

Ministry of Public Finance

Authority for Coordination of Structural Instruments (ACIS)

Conducting Evaluations for the Period 2009-10

First Ad Hoc Evaluation:

**Challenges in the Capacity of Public and Private
Structural Instruments Beneficiaries**

Final Report

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Contract: 13/02.10.2009 – Carrying out Evaluations during the Implementation of the National Strategic Reference Framework (NSRF) and the Operational Programme Technical Assistance (OPTA)

A Project co-financed from the ERDF through the OPTA (2007-13)

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GLOSSARY

ACIS	Authority for Coordination of Structural Instruments
AA	Audit Authority
ACD	(OP) Administrative Capacity Development
BSF	Bureau for Structural Funds
ECU	Evaluation Central Unit
EIF	European Investment Fund
ENV	(OP) Environment
EU	European Union
EUR	Euro
FID	Framework Implementation Document
FIDIC	Federation Internationale des Ingenieurs Conseils
HRD	Human Resources Development
IB	Intermediate Body
IE	Interim Evaluation
IEC	(OP) Increase of Economic Competitiveness
IR	Inception Report
IRR	Interest rate risk
MEUR	Million Euros
MA	Managing Authority
MCA	Multi-Criteria Analysis
MoPF	Ministry of Public Finance
NAPE	National Agency for Public Employees
NARMPP	National Authority for Regulating and Monitoring Public Procurement
n.a.	Not available
NCSC	National Council for Solving Complaints
NSRF	National Strategic Reference Framework
OP	Operational Programme
OPTA	OP Technical Assistance
PIU	Project Implementation Unit
R&D	Research and development
ROP	Regional Operational Programme
RON	Romanian Lei
SI	Structural Instruments
SMIS	Single Management Information System
SOP	Sectoral Operational Programme
TA	Technical Assistance
TFR	Technical and Financial Report
ToR	Terms of Reference
UCVPP	Unit for Coordination and Verification of Public Procurement

PREAMBLE

The present evaluation report was prepared in the framework of the Component *Other Evaluations* of the technical assistance (TA) project *Conducting Evaluations for the Period 2009-2010* implemented under the contract *Carrying out Evaluations during the Implementation of the National Strategic Reference Framework (NSRF) and the Operational Programme Technical Assistance (OPTA)*, concluded between the Authority for Coordination of Structural Instruments (ACIS) of the Ministry of Public Finance (the 'Contracting Authority') and a consortium composed of KMPG Romania SRL (leader), GEA Strategy & Consulting and Pluriconsult (the 'Consortium').

The report is based on the findings generated by an analysis of the data collected for this study and is presenting the conclusions and recommendations emanating from the findings.

EXECUTIVE SUMMARY

The evaluation report was prepared in the framework of the Component *Other Evaluations* of the technical assistance (TA) project *Conducting Evaluations for the Period 2009-2010* implemented under the contract *Carrying out Evaluations during the Implementation of the National Strategic Reference Framework (NSRF) and the Operational Programme Technical Assistance (OPTA)*, concluded between the Authority for Coordination of Structural Instruments (ACIS) of the Ministry of Public Finance (the 'Contracting Authority') and a consortium composed of KMPG Romania SRL (leader), GEA Strategy & Consulting and Pluriconsult (the 'Consortium').

According to the ToR, the objective of this evaluation is to contribute to increasing efficiency and effectiveness of the SI implementation through improving the implementation capacity of the beneficiaries of the projects funded through SI. The specific objective is to identify the main problems and the vectors that could contribute to increasing the implementation capacity at each type of beneficiary level.

The evaluation provides a broader analysis of the implementation capacity of public and private beneficiaries within the Structural Instruments context and to make recommendations for improving this capacity.

The territorial scope of the evaluation is the whole territory of Romania. The quantity scope of the study is covering 1,429 projects representing the projects approved by 30 June 2009. The timing scope is covering the time lag between the date of financing decision on the approved projects and the date of the final payment related to the project.

The results of this evaluation were to reach conclusions and make recommendations addressing the following evaluation question (Q) and sub-questions (SQ):

- (Q) How is the beneficiaries' implementation capacity hampering the achievement of the SI projects results?
- (SQ1) How the relevant policies, legislation, power relations and social norms hamper the beneficiaries' implementing capacity?
- (SQ2) How the internal policies, arrangements, procedures and frameworks at organisation level (if they exist) hamper the implementation capacity of the structural instruments beneficiaries?
- (SQ3) Do the beneficiaries have the relevant experience, knowledge and technical skills for implementing structural instruments projects?

In order to address these questions the evaluation methodology was based on the following exploratory approach:

- (i) the review of the operational programmes and implementation framework documents for the categorisation of the projects' beneficiaries as well as the review of the implementation process based on the Applicants' Guides and on Monitoring Committees reports as for Fall 2009;
- (ii) defining the problems at the level of beneficiaries' capacity;
- (iii) analysing and setting the weight of the problems in relation with each capacity level; this included:
 - the analysis of the projects implementation process, by the identified categories of beneficiaries, from the financing contract signature to the final payment, revealing the bottlenecks in a project life-cycle;

- the examination of the policies, legislation, power relations and social norms facilitating or hampering the implementing capacity of the beneficiaries (*societal level*);
- the examination of the relevant internal policies, arrangements, procedures and frameworks at organisation level to see if they exist and how they influence the implementation capacity of the beneficiary(*organisational level*);
- the examination of the experience, knowledge and technical skills within the beneficiaries to see if they exist and if they are used for SI projects implementation (*individual level*);
- three in-depth case studies analysis related to the main category of beneficiaries (public administration, SMEs and NGOs).

Based on this approach the following main findings and related conclusions and recommendations have been drawn for the improvement of the beneficiaries' implementation capacity:

(Q) Beneficiary capacity influences the implementation of SI projects in a complex, multi-dimensional manner. Success in the implementation of SI projects depends on beneficiary capability to address a wide variety of societal, organisational and individual challenges. All stakeholders in SI projects (not only beneficiaries) have to face an intense and continuous learning-by-doing process. Programming and framework implementation documents, procedures, norms and regulations are all in use or in place in Romania, but the diversity and complexity of SI projects, combined with high expectations as to their results, require effort in respect of adjustment and capacity development by all SI stakeholders. For beneficiaries this may imply changes in leadership, shifts in priorities, resource commitments and managing the trade-off between short-term 'quick wins' and long-term commitment to sustainable business and operational models. ACIS, MAs and IBs are recommended to build on the existing experience among all the SI stakeholders and to bring upfront the good practices identified in the SI projects implementation. This can be achieved by a set of measures focused on specific aspects at the societal, organisational and individual levels as further indicated.

(SQ1) At the *societal level* the analysis encompasses national policies and strategies, legislation, social norms, hierarchical relations, financial aspects and changes in the target group and demand for services.

The fact that the multi-annual budgeting system brought into the public agenda close to the country's EU accession is still not in place will continue to pose somewhat of a constraint in terms of ensuring SI projects co-finance, sustainability and long-term impact. Added to the existing limited coherence and stability of the strategies, this affects beneficiaries' management capacity, especially from the perspective of mobilizing financial resources and estimating long-term effects of the SI projects. Debates on setting a multi-annual budgeting system in Romania should be encouraged and facilitated by ACIS as soon as possible by initiating a public debate on this topic, inviting all relevant stakeholders in this debate and, assisted by a panel of experts, initiating a draft law for multi-annual budgeting. In the same respect, at the level of each public institution (national, regional and local level), multi-annual budgeting should be connected with strategic planning in order to identify and prioritise the needs that can be addressed for each budgeting period. Local public authorities, beneficiaries of SI, should be encouraged to develop strategic plans and include multi-annual budget planning in this process.

Temporarily declaring as non-eligible SI-assisted expenditure on salaries of public research institutes researchers is hampering the pace of SI project implementation in that sector, which has shown itself to be the most efficient in terms of absorption (only 1.5% are more than 3 months late with submitting the reimbursement request). This has a negative effect on the capacity to mobilize human resources for SI projects on the part of these beneficiary entities. ACIS and the Managing Authority (MA) for Human Resources Development Sectoral Operational Programme (HRD SOP) are

advised to increase the level of cooperation between them for the specific purpose of carefully analysing the interpretation and enforcement of the legal framework addressing the issue of non-eligibility of the salaries of the public researchers involved in SI projects.

Value Added Tax (VAT) recovery has major influence on beneficiary capacity to mobilise financial resources, either because it affects the cash flow of the project or the capacity to propose additional projects. ACIS and the MAs are recommended to support beneficiaries by providing training sessions or dedicated informative sessions on VAT recovery to beneficiaries.

Public procurement procedures are significantly affecting beneficiaries' capacity to manage and implement SI projects and ultimately their capacity to obtain reimbursement of pre-financed project expenditure. It is advised that ACIS with MAs and IBs cooperation engage in improvement of relevant public procurement procedures so as to prevent repeated complaints, by further simplification and clarification of the evaluation criteria for offers and by further explanation of the public procurement procedures to beneficiaries. The establishment of a Working Group with National Authority for Regulating and Monitoring Public Procurement (NARMPP), Unit for Coordination and Verification of Public Procurement (UCVPP) and National Council for Solving Complaints (NCSC) participation in order to achieve common understanding between contracting authorities, tenderers and regulatory bodies might be a way of achieving this. MAs/IBs might engage in organising training sessions dedicated to providing beneficiaries with further knowledge on public procurement procedures.

Collaboration at all stages between beneficiaries, on the one hand, and MAs and Intermediary Bodies (IB), on the other hand, is paramount for successful SI project management. Due to the novelty and complexity of the system, the communication modalities, procedures and operational parameters of MAs and IBs exert significant influence on the beneficiary capacity overall. MAs and IBs have a major role in making significant progress in that sense by: (i) rapidly improving the quality and consistency of all information provided to beneficiaries, so as to eliminate contradictions, errors and sources of confusion; (ii) streamlining and simplification of their procedures in order to avoid unnecessary delays and administrative burden for beneficiaries; and (iii) documenting and applying the experience already gained in implementation (both by themselves and beneficiaries) in a systematic manner. All these could be achieved by: (a) keeping information sources up-to-date and providing documented cross-checking between entities and departments; (b) reducing the duration of processing and approving requests for reimbursement, so as to stay in line with applicable contractual terms; (c) appointing expert panels in charge of drafting manuals for those OPs not having yet them, as well as (d) revising and updating existing manuals in accordance with beneficiaries' needs and the current state of practical knowledge.

Changes in the conditions for obtaining loan financing constitute a very significant contextual factor, with major influence on the capacity of all beneficiaries to manage SI projects and in particular their capacity to mobilize financial resources. ACIS and Ministry of Public Finance (MoPF) are advised to analyze the possibility of simplifying and facilitating access to credit in parallel to facilitating project implementation by simplification of reimbursement procedures and the prevention of payment delays. Negotiating a protocol between ACIS, MoPF and banks is likely to be an effective measure in this context.

Based on a preliminary agreement and further to the express request of the bank, MAs/IBs should allow for the assignment of the payment in the financing contract, following the procedure already applied within the National Rural Development Programme. Also, MAs/IBs are advised to analyze the possibility of taking the necessary measures in order to ensure the compliance with the reimbursement deadlines that are established in the financing contract.

The generally high degree of risk aversion in the public administration poses an additional burden for beneficiaries and IBs, which hampers their capacity of managing SI projects. It is recommended that

ACIS, Payment and Certification Authority (PCA), MAs and the Audit Authority (AA) increase their cooperation for streamlining rules and procedures addressing programme and project implementation especially related to the number and types of supporting documents through eliminating any checks in addition to the minimum requirements of the EC Regulation 1083/2006 and beneficiaries to be controlled based on risk analysis, as per SOP HRD practice.

Apart from the communication and normative aspects in the relation between MAs/IBs and beneficiaries, all beneficiaries consider that monitoring and verification visits constitute an additional burden and hamper their capacity to manage and implement SI projects. MAs and IBs are advised to adopt a control system based on improved efficiency of their missions. This could be achieved by establishing a transparent monitoring and verification mission calendar, with clearly defined objectives and rules, and shared with beneficiaries in advance.

Social norms are essential drivers for the success of projects and although they have a strong effect on the beneficiaries' capacity to manage the projects, they tend to be overlooked. Passive and resisting attitudes, as well as scepticism with regard to the benefits of SI projects are pervasive. Through TA projects ACIS and MAs are advised to increase general public awareness of the benefits of SI interventions by further applying the related recommendations in the interim evaluations of the OPs and/or of the Communication Plans which eventually are referring to: (i) dissemination of information on successful projects (to the general public), (ii) introduction of attitudinal aspects in SI related training and information events (for beneficiaries), and (iii) dissemination of success stories.

(SQ2) At the *organisational level* the analysis focused on the beneficiaries' internal institutional policies/strategies, arrangements, procedures and frameworks.

There is a limited ownership of the SI projects, especially among the local public beneficiaries. In spite of the economic crisis, there still is an insufficient understanding on the fact that SI funds are an opportunity to diversify financial resources. ACIS and MAs are recommended to involve the associations of public authorities in raising the awareness of the public beneficiaries on the importance of the SI funds as an alternative budget source. The message should encourage the development of the SI projects in a larger strategic approach (including financial planning) and avoid a money-driven response to a funding opportunity.

The staff involved in the implementation of the public beneficiaries SI projects is de-motivated and there is a tendency of de-professionalization among them because of the reduced wages, decreasing opportunity to attend trainings, overload with tasks not all of them SI project-related. This hampers project implementation capacity, as well as the capacity to mobilize human resources on the part of public beneficiaries. ACIS is advised to give priority to technical assistance (TA) activities aiming to increase the capacity of public administration beneficiaries and encourage managers and policy-makers to regard TA as a long-term investment in institutional development. In addition, ACIS is advised to increase the capacity of the public administration beneficiaries for using TA funds – under the Operational Programme Technical Assistance and the TA priority axes of other Operational Programmes. This could be achieved by promoting the importance of TA at the highest level of the Government and the administration and by preparing terms of reference for service contracts aimed at assessing TA needs and designing TA projects ('TA-for-TA'). Also, within the frame of the coming unitary wages law, ACIS and MAs are recommended to promote, inter alia through negotiations with the responsible Commission Services, that salaries and bonuses of public beneficiary staff involved in SI project implementation be accepted as eligible expenditure.

Systematic project monitoring, combined with dedicated and stable involvement of managers, exerts substantial positive influence on project implementation. ACIS, MAs and IBs are recommended to enhance the promotion of a project management culture among beneficiaries and applicants by

mainstreaming the topic of project management in information and peer-to-peer experience sharing events.

There is little practical knowledge of and experience with risk management as a management tool for public entities engaged in SI-funded investment projects. ACIS and MAs are recommended to give special attention to risk management as part of project management culture, in order to increase awareness on behalf of decision makers and promote the application of risk analysis in practice. They are also advised to increase the attention given to risk management at the stage of project proposal evaluation and disseminate and discuss, in the case of major projects, the findings of risk analyses and enable follow-up in the form of corrective measures. This could be achieved by: (a) organising 'round tables' involving relevant stakeholders (MAs, beneficiary management, consultants), (b) by introducing compulsory risk management section in the project appraisal grid (where not already in place) and (c) increasing ratings to the risk identification and corrective measures.

(SQ3) At the *individual level* the study looked at the skills, experience and knowledge of the beneficiary staff mobilized in the implementation of the SI projects.

There is a noticeable difference in performance levels between beneficiaries with previous experience and those that implement SI projects for the first time. Given the novelty of SI project implementation functions, practical experience is still limited, although beneficiaries have acquired a considerable body of knowledge. ACIS and MAs are advised to encourage the establishment of communities of SI practitioners, for the purpose of exchanging both explicit knowledge of practical experience in implementing SI projects and implicit, harder to formalise knowledge of catalysts for successful implementation of SI projects. This is achievable by recognizing consultant as key parties in project preparation and implementation and by designing TA projects aiming at the development of communities of practitioners.

Specific knowledge and skills are necessary for carrying out project management, public procurement procedures, ensuring proper financial records and generally respecting SI administrative requirements. Private beneficiaries have more flexibility in terms of supplying their project with the relevant skills, while public beneficiaries face more difficulties in that sense. ACIS and MAs are recommended to provide support for beneficiaries in order to improve knowledge and skills with regard to aspects of project implementation (including project management, public procurement and financial record keeping) by improving communication, formulating clearer and more accessible guidelines, as well as training/informative sessions. For public beneficiaries, ACIS may co-operate with National Agency for Public Employees in order to create the opportunity for the projects' staff to increase their professional capacity in different domains specific to the implementation of SI projects.

Beneficiaries who had already implemented EU-financed projects not only they submit better applications, but they are more successful in implementation. Still, beneficiaries of the large infrastructure project are confronted with a lack experience regarding technical issue or project management aspects. In order to improve knowledge and skills among public beneficiaries it might be useful for them to use technical assistance funds – under the Operational Programme Technical Assistance and the TA priority axes of other Operational Programmes, to cover capacity and expertise needs and to include in the terms of reference for technical assistance (where is the case) specific requirements to provide training sessions, training on the job.

1. METHODOLOGY

1.1 Evaluation Background

1. As originally planned, the *ad hoc* evaluation aimed to provide policy decision makers and programme managers with relevant information and credible analysis on particular aspects of the progress made in the implementation of the NSRF and the OPTA. It further aimed to identify main lessons learned during the first years of implementation, highlight best practices and contribute to the strategic reporting requested by Article 29 of Council Regulation (EC) Regulation N° 1083/2006¹.

Rationale

2. *Ad hoc* evaluations are designed to address a need for knowledge on operational or other issues identified in the course of the implementation of the NSRF and OPs. This *ad hoc* evaluation did not therefore form part of the annual evaluation plan drawn up by ACIS, but was commissioned specifically.

Focus and perspective

3. Since the coverage of the *ad hoc* evaluations under the contract is broad and unspecified, the first step was to define its scope and focus. The *factors* which guided the assessment of the needs of *ad hoc* evaluations were the following: changes in national and European policies, major bottlenecks in implementation, preparation of the next programming period, cross-cutting issues (concerning more than 2 MAs), focus on internal aspects of the system or on the beneficiaries, practical relevance and immediate applicability by stakeholders in the short term. The process of needs assessment included documentation review and interviews with the main stakeholders. A total of eight interviews were carried out with managers and evaluation staff at ECU/ACIS and managers at five MAs (those for OP DAC, SOP IEC, SOP T, ROP, SOP HRD). The desk review mainly included the most recent Monitoring Committee Minutes of the OPs and the Indicative Lists of Evaluations planned by ECU and the MAs.

4. Based on the above-mentioned factors a *tentative list of ad hoc evaluations* was drafted. Most of the stakeholders consulted in the matter preferred an analysis of the capacity of SI beneficiaries (both public and private).

1.2 Methodological Approach

1.2.1 Evaluation Theory

5. The theory of this evaluation was driven by an international approach to the conceptualisation of capacity development practice according to which a country's wider objective of reducing the socio-economic gap compared with other EU Member States is achieved by processes through which individuals and organisations obtain, strengthen and maintain the capabilities to set and achieve their own objectives. That is why, during the analysis of NSRF progress, the capacity of SI beneficiaries became one of the key issues of concern.

6. For the purpose of this evaluation, **beneficiary capacity** encompasses the following components:

- (i) Project management capacity – beneficiaries' capacity to manage the project in such a way as to achieve the results and define an "exit-strategy" from early stages of project implementation;

¹ Dated 11 July 2006.

- (ii) Capacity to report on implementation – beneficiaries’ capacity to realize accurate and reliable implementation reports (including reporting on indicators);
- (iii) Capacity to request reimbursement – the paperwork beneficiaries need to complete in order to submit a correct request for payment and their capacity for spending enough funds so as to be able to respect the initial payment calendar;
- (iv) Capacity to mobilise human resources – recruitment and involvement in the project of dedicated human resources;
- (v) Capacity to mobilise financial resources – identification of project financial resources and capacity for managing financial operations.

7. The ToR included one more level of capacity, which was defined as the *capacity to overcome other contextual constraints that may occur in implementation*. The fieldwork and the multi-criteria analysis (MCA) proved that the other five capacity components are in fact contributing to beneficiary capacity to overcome contextual constraints.

8. The capacity development theoretical framework involves three inter-related **levels** of analysis: societal, organisational and individual.

9. The *societal* level is the term used to describe the broader system within which individuals and organisations function and that may facilitate or hamper their existence and performance. This level is central to the understanding of capacity issues. It determines the ‘rules of the game’ for interaction between organisations.

10. The *organisational level* of capacity comprises the internal policies of organisations and all arrangements, procedures and frameworks that allow an organisation to operate and deliver a project. Capacity at the organisational level enables individuals and individual level capacities to interact, cooperate and achieve goals. If all these are in place, well resourced and well aligned, the capability of an organisation to perform will be greater than that of the sum of its parts.

11. The *individual level* of capacity refers to the fact that each person is endowed with a mix of capacities that allows him to perform. Some of these are acquired through formal training and education, others through learning by doing and experience.

12. In order to operationalise this theoretical framework in accordance with the actual situation of SI beneficiaries in Romania, each capacity component was analysed using a set of **factors** defined in the ToR for each of the three levels presented above. The factors at the *societal level* are the following: policies, legislation, power relations/hierarchies and social norms. The factors at the *organisational level* refer to: internal policies, arrangements, procedures, and frameworks. The individual level has been analysed through three factors: the skills, experience and knowledge that are invested in people. *Table 1* presents the definition of each factor, grouped by each of the three levels.

