ISSUE 3: RELEVANCE OF THE IMPLEMENTATION MECHANISMS

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.

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 in the Interim Evaluations 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.

ISSUE 4: POTENTIAL FOR UPGRADING THE IMPACT OF INVESTMENT

Findings

With regard to the actual or likely impact of investment, the Interim Evaluations are in many ways akin to ex ante evaluations. This is because there was, as yet, very limited experience at the time of most Interim Evaluations of actual project implementation, given the relatively small level of approvals.

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. These include launches and associated information provision, the application process, the project selection criteria and procedures, and approvals processes. 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 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,² 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 classified 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.³ 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.

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 coordination and co-operation is very much focused on procedures and processes, rather than actual

² KPMG/GEA S&C/Pluriconsult, *Challenges in the Capacity of Public and Private Structural Instruments Beneficiaries*, 2010.

³ This evaluation question was a legacy in some ToRs of the requirement for the IE to contribute to the Strategic Report.

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 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.

6. PRINCIPAL RECOMMENDATIONS

The principal focus of the Synthesis Report recommendations is the need for a planned programme of financial re-allocation from relatively low to relatively high absorbing Priority Axes and KAIs within the Romanian NSRF. Specific proposals in this regard are to:

- 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;
- 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 roads⁴, SMEs, third-level research. An obvious starting point is provided by the existing relatively high approval and absorption PAs;
- 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;
- 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.

A series of other priority recommendations also emerge:

- prioritise improved functioning of TA at NSRF and OP level as a potential enabler of absorption across the NSRF and OPs;
- 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;
- 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;⁵

⁴ DG Regio Ex Post Evaluation Synthesis Report suggests removal of road improvements from post-2013 Cohesion Policy.

⁵ Ad Hoc No. 1 reports that monitoring/audit visits are seen by beneficiaries as an added burden.

- raise with the European Commission the possibility of treating the 2007-13 and 2014-20 periods as a seamless NSRF period from a strategic perspective.⁶ 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.

Further details of the findings, conclusions and recommendations, and the link between these are contained in Chapter 4 of the Synthesis Report. The Summaries of all Interim Evaluations are also attached, see Appendix 2.

⁶ This could be considered for the two new Member States only, in the exceptional circumstances of the financial crisis.