Table 1. – Factors influencing beneficiary capacity

Factors	Factor Definitions
Societal level	
Policies	A systematic approach to national priorities with important operational dimensions in the sectors in which beneficiaries develop their actions
Legislation	Regulatory and operational aspects related to VAT recovery, regulatory and practical aspects related to the preparation and implementation of public procurement procedures, correlation between the norms and regulations governing SI implementation with other national and/or EU regulations

Power relations/hierarchies	Major inter-institutional relations significantly influencing the implementation capacity of the beneficiaries such as the relation with MA/IBs and the relations with financial institutions
Social norms	Resistant attitudes of SI project stakeholders (without and within the project) hampering implementation
Others	Economic crisis and related consequences such as changes in the project target groups, changes in the demand of the services in a broad sense, including the themes and topics of the intervention proposed by the SI project
Organisational level	
Internal policies	Institutional strategic plans or set of actions influencing SI project implementation
Arrangements	The 'organisation culture', mainly concerning support received directly from management and colleagues in other departments
Procedures	Formal organisational rules, regulations and processes (e.g. for monitoring or risk management)
Frameworks	Organisational structures involved in SI project implementation
Individual level	
Skills	The practical ability of the beneficiaries staff to implement SI projects
Experience	Prior individual involvement in designing, managing and implementing projects
Knowledge	The information and understanding of the aspects related to SI projects implementation

1.2.2 Evaluation Design

13. The ToR stipulated as the specific objective of this evaluation to identify the main problems affecting and the vectors contributing to increasing SI beneficiaries' implementation capacity.

14. The evaluation was conducted in accordance with the following evaluation question (Q) and sub-questions (SQ):

- **Q** – How is the beneficiaries' implementation capacity hampering the achievement of the SI projects' results?
- **SQ1** – How do the relevant policies, legislation, power relations and social norms hamper the beneficiaries' implementing capacity?
- **SQ2** – How do the internal policies, arrangements, procedures and frameworks at organisation level (if they exist) hamper the implementation capacity of SI beneficiaries?
- **SQ3** – Do the beneficiaries have the relevant experience, knowledge and technical skills for implementing SI projects?

15. The evaluation was carried out on the basis of an evidence-based, exploratory approach taking into account the novelty of the evaluation topic (the present programming period being the first and no other study of beneficiary capacity being available). The evaluation addressed the capacity of all types of beneficiary (both public and private), irrespective of OP. The data collection combined secondary with primary data collection and qualitative with quantitative data. The process of data collection was organised in two stages.

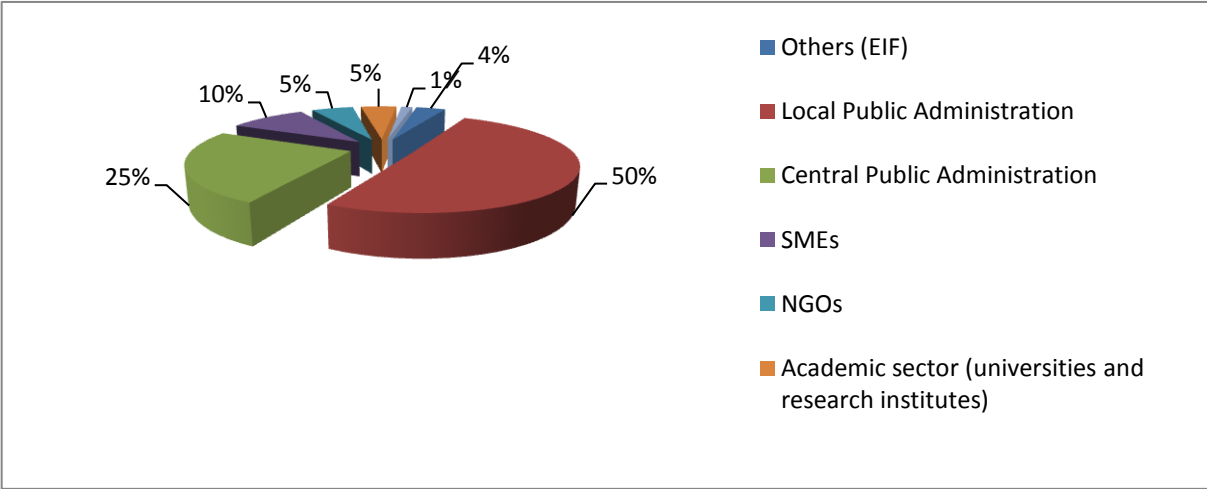
16. *First stage data collection* consisted of documentation review and interviews aiming to list the problems related to the beneficiaries' implementation capacity and refine the questionnaire used for the second stage of data collection. In accordance with the methodology set out in the ToR, the documentation review (list of documents reviewed is presented in the *Annex 2*) included Framework Implementation Documents (FID), as well as Monitoring Committee meeting minutes, Technical and Financial Reports (TFR) and implementation procedures of the individual OPs. At this stage, the evaluators carried out 11 interviews (*Annex 3*) with representatives of MAs and IBs (*Annex 4*) in order to gather material for defining the list of capacity problems (*Annex 5*) at beneficiary level.

17. *Second stage data collection* included an on-line survey (*Annex 6*) carried out for collecting primary data based on the questionnaire designed and refined in advance. The survey aimed to reveal differences between beneficiaries facing delays in submitting reimbursement requests and beneficiaries with no difficulties in that sense. The preliminary interviews and the piloting stage of the survey showed no significant differences in the problems experienced by the two groups of beneficiaries, the major problem being related to getting reimbursed, not to submitting reimbursement requests. This is also supported by other sources² concerned with the problems of the SI beneficiaries. This was confirmed by the findings of the beneficiaries' survey as both the beneficiaries with no delays in claiming reimbursement and those having such delays ranked getting reimbursement as their most important problem in implementation.

18. The evaluation aimed to encompass a total of 1,429 SI-financed projects, i.e. all the projects contracted by 30 June 2009. Unfortunately, the main data set obtained through the MAs and used for the evaluation was not complete. The total number of projects included in the evaluation (at the same cut-off date) consisted of 1,290 projects. This level of representation (90% of the total 1,429 SI-financed projects at the cut-off date) may be considered ample for ensuring adequate reflection of the total number of projects. *Figure 2* is indicating the share of contracted SI funds by type of beneficiary in the 1,290 projects. The funds allocated to the projects implemented by the National Roads Company and the National Railways Company were included in the category of "Central Public Administration", while the funds corresponding to the local water companies were included in category of "Local Public Administration".

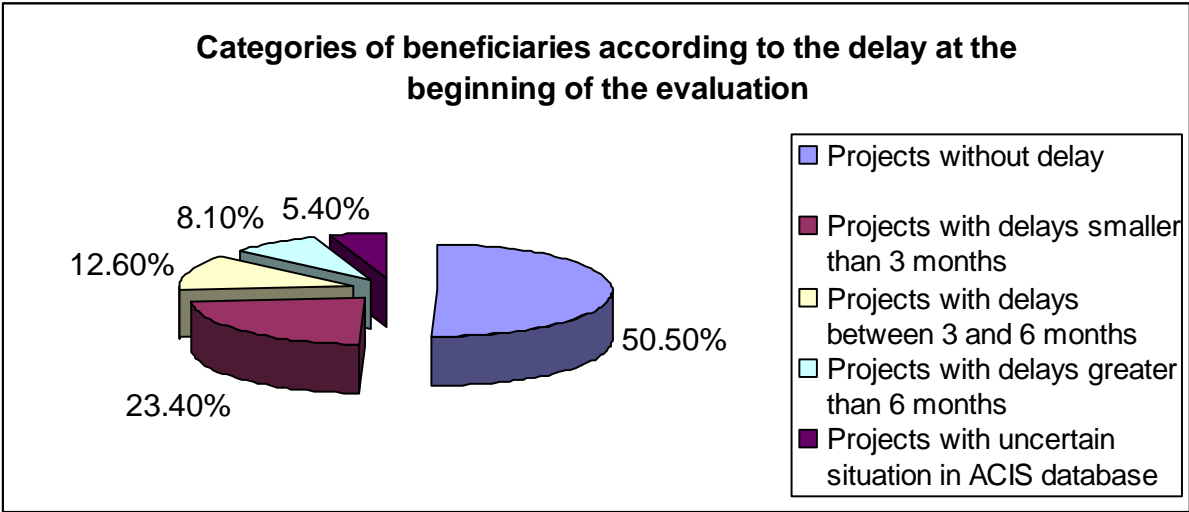
² "100 Notices" Report – Resource Center for Public Participation, March 2010 and "Public Authorities Confronted with the EU Funds" – Soros Foundation Romania, 2010.

Figure 2. – Share of contracted SI funds by type of beneficiary



19. Of the 1429 contracted projects, a total of 280³ (20.7% as per *Figure 3*) showed up delays in excess of 3 months with regard to claiming reimbursement of project-related expenses from SI resources.

Figure 3. – Status of SI projects in terms of reimbursement claims



20. *Table 4* shows the reimbursement claim status in relation to the total number of each beneficiary type. Among all beneficiaries, the local public authorities are the category with the highest number of projects delayed in claiming reimbursement. The best situation is encountered by the academic sector; only 1.5% of the total number of projects implemented by these beneficiaries are more than 3 months delayed in claiming reimbursement.

³ Data provided by the MAs in February 2010.

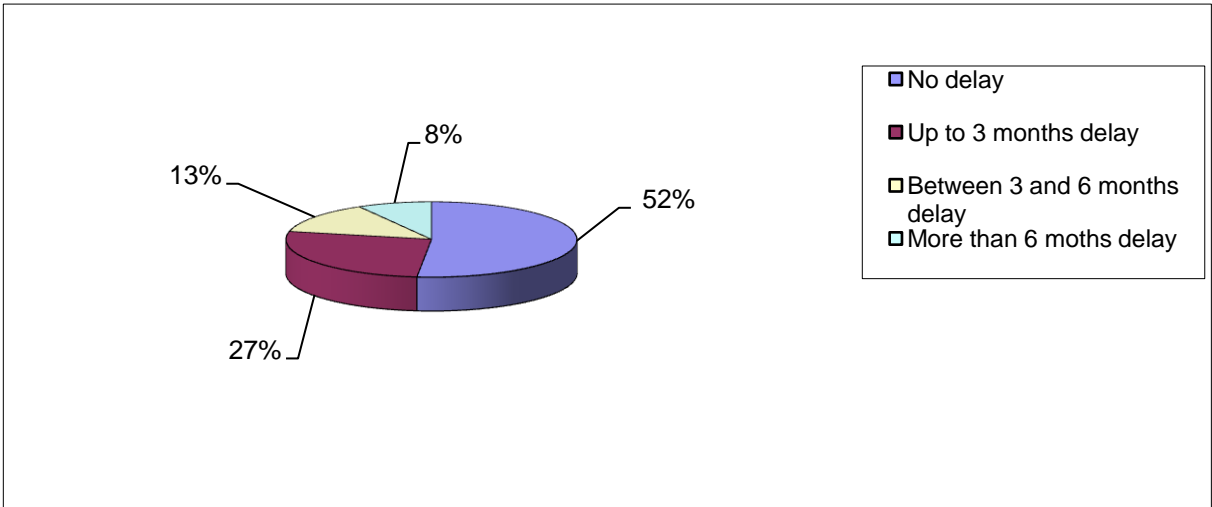
Table 4. – Reimbursement claim status per beneficiary type

	Academic sector	NGO	Central public authorities	Local public authorities	SMEs	Missing data ⁴
No delay	105	69	76	56	241	128
Less than 3 month delay	27	15	21	44	195	34
Over 3 month delay	2	10	33	45	171	18
% of projects over 3 month delayed	1.5	10.6	25.3	31	28.2	10
Total	134	94	130	145	607	180

21. Out of 1,290 projects, the invitation to participate in the on-line survey was confirmed as received by 728 projects (public and private sector recipients of support under all OPs). The complete contact details of these projects were available and still valid when the survey was launched. The survey response amounted to a total of 197, of which 157 replies were complete. The response rate represents 22% of the population participating in the survey and 12% of the total population of projects in the database. It should be noted that the survey collected data for one project/beneficiary (the number of projects is the same with the number of beneficiaries).

22. Comparing the status of SI projects in terms of reimbursement claims in the total 1,290 projects having MAs as data source (Figure 3) with the same type of information collected by the survey (Figure 5) it can be noted that there is no significant difference between the two data sources.

Figure 5. – Status of sampled SI projects in terms of reimbursement claims



⁴ No data about reimbursement claims.

23. In addition to the quantitative data, the evaluation team also collected qualitative data. Some 40 interviews (*Annex 7*) were conducted with representatives of four main types of beneficiaries: central and local public authorities, SMEs, NGOs, and academic sector (*Annex 4*). All of these entities had projects with disbursement claims older than three months in February 2010 (when the database for the present evaluation was compiled). In terms of geographical spread, the interviews covered seven out of eight development regions (Centru Region excepted). In terms of OP coverage, they covered six out of the seven OPs (SOP Transport excepted).⁵

24. The *Analysis* consisted of the MCA referred to above. It was first carried out internally by the evaluation team and validated in two workshops. The first validation workshop (held on 01/07/2010) addressed private beneficiaries (SMEs and NGOs), while the second validation workshop (held on 07/07/2010) addressed public beneficiaries. The MCA allowed setting the weight of the factors influencing beneficiary capacity, as well as further analysing them in relation to each capacity level. The evaluators and workshop participants discussed the influence of each factor (ref. *Table 1*) on each capacity component. Each factor was awarded with one of the following three degrees of influence: high (score 2), medium (score 1) or low (score 0) (ref. *Annex 8*).

25. In order to refine the analysis and illustrate better the evaluation findings and recommendations, the evaluators carried out three *case studies*, on the following topics: (i) financial difficulties faced by private sector beneficiaries (SMEs), (ii) mobilizing human resources and public sector beneficiaries; and (iii) external factors and beneficiary implementation capacity. The evaluation team proposed the topics on the ground of providing wider insights on subjects which were emphasized by the beneficiaries during the interviews and the MCA workshops and which could go beyond the particular case in question. The Evaluation Steering Committee (ESC) validated the topics.

1.2.3 Methodological Challenges

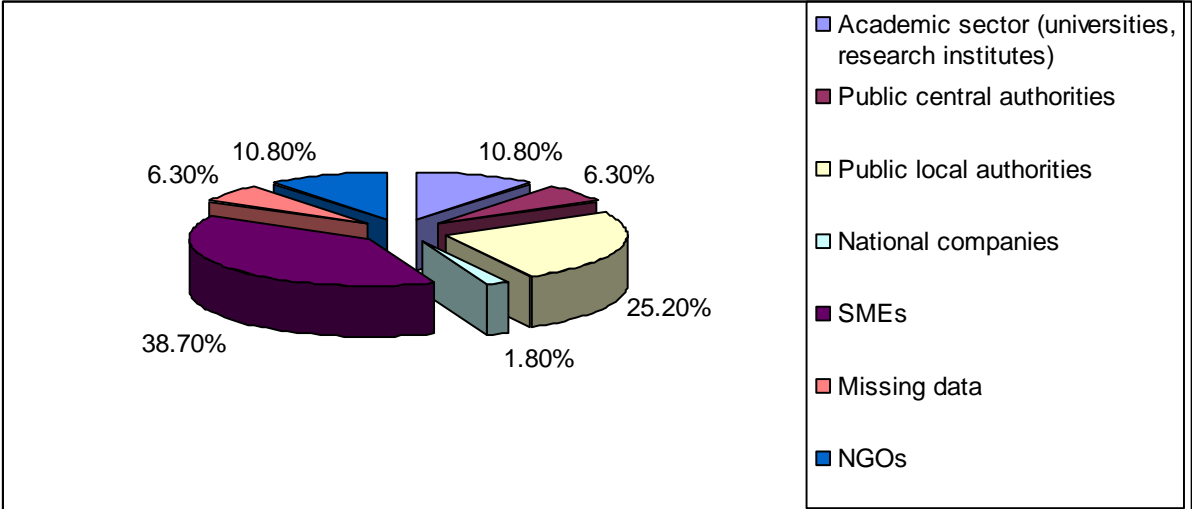
26. SI beneficiaries were exposed to several surveys carried out in the first half of 2010 in the framework of other on-going evaluations of the NSRF and the OPs. These evaluations came on top of monitoring and audit missions⁶ they had to respond as individual organisations/institutions. The resulting lack of interest towards evaluation⁷ substantially reduced respondents' willingness to participate in the survey and explains the low level of participation in the on-line survey. *Figure 6* presents the sample structure by type of beneficiary.

⁵ The four OPs under the European Territorial Cooperation (ETC) component of the NSRF were not included in the scope of the present evaluation. SOP Transport was not included because the projects under the OP Transport were not in the stage of submitting reimbursement requests.

⁶ MAs/IBs monitoring visits; AA audits.

⁷ *Evaluation fatigue*

Figure 6. – Respondents by beneficiary type



27. The low participation of the beneficiaries in the survey did not allow comparisons among types of beneficiary (such as SMEs, NGOs, public authorities and academia), and beneficiaries on time with or delayed in submitting reimbursement claims.

28. Evaluation practice has revealed that for the studies addressing beneficiaries’ capacity, in-depth qualitative studies based on clusters of case studies are most appropriate, since quantitative analysis brings only a partial insight into the topic.

29. The qualitative data collected from the staff of public institutions in a period of salary cuts and layoffs might have introduced a certain bias. Nevertheless, apart from the triangulation effort, it is part of the evaluation process to present findings resulting from a given set of data sources collected in a given context both reflected in the findings.

2. ANALYSIS OF BENEFICIARY CAPACITY

2.1 Societal Level

30. The economic background for the implementation of the Operational Programmes, is different from the programming period of the OPs, in the second half of 2006 and first half of 2007, when the Romanian economy had experienced six years of continuous growth, with good prospects of progressing in the same trend, particularly because – on 1 January 2007 – Romania became a Member State of the EU. However, in October 2008 Romania entered recession, having a very negative Q4 of 2008 from the point of view of public finances. The following year brought the economic and financial crisis, testing not only the resilience of private enterprise, but also that of the public administration and citizens. In 2010 there followed a severe budgetary crisis, leading to a reduction of public financial resources and lay-offs.

31. The analysis of beneficiary capacity, at the *societal level*, encompasses national policies and strategies, legislation, social norms, hierarchical relations, financial aspects and changes in the target group and demand for services

National policies and strategies

32. A ***national strategy or policy***, either horizontal (fiscal policy or SI policy) or in a given field (entrepreneurship, energy) may influence the implementation of a project especially when sudden, significant changes⁸ occur.

33. In order to support EU interventions the Romanian authorities developed and implemented economic policies in order to *facilitate access to finance for public and private entities implementing SI projects*. The *National Credit Guarantee Fund for SMEs* was established in order to support private entities by providing loan guarantees to the bank as a credit facility for SMEs. The Fund offers several financial products to provide guarantees (up to 80%) for loans aimed to co-finance SI projects. The Fund was supposed to strengthen the capacity of SMEs to mobilize financial resources for SI projects, but because the Fund is overwhelmed by a high number of requests for this type of loan on the part of SMEs and it usually takes months to approve a guarantee, it is rather hampering SMEs project implementation (*detailed in the case study, Section 3*).

34. Similarly, support for SMEs through the JEREMIE⁹ initiative – a framework for actions designed to promote SME's access to finance – was established. The JEREMIE initiative is funded from SOP IEC and its call for expressions of interest only target financial intermediaries (such a banks, guarantee funds, micro finance providers, and counter-guarantees) to SMEs (final beneficiaries). However, the progress of Key Area of Intervention 1.2 – *Access to Finance for SMEs* (in the Sectoral Operational Programme Increase of Economic Competitiveness) is relatively low: the first call of expression of interest was launched in August 2009. Only two banks submitted expressions of interest. No support has been provided to SMEs through the JEREMIE initiative by the cut-off date¹⁰, which has a negative effect on SI absorption.

35. The Government recently increased the pre-financing levels for SI implementation to improve access to finance, but beneficiaries still experience difficulties in getting funding. When applying for

⁸ In the legislation and in the context.

⁹ Joint European Resources for Micro to Medium Enterprises

¹⁰ 30/06/2009

pre-finance private beneficiaries are requested to submit a bank guarantee equivalent to the amount of pre-financing. The decision to request a letter of guarantee whereby to refund the advance payment must be made by the MA/IB. Banks consider that beneficiaries of European funds should discuss with the bank as early as the project preparation phase, in order to identify their financing needs, which is a prerequisite for the implementation of the project within the proposed conditions and duration. However, banks are selective and issue the guarantee letter based on their own risk assessment. Projects already approved by MAs and IBs may fail to meet the banks' requirements for collateral (cash or mortgage). This impact negatively on private beneficiaries' capacity to mobilize financial resources and in the end jeopardizes project implementation.

36. Although in discussion even years before the country's EU accession, multi-annual budgeting is not yet in place as it requires legal changes in the financial policy. However, the lack of multi-annual budgets is a factor with major implications on SI performance mainly for the public authority beneficiaries. SI project co-financing, sustainability and long-term impact are all correlated with the capacity of the public beneficiary to plan multi-annually the resources. It is therefore a factor influencing beneficiaries' capacity for project management and for mobilizing financial resources.

37. There is also poor alignment of the national budgetary legislation with SI requirements. According to Romanian public finance legislation and Government Decision No. 264/2003, local and county authorities have to recover advance payments made to the contractors in case these payments are not justified by delivery services, goods and works by the end of the same financial year. Local authorities are therefore not motivated to make advance payments during the last months of the financial year, which has a negative effect on their capacity to request for reimbursement.

38. The capacity to mobilise financial resources and the project management capacity were also affected by the recent increases in the VAT-rate¹¹, which required additional administrative work by beneficiaries, as well as MAs and IBs, related to the preparation and processing of contract addenda.

39. The existing national strategies or policies, understood in a broad sense – for example employment¹² policy, fiscal policy – have an effect on private beneficiaries' capacity to mobilise financial resources. The influence of national policies and strategies on their project management capacity is visible mainly in connection to:

- the recent anti-crisis measures: for example, increases in taxes put pressure on operating budgets and had negative influence on beneficiary capacity to mobilize financial resources;
- poor education policy and systems, unable to adapt to the labour market demand in term of both project management skills and the technical skills necessary for implementation of activities have a negative effect on the beneficiaries' capacity to mobilize human resources.

40. One of the most important controversial dimensions of the national strategies for public beneficiaries concerns the human resources policies within the public administration in general and in particular where these apply to staff involved in SI projects. The current human resources policy in the public administration that leads to reduction of wages and staff turnover diminishes the capacity of the public sector beneficiaries to mobilize human resources and for the implementation of the SI projects. As this is related to staff motivation it is further explained in the section dedicated to organisational aspects.

¹¹ From 19% to 24%.

¹² Defined as National Employment Strategy.

Legislation

41. The influence of **legislation** is especially relevant to the capacity of beneficiaries to request reimbursement in the sense that mismatches among legislative layers tend to be converted into obstacles to spending the budget. A contradiction between national and EU rules influencing the implementation capacity of public authorities concerned the inability to comply with publicity requirements because of new regulations related to the recent budgetary restrictions. This was considered especially harmful, since all EU-financed projects have strict visibility and publicity rules. In addition, projects that had planned awareness campaigns and other publicity or promotion events have had to postpone them for almost one year, further to high-level government decision. This category includes technical assistance projects financed through OPTA and the TA Priority Axes of the other OPs, dedicated to disseminating information on the SI and preparing potential applicants, although recently the situation has improved due to a Government Decision issued in March 2010 which takes into account the fact that contracts financed from EU funds are exempted from the provisions regarding the ban to sign advertising and promotion contracts.

42. For the beneficiaries in the academic sector, there are additional normative layers¹³, which have to be taken into consideration for adequate implementation of SI projects. According to regulations of the Ministry of Education, external experts involved in the SI projects have to be approved only by the project manager, which is derogation from the existing provisions not allowing for additional staff. In the absence of this regulation the implementation of SI projects would have been much more difficult since external staff is necessary for successful implementation. Also, new SOP HRD regulations which specifies that pre-financing will be 30% from the overall budget of the project, is considered as an important improvement by beneficiaries from the academic sector.

43. For some of the projects carried on by the public research institutes, expenditures with the salaries in 2010 have been temporarily declared as non-eligible, as they were considered above wage thresholds for public researchers, and an official final decision in this respect is expected. Law 330/2009 concerning unitary wages for the personnel paid from public funds is applied by SOP HRD staff who declared these wage expenditures as non-eligible, but this Law has not repealed the effects of the Law 319/2003 allowing public research institutes to obtain resources from independent external financing. An eventual wage restriction for researchers would make SI projects unattractive for them and will generate severe difficulties in the capacity to mobilize human resources for the SI projects. This controversy has not affected public universities, which have a special legal status, and this would create inequity in the academic environment.

44. There are no significant difficulties affecting SMEs' project implementation capacity and clearly identifiable as stemming from a lack of correlation between Romanian and EU legislation. Desk analysis and interviews with MAs and IBs pointed towards the following problem areas, not applicable to the SMEs only, but pointed out by them:

- legislation and requirements governing reporting and providing supporting documents for reimbursement – particularly in the case of transnational projects, requirements related to stamps, notary visas, book-keeping and signed copies can prove difficult to provide by partners abroad; this in turn may lead to expenditures being declared non-eligible. Although these aspects are usually solved internally, between the beneficiary and the partners, occasionally they become a problem;

¹³ Ministry of Education and University Chancellery.

- legislation regarding public tenders – when acquiring goods/services from providers outside Romania through public tenders, potential tenderers must usually provide a large number of documents. If the situation is commonplace for public beneficiaries, SMEs regard the situation as discouraging and are reluctant to request them from foreign counterparts, particularly when a small company addresses large, well-known suppliers. As in the case of the above example, this is not an overarching problem but still creates difficulties during implementation.

45. The legal framework on VAT recovery was improved in June 2009 through Government Emergency Ordinance N° 64/2009 on financial management of SI and their use for the Convergence objective and MPF Order N° 2548/2009 (approving the methodology for the implementation of Government Emergency Ordinance N° 64/2009). VAT is not an eligible expenditure and, in the absence of clear procedures for its recovery, beneficiaries have to advance significant amounts for VAT without knowing when this will be recovered. Difficulties with regard to VAT recovery affect beneficiaries' cash flows and their capacity to submit proposals for other SI projects. Given the uncertainty related to procedures and the actual time necessary to complete them, the VAT factor is regarded as potentially risky for the capacity of mobilising financial resources, particularly in the case of projects with large budgets.

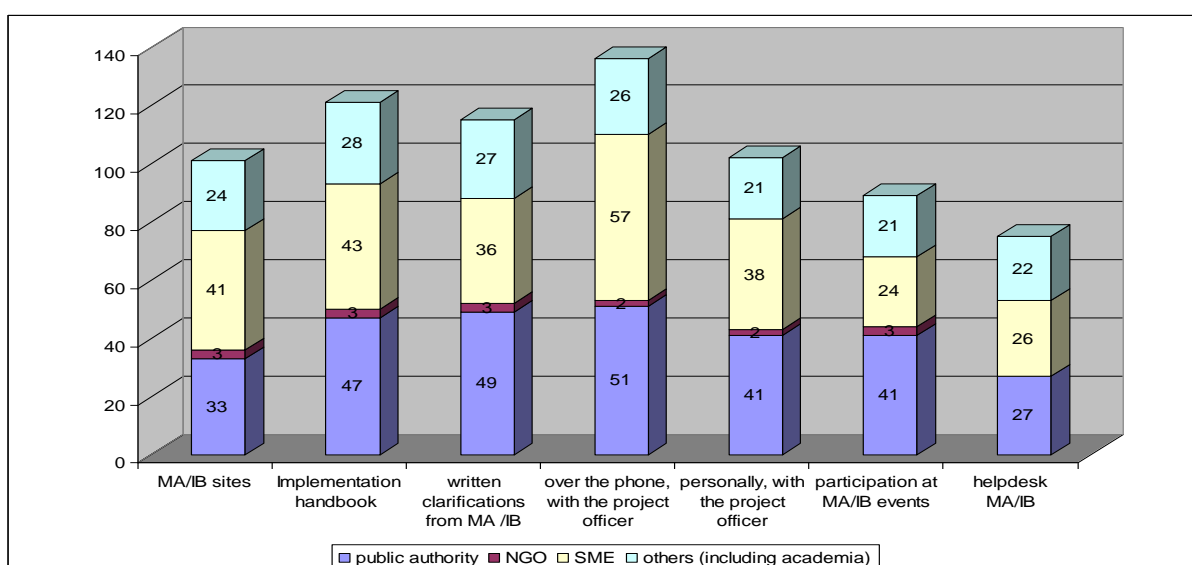
Power relations/hierarchies

Collaboration with MAs and IBs

46. A major aspect of SI implementation, widely referred to when it comes to institutional relations (and often perceived as a power/hierarchical relation) is the beneficiaries' collaboration with MAs and IBs. This is a multidimensional factor highly influencing the implementation capacity of all SI beneficiaries.

47. Clear, reliable, accessible and non-contradictory *sources of information* from the MAs and IBs are of particular importance due to their implications for project management and implementation. There is general agreement among beneficiaries, that – in combination with quality resolutions and guidance and written instructions – information sources increase management capacity and significantly relieve the stress and uncertainties caused by the novelty of EU-funded projects.

Figure 7. – Types and occurrence of information resources from MA/IB (Number)



Source: First Ad Hoc Evaluation Beneficiary Survey

48. As shown in *Figure 7*, there is a variety of information sources used to a different extent by the beneficiaries. Less formal sources of information and support networks among colleagues from different decision layers (central and local), especially from the same layer and from the same region, become more important as project progress, guidance and informal decision making come to matter more than information *per se*. Most public authorities and private beneficiaries prefer to request information from the project monitoring officer within the MA/IB by phone. Academic sector beneficiaries tend to use implementation handbooks as their main information source.

49. The procedures technicalities and specific terminology of the SI have given shape to a highly specialised *corpus* of information, which needs to be permanently available for all beneficiaries. It might be considered that public authorities have better contacts with the information sources, especially when they are institutionally connected with the MAs. But even representatives of public administration entities sometimes have difficulties in keeping up with the most recent developments in implementation requirements. Given the fact that most processes related to project implementation are new, bureaucratic and strictly controlled, all beneficiaries rely heavily on the availability of information and on the quality of information sources, at all stages.

50. Timely access to correct information enhances the ability of beneficiaries to prepare and submit requests for reimbursement as scheduled. As indicated in *Table 8*, the utility (in the sense of accessibility and reliability) of information sources is quite highly appreciated by the beneficiaries, since this has a major influence on beneficiary capacity to request reimbursement. The project officer, Applicants' Guide and Implementation Handbook are the most appreciated information sources, while the MA and IB help-desk and the MA events are the least appreciated¹⁴. Most of the beneficiaries tend to combine the information they gather themselves from different information sources with verbal guidance and written instructions in order to increase the chances for timely reimbursement.

Table 8. – Utility of various information sources (%)

	<i>Lowest appreciation</i>	<i>Low appreciation</i>	<i>Medium appreciation</i>	<i>High appreciation</i>	<i>Highest appreciation</i>
MA site	4.6	13.0	19.4	34.3	28.7
IB site	7.1	6.1	21.2	34.3	31.3
Applicants' Guide	0.9	4.3	14.5	33.3	47.0
Implementation Handbook	0.9	6.4	19.1	30.9	42.7
MA events	7.0	14.0	27.9	20.9	30.2
IB events	7.3	11.0	19.5	20.7	41.5
MA help-desk	20.6	14.7	13.2	23.5	27.9
IB help-desk	14.3	17.5	9.5	25.4	33.3
Project officer	3.3	5.8	10.7	28.9	51.2

Source: *First Ad Hoc Evaluation Beneficiary Survey*

51. The implementation of projects under the SI is considered much more difficult than initially expected, both by beneficiaries and the institutions responsible for managing structural funds. The

¹⁴ Although the events have generally a different purpose - promotion of EU support - and they are not directly addressing the beneficiary capacity to implement SI projects, indirectly, they do influence the beneficiaries level of information on the SI, thus their implementation capacity.

survey carried out in the context of the present evaluation confirms that more than half of the respondents consider SI related administrative procedures more complex than those for other projects and deem control, monitoring and human resources management more complicated. Under these circumstances, there is heavy reliance on official and authoritative information sources, whether written or verbal in order to increase implementation capacity.

52. The beneficiaries look for *resolution and guidance* especially from the authority directly coordinating the projects (MA or IB, depending on individual projects and programmes). This communication relies on official letters (or at least e-mail). There is a preference for working with IBs, as this level is more concerned with practical implementation matters than MA. In order to make sure that those decisions on implementation of activities, spending, reporting and reimbursement requests are correct, beneficiaries sometimes ask further clarification from the MA and other higher level layers. The reason for keeping close contact with IB derives from the beneficiaries' lack of experience in the implementation of SI interventions, the constant unexpected implementation problems occurring and not least because of inclination to obtain 100% *a priori* assurance that certain actions are adequate, even where the issue seems clear enough. The public beneficiaries sometimes have better access to informal, verbal support and guidance, because they generally have the contact details of relevant staff within coordinating authorities or use institutional communication channels.

53. The beneficiaries from the academic sector are affected by the lack of official guidance from the MA/IBs. The relationship with the MA/IBs is perceived mainly as a 'documentation exchange', as in the case of SOP HRD. This has stimulated beneficiaries to appeal to their informal networks and consult professionals within management structures whom they personally know, because of a felt need to find out additional information about procedures. The need for additional, informal guidance on procedures, does not constitute a problem in itself, but nevertheless constitutes a systemic risk, i.e. inequality of opportunities to enhance project implementation depending on informal access to management structures.

54. Regarding the *documents requested in the process of implementation*, more than half of the beneficiaries participating in the survey appreciated that Technical and Financial Reports (TFRs) and Reimbursement Requests are fairly easy or even extremely easy to elaborate (Table 9). Ensuring the timely submission of all required supporting documentation is considered a more difficult task and clarification requests addressed to MAs and IBs tend to focus on the content of supporting documentation.

Table 9. – How do you appreciate the difficulty of preparation? (Nº and %)

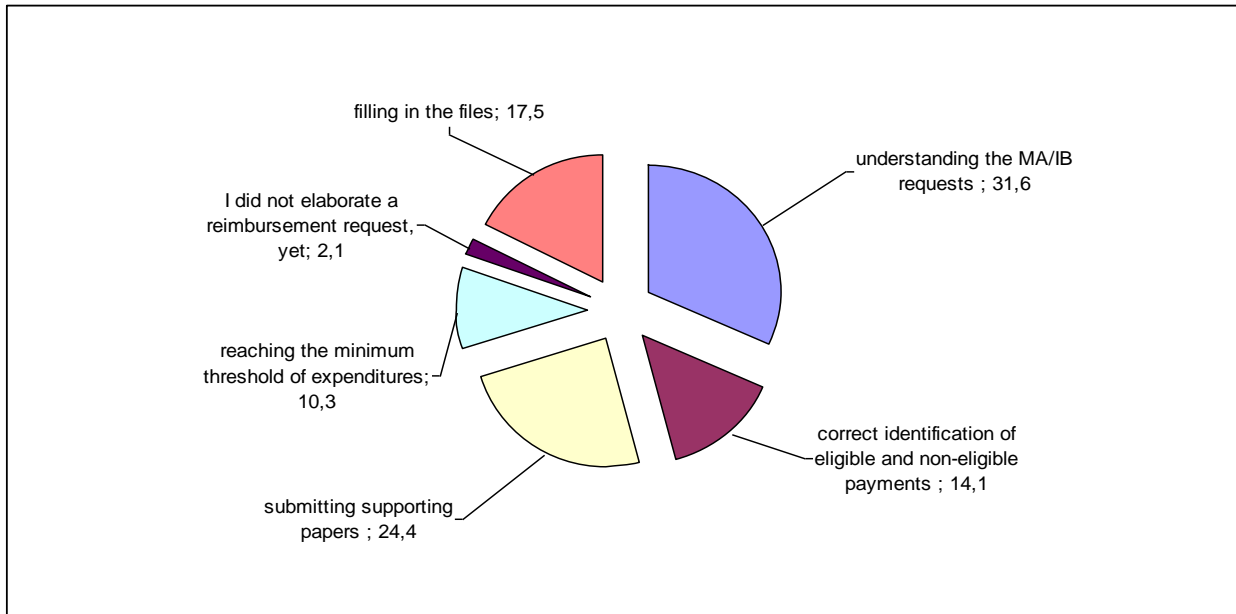
	Very difficult		Quite difficult		Quite simple		Very simple		Total	
	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%
Reimbursement request form	6	4.7	37	28.9	64	50	21	16.4	128	100
Progress report/ TFRs	9	6.9	41	31.5	70	53.8	10	7.7	130	100
Justifying documents	30	22.6	38	28.6	53	39.8	12	9	133	100

Source: First Ad Hoc Evaluation Beneficiary Survey

55. The difficulty of complying with administrative requirements is a primary cause of concern for beneficiaries, especially in respect of the capacity to request reimbursement. The survey revealed that fewer delays in submitting reimbursement claims occur where the relevant functions are

outsourced. This was confirmed in interviews with all stakeholders, including MAs, IBs and beneficiaries. The *Figure 10* indicates the types of difficulties encountered by the beneficiaries in the preparation of reimbursement claims.

Figure 10. – Types of difficulties in preparing for reimbursement requests (%)



Source: *First Ad Hoc Evaluation Beneficiary Survey*

56. Private sector beneficiaries (both profit and non-profit) characterised the process of elaborating and compiling the necessary documents as highly bureaucratic, unnecessarily complicated and time consuming (*Annex 9*). This is the main reason why companies use consultancy services for project management, compliance with procurement procedures, submitting reimbursement claims or any other aspect of the implementation of their projects.

57. In the case of externalising project management services, dealing with the complexity of the required documentation relies mainly upon the supplier’s capacity. If project management is carried out in-house, dealing with the required documentation is still perceived as complicated and considered an extra task and therefore a burden.

58. The *quality of the written instructions* influences project progress overall. In the context of public administration procedures, written instructions are the basis for any action and the only officially acceptable way of transmitting or exchanging information. This is why public administration beneficiaries deemed all written instructions very important for successful project implementation.

59. Problems raised during the consultations with beneficiaries in the course of the present evaluation relate to: the lack of correlation between the various materials, contradictory information and lack of traceability. The general tendency for all beneficiaries (whether public or private) is to check in advance the conformity of the implementation and paperwork with the officials responsible for the approval. This is the most visible in the tendency on the part of beneficiaries to require written official letters. These letters are also regarded as useful additions to the 'audit trail' in case of investigations by the financial control and audit authorities.

60. In the context of delayed reimbursements, some beneficiaries of SOP HRD projects sometimes perceive clarification requests as a means for the MA or IB to postpone the processing of reimbursement requests, because the cut-off date for resolution, as a condition for reimbursement, is reset every time a clarification request is issued. Some IBs were found to have taken steps to limit

the number of clarification requests. MA representatives assert that errors in TFR and reimbursement requests typically concern details and do not really reflect the capacity level of beneficiaries who tend to be large NGOs or ministries with extensive project experience. In order to reduce the burden for the beneficiaries, the MA POSDRU has simplified the reimbursement application submission system, by enabling them to enter financial data regarding the implementation of projects in an online application called *ActionWeb* (in the *Expenditure Records* Section).

61. *Delays* caused by the MA/IBs (*ref. Figure 11*) at all project stages are often mentioned by a large number of beneficiaries both in interviews and during the workshops. Whether caused by insufficient staff, complicated checking and approval trajectories or lack of interest on the part of the MA/IBs, delays add a great deal of difficulty to project management for all beneficiaries. This analysis refers only to those delays that depend entirely on the speed with which MAs and IBs act in relation to the letters of clarification, contract addenda, reimbursement claims and instructions.

62. The projects most affected by delays in the inception phase are those dealing with fixed schedules (e.g. the school schedule, in the case of some SOP HRD interventions) or with infrastructure (where the weather-related and seasonal character of works is very important). Preliminary delays tend to trigger further activity rescheduling.¹⁵

63. No matter the beneficiary type, there are several causes of the delays in implementation and in submitting reimbursement claims induced by MA/IBs, such as:

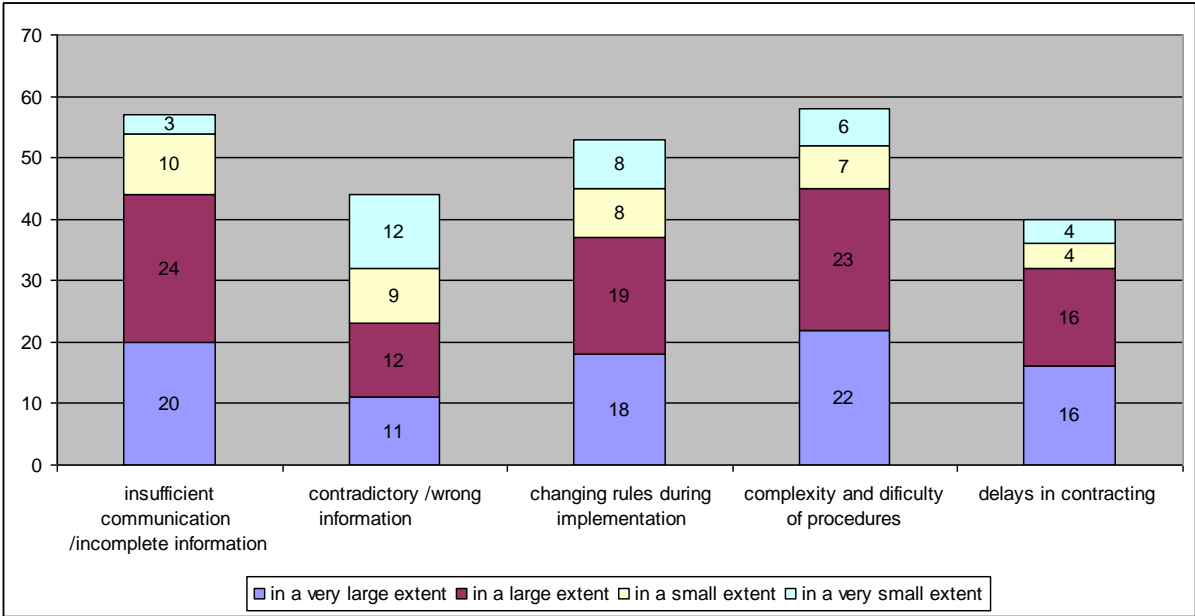
- time-consuming and strict procedures for drawing-up the reimbursement file (progress report and supporting documents for the reimbursement claim); due to the strict rules of control, a large number of supporting documents needs to be collected and filed which is particularly burdening for HRD projects, where detailed information¹⁶ must be collected for each participant, while some projects have thousands of participants;
- constant rule changes during implementation (e.g. changes in the format of the progress report template, visual identity requirements and notifications) represent additional burdens and costs for beneficiaries¹⁷;
- insufficient communication (e.g. questions submitted by the beneficiary to the MA/IB, in order to clarify some issue related to the reimbursement claim); if the MA/IB does not respond, the beneficiary does not know how to proceed with the documents and delays occur;
- unclear or contradicting information (e.g. MAs and IBs giving different answers and interpretations to the same question);
- problems in the contracting phase transferred into implementation; the most common problem relates to the activity schedule, mainly due to poor estimates on the part of the beneficiary, which results in notifications for postponing or prolonging the activities and, possibly, in delayed submission of reimbursement claims, if expenditures are not done according to the original plan.

¹⁵ The ROP projects assessed as eligible under project evaluation arrangements funded under the erstwhile EU/Phare Programme constitute a special case, in that the situation on the ground has changed significantly since the elaboration of the relevant feasibility studies and beneficiaries usually find that additional costs are involved when implementation starts.

¹⁶ Including Personal Identification Number (CNP).

¹⁷ For example, corrigenda from SOP HRD, instructions from SOP IEC and notifications.

Figure 11. – Reasons for delays in submitting applications for reimbursement caused by MA/IBs (N°)



Source: First Ad Hoc Evaluation Beneficiary Survey

Other Power Relations

64. A special situation related to the power relations highly influencing the implementation capacity is encountered by the SOP T beneficiaries and refers to the balance of power among them, MA and the Ministry of Transport (MoT). The quality of the institutional relationships among these three actors impacts on administrative capacity of the two largest beneficiaries of the SOP T (the National Roads Company and the National Railways Company) in terms of staffing, risk management systems (ref. Section 2.2) and continuity of procedures during project implementation¹⁸.

65. The interference by MoT in operational matters affects SOP T beneficiaries in various forms, most obviously in a lack of continuity of the management staff. While the MA SOP T has seen only one change in leadership since the beginning of the OP, the changes in top level management of the beneficiary companies have been much more frequent. For example, five successive Directors at the National Roads Company since the start of SOP T, mostly following the appointment of a new Minister of Transport. Similarly, the Director General of the National Railways has been replaced three times since the start of SOP T (ref. Section 2.2.).

66. The prudent, sometimes reluctant, approach on the part of banks to finance EU-funded projects, very often generates *tense relations between beneficiaries, banks and even Managing Authorities*. This is a major factor influencing the capacity of SI beneficiaries to implement SI projects. It is widely presented in the Section 3 of the report in the case study on the financial difficulties of the private beneficiaries. In a recent survey conducted by the National Council for SMEs¹⁹, more than 75% of the respondent SMEs declared little satisfaction in respect to their relationship with bank institutions; among the most important problems, they mentioned: “very difficult access to finance for SMEs and young entrepreneurs, excessive bureaucracy, unnecessarily high requirements, exaggeratedly large interest rates, lack of transparency etc.”

¹⁸ Source: Second Ad Hoc Evaluation Report – Review of investments in transport and environment infrastructure

¹⁹ http://www.immromania.ro/retrieve.php?e=inf_presa&m=279.

67. There have been several rounds of discussions between ACIS, the Managing Authorities and representatives of major banks, but banks are consistent in maintaining a strict policy in respect to evaluating bankability of projects²⁰. While this may be a correct approach for the overall credit policy, it can be considered overly cautious in the case of EU-funded projects, which have an implicit “guarantee” of the reimbursement and are anyway undergoing an evaluation/selection process by state institutions. SME access to financing - a critical issue even before the crisis – worsened even more, due to increased caution on the part of banks, the downturn in the real estate market and the associated increase in demand for loan collateral guarantees. This led to a situation in which some beneficiaries cancelled newly approved projects, as well as to a process of 'self-selection' of potential private sector applicants (i.e. only companies with a solid financial position can afford to prepare and implement projects for SI funding).

68. The SME’s relationship with the banks has to be considered in the context of the financial crisis of the recent years. In spite of that, there are banks which actually continued to extend credits to the SMEs and have made efforts to support them by dedicated products, access to fundig facilities from International Finacial Institutions (e.g. European Bank for Reconstruction and Development, European Investment Bank), signing protocols with guarantee funds (National Credit Guarentee Fund for SMEs, Guarantee Fund for Rural Credit), pre- and co-financing EU funded projects (*ref. Box 12*).

Box 12. – Romanian Development Bank (RDB) supporting SI projects

Starting 2007 RDB has been actively supporting the implementation of projects financed from EU post-accession funds, based on the following means:

- dedicated offer for pre- and/or co-funding of projects;
- organise dedicated events in order to promote financing by means of European grants and to explain to the potential beneficiaries the project trail consisting of preparation-approval-implementation-operation;
- participation seminars/conferences organised by MA/IB and discussions with the potential beneficiaries of European funds, in order to present financing solutions;
- presentation of concrete proposals whereby to improve the Eu fund absorption rate, during the consultation sessions organised by the Ministry of Public Finance and the MA/IB with the banking system.

RDB supports the EU-funded projects, in compliance with the general financing framework and with BRD’s internal rules. Eligible clients benefit from a specific approach:

- costs are lower than in the case of financing without EU funds,
- the guarantee structure considers the collection of money from management authorities,
- short response time, as soon as the bank gets all of the documents that are necessary to perform the analysis; the analysis may be extended if the financing dossier is not complete (elements essential to the decision-making process miss),
- flexibility concerning the reimbursement terms in circumstances where the reimbursements from MA/IB are delayed for objective reasons.

²⁰ See also interviews: http://antreprenor.money.ro/firmele_cu_proiecte_ue_victime_colaterale_ale_crizei-84003.html
http://www.efin.ro/stiri_financiare/banci_si_institutii_financiare/cnipmmr_cere_bnr_sa_modifice_normele_eximbank_si_cec_pentru_a_sustine_proiectele_din_fonduri_ue.html.

69. Beneficiaries and the banks are not the only parties involved in the project from the financial point of view. The MAs and IBs are equally important. The mechanism is as follows: the beneficiary receives project related credit from the bank only when the financing contract between the beneficiary and the MA has been signed. The flow of money is usually linked to and conditional upon the schedule of reimbursement claims in the contract. From project start to the first reimbursement claim, project activities are financed through pre-financing from the beneficiary's own resources or credit. Upon submitting the first reimbursement claim, the credit line is blocked until the MA reimburses against the first claim. While this mechanism is correct in theory, experience shows that as many as six months can pass before the MA makes payment. During all of that period, the beneficiaries need to use their own resources. Meanwhile, the beneficiaries find themselves in breach of contract with the bank, since the agreed upon reimbursement schedule was not respected. Managing this complicated relation between bank, beneficiary and the MA is one of the most significant external aspects affecting beneficiaries' project management capacity (*ref. Case Study in the Section 3*).

70. The overall **performance of partners and suppliers** appears to have only moderate influence on the overall capacity of the private beneficiaries to successfully manage SI projects. For public beneficiaries reliance on suppliers is almost complete and based only on contractual obligations resulting from public tenders. In contrast, private beneficiaries tend to have more control over their projects and partnerships are more likely based on prior collaborations. Other stakeholders (such as the MAs and IBs) shared that view, stating that at the end of the day it is the responsibility of the beneficiary to implement the project and it is a matter of good project management to ensure proper performance by suppliers – or replace them if they do not perform properly, although this may cause delays in implementation.

71. While other types of beneficiaries (especially SMEs) tend to turn to consultancy services to deal with project management, public entities (especially local authorities) are more inclined to resort to this solution both for the management of the projects and for the elaboration of the documentation submitted to MAs/IBs. This is keeping away the burden of the project management, but is decreasing the ownership of the implementation process and project results.

Social norms

72. Complaints are so often encountered that they tend to be perceived as a societal norm: a recent report by the National Council for Solving Complaints (NCSC)²¹ shows that in the first six months of 2010, the number of appeals increased by 16% compared to the same period in 2009 and by 50% compared with the same period in 2008. Appeals block public tender procedures until the authorities give a ruling²². This process may take several weeks and is subject to reiteration. In the case of Bucharest Ilfov region, about 30% of projects targeting micro-enterprises were blocked due to procedural appeals and complaints.²³ As a consequence, the calendar of activities cannot be followed and severe disruptions occur in project commencement and implementation. In order to reduce the excessive number of complaints and to discourage those entities who are not documenting properly

²¹ http://www.cnsr.ro/images/stories/rapoarte/30iun/situatie_comparativa_dosare_intrate_30iunie2010.pdf.

²² Recently, the amended law regarding public tenders has brought on some improvements, but results are yet to be observed since the new regulations came into force in the autumn of 2010 after finishing data collection for this evaluation.

²³ ADRBI interview, March 2010.

their appeals, the Government issued in June 2010 an Emergency Ordinance²⁴ which was adopted by the Parliament at the end of 2010²⁵.

73. Another important aspect of the, often negative, outcome of the public procurement process concerns its relation with quality control. There is evidence²⁶ that qualitative selection criteria are eliminated from the tender methodology in order to reduce areas where litigation might occur. This is limiting quality-oriented managerial room for manoeuvre and strengthens the tendency to base bid selection on best price and quantitative indicators only, especially in areas where objective measurement is difficult, as there is sometimes the case in SOP HRD and OP ACD projects. Some beneficiaries, in an effort to ensure valid tender outcomes, produce much too detailed technical specifications for the goods and services they wish to procure for controlling the adequacy of the tender results. That leads to the situations where the number of offers received is insufficient²⁷ and eventually to the cancellation of the tender procedure.

74. Public beneficiaries are expecting support in this area mainly related to tendering public works; there are beneficiaries considering that FIDIC procedures were useful and therefore they are still using them. MA/IB representatives point out that there are certain legal aspects of public procurement procedures, which are still subject of different interpretation. This is supported by the fact that the National Authority for Regulating and Monitoring Public Procurement (NARMPP) and the Unit for Coordination and Verification of Public Procurement (UCVPP) sometimes proffer contradictory resolutions to requests for clarification of certain legal aspects by public beneficiaries. This is challenging their project management capacity.

75. Public procurement does not represent such a major problem for academic beneficiaries as it does for other types of beneficiary, as the amounts allocated (typically for IT equipment and furniture) are low and tend not to attract controversy and litigation on behalf of tenderers. Yet, there are some difficulties indicated by the universities and research institutes as well as the other SI beneficiaries: the procedures are considered complicated and the process too long; also, the procurement has to be foreseen in the annual procurement plan and there is no flexibility to unexpected developments. For small value purchases (e.g. consumables) beneficiaries from the academic sector prefer to launch tenders from their own budget instead of using project finances. This has a positive influence on the speed of the project implementation, but is decreasing the use of SI funds.

76. The most important aspect related to social norms influencing beneficiary implementation capacity relates to the *spirit of the control visits*. Most beneficiaries (both public and private) see these as reflecting a suspicion that *something is wrong*. This relates to the Romanian society's apparently inherent incapacity to accept risks that are sometimes difficult to manage and therefore involve unavoidable mistakes. The occurrence of mistakes is generally not the consequence of malicious intent, but mostly reflects a reality in a changing process. The proper response is not adopting a highly defensive position or approach, but consists of management and politicians taking decisions.

77. This might be also due to professional culture of the controlling institutions but can also be seen as a consequence of the tendency to 'gold-plating', identified in the NSFR evaluation report. This

²⁴ Government Emergency Ordinance (GEO) 76 for amending the GEO 34/2006 concerning assigning public procurement contracts

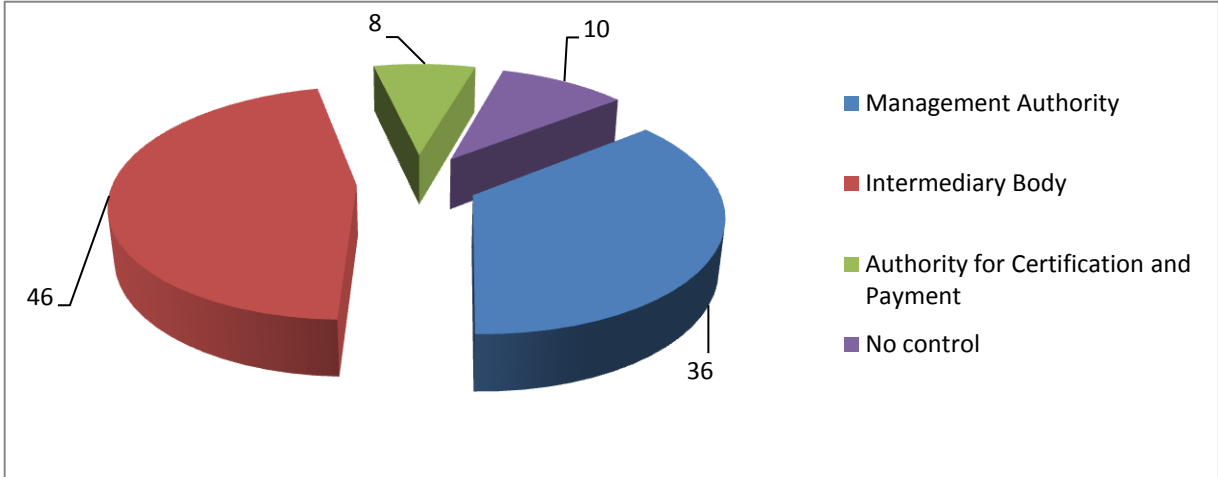
²⁵ Law 278 from 31/12/2010

²⁶ Interviews with local authorities beneficiaries of the ROP.

²⁷ The typically required minimum is three valid bids.

tendency pervades the system as a whole and the main controlling layers in particular, meaning the MA and IBs as most of the control visits are carried by them (79% control visits are carried by MAs and IBs as indicated by *Figure 13*). A frequently quoted example for the tendency to demand evidence of even minor project expenditure is the requirement to include in reimbursement requests the tickets for travel by bus for on-site visits. The requirement to notify in advance any kind of change in the schedule of activities, even when they represent improvements (e.g. front-loading implementation) illustrates the same tendency to arrive at a fully controlled system of checks.

Figure 13. – Entities carrying control visits during the SI project implementation (%)



Source: *First Ad Hoc Evaluation Beneficiary Survey*

78. NGOs perception of this factor refers to popular opinion among public authorities that NGOs spend a lot of money on SI-funded projects without much added value, with negative impact on the prospect of sustainability of especially those projects that pilot services and interventions envisaged to be included in the budgets of relevant public entities.

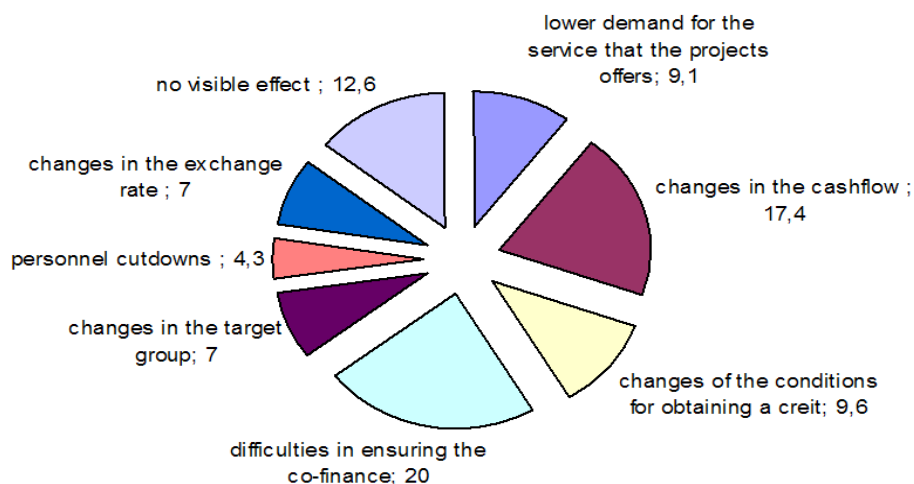
Other factors

The effects of the financial crisis on the beneficiary capacity

79. As indicated in *Figure 14*, there are several factors which in the current economic climate have significantly influenced the beneficiaries’ capacity to manage and implement SI projects such as the difficulties in ensuring co-financing and project cash-flow, limited access to credit, and declining demand for services and changes in the target groups. The economic crisis was brought forward mainly by the SMEs²⁸ as a factor influencing implementation capacity. Only a few public administration beneficiaries considered this factor.

²⁸ 79% of the respondents to the First Ad Hoc Evaluation Beneficiary Survey were SMEs, and 16% were public administration beneficiaries.

Figure 14. – Aspects of the economic crisis causing delays in SI project implementation (%)



Source: First Ad Hoc Evaluation Beneficiary Survey

Financial difficulties

80. *Private and public beneficiaries experience financial difficulties*, although their manifestation takes different forms according to the beneficiary type. SMEs were among the first categories of beneficiaries to experience the effects of the economic crisis. Most economic sectors experienced significant deterioration of the overall financial situation, further reflected in a sharply reduced investment, cash flow problems and even layoffs.

81. In the case of SMEs, financial aspects are likely to influence project management capacity from two perspectives:

- (i) Reduced cash flow due to the slowdown of economic activity and limited access to resources endanger the completion of activities and achievement of project results; this aspect is even more important since it has implications on the expected impact and sustainability of the project, as financial difficulties also affect the companies' future strategies.
- (ii) Interference with the calendar of activities; lack of financial resources prevents beneficiaries from respecting the agreed calendar and this results in postponing activities²⁹. Disruptions in the calendar of activities not only diminishes the time initially allocated and puts pressure on the team, but also causes overlaps with other tasks and potentially supplementary financial burdens for the beneficiary (if, for example, the company has other parallel projects or has to hire additional personnel). Delays can also increase other risks, such as changes in the exchange rate, inflation and interest rate.³⁰

82. Projects carried out by private beneficiaries that were considered viable at the time of submitting the application (even if that was only a few months before) are not only no longer considered desirable by applicants but even regarded as potentially harmful, because of the often large

²⁹ This is done by notifications to the MA/IB and is reflected in progress reports. This issue was confirmed by interviews with the MAs/IBs, beneficiaries and during the workshops. Other sources include press interviews with the Director General of the MA for SOP IEC (See *Capital* 05/10/2009 *Peste 200 de beneficiari de proiecte renunță la finanțări din banii UE* and *Ziarul financiar* 05/03/2010 - *13% din beneficiarii de fonduri europene renunța la proiecte*)

³⁰ This was not the case of the sample analysed; however, the problem was acknowledged as a risk factor by stakeholders and must be taken into consideration. The evolution of the exchange and interest rates, from 2008 to 2010, shows up significant fluctuations when expressed in terms of (additional) costs for beneficiaries. For more information see <http://www.bnro.ro/Seturi-de-date-628.aspx>.

resources needed for implementation³¹. A relevant example concerns projects of SOP IEC and SOP HRD (ref. Box 15).

Box 15. – Financial difficulties experienced by an SME

In 2008, a beneficiary (SME) submitted an investment project for the extension of a furniture production line. By the time the project was approved for financing, in early 2009, the company was on the verge of bankruptcy, with almost no clients and no prospects of recovery. Under the circumstances, increasing the capacity of production and engaging in more than EUR 800,000 of expenditure was impossible and the beneficiary therefore gave-up the project. In the same way, a construction company, which had submitted a project under SOP HRD in 2009 for the purpose of training more than 80 employees, saw itself forced to refuse to sign the approved project, as it had only 50 employees left and severe cash flow problems by early 2010.

83. Even for beneficiaries who did decide to sign the financing contract or had projects under implementation in 2009, the economic constraints were similar. In that sense there are three major implications that are worth mentioning.

84. The first implication refers to *limited access to credit* - co-financing can be ensured either from the beneficiary's own resources (almost impossible for most SMEs during the crisis) and from bank loans. Under current regulations, when analysing the bankability of a project, banks do not take into consideration the fact that it is implemented from own resources or EU funds and apply the same rules, which imply a high level of guarantees and collateralisation. Start-ups and spin-offs are a special category of beneficiaries (SOP IEC) that are totally excluded from financing on these grounds.

85. Another limitation concerns *cash-flow difficulties* - given the fact that beneficiaries receive EU funds through reimbursements; their implementation requires a significant amount of liquidity. Since the crisis has affected all economic actors, companies are forced to deal simultaneously with: (i) decreasing demand of products/services; (ii) mounting bad debts; (iii) increased pressure from creditors; (iv) limited access to credit; and (v) the need to respect SI project implementation schedules. An increasing number of beneficiaries are unable to pay their own suppliers, wages or state contributions. Worse, they risk being sued and otherwise penalised for not meeting their obligations.

86. The third limitation refers to the *exchange rate fluctuations*: most difficulties in this respect are linked to the significant amount of time between the submission of applications and actual implementation: for example, projects submitted in 2008 were planned on the basis of an EUR/RON exchange rate of 1:3.5, but started implementation with a rate of 1:4.2 (a deterioration of 20%). This proved strenuous for quite some beneficiaries.

87. All these financial aspects decreased beneficiaries' capacity to mobilize financial resources and caused project delays.

88. Financial aspects are important for public beneficiaries as well, as they also have difficulties in maintaining project cash flow. The most visible effects of the budgetary restrictions refer to

³¹ Problems related to the pre-contracting phase are outside the scope of this evaluation. However, they should be kept in mind when considering the context of SI implementation in Romania. Similarly, although the cut-off for the present evaluation is 30/06/2009, occurrences after that date are referred to if they contribute to understanding.

mobilising allocated funds in order to ensure project cash flow prior to reimbursement claims being honoured.

89. In the case of local public authorities, financial aspects are of a different nature, in the sense that fewer resources are available for co-financing, a fact reflected in delays of submitting reimbursement claims. Among the projects at the cut-off date those implemented by the local public authorities register the highest percentage over three months delayed in claiming the reimbursement (*Table 2*).

90. The problems related to the economic contraction and their capacity to manage SI projects, as reported by public authorities also concern exchange rate fluctuations, which affect budgets in the period between project planning and contracting; like in the case of private beneficiaries, this has a negative effect on the project cash flow and consequently to the speed of the project implementation. In the end this is a vicious circle with a negative influence of the absorption.

91. It is to be noted that the Romanian Government approved in February 2010 the Government Emergency Ordinance N° 9/2010 which provides public beneficiaries of SI with a state guarantee, in the case they fail to ensure the necessary funds for implementing their SI projects from their own resources. Beneficiaries of these regulations are local and county authorities, research institutes and universities. The projects must be in a strategic sector such as: road infrastructure, energy infrastructure, wastewater and solid waste management infrastructure, education and research-infrastructure and health and social assistance infrastructure.

92. Difficulties arising from shrinking institutional budgets may affect the availability of these additional resources. Financial aspects of SI financed projects may even become more important after completion, because their sustainability will depend entirely on beneficiaries' own resources.

93. NGOs generally do not consider the financial aspects of the economic crisis as a factor influencing their project management capacity, in the sense of administering the current operations for achieving projects results.

94. The economic crises has not affected directly the financial resources of the SI projects for academic beneficiaries, as the external financing sources have remained robust throughout this period. Co-financing is not required for some projects (for instance scholarships) while in others the low co-financing share (either 2 or 5%) is ensured without major difficulties even by the public academia beneficiaries, despite shrinking budgetary resources (faculties have also independent resources, mostly coming from scholars' taxes).

95. The main problem reported by both universities and research institutes is the negative cash flow of the projects as a result of delayed reimbursements. The numerous projects implemented in parallel by academic beneficiaries represent an important proportion of their budgets. The cumulated delays, even for few months, lead to bottlenecks or even blockages in implementation despite of the measures for prevention and reduction of bottlenecks already taken (see the section on organizational level). It seems that some of the delays are triggered by the decentralization within SOP HRD (which is the main financing source for projects with academic beneficiaries) management system, as the files submitted by the beneficiaries were send from the MA to IB and sometimes they got lost in between.

Changes in target group

96. This factor relates mostly to changed labour market conditions generated by the crisis and it impacted mainly on employment-related projects (see case study in the Section 3). For private beneficiaries, all projects involving a target group are financed through SOP HRD, either through the

state aid schemes (SMEs and large companies³²), or through grant/strategic calls (companies and NGOs). Current economic conditions forced many companies to lay off employees and thus diminish their target groups, which in turn led to either decreasing the expected indicators and the budget of the project (no more than 20%) or to cancellation.

97. Irrespective of the causes for project cancellations or delays, they have a negative effect not only on beneficiaries but also on the overall process of absorption of EU funds, since there is a potential risk of committing the funds (through contracting) but not spending it in time. However, given the stage of the current programming period, this risk is still low and the funds recovered from these projects can still be allocated to new calls for proposals.

98. Some NGO beneficiaries experienced difficulties in either maintaining the target group or meeting the performance indicator originally planned (*ref. Case Study in Section 3*). But most of them are concerned with the negative impact of the economic crisis on their capacity to ensure sustainability of results; either because the situation of their target group is constantly deteriorating or because their plans for getting public funding for the continuation of their services have become less feasible.

99. For public authorities, this type of contextual factor had an influence on the OPTA, OP ACD and the TA projects across OPs. For these projects, it was either difficult to maintain the target group because of staff reductions and turnover or it was difficult to attract the target group (as was the case with employees having difficulties in leaving their current tasks to attend training events).

100. The effect of the economic crises on the beneficiaries from the academic sector refers to the relevance of the *themes* covered in the SI framework: generally, the themes (as reflected in the SOP HRD objectives and Priority Axes) have become more relevant but the problems have become even more difficult to tackle. Also, the themes which are focused on structural problems of the society, like employment or the support for vulnerable groups, have become more relevant while the ones concerning more specific problems (for instance mobbing) are still relevant but have temporarily lost from their significance, as they fit better with the concerns and intervention capacities of more economically developed societies.

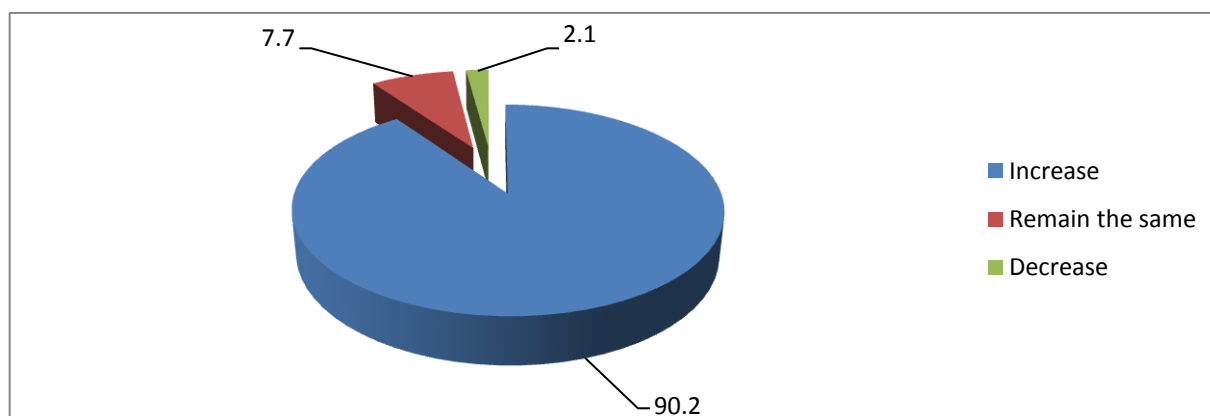
2.2 Organisational Level

Internal policies at the organizational level

101. There is a general perception among beneficiaries that SI projects have a positive contribution to the beneficiaries' capacity to achieve the overall organisational objectives (*Figure 16*). As a consequence it is expected that beneficiaries' internal policies to reflect this reality. For different reasons, presented below, it is not always the case.

³² This was not the case of the sample analysed; however, the problem was acknowledged during the interview with the MA for SOP HRD. There have been some cases when beneficiaries either gave up the project because of layoffs or decreased the targets (expected indicators) and the budget.

Figure 16. – Contribution of SI projects to the beneficiaries' organisational capacity to fulfill their mission (%)



Source: First Ad Hoc Evaluation Beneficiary Survey

102. For private beneficiaries internal policies tend to be of a theoretical interest rather than of practical use. Although the sample of analysed projects did not include large companies, there is reason to believe³³ they are the only ones having a clear set of policies, whereas SMEs, particularly small ones, tend to act informally, driven by the market (in respect of sales or investment policies, for example) and by the skills of the general manager (e.g., in respect to human resources).

103. *Investment policy, particularly regarding EU-funded projects* is considered important by private beneficiaries. It influences the extent to which efforts will be made so that projects can be implemented under good conditions. These efforts can range from ensuring co-financing to mobilizing the team and constant monitoring by managers. In contrast, if EU-funded projects are not regarded as a priority, it is more likely for the project to experience difficulties³⁴. This issue is also extremely important for project sustainability.

104. Public administration beneficiaries accessing SI have indicated the existence of frameworks for developing and promoting strategic planning. However, public entities have as a main concern the stability, coherence and ownership of strategies. In the case of local public administrations, the existence of a *development strategy* is sometimes essential for accessing financial resources³⁵, since, for example, project ideas (applications) are only approved by Local Councils if they appear in applicable development strategies.

105. Because of a general top-down approach in strategic planning the public authorities sometimes *lack ownership* of SI projects across and within administrative structures, especially in the case of County Councils and large municipalities (those with a large number of employees and several projects running in parallel). A project may consequently not be visible in the executive plans of beneficiaries which may have a negative effect both on the implementation process and on the sustainability of the projects³⁶. This is often reported for the SOP ENV projects which are typically elaborated at the request of the Ministry of Environment, using TA support, with a view to achieving objectives established in the context of the Accession Treaty. Beneficiaries consequently often have an ownership problem, since they do not consider these projects as their own but rather perceive them as an MA or EC request. Due to a lack of interest in a project, authorities easily changed its

³³ This opinion is shared by the MAs/IBs and was confirmed during the workshops for the validation of the MCA.

³⁴ Interviews with beneficiaries and workshops.

³⁵ The case for the ROP projects.

³⁶ Often reported for the SOP ENV projects.

location, thus giving rise to the need for a new feasibility study, including consultations with the local community

106. Especially for the local public beneficiaries, a shift towards implementing most of the current activities on project based is still far from their current practice. This decreases both their capacity to implement SI projects since it is more difficult to connect these projects with the rest of their activities and reduces their capacity to undertake a better financial management of the institution.

Human resources policies

107. Human resources (HR) policies have a major influence on all beneficiaries' project implementation capacity. In the case of SMEs usually there is no internal staff dedicated only to the implementation of the project. Due to the limited number of staff and for efficiency purposes, it is common practice that the team responsible for project implementation consists of the same persons who wrote the application, together with the accountant (or the administrative-financial department), hence not by replacing but adding to their routine tasks. Alternatively, consultancy companies are contracted. The interviews showed that, in this case, performance or quality of implementation, including reporting and administrative documents related to reimbursement, is not necessarily better than when done by an internal team. However, given the transfer of responsibility to the consultant, delays are less likely, also because in case of time constraints the consultant tends to dedicate additional resources.

108. The shift of focus towards SI projects would require, in the opinion of some representatives of academic sector, employing some additional staff, as available in-house expertise is not always sufficient, especially for administrative purposes, while external consultants are present only for definite periods of time. The decision to freeze hiring in the public sector (only one person can be recruited for every seven new vacancies) makes it impossible to achieve this aim.

109. The level of staff *motivation* in the case of private beneficiaries has markedly less influence on project implementation than in the case of public beneficiaries (as presented in more detail in the case study referring to the public administration included in *Section 3*). The difference may be attributed to two issues: (i) in the context of the financial crisis and layoffs that occur in most industries, the opportunity to work in a project is in itself an incentive; and (ii) projects are regarded part of the daily business or tasks assigned by superiors and need to be completed satisfactorily, regardless of staff motivation. This finding is closely linked with the heavy reliance on management involvement, particularly in small companies. In contrast, and in the context of the current financial restrictions, public beneficiary entities regard motivation as highly influential on project management and implementation. Not only because a lack of motivation decreases the level of personal involvement of the team and diminishes the quality of their work, but also because experienced, well trained staff prefer to leave the system for better paid jobs.

110. Many factors combine to limit the chances that a public employee chooses to work in the SI system and, even when he or she does, to attend to duties well. Workloads are very high, projects often deal with sensitive issues, and the public employee may be held accountable – financially or legally – for irregularities within the project. All this in spite of the fact that the emoluments of staff involved in the SI management and implementation are the same as that of other public employees.

111. The two major SOP T beneficiaries (National Roads Company and National Railways Company) signal work overload, better prospects in the private sector and having assigned more tasks than foreseen in their job description. For example, in the case of the National Railways Company the situation is particularly worrying since only half of the positions required for SI implementation are currently filled.

112. This complex of de-motivating factors is not counter-balanced by anything but the authority of the entity's management. The motivation to engage in SI management and implementation (which seemed to be a good career-path choice only two or three years ago) has for the main part been lost, since at present not even security of tenure is ensured. The one good perspective an individual may have (but one that threatens the SI system) is that of moving to a consultancy firm.

113. There are several other explanations behind the influence of this factor on beneficiary capacity to mobilise their human resources for the SI projects, such as:

- the general perception of public employees that decision-makers attach low importance to human resources motivation, as already understaffed personnel involved in SI implementation is subject to further layoffs;
- in spite of the massive budget reductions and intensive promotion of SI funding opportunities, there still exist reservations with regard to the benefits of SI projects.

114. These two issues contribute to further reduction of public employee motivation in engaging in the implementation of the SI projects meaning to difficulties for the public beneficiaries to mobilize human resources for the SI projects which in the end decreases the capacity of these beneficiaries to implement SI projects.

115. Employees of academic institutions have traditionally manifested keen interest in getting involved in SI projects, as this type of project has proved extremely beneficial for the development of their careers and motivating in financial terms. The implementation of the new possible wage restriction (*ref. para 43*), if enforced, will lead to loss of the financial relevance of SI projects at the individual level. The incentive to participate in the implementation of SI projects will in that case be that of professional interest only. The most probable result could be that especially the most experienced and prestigious professionals will prefer to offer their expertise to NGOs and reduce their input in projects within own organizations (which would be, in the end, detrimental for the quality of the project results).

116. For public authority³⁷ beneficiaries, *staff turnover* is directly related to decreasing motivation and budgetary restrictions in the context of the crisis. Another circumstance adds to the disincentive factors determining personnel departure. MA and IB on-site visits with local public authority representatives revealed that members of technical teams are sometimes replaced following management changes in the beneficiary institutions. As the projects require specialised knowledge about procedures in general and about specific activities already implemented, such changes tend to be highly detrimental to the efficiency and effectiveness of implementation. MA and IB personnel have to cover the same ground by training beneficiary replacement personnel. Since central public authorities are less likely to rely on consultancy services (partly because of financial restrictions and partly because they have dedicated support and operational departments), staff stability is very important for successful project implementation.

117. In case of the SOP T the excessive staff turnover combined with lack of management capability (*ref. Section 2.3*) at high level affects core functions such as risk management, accountability for major long-term projects and the willingness to focus on over-arching objectives for the transport sector³⁸.

³⁷ This is only in MA and IBs, for which 75% applies.

³⁸ Source: *Review of the investment in transport and environment infrastructure* carried within the same contract as the current evaluation

118. Private beneficiaries are also affected by staff turnover, but to a less extent and for different reasons. Restricted access to financing has a negative effect on the human resources budgets of SMEs, leading to salary cuts and staff reductions. NGOs correlate staff turnover with delays in reimbursement of pre-financed project expenditure, which forces them to delay salary payments, with negative effect on implementation capacity.

Internal arrangements

119. Internal arrangements are also important for successful project implementation. Better performance is achieved when manager with the organisation demonstrate close interest in the development of activities and get involved in mobilizing financial resources, mobilizing the team or maintaining contact with the MA/IB, as well as suppliers and partners. This, in turn, increases the level of involvement of the team and prevents bottlenecks from becoming real problems (such as lack of finance). Equally important is the level of empowerment of the project manager. If he/she is not part of the management of the organization itself, internal arrangements and delegation of authority to the project manager are paramount for success, particularly because project implementation requires the participation of the administrative, financial, HR, technical departments (or persons).

120. Much as in the case of private beneficiaries, central administration beneficiaries acknowledge the fact that constant supervision by and involvement of superiors improves project implementation. This applies particularly in the case of ministries, where high-level involvement facilitates collaboration with other departments, responsible for the financial, procurement and human resources aspects of projects.

121. An organisational challenge expected to further increase in the case of public beneficiaries refers to an increasing number of projects from different OPs implemented in parallel. These beneficiaries have to adjust their internal arrangements and rules to the differing requirements of the OPs which mean that very often beneficiaries can not develop common internal approaches.

122. For academic sector beneficiaries the *rules* are more rigid and there are more decisional layers to take into consideration. These beneficiaries have to comply with the rules and report to several higher administrative layers: the Romanian Academia for instance in the case of the research institutes belonging to this structure, the University in the case of various faculties, the Ministry of Education for both types of beneficiaries. This is not unusual for the public institutions, but in this case the staff involved in SI projects used to collaborate in other EU-funded projects implemented by NGOs. There is the de-motivating tendency to compare the flexibility of the internal arrangements of NGOs with the less flexible institutional and procedural arrangements of academic entities. For the time being this does not really have an effect on the quality of the SI projects implementation by these beneficiaries.

123. The approval process with regard to tenders at SOP T beneficiary level is complicated. For example, the National Railways Company cannot organise a tender unless it has the prior approval of the General Shareholders Assembly (an additional control point, which was introduced after a notorious corruption scandal). However, this is a major source of delays in the implementation of EU-funded projects (for instance in the case that a tender cannot be launched because the Assembly has not met for a number of months).

Procedures

124. Systematic *monitoring* of project implementation has a positive influence on project progress and the quality of progress reporting which establishes the foundation for requesting reimbursement. Respondents perceived this influence as high, because of a strong connection

between this factor and the success of the reimbursement process. In fact, reimbursement cannot be sought for SI projects in the absence of at least some project monitoring.

125. NGOs, especially those experienced in managing EU-funded projects, have developed internal monitoring practices based mainly on monitoring meetings, weekly and monthly progress reports utilising indicators of achievement, and a system of standardised reporting to ease the monitoring workload. These beneficiaries consider the operationalisation of monitoring tasks as having major influence in terms of increasing their project management capacity.

126. Monitoring meetings of PIUs, especially at the local level, are sometimes carried out in a *pro forma* manner. Project level monitoring would probably be more efficient if the overall monitoring function in the public institutions would be improved in the sense of incorporating it in a larger monitoring scheme operated by the beneficiary entity, in order to ensure a closer link with the entity's management functions. When an external provider has been entrusted with project management, the monitoring activities are also the responsibility of the provider and therefore tend to depend on the consultant's project management capacity.

127. As in the case of monitoring, *risk management* is demanded by the methodology of project implementation. Yet, this contradicts existing practices within organisations. There was general agreement among beneficiaries and the MAs and IBs that risk management remains at the theoretical level in most organisations (both public and private).

128. For the case of the SOP T beneficiaries the existing risk management including the provision of information on how to deal with a specific problem, such as faulty design, contestation of tenders, slow construction permits, lengthy and unsuccessful land expropriation procedures and utility relocation, relies on informal communication between project officers, without assurance that the information is shared with all other project officers encountering similar problems.

129. Public beneficiaries are more concerned with risk management because of the specificity of the projects (major investments implying higher risks in implementation) or because of more distance between the decision-making and operational levels. For major infrastructure projects keeping a risk-registry file per project is compulsory. The problem is that it consists only of listing the risk. Actual risk management activities are neither planned nor implemented in practice.

130. Private beneficiaries tend either to adjust implementation in a more flexible manner, leading to pro-active risk management on the part of managers in any case closer to project implementation, or engage in less complex projects with consequently less risk.

131. The insufficiency of proper risk management at the level of beneficiary organisations becomes especially visible when reimbursement requests are meeting with delayed response due to – insufficiently acknowledged – temporary liquidity problems on the part of the relevant contracting authority. Classification of expenditure as non-eligible usually leaves beneficiaries unprepared for the necessity to compensate from own resources.

Frameworks

132. For central and local authorities, institutional frameworks, i.e. organisational structures involved in SI project implementation, such as project implementation units (PIU) were established in conformity with Applicant's Guides in all public administrations (Ministries and County Councils), as revealed by the in-depth interview. Also, specialized departments have been set up within the central and local public authorities' beneficiary structures. These units are specialised in drafting the project application and its' implementation.

133. The employees of these units faced problems in inter-departmental collaboration, especially with their colleagues in key departments already heavily burdened with specialist duties, such as

accounting. Over time, as it was made clear (informally or in official meetings) that the PIUs in charge of SI projects enjoy the full support of management, cooperation improved significantly. Still, in some instances, the fact that project staff continue to have additional responsibilities apart from the ones in the SI project(s) is still a burden towards the professionalization of these units.

134. The establishment of mutually supportive arrangements among beneficiaries from the same cluster is more accentuated on a territorial basis (e.g. between County Councils from the same region) and forms part of the learning process with regard to SI implementation. County Councils often play the role of adviser or engage in elaborating proposals on behalf of municipalities in their efforts to access European funding.

Box 17. – Bureau for Structural Funds at the University of Bucharest

An interesting institutional development was found within the University of Bucharest, where a special *Bureau for Structural Funds (BSF)* is operational since 2008. This structure supports the project teams in all administrative procedures and ensures a highly efficient financial management for the projects. The involvement of the BSF starts from the moment of application elaboration and continues during implementation, especially in respect of expenditures and financial reports (in co-operation with the project team member responsible for financials). The project teams consider BSF an important facilitator, as the project's experts can concentrate on technical aspects, while administrative features are the responsibility of an already highly experienced centralized structure. The existence of the BSF facilitates the transfer of knowledge from one "generation" of projects to another and across different projects running in parallel.

The University is a beneficiary of 34 SI projects (under SOPs HRD and IEC), among which 27 projects coordinated by faculties or Consortia of Faculties, while in seven projects these entities have a partner role. The staff of the Bureau includes six people; the ratio between the number of projects underway and the number of professionals proves the efficiency of this type of organization. The BSF has developed a financial risk management feature. New projects are internally approved as feasible and submitted to management authorities only after having undergone sensitivity analysis with regard to several scenarios in respect of the size of the proposed budget, reimbursement delays of various durations and the internal resources available.

The one negative aspect of these arrangements lies in the tendency at project level to rely on the BSF for resolving even the most trivial financial details, which could easily be resolved internally. This is an indication to a need for further improvement of project implementation capacity among these beneficiaries.

2.3 Individual Level

Skills

135. Professional skills refer to the field of project management or specific areas such as public procurement, financial control, and technical specialisations (directly related to the activities of the project). Also in relation to staff turnover, the utilization of consultancy services diminishes the need to have highly specialised personnel in-house. In fact, for small companies this is impossible, as some interviewees acknowledged. However, there is general agreement that good staff performance is a factor in the success of any project or activity, not only for EU projects.

136. The staff performance was highly appreciated by survey respondents, in terms of experience, expertise, personal involvement in the project and capacity to fulfil given tasks. As indicated in the *Table 18* the performance the project managers and of the accountants is the appreciated the most, but the differences compared with the other type of staff is very low. Also the assessments among types of beneficiaries are quite similar. The overall performance of the project team was appreciated to a great extent as good and very good by the beneficiaries who participated in the survey as follows: project management capacity (93.7%), acquaintance with contractual clauses (94.1%), acquaintance with the MA/IB requests (88.3%), capacity to prepare the necessary documentation (87.3%), capacity to conduct a public procurement process (86.8%), capacity to meet the deadlines (89.1%), capacity to reach the project objectives/indicators (91.9%).

137. In spite of the general optimistic perception of all beneficiaries regarding the skills of their staff there is field evidence³⁹ indicating that financial management and legal counselling (mainly referring to public procurement or administrative law) are still the most required skills when it comes to a performant SI project implementation. This need is not by far fulfilled, especially in the case of public sector beneficiaries.

Table 18. – Beneficiaries’ self-assessment of the team members’ performance [average scores: 1 (low) to 5 (high)]

	<i>Project managers</i>	<i>Financial managers</i>	<i>Technical experts</i>	<i>Accountants</i>	<i>Legal counsellors</i>
Central public authority	4.5	4.2	3.9	4.1	3.9
Local public authority	4.5	4.3	4.3	4.4	4.4
NGO	5.0	4.7	4.7	4.7	4.7
SME	4.2	4.1	4.3	4.4	4.2
Other	4.5	4.5	4.3	4.4	4
Total	4.5	4.3	4.3	4.4	4.2

Source: First Ad Hoc Evaluation Beneficiary Survey

138. Although there is general agreement that the professional capacity of the staff involved is an important factor in successfully carrying out SI projects, both private and public beneficiaries consider it as having only moderate influence on implementation and reporting capacity. This is in spite of the pressure to perform on staff often facing problems for which they do not always possess the right knowledge or skills. To a certain extent, of course, this must be considered a normal situation for the initial stages of programmes with the size and scope of the OPs under the NSRF. In the end however, a contradiction remains, because one can hardly imagine that any activity can be undertaken without professional, skilled staff.

139. The skills necessary for working on a project basis are not sufficiently developed, in spite of the emphasis given in recent years to the importance of project-based management, coupled with the quite extensive experience of the authorities with projects funded by international organisations and major NGOs. Furthermore, there are cases of public sector beneficiaries where project managers

³⁹ Interviews with beneficiaries and MAs.

have no professional capacity in management or key specialist areas, with negative effect on the quality of project management overall. Poor planning skills lead to a weak schedule of activities without taking into consideration the actual availability of resources. This tends to lead to significant readjustments during the implementation phase, even in the absence of unforeseen circumstances.

Experience

140. Previous experience in dealing with projects in general and EU-funded projects in particular is considered one of the most important factors for successful management by all beneficiaries. There is evidence⁴⁰ that beneficiaries who had already implemented EU-financed projects not only submitted better applications, but were also more successful in meeting implementation requirements, as well as in project management overall. The first two years of actual project implementation under the OPs appear to have been a learning process for all and the quality of the management and implementation process has shown continuous improvement.

141. Prior experience is important for project implementation, at all stages. However, the following three main aspects have to be taken into account when considering this factor:

- the rules and requirements of SI-financed projects are a blend between national legislation and EU law, which makes them unique for each country;
- the project cycle management modalities, general implementation rules, reporting and reimbursement procedures are to a degree similar for all EU-funded programmes and projects;
- basic project management rules are applicable to all projects, regardless of financing source.

142. Interviews with MA and IBs representatives revealed that SMEs lack the general culture helpful for implementing projects with the external funding assistance. Interviewees recall cases of beneficiaries having problems with understanding notions like 'eligibility', 'project cycle' or 'problem tree'. SMEs tend to have less extensive project management experience than public beneficiaries and NGOs.

143. In the case of academic beneficiaries, highly experienced individuals, with a rich background in project implementation including pre-accession funded projects, usually ensure the management of the projects. The implementation teams are composed of experts with extensive experience in project management. The novelty of the SI projects comes from the large budgets and the specific procedures required for implementation.

144. In the course of project implementation, SOP ENV beneficiaries (such as local public authorities and water companies) are often confronted with long tender documentation design periods, due to a lack of experience with regard to technical issues or the management of (large) infrastructure projects, especially amongst staff employed by local authorities. Although elaborated with TA, tender documentation tends to contain inconsistencies. At the end of the day, the responsibility for the quality of tender documentation remains with the beneficiary entity, which has the obligation to check all documentation, including the justification of the selection criteria.

Knowledge

145. Having the information and understanding at individual level of aspects related to SI project implementation is based on gathering extensive information and knowledge. No matter the type of the beneficiary, the influence of knowledge on the beneficiaries' project implementation capacity relates to the following aspects:

⁴⁰ Interviews with the MAs/IBs representatives, interviews with beneficiaries and MCA workshops with beneficiaries.

- beneficiaries generally have little previous experience in implementing EU-funded projects, and even less in those financed from SI;
- the amount of requirements is considerable and conformity is strictly observed by the MA/IBs;
- information is provided to beneficiaries in a fragmented manner – essential information is contained in a number of different documents (Guidelines for applicants, the contract, instructions and manuals); and
- procedures and requirements change at a relatively rapid pace.

146. Specific knowledge of SI project implementation at the individual level is very important for the success of a project. The current financing period sees the first implementation of SI in Romania, which means that the SI procedures are new for all stakeholders. The continuous changes require constant vigilance on the part of beneficiaries to keep abreast of procedural developments.

147. Proper documentation greatly improves beneficiary project management capacity, in the sense that it contributes to a better understanding of the overall functioning of the SI and the expectations from beneficiaries on the part of authorities. At the same time, it allows project implementation teams to anticipate risks and constraints better.

148. Consultations and interviews with beneficiaries, MA and IB representatives revealed a rather contradictory practical reality. Whilst everyone agrees that constant documenting is important in order to have the right knowledge for the project implementation, most MAs referred to the superficial approach of many beneficiaries towards important documents such as the financing contract, key annexes, as well as manuals and instructions. This might point towards relatively slow adjustment to the strict rules and requirements pertaining to EU-funds and a disregard for bureaucracy on the part of beneficiaries (those in the private sector in particular).

149. There is evidence that many of the questions addressed by beneficiaries have their answers clearly set out in the implementation handbooks or the contract. This aspect, which may affect all components of the implementation capacity, is partly the result of the need of beneficiaries to be 100% sure in advance, in the context of 100% checks by the relevant finance and control units. The fact that IB on-site visits typically result in recommendations that could have been avoided, if procedures would have been followed, tends to support the finding that beneficiaries sometimes neglect to consult available documentation thoroughly.

150. SOP HRD and ROP provide training for beneficiaries. Topics include: project management, contractual obligations, managing partnerships, public tenders, financial management, monitoring and reporting, VAT, on-site monitoring visits, irregularities and publicity. Training sessions are compulsory and are usually provided in the first months of implementation, in order to provide the basic necessary information. Beneficiary, MA and IB representatives confirmed that training has a large impact on beneficiaries' capacity to manage projects, irrespective of whether they are public or private entities.

151. However, as the workload and time pressure are high, beneficiaries have a low tolerance for training that is not directly relevant to their projects and in the interviews conducted often referred to instances where trainers could not suggest remedies to very practical and immediate concerns. Project managers tend to be too busy with daily project operations or they have other managerial responsibilities, which keep them from attending training.

152. Beneficiaries have expressed disappointment regarding the education system and the overall labour supply, which is unable to meet their requirements. The problem is two-fold. On the one hand, project management skills⁴¹, particularly in relation to EU-funded projects are scarce, since this is the first programming period for Romania and working with projects is not common practice. On the other hand, beneficiaries are required to have specific skills related to *inter alia* project management, financial management, public tenders and know how in respect of administrative procedures related to reporting and reimbursement.

⁴¹ Project management is a topic to be found in both undergraduate or post-graduate curricula; what is missing refers to a close connection to practice and especially with the SI project management practice. The National Agency for Public Employees is undertaking efforts to fill this gap.

3. CASE STUDIES

153. The evaluation methodology described in Chapter 1 foresaw conducting three case studies in order to better illustrate specific challenges encountered by SI beneficiaries in the process of project implementation. The three case studies presented below address two problems at the societal and one problem at the organisational level.

3.1 Financial Difficulties Faced by Private Sector Beneficiaries


3.1.1 Introduction

154. The first case study intends to illustrate a common problem faced by SMEs implementing investment projects financed under the OPs, namely financial difficulties in ensuring co-financing and cash flow. From a methodological point of view, the analysis can be considered a typical case study, since it describes a generally valid, very often encountered situation, in the current economic context.

3.1.2 Short Description

155. During the current programming period (2007-13), SMEs are eligible for support through the Regional Operational Programme (ROP), the Sectoral Operational Programme Increase of Economic Competitiveness (SOP IEC) and the Sectoral Operational Programme Human Resources Development (SOP HRD). Together, these three OPs offer financing opportunities for *inter alia*: entrepreneurship, productive investment, innovation, research and development, training and employment.

156. One of the basic principles of EU funding, concerns capacity on the part of the beneficiary to take on a share of the eligible expenditure, in addition to all non-eligible costs of a project. Taking into account that State Aid rules apply to EU funding of this type, the share of co-financing that beneficiaries must cover is usually more than half of the total expenditure associated with a project. During implementation, beneficiaries receive payments based on reimbursement claims submitted to the Managing Authority. Beneficiaries must therefore have the necessary resources to pre-finance all project-related expenditure if they are not able to present the financial guarantee for receiving pre-financing from the MA.



Beneficiaries must have the necessary resources to cover all expenses associated to the project activities, as EU financing is received upon reimbursement principle

157. As a result of the current economic crisis, SMEs' financial capacity has decreased significantly, due to a number of reasons, among which the deterioration of the overall investment climate, decreasing demand and the cautious lending policies of credit institutions are the most important. In fact, the restrictions on the credit market is often deemed as the most serious issue; not only for projects that are under preparation, but also those under implementation, since very few beneficiaries can secure co-financing from other sources. This has led

to several cases of project cancellations, under both under SOP IEC and under ROP⁴².

158. Difficulties in accessing credit and cash flow problems have also, in even more cases, led to delays in project implementation. The reasons for this situation are set out in the following section.

3.1.3 Theory

159. Private sector beneficiary capacity to mobilize financial resources depends on three main actors (*Figure 19*): the **Beneficiary**, the **Managing Authority (MA)** and the **Bank**. Mainly in the course of project implementation, but also already before that, there must be a close collaboration between these three partners. Given their respective roles, the quality of the interaction between them has a large influence on the success of the project.

160. **The Beneficiary** is responsible for the correct implementation of the project, according to the application and the financing contract signed with the MA. From a financial perspective, the Beneficiary has to cover part of the eligible expenditure and all non-eligible costs and also needs to have the necessary resources for developing the activities, before receiving reimbursements. To be able to do this, the Beneficiary usually applies for bank loans or has the option of receiving pre-financing from the MA⁴³.

161. According to Order No 2548 of the Ministry of Public Finance, Art.12, "the transfer of the amounts representing pre-financing requested by the beneficiaries according to the contracts/ decisions/ financing orders is done, provided that the following documents are presented:

- a written request from the beneficiary, according to the contract/ decision/ financing order;
- a contract for supplying goods / services / works signed between the beneficiary and an economic agent, with the exception of the projects whose implementation does not involve such a contract;
- a bank letter of guarantee for the amount corresponding to the requested pre-financing, only for contracts under the state-aid/ de minimis rules.

162. In the latter case, according to the national and European legislation, a bank letter of guarantee is required, equal to the amount of the pre-financing. The procedures for obtaining it from the bank require that the beneficiary presents a set of documents, referring to the economic and financial situation of the company, the project, the financing contract, etc.; more importantly, however, the beneficiary is required to present collaterals, which given the financial difficulties brought on by the crisis, and especially the collapse of the real estate market, he is unable to present. Until recently, the assets bought through the project were not considered eligible to be presented as collaterals, which further complicated the situation⁴⁴.

⁴² Although none of the projects included in the sample are in this situation, the subject of cancellations was brought to our attention during the interviews with ROP Bucharest Ilfov IB and by the SOP IEC MA. Apparently, two patterns can be observed: some beneficiaries that choose to cancel their projects from the beginning and others, who continue the implementation in spite of the financial difficulties and experience delays. Since both reflect the capacity of the beneficiaries to mobilize financial resources, we have included them in this case study.

⁴³ According to Government Ordinance N° 64/2009 and Order N° 2548 of the Ministry of Public Finance

⁴⁴ The situation changed in July 2010, with GO N° 606 <http://oimm.mimmcma.ro/sites/oimm.mimmcma.ro/files/HG606.pdf>.

Figure 19. – Three main factors influencing private beneficiaries' financial capacity



163. **The MA** is responsible for assessing the application, completing contracting procedures, monitoring implementation and paying for eligible expenditure, following review and approval of reimbursement claims. Procedures are in place and deadlines defined for each of these functions. The MA may grant beneficiaries pre-financing of expenditure upon request, accompanied by a bank guarantee.⁴⁵

164. **The Bank** is responsible with awarding letters of guarantee and loans to beneficiaries, on condition that they meet bankability criteria. Thus, they are supposed to financially support the beneficiaries to ensure the financing of EU projects.

165. After the launch of the OPs, most credit institutions regarded EU projects as a market opportunity and prepared dedicated products or specialized consultancy services for beneficiaries. The media abound with advertisements regarding low interest loans, covering up to 100% of the project value and with grace periods ranging from 12 to 36 months⁴⁶. In theory, these products cover partial or total and co-financing of eligible and/or non-eligible expenditure. Usually, more than one instrument is used, including revolving credit lines, bridging loans, investment credits and operating credit, depending on the needs of the client and the nature of the project.

166. Generically, the bank requires information (documents) regarding: the economic and financial situation of the Beneficiary, the project, financing contract, guarantees or any other information considered relevant. Based on internal procedures, each bank assesses the eligibility of Beneficiary and issues the bank letter of guarantee or approves the credit.

167. The link between the Beneficiary, the MA and the Bank is formally established through the **Application** and the **Financing Contract**⁴⁷ and all negotiations are established based on these documents. The credit made available to the beneficiary is usually made available in tranches, with each tranche depending upon the reimbursement by the MA of the previous one. The implementation period and the reimbursement calendar are established in the Financing Contract. In fact, this is where most problems appear during implementation.

⁴⁵ Typically, the bank will charge the amount of the guarantee against the beneficiary's credit room, thus indirectly affecting the beneficiary's liquidity position.

⁴⁶ See, for example, dedicated credit products from EximBank, BCR, BRD, Raiffeisen Bank, CEC Bank and Alpha Bank.

⁴⁷ The Financing Contract refers to the contract signed between the Beneficiary and the MA.

168. The National Credit Guarantee Fund for SMEs (NCGFSME)⁴⁸ and the European Investment Fund (through JEREMIE) are two other entities involved in financing EU projects.

169. The **NCGFSME** offers guarantees to EU projects beneficiaries in order to improve their access to credit, provided that they meet all the other eligibility criteria imposed both by MAs and credit institutions. Basically, the Fund issues a letter/promise to guarantee the funding to be received by the SME. To counteract the effects of the economic crisis, the Fund's capital was increased by 46 MEUR.

170. **JEREMIE** is meant to ensure venture capital and credit opportunities for SMEs under Priority Axis 1 of the SOP IEC. Although the Memorandum between the Romanian Government and the EIF was signed in 2008, the scheme is still not functional and the 100 MEUR allocations remain unused.

3.1.4 Problems

171. According to SME stakeholders, the financial crisis is the single most important cause of project delays, in that it limits access to bank credit. In relation to the three main actors previously presented, there are three issues: bank approach towards EU-financed projects, performance of the MA and performance of the beneficiaries.

172. **Bank approach towards EU-financed projects** – in spite of the above mentioned facilities, bank regulations require that all investment projects be analysed according to established bankability criteria, regardless of source of financing. The fact that, in the case of EU-funded projects, there is a firm commitment by the Romanian authorities to reimburse expenditure is not regarded as a guarantee and does not decrease, in the eye of banks, the risks associated with the investment. The bankability criteria may include: the overall situation of the company, historical relation with the bank, capacity to reimburse the credit, and possible guarantees.

173. Another complicating aspect is that in order to qualify for EU-financing under the rules imposed by the MA in the Guidelines for Applicants, projects must show a relatively small internal rate of return (IRR) (e.g., a maximum of 13% under SOP IEC⁴⁹), which makes them “unattractive” to banks, which typically prefer higher IRRs. In theory, the banks examine project applications rapidly and credit decisions provided in a matter of weeks or even days; in practice the process of credit negotiation can last up to several months. One of the beneficiaries interviewed during the evaluation had to contact six banks before finally getting access to credit. The whole process lasted more than eight months, which caused severe disruption in the project calendar and delays in submitting the reimbursement claim.

174. After the project is analysed, the contract with the bank is signed and credit is approved (or the bank letter of guarantee is granted). The Beneficiary is usually required to keep a close connection with the Bank and in keep it informed on a continuous basis, especially in respect of reimbursement



Bank regulations require that all investment projects be analysed according to similar bankability criteria, regardless of their source of financing

⁴⁸ In Romanian: Fondul National de Garantare a Creditelor pentru IMM-uri (FNGCIMM).

⁴⁹ The maximum IRR for SOP IEC investment project was even lower before 2010, i.e. only 9%.

claims and payments. Following payment by the MA of the last reimbursement claim, the credit is settled with the bank. If the initial calendar of activities is not respected, the beneficiary is unable to pay instalments on time (or to settle the credit in the agreed timeframe). The collaboration between the Beneficiary and the Bank may be negatively affected, since one criterion banks usually use when assessing the risk associated with a client is his previous collaboration with the bank and his ability to respect the terms of the contract with the bank. Higher risk rates usually mean higher interest rates or even rejection from further credits.

175. **Performance of the MA** – because of inadequate preparation of calls for proposals, lack of experience and chronic understaffing, MA performance has been marked by constant delays at all stages.

176. First, the time between project submission and approval (or rejection) is several months in most cases, with no possibility of anticipating the actual timeline or the outcome. Second, assuming that the project is accepted for financing, contracting also takes several months, leading to a total period of almost one year between application and start of implementation. Third, processing reimbursement claims can take up to six months in some cases⁵⁰ (often, without any communication, official or unofficial, from the MA to the Beneficiary during this entire period). Partially, these delays can be explained by the poor quality of the reimbursement claims and progress reports submitted by beneficiaries⁵¹. Nevertheless, they contribute to the worsening of the overall performance of the beneficiaries, as explained below.

177. **Performance of the Beneficiary** – the economic crisis changed financing conditions significantly, in a relatively short amount of time. This meant that project proposals that were eligible for credit when submitted to the MA were no longer bankable when the contract was ready for signing. Beneficiaries were thereupon forced to renegotiate with the bank, resulting in postponement of project activities. In other cases, beneficiaries started the projects with their own resources, hoping to receive the credit. This caused additional pressure on budgets and cash flow, which in combination with the overall worsening of market conditions, subjected beneficiaries to the risk of insolvency.

178. Once a bank loan was contracted, financial resources were made available to proceed with activities. In the case of loans made available in tranches, each tranche is settled in accordance with the agreed financing calendar, which depends on payments by the MA. If the MA does not process the reimbursement claim in time and delays occur, the Bank blocks the credit and may apply penalties to the Beneficiary for not respecting the contract with the Bank. During this time, beneficiaries must continue the implementation of activities with their own resources, to avoid breach of the Financing Contract with the MA. This puts further strain on the already weakened circumstances of SMEs and, especially, micro-enterprises.

179. Delays have a negative effect on the project management capacity of the beneficiaries, first of all by making them unable to anticipate and respect a projected cash flow. This, in turn, makes them unable to prepare and respond to the changes in the external environment (such as exchange rate, inflation, taxes etc.), which are more likely to appear and have heavier impact on a medium and long term than on a short term (for example, inflation is unlikely to fluctuate significantly during one month but it might do so over a period of six months).

⁵⁰ Reported by MA SOP IEC and by beneficiaries SOP IEC and SOP HRD. See the Evaluation Report of SOP IEC.

⁵¹ This subject was analyzed in the main report.

3.1.5 Remedies

180. In spite of several discussions between the MAs and the banks, beneficiaries are increasingly affected by very limited access to credit, lack of guarantee instruments and severe cash-flow problems. So far, the following remedies have been attempted or applied:

- Negotiations between the MAs/ACIS and banks, which have not yet resulted in concrete results.
- New guarantee instruments, including additional capitalization to NCGFSME; possible use of assets⁵² as loan collateral; the effect of this measure is yet to be measured, since projects benefiting from it are at the beginning of their implementation. An analysis of their progress is likely to show fewer cash-flow problems and fewer delays of the activities.
- Other incentives, such up to 100% coverage of eligible costs for microenterprises under ROP; like in the previous case, it is still too early to assess the impact of this measure.

181. **MA-specific** remedies might include:

- Speed up the processing of applications, particularly through contracting support services (legal, evaluation, technical) through technical assistance. This decreases the risk of radical changes in the overall economic climate and facilitates access to credit.
- Speed up the processing of reimbursement claims, by reducing the number of documents required from beneficiaries, introducing sampling beginning with the second reimbursement claim⁵³. Allowing beneficiaries to input data into SMIS would also contribute to speeding up reimbursement claims and, at the same time would contribute to reducing the burden of the monitoring officer.
- Provide further assistance to beneficiaries, by activating existing instruments (such as JEREMIE⁵⁴).
- Increase transparency and improve communication with the beneficiaries, by providing written notifications regarding the processing of documents at all stages and also written instructions and guidelines. This would significantly relieve the stress and uncertainties and would enable the beneficiary (and indirectly to the bank) to anticipate the evolution of the project.

182. **Bank-specific** remedies might include:

- Consider analysing the bankability of a project while taking into account the amount granted through EU-funding to be included as a positive factor attached to bankability criteria;
- Consider lowering the risk associated with EU projects, taking into account the State commitment in respect of reimbursement.

183. **Beneficiary-specific** remedies might include:

- Establish and maintain close collaboration with financial institutions, starting from the project preparation stage.
- Establish and maintain close collaboration with the monitoring officer so as to get up-to-date information and a proper understanding of the requirements

⁵² This refers to assets acquired through the project; before July 2010 this form of collateral was not allowed.

⁵³ SOP HRD already implements sampling system.

⁵⁴ Currently, JEREMIE is subject to decisions by the EC.

- Attract enough qualified human resources for project preparation and implementation, so as to ensure that all administrative requirements (progress reports, reimbursement claims etc.) are met on time and in good quality.
- If no prior experience exists, invest in training for the project management team;
- Make sure that the project manager participates in all training sessions or communication events organized by the MA/IB.

3.2 Motivation of the Human Resources and Public Sector Beneficiaries

3.2.1 Introduction

184. This case study is intended to illustrate a common problem faced by public administration beneficiaries implementing projects financed under the OPs, namely to mobilize human resources in the implementation of SI projects. From a methodological point of view, the analysis can be considered a representative, crosscutting case study, since it describes an often-encountered situation in the current national socio-economic context.

3.2.2 Short Description

185. The analysis of the split of approved grants by type of beneficiary⁵⁵ shows that public sector beneficiaries together have a 75% share in the NSRF. This high proportion in favour of public sector beneficiaries raises *inter alia* the issue of the significant pressure and responsibility these beneficiaries face with regard to successful absorption of SI funds.

186. The qualifications and the experience of the human resources mobilized in an SI project represent an important criterion for the project in order to be funded. Beyond this criterion, the *motivation* of the respective staff becomes equally important in the project implementation phase. The following sections discuss how motivation influences public sector beneficiary capacity, investigates the related problems public beneficiaries currently face and set out the lessons learned.



The pressure on the human resources mobilized by the public sector beneficiaries in the implementation of the SI projects is very high since they carry the responsibility of implementing 75% of the NSRF grants

3.2.3 Theory

187. Human resources management theories emphasize the importance of staff motivation for achieving a high level of organizational performance. That is why the evaluation of SI beneficiary capacity, and this case study in particular, looked into motivation as a key success factor in the

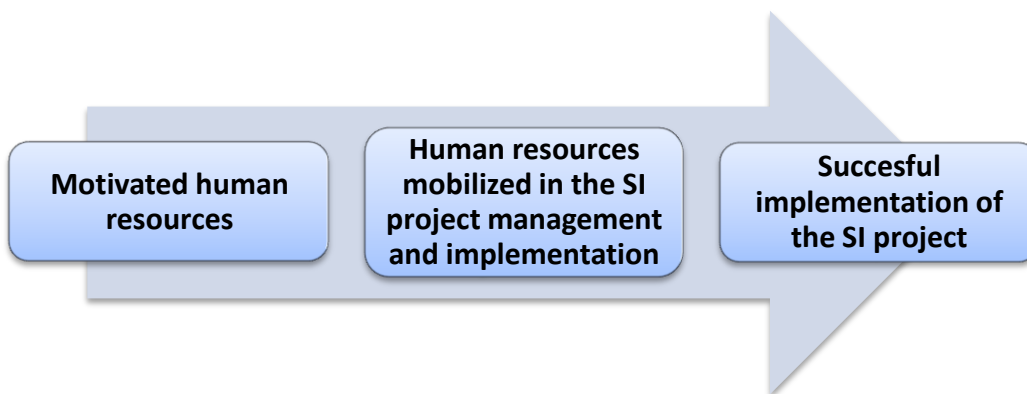
implementation of SI projects. That this was applied only to public sector beneficiaries was because most of the evidence collected in the early stages of evaluation indicated it to be an issue primarily affecting this category of beneficiaries. The issue may partly be attributed to recent Government decisions concerning layoffs and temporary 25% wage cuts, cut of supplementary bonuses and

⁵⁵ NSRF Evaluation Report.

unpaid holidays in 2009. However, the discontent amongst interviewees has deeper roots, which are investigated in this case study.

188. Successful implementation of SI projects is influenced by other factors, apart from beneficiaries' capacity to mobilize motivated human resources (e.g. capacity to mobilize financial resources, capacity to manage and implement the project). However, in terms of human resources, there is a linear causal chain – presented in the diagram below (*Figure 20*)– connecting the level of motivation of human resources involved in project implementation, their mobilization and performance in project management, and implementation and the success of the SI project.⁵⁶

Figure 20. – Causal chain linking human resources motivation and SI project implementation



189. In the current socio-economic context there are several problems having a negative influence on the motivational level of the public sector staff, making more difficult to mobilize the human resources for the implementation of the SI projects.

3.2.4 Problems

190. **Heavy workload** – the evaluators found that often the projects capitalize from the input of most of the personnel within public administration institutions with large experience in project implementation⁵⁷. During transition, a certain degree of expertise in this area has been accumulated within Romanian institutions and the qualitative evidence of this evaluation indicates that generally public institution have less experience than NGOs or some of the Academic beneficiaries but they are more experienced than SME beneficiaries. Usually, the personnel working in PIU have been involved previously in other European projects funded from pre-accession funds, if the employing institutions carried on such projects.

191. Most beneficiaries of SI projects consider SI funded projects very demanding in terms of the number and experience of the staff that needs to be involved. In many cases, public sector employees have to fulfil other duties besides the SI projects, because of personnel shortages related to the other workflows within their institutions. Apart from that, the effort involved in performing

⁵⁶ Basic theory of human resources management: see, for instance, Becker Gary S., *Comportamentul uman, o abordare economică* (Human behaviour, an economic approach), All Publishing House (1994) or Bryars L., Rue L., *Human Resources Management*, IRWIN – Edition Homewood, Illinois (1987).

⁵⁷ In the case of 121 out of 155 beneficiaries (all types of beneficiaries) who responded to this question of the on-line survey, the personnel involved in SI projects implementation has previous experience with project implementation. Most of the SI staff within is considered as experienced with project implementation.

constant – unpaid – overtime, is another issue. There are also many cases where the number of ongoing projects exceeds the number of available employees, each of which often have to deal with two projects⁵⁸. In the case of entities with coordination responsibilities (such as Ministries and County Councils), staff has to adopt the informal role of technical and financial adviser for other public entities implementing SI projects. In rural areas⁵⁹ and smaller localities, Local Councils lack the experts with general project and specific European Funds experience, which adds to workloads. For instance, while all city halls have at least one employee specialised in EU-funded projects, only about half of village Local Councils have such staff⁶⁰.

192. **High expectations /demands** – the strategic value placed on SI projects is reflected in the fact that the decision making level of public institutions is typically involved in their management. This is beneficial for project implementation in terms of access to decision-makers and opportunities to overcome bureaucratic obstacles. Also, the interest of the decisional layer of the public administration institutions in good implementation of the SI projects motivates the personnel to perform at its best, even when other factors which should play as incentives are missing (higher remuneration, better career prospective, better organisation of the work schedule) or disincentives are present (higher exposure to internal or even juridical sanctions). Although they are a positive premise for good performances in project implementation, the high expectations of the management towards SI personnel performances, when uncorrelated with other incentives, are sometimes perceived as an additional pressure factor.

193. The PA staff had also high expectations when the OPs were launched towards the effects of involvement in SI projects over their professional careers. This involvement was perceived as offering good careers prospects, leading to professional development and better remuneration. Many of the approved public administration project proposals specified high wages for the employees⁶¹. It may still hold true that specialisation in this type of project is a valuable professional asset but there are other better-paid opportunities besides working in the public sector once an individual has accumulated expertise in the area. Especially in the bigger cities, consulting firms are interested in recruiting high profile professionals from within the implementation system. Also, the NGO sector could represent an alternative, since salaries are considerably higher for implementation of similar projects.

194. **Heavy responsibilities** – the evaluation revealed several cases in which public administration workers suffered harsh consequences in connection with failure to manage payments related to SI projects properly. Employees were forced to make good errors from their own pockets and in some case were prosecuted. Unsurprisingly, this has led to excessive caution in assuming responsibilities even for minor decisions in project implementation, ultimately reflected in delays in project implementation and negative effect on the status of the staff involved in it.

195. **Wages** – while work demands are more or less similar, wage levels differ across public sector institutions, in accordance with each entity's salary scales. The salary of a young professional entering the system (junior expert) is slightly higher than the minimum wage in Romania.⁶² The

⁵⁸ In the PA structures in the locations where the interviewees took place, the ratio is above 1 specialist working in PIU to 2 projects underway.

⁵⁹ Rural areas are less targeted by the SI programmes, usually OP ACD projects; in consequence, they are less funded: among 816 projects for which the residential area of the beneficiaries is mentioned in SMIS, only 66 are in the rural area (66 projects).

⁶⁰ *Local Authorities Face to Face with European Funds*, Open Society Foundation (2010).

⁶¹ Applicable for SOP HRD only.

⁶² The minimum wage at the national level in 2010 is RON 600.

additional remuneration that a professional could earn from being part of SI projects implementation team in the framework of the current legislation is low.⁶³ A number of public entities – some less informed, others more open to risk – awarded, for periods of for several months, higher salaries to personnel involved in SI projects implementation. The salaries add-ons concerned later had to be returned.

196. Security of tenure – the public administration environment has traditionally been perceived as a provider of workplaces with better chances of secure tenure. However, this no longer applies, and also involvement in SI implementation does not protect public employees hired as temporary staff (not public servants) against the risk of lay-off.

197. Insufficiency and instability of staff on account of layoffs and turnovers – the interviews and the workshops carried out during the evaluation indicate that public sector beneficiaries are more affected by changes of the implementation team than other SI beneficiaries.⁶⁴ While personnel layoffs damage the system considerably, personnel turnover worsens the situation even more, as the best performing public employees are much more inclined to look for changing employment. The highly specialized workforce that SI implementation demands takes time to establish and is hard to replace. Various beneficiaries assess the related risk differently, depending on their location. In small cities and in rural areas, staff turnover is not a major risk, since the local labour market is typically unable to offer better alternative employment. For the central administration and the administration of major municipalities the risk is higher, because there the consultancy market still has the capacity to absorb qualified staff leaving the public administration.

198. Higher demand for consultancy services or externalisation of project components – increased contracting of services from consultancy firms⁶⁵, combined with outsourcing of project components⁶⁶ might provide help to lessen the workload of public administration personnel, although the evaluation fieldwork yielded a mixed message with regard to public sector beneficiaries' appreciation of the quality of the consultancy services used so far. Some beneficiaries stated that projects implemented exclusively with own staff perform better, basically due to better physical availability of internal employees and also experience in working together. One major risk, if the outsourcing trend prevails, is decreased ownership of the projects.

3.2.5 Remedies

199. Ensuring a fair relation between workloads and levels of responsibility, on the one hand, and professional and financial rewards, on the other hand, must be considered the main motivational challenge for properly mobilizing the human resources of public sector SI beneficiaries. Public administration professionals face the effects of disincentives in terms of workload demands not

⁶³ For example, the net wage of a superior counselor (the highest rank for non-management personnel) is RON 1,600-1,800. This is the basis for the additional salary earned for SI projects implementation, meaning about RON 10-11/working hour. With another two working hours dedicated to SI projects per day, the employee could earn an additional RON 400-450.

⁶⁴ The MCA workshops revealed that technical assistance projects have lost an important part of their target groups (professionals from PIU) for three reasons: lay-offs, higher workloads for the remaining staff, which does not allow them to participate as easily as before to training activities, and changes in the implementation team enforced by the management. Interviews with the management authorities further revealed frequent changes of the contact person with the PIU, especially in the case of the local PA, as a result of changes in the implementation team.

⁶⁵ The private entities resort to consultancy in a higher degree: 44 out of 83 private beneficiaries, compared with 21 out of 73 public sector beneficiaries (*ad hoc* evaluation survey data).

⁶⁶ The *ad hoc* evaluation survey data reveals that 65 out of 155 beneficiaries have externalised a project component; 6 out of 13 central public authorities have made this choice while only 14 out of 44 local PAs chose to do the same. No central PA outsourced the management of the project, but 9 local PAs did so. It seems that data revealed is contradictory.

compensated by incentives such as increased salaries and promotion. This is bound to increase demotivation and the risk of staff turnover, especially at the central level where alternative employment opportunities exist in the consultancy market.

200. Better funds absorption was frequently cited, by decision-makers in search of an adequate counter-crisis strategy, as one possible factor of economic recovery. To the extent that this assessment of the usefulness of SI funding is correct, the human resources policy of many entities involved in SI management and implementation appears to reflect the existence of a chasm between the assumed importance of SI funding at the strategic level and public entities support for effective human resources management and motivation.

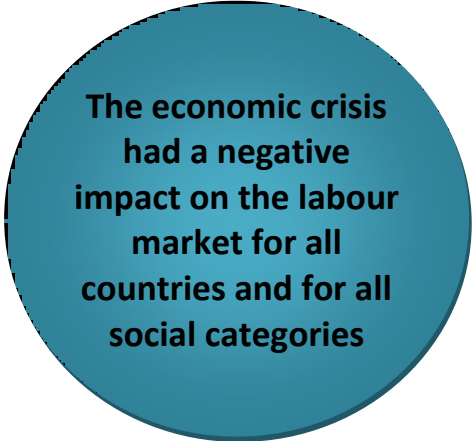
3.3 External Factors and Beneficiary Implementation Capacity

3.3.1 Introduction

201. This case study presents an illustrative example of the situation faced by those SI beneficiaries that implement projects involving the achievement of results indicators, specifically employment-related target indicators, under economic crisis conditions. Although the case study concerns a particular SI project, it is not a unique, but a representative example of the situation in which other SI projects may find themselves.

3.3.2 Short Description

202. **Particular, but not an individual case** - the economic crisis had a negative impact on labour markets across Europe, no matter the country or the population group. In Romania the unemployment rate increased from 6.3% (Q1, 2008) to 8.1% (Q2, 2010)⁶⁷. In the case of SI, this had a negative impact on those projects aiming to increase employment among vulnerable social categories (such as the disabled, Roma and former convicts). Achieving employment related target indicators in projects is difficult even under normal socio-economic conditions, because it refers to a result that is not under the full control of such projects' promoters. In the circumstances of an economic crisis this becomes even more difficult.



203. **Brief project description** - the project described in this case aimed to facilitate access to the labour market of 1,400 disabled people. It started in November 2008, will end in October 2011 and is funded under SOP HRD.

204. The main project activities are the following: (i) a national survey to identify the gaps and the triggers to the employment of the disabled people; (ii) a sectoral policy review; (iii) setting-up three Social Inclusion Centres for disabled people; (iv) labour counselling and mediation for 1,400 unemployed disabled people (of which 280 will have a job); (v) providing services of information, mediation and recruitment of disabled people for 300 employers.

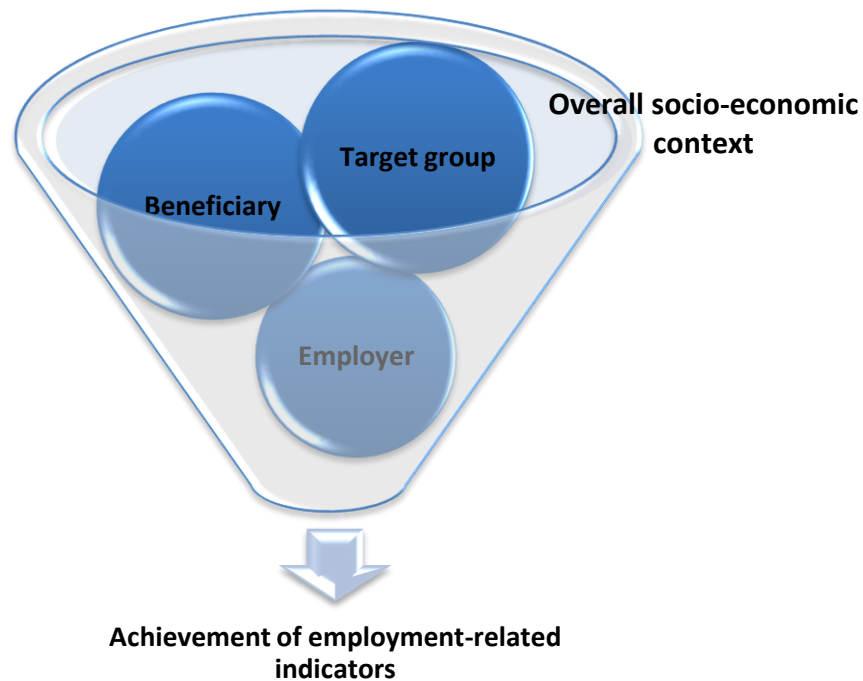
205. The project's estimated impact is to change both employers and disabled people's own perception of the capacity for work of this social category, and ultimately to increase its employability.

⁶⁷ Source: International Labour Organization (ILO).

3.3.3 Theory

206. As indicated in *Figure 21* in order to implement the project successfully, a beneficiary aiming to position its target group in the labour market has to take into account four factors: (a) the specific situation of the target group; (b) employers capacity to absorb the target group; (c) the overall socio-economic context; and (d) the beneficiary's own project implementation capacity. Apart from the last one, these factors are very little or not at all under the beneficiary's control. That is why, even if these factors are taken into consideration at the project design phase, major changes in them may pose serious difficulties to the beneficiary in terms of in achieving the project's employment-related indicators.

Figure 21. – Factors influencing achievement of the employment target



207. Although the SI beneficiary entity cannot control the above-mentioned factors, it is held responsible for the achievement of all project indicators targets in accordance with the Financing Contract and the Application (in annex of the Contract). Payments against reimbursement claims are also conditional upon progress in achieving targets of the indicators (intermediary and final).

3.3.4 Problems

208. As indicated during evaluation interviews by representatives of the beneficiary, the economic crisis and the related effects severely affected the organisation's project implementation capacity.

209. **The decrease of the labour market** - the economic crisis generated a decrease of the employment rate for the entire working population, from 59% (Q1, 2008) to 57% (Q1, 2010). Whatever the social group, it is currently more difficult to find a job than it was two years ago when the project was designed. The labour market has also become more competitive in the sense that a higher level of performance is expected from both the current and the potential labour force.

210. **A more difficult relation with employers** - in the current context it is more difficult to convince employers to give scarce jobs to disabled people. In spite of the subsidies available to firms for

recruiting disabled persons, employers prefer to give the job to a highly and easily performing person in order to reduce expenses in terms of adjusting the workplace to the needs of disabled employees or other staff compensating disabled persons' performance limitations.

211. **Changes in the situation of the target group** - the labour market for the disabled was substantially narrower already before the economic crisis. In 2009, the employment rate among disabled people was 12% compared with the average employment rate of the total population, which was 70%. According to the National Employment Agency, 7% of disabled people lost their jobs in the last two years, compared with 6.1% of the total population.

212. **Challenges for the beneficiary's capacity in the project implementation** - in a chain effect, all the above-mentioned factors generate project implementation problems. The main problem refers to the achievement of the target indicator on the employment of disabled people. Out of the total of 280 disabled people targeted to be employed by the project's end (October 2011), 90 should have been employed by the end-July 2010. In the event, only 38 people had gained employment at that time. The beneficiary therefore faces more effort in reaching out to the target group, in identifying employers interested to recruit disabled people, and in raising the awareness of the employees without disabilities on integrating colleague with disabilities.

3.3.5 Remedies

213. The beneficiary has to find solutions to overcome or at least reduce as much as possible the effects of the economic crisis. The following solutions represent tactics developed by the beneficiary in a group creativity (brainstorming) session on how to increase its capacity to achieve the project's target indicators:

- *diversifying the information sources about the labour market* – apart from the National Employment Agency (and its local branches), other sources of information about the labour market can be used, including the mass-media and on-line job searching and recruiting sites; social networks prove to be a good source of employment opportunity information;
- *increasing contacts with employers* – a more active identification of employers can be done via employers' associations and the Chambers of Commerce and Industries, or by establishing direct contacts with employers;
- *direct involvement of the target group in actively searching for jobs* – encouraging disabled people to get involved in identifying job opportunities and facilitating access to the respective opportunities;
- *increasing beneficiary's project management and implementation capacity* by combining the services provided by the project with other complementary services carried by the organisation, rendering the whole package of services more attractive and sustainable.

214. Specific remedies might include:

- in the preparation of the next programming period it would be highly relevant for ACIS to analyse how the labour market influenced the implementation of SI projects, as well as how SI projects influenced the labour market. The findings of such a complex analysis may be expected to have multiple uses, including raising beneficiary and MA awareness of the scale and diversity of the impact of SI projects on the labour market.
- eliminating delays on the part of the MA for SOP HRD in processing reimbursement requests would help to reduce the pressure on beneficiary cash flow, which in turn would increase beneficiary capacity to mobilize human resources needed for a better achievement of all project target indicators and successful project implementation.

- to explore innovative solutions to overcome the difficulties in reaching the target; for example, extending project duration, allowing for more flexibility in extending the target group, providing alternative support solutions for the target group.
- to avoid referring to the number of people employed as an output indicator, but as an outcome indicator; payments be conditioned by carrying out the project activities and delivery of outputs and not be related to the achieved results. The attainment of the outcome indicators may be checked some time after the end of the project.

4. Conclusions and Recommendations

215. The conclusions and recommendations emanating from the evaluation findings presented in the previous chapter are structured in accordance with the four levels of analysis of beneficiary capacity: societal level, organisational level and individual level. *Annex 1* is setting out the conclusions and recommendations in tabular form.

216. In terms of the main evaluation (**Q**) and the three sub-questions (**SQ1-3**), the evaluation findings suggest the following answers:

217. (**Q**) Beneficiary capacity influences the implementation of SI projects in a complex, multi-dimensional manner. Success in the implementation of SI projects depends on beneficiary capability to address a wide variety of societal, organisational and individual challenges. All stakeholders in SI projects (not only beneficiaries) have to face an *intense and continuous learning-by-doing process*. Programming and framework implementation documents, procedures, norms and regulations are all in use or in place in Romania, but the diversity and complexity of SI projects, combined with high expectations as to their results, require effort in respect of adjustment and capacity development by all SI stakeholders. For beneficiaries this may imply changes in leadership, shifts in priorities, resource commitments and managing the trade-off between short-term 'quick wins' and long-term commitment to sustainable business and operational models. ACIS, MAs and IBs are recommended to build on the existing experience among all the SI stakeholders and to bring upfront the good practices identified in the SI projects implementation. This can be achieved by a set of measures focused on specific aspects at the societal, organisational and individual levels as further indicated.

218. (**SQ1**) At the *societal level* the analysis encompasses national policies and strategies, legislation, social norms, hierarchical relations, financial aspects and changes in the target group and demand for services.

219. The fact that the multi-annual budgeting system brought into the public agenda close to the country's EU accession is still not in place will continue to pose somewhat of a constraint in terms of ensuring SI projects co-finance, sustainability and long-term impact. Added to the existing limited coherence and stability of the strategies, this affects beneficiaries' management capacity, especially from the perspective of mobilizing financial resources and estimating long-term effects of the SI projects. Debates on setting a multi-annual budgeting system in Romania should be encouraged and facilitated by ACIS as soon as possible by initiating a public debate on this topic, inviting all relevant stakeholders in this debate and, assisted by a panel of experts, initiating a draft law for multi-annual budgeting. In the same respect, at the level of each public institution (national, regional and local level), multi-annual budgeting should be connected with strategic planning in order to identify and prioritise the needs that can be addressed for each budgeting period. Local public authorities, beneficiaries of SI, should be encouraged to develop strategic plans and include multi-annual budget planning in this process (*ref. 36*).

220. Temporarily declaring as non-eligible SI-assisted expenditure on salaries of public research institutes researchers is hampering the pace of SI project implementation in that sector, which has shown itself to be the most efficient in terms of absorption. This has a negative effect on the capacity to mobilize human resources for SI projects on the part of these beneficiary entities. ACIS and the Managing Authority (MA) for Human Resources Development Sectoral Operational Programme (HRD SOP) are advised to increase the level of cooperation between them for the specific purpose of carefully analysing the interpretation and enforcement of the legal framework addressing the issue of non-eligibility of the salaries of the public researchers involved in SI projects (*ref. 43*).

221. Value Added Tax (VAT) recovery has major influence on beneficiary capacity to mobilise financial resources, either because it affects the cash flow of the project or the capacity to propose additional projects. ACIS and the MAs are recommended to support beneficiaries by providing training sessions or dedicated informative sessions on VAT recovery to beneficiaries (*ref. 38, 45*).

222. Public procurement procedures are significantly affecting beneficiaries' capacity to manage and implement SI projects and ultimately their capacity to obtain reimbursement of pre-financed project expenditure. It is advised that ACIS with MAs and IBs cooperation engage in improvement of relevant public procurement procedures so as to prevent repeated complaints, by further simplification and clarification of the evaluation criteria for offers and by further explanation of the public procurement procedures to beneficiaries. The establishment of a Working Group with National Authority for Regulating and Monitoring Public Procurement (NARMPP), Unit for Coordination and Verification of Public Procurement (UCVPP) and National Council for Solving Complaints (NCSC) participation in order to achieve common understanding between contracting authorities, tenderers and regulatory bodies might be a way of achieving this. Also, MAs/IBs might engage in organising training sessions dedicated to providing beneficiaries with further knowledge on public procurement procedures (*ref. 72 -74*).

223. Collaboration at all stages between beneficiaries, on the one hand, and MAs and Intermediary Bodies (IB), on the other hand, is paramount for successful SI project management. Due to the novelty and complexity of the system, the communication modalities, procedures and operational parameters of MAs and IBs exert significant influence on the beneficiary capacity overall. MAs and IBs have a major role in making significant progress in that sense by: (i) rapidly improving the quality and consistency of all information provided to beneficiaries, so as to eliminate contradictions, errors and sources of confusion; (ii) streamlining their procedures in order to avoid unnecessary delays and administrative burden for beneficiaries; and (iii) documenting and applying the experience already gained in implementation (both by themselves and beneficiaries) in a systematic manner. All these could be achieved by: (a) keeping information sources up-to-date and providing documented cross-checking between entities and departments; (b) reducing the duration of processing and approving requests for reimbursement, so as to stay in line with applicable contractual terms; (c) appointing expert panels in charge of drafting manuals for those OPs not having yet them, as well as (d) revising and updating existing manuals in accordance with beneficiaries' needs and the current state of practical knowledge (*ref. 46 - 63*).

224. Changes in the conditions for obtaining loan financing constitute a very significant contextual factor, with major influence on the capacity of all beneficiaries to manage SI projects and in particular their capacity to mobilize financial resources. ACIS and Ministry of Public Finance (MoPF) are advised to analyze the possibility to simplify and facilitate access to credit in parallel to facilitating project implementation by simplification of reimbursement procedures and the prevention of payment delays. Negotiating a protocol between MoPF and banks is likely to be an effective measure in this context (*ref.33, 34, 66, 67, 68, 69, 84, 154 - 183*).

225. Based on a preliminary agreement and further to the express request of the bank, MAs/IBs should allow for the assignement of the payment in the financing contract, following the procedure already applied within the National Rural Development Programme. Also, MAs/IBs are advised to analyze the possibility of taking the necessary measures in order to ensure the compliance with the reimbursement deadlines that are established in the financing contract (*ref. 66, 67, 68, 69, 84, 154 - 183*).

226. The generally high degree of risk aversion in the public administration poses an additional burden for beneficiaries and IBs, which hampers their capacity of managing SI projects. It is recommended that ACIS, Payment and Certification Authority (PCA), MAs and the Audit Authority

(AA) increase their cooperation for streamlining rules and procedures addressing programme and project implementation especially related to the number and types of supporting documents through eliminating any checks in addition to the minimum requirements of the EC Regulation 1083/2006 and beneficiaries to be controlled based on risk analysis, as per SOP HRD practice (*ref. 76, 77*).

227. Apart from the communication and normative aspects in the relation between MAs/IBs and beneficiaries, all beneficiaries consider that monitoring and verification visits constitute an additional burden and hamper their capacity to manage and implement SI projects. MAs and IBs are advised to adopt a control system based on improved efficiency of their missions. This could be achieved by establishing a transparent monitoring and verification mission calendar, with clearly defined objectives and rules, and shared with beneficiaries in advance (*ref. 76, 77*).

228. Social norms are essential drivers for the success of projects and although they have a strong effect on the beneficiaries' capacity to manage the projects, they tend to be overlooked. Passive and resisting attitudes, as well as scepticism with regard to the benefits of SI projects are pervasive. Through TA projects ACIS and MAs are advised to increase general public awareness of the benefits of SI interventions by further applying the related recommendations in the interim evaluations of the OPs and/or of the Communication Plans which eventually are referring to: (i) dissemination of information on successful projects (to the general public), (ii) introduction of attitudinal aspects in SI related training and information events (for beneficiaries), and (iii) dissemination of success stories (*ref. 72 - 78*).

229. **(SQ2)** At the *organisational level* the analysis focused on the beneficiaries' internal institutional policies/strategies, arrangements, procedures and frameworks.

230. There is a limited ownership of the SI projects, especially among the local public beneficiaries. In spite of the economic crisis, there still is an insufficient understanding on the fact that SI funds are an opportunity to diversify financial resources. ACIS and MAs are recommended to involve the associations of public authorities in raising the awareness of the public beneficiaries on the importance of the SI funds as an alternative budget source. The message should encourage the development of the SI projects in a larger strategic approach (including financial planning) and avoid a money-driven response to a funding opportunity (*ref. 104 - 105*).

231. The staff involved in the implementation of the public beneficiaries SI projects is de-motivated and there is a tendency of de-professionalization among them because of the reduced wages, decreasing opportunity to attend trainings, overload with tasks not all of them SI project-related. This hampers project implementation capacity, as well as the capacity to mobilize human resources on the part of public beneficiaries. ACIS is advised to give priority to technical assistance (TA) activities aiming to increase the capacity of public administration beneficiaries and encourage managers and policy-makers to regard TA as a long-term investment in institutional development. In addition, ACIS is advised to increase the capacity of the public administration beneficiaries for using TA funds – under the Operational Programme Technical Assistance and the TA priority axes of other Operational Programmes. This could be achieved by promoting the importance of TA at the highest level of the Government and the administration and by preparing terms of reference for service contracts aimed at assessing TA needs and designing TA projects ('TA-for-TA'). Also, within the frame of the coming unitary wages law, ACIS and MAs are recommended to promote, inter alia through negotiations with the responsible Commission Services, that salaries and bonuses of public beneficiary staff involved in SI project implementation be accepted as eligible expenditure (*ref. 107 - 118, 184 - 200*).

232. Systematic project monitoring, combined with dedicated and stable involvement of managers, exerts substantial positive influence on project implementation. ACIS, MAs and IBs are recommended to enhance the promotion of a project management culture among beneficiaries and

applicants by mainstreaming the topic of project management in information and peer-to-peer experience sharing events (*ref. 124 - 126*).

233. There is little practical knowledge of and experience with risk management as a management tool for public entities engaged in SI-funded investment projects. ACIS and MAs are recommended to give special attention to risk management as part of project management culture, in order to increase awareness on behalf of decision makers and promote the application of risk analysis in practice. They are also advised to increase the attention given to risk management at the stage of project proposal evaluation and disseminate and discuss, in the case of major projects, the findings of risk analyses and enable follow-up in the form of corrective measures. This could be achieved by: (a) organising 'round tables' involving relevant stakeholders (MAs, beneficiary management, consultants), (b) by introducing compulsory risk management section in the project appraisal grid (where not already in place) and (c) increasing ratings to the risk identification and corrective measures (*ref.127 - 131*).

234. **(SQ3)** At the *individual level* the study looked at the skills, experience and knowledge of the beneficiary staff mobilized in the implementation of the SI projects.

235. There is a noticeable difference in performance levels between beneficiaries with previous experience and those that implement SI projects for the first time. Given the novelty of SI project implementation functions, practical experience is still limited, although beneficiaries have acquired a considerable body of knowledge. ACIS and MAs are advised to encourage the establishment of communities of SI practitioners, for the purpose of exchanging both explicit knowledge of practical experience in implementing SI projects and implicit, harder to formalise knowledge of catalysts for successful implementation of SI projects. This is achievable by recognizing consultant as key parties in project preparation and implementation and by designing TA projects aiming at the development of communities of practitioners (*ref. 135 - 152*).

236. Specific knowledge and skills are necessary for carrying out project management, public procurement procedures, ensuring proper financial records and generally respecting SI administrative requirements. Private beneficiaries have more flexibility in terms of supplying their project with the relevant skills, while public beneficiaries face more difficulties in that sense. ACIS and MAs are recommended to provide support for beneficiaries in order to improve knowledge and skills with regard to aspects of project implementation (including project management, public procurement and financial record keeping) by improving communication, formulating clearer and more accessible guidelines, as well as training/informative sessions. For public beneficiaries, ACIS may co-operate with National Agency for Public Employees in order to create the opportunity for the projects' staff to increase their professional capacity in different domains specific to the implementation of SI projects (*ref. 135 - 152*).

237. Beneficiaries who had already implemented EU-financed projects not only they submit better applications, but they are more successful in implementation. Still, beneficiaries of the large infrastructure project are confronted with a lack experience regarding technical issue or project management aspects. In order to improve knowledge and skills among public beneficiaries it might be useful for them to use technical assistance funds – under the Operational Programme Technical Assistance and the TA priority axes of other Operational Programmes, to cover capacity and expertise needs and to include in the terms of reference for technical assistance (where is the case) specific requirements to provide training sessions, training on the job (*ref. 139, 140, 144*).

Annex 1 – Detailed Conclusions and Recommendations⁶⁸

Societal Level				
<i>Conclusions</i>	<i>Recommendations</i>	<i>Responsible</i>	<i>Implementation Modalities</i>	<i>Time Line</i>
1. Multi-annual budgeting system brought into the public agenda close to the country's EU accession and still not in place will continue to pose limitations and constraints in terms of ensuring SI projects co-finance, sustainability and long-term impact. This affects beneficiary project management capacity, especially from the perspective of mobilizing financial resources and estimating long-term effects (<i>ref. 36, 219</i>).	1.1 Widen the public debate on the issue and initiate a draft law on multi-annual budgeting.	ACIS, MoPF	Inviting and engaging all relevant stakeholders in this debate. A panel of experts might assist ACIS in this attempt.	Immediately
2. Temporarily declaring as non-eligible expenditures with salaries of the researchers is hampering the pace of SI projects implementation in that sector, which proves to be the most functional in terms of absorption (<i>ref. 43, 220</i>).	2.1 Increase level of cooperation in order to ensure a correct interpretation and enforcement of the legal framework addressing this issue.	ACIS, MA HRD SOP	Consultations assisted by legal advisors.	Immediately
3. VAT recovery is a factor with major influence on beneficiary capacity to mobilise financial resources, either because it affects the cash flow of the project or the capacity to propose	3.1 Provide support to beneficiaries in order to strengthen their capacity to request VAT recovery.	ACIS ad MAs	Training sessions or dedicated informative sessions	Recurrent (annual) or soon after contracting

⁶⁸ References in the 'Conclusions' column indicate the numbered paragraphs in Sections 2 and 3 of the report.

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
additional projects (<i>ref. 38, 45, 221</i>).				
4. Public procurement procedures are significantly affecting beneficiaries' capacity to manage and implement SI projects, and ultimately their capacity to request reimbursement of pre-financed project expenditure (<i>ref. 72 – 74, 222</i>).	4.1 Engage in improving public procurement procedures so as to prevent repeated complaints, by further simplification and clarification of the evaluation criteria for offers, especially in the case 'soft' projects (services and TA).	ACIS, NARMPP	Establishment of a Working Group with NARMPP, UCVPP and NCSC participation, in order to achieve common understanding between contracting authorities, tenderers and regulatory bodies	First semester 2011
	4.2 Provide further explanation of the public procurement procedures to beneficiaries.	MAs/IBs	Training sessions	Recurrent (correlated with contracting process)
5. Collaboration at all stages between beneficiaries, on the one hand, and MAs and IBs, on the other hand, is paramount for successful SI project implementation. Due to the novelty and complexity of the system, MAs and IBs communication, procedures and operational parameters exert significant influence on beneficiary capacity (<i>ref. 46 – 63, 223</i>).	5.1 If not already done, rapidly improve the quality and consistency of all information provided to the beneficiaries, so as to eliminate contradictions, errors and sources of confusion.	MAs and IBs	Keeping information sources up-to-date and providing documented cross-checking between entities and departments	Immediately and recurrent
	5.2 Streamline and simplify procedures in order to avoid unnecessary delays and administrative burdens for beneficiaries.	MAs and IBs	Reducing the duration of processing and approving requests for reimbursement, so as to stay in line with applicable contractual terms	First semester 2011
	5.3 Document and apply the experience gained in implementation by MAs/IBs and beneficiaries in a systematic manner.	MAs and IBs	Appointing expert panels in charge of drafting manuals for those OPs not having yet them. Revising and updating existing manuals in accordance with beneficiaries' needs and the current state of practical knowledge.	2011
6. Changes in the conditions in getting a credit are a very significant contextual factor, influencing to a very great extent all beneficiaries' capacity to manage and	6.1 Analyze the possibility of simplification and facilitation of access to credit and to facilitate better project implementation, especially in terms of reimbursement	ACIS and MoPF	Protocol between MoPF and banks (beneficiaries alone cannot prevail on banks to change their procedures in respect of SI-financed	First quarter 2011

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
implement SI projects (<i>ref.33, 34, 66, 67, 68, 69, 84, 154 – 183, 224, 225</i>).	procedures and the prevention of payment delays.		projects)	
	6.2 Analyze the possibility of allowing for the assignment of payments in the financing contract by following a procedure similar to the one already applied within the National Rural Development Programme which enables this option.	MoPF, ACIS, MAs	A preliminary agreement based on the specific request of the bank	Second half of 2011
	6.3 Take the necessary measures in order to insure the compliance with reimbursement deadlines that are established in the financing contracts.	MAs, IBs	Make use of the TA services in order to improve OPs's management and procedures.	First half of 2011
7. The generally high degree of risk aversion in the public administration poses an additional burden for beneficiaries and IBs (<i>ref. 76, 77, 226</i>).	7.1 Eliminate any checkups (monitoring, control and verification) in addition to the minimum requirements of the EC Regulation 1083/2006. Beneficiaries to be controlled based on risk analysis (as already implemented by SOP HRD).	ACIS, PCA, MAs, AA	Streamlining rules and procedures related to programme and project implementation, especially related to the number and type of supporting documents requested for verification	2011-2012
8. Apart from the communication and normative aspects in the relation between MAs, IBs and beneficiaries, all beneficiaries consider that monitoring and verification visits constitute an additional burden and hamper their capacity to manage and implement SI projects (<i>ref. 76, 77, 227</i>).	8.1 Adopt a control system based on improved efficiency of checking missions.	MAs, IBs	Establishing a transparent monitoring and verification mission calendar, with clearly defined objectives and rules, and shared with beneficiaries in advance	First semester 2011
9. Social norms are essential drivers for the success of projects and although they have a strong effect on the capacity to manage the projects, they are constantly	9.1 Increase the public's awareness of the benefits of SI interventions by further applying the recommendations of the interim evaluations and/or OPs	ACIS, MAs	Dissemination of information on successful projects (to the general public); introduction of attitudinal aspects in SI related training and	Recurrent (bi-annual)

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
overlooked. Passive and resisting attitudes, as well as reluctance with regard to the benefits of SI projects, are pervasive (<i>ref. 72 – 78, 228</i>).	Communication Plans' evaluations related to this issue.		information events (for the beneficiaries); dissemination of success stories identified by on-going evaluations of the OPs.	

Organisational level

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
10. There is a limited ownership of the SI projects, especially among the local public beneficiaries. In spite of the economic crisis, there still is an insufficient understanding on the fact that SI funds are an opportunity to diversify financial resources. (<i>ref. 104, 105, 230</i>).	10.1 Involve the associations of public authorities in raising the awareness of the public beneficiaries on the importance of the SI funds as an alternative budget source. The message should encourage the development of the SI projects in a larger strategic approach (including financial planning) and avoid a money-driven response to a funding opportunity.	ACIS, MAs	Dedicated informative sessions	First semester 2011
11. The staff involved in the implementation of the public beneficiaries SI projects is de-motivated and there is a tendency of de-professionalization among them because of the reduced wages, decreasing opportunity to attend trainings, overload with tasks not all of them SI project-related. This hampers project implementation capacity, as well as the capacity to mobilize human resources on the part of public beneficiaries. (<i>ref. 107 -</i>	11.1 Give priority to technical assistance (TA) activities aiming to increase the capacity of public administration beneficiaries and encourage managers and policy-makers to regard TA as a long-term investment in institutional development.	ACIS	Promoting the importance of TA at the highest levels of Governmental level	Immediately
	11.2 Increase the capacity for using TA funds (under OPTA and other OPs' TA priority axes).	ACIS	Drafting tender documentation for TA interventions aimed at assessing TA needs and designing TA projects ('TA-for-TA')	2010 - 2011
	11.3 Within the frame of the coming unitary	ACIS and MAs	Negotiations with the responsible	First semester

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
118, 185 – 202, 231).	wages law, promote that salaries and bonuses of public beneficiary staff involved in SI project implementation be accepted as eligible expenditure.		Commission Services	2011
12. Systematic project monitoring, combined with dedicated and stable involvement of managers, exerts substantial positive influence on project implementation (ref. 124- 126, 232).	12.1 Enhance the promotion of a project management culture among beneficiaries and applicants.	ACIS, MAs and IBs	Mainstreaming the topic of project management in information and peer-to-peer experience sharing events.	First semester 2011
13. There is little practical knowledge of and experience with risk management as a management tool for public entities engaged in SI-funded investment projects (ref. 127 – 131, 233).	13.1 Give special attention to risk management as part of project management culture, in order to increase awareness on behalf of decision makers and promote the application of risk analysis in practice.	ACIS and MAs	Round table involving relevant stakeholders (MAs, beneficiary management, consultants)	2011-2013
	13.2 Increase the attention given to risk management at stage of project proposal evaluation.	MAs	Where not already in place, introducing compulsory risk management section in the project appraisal grid and increasing ratings to the risk identification and corrective measures	First semester 2011
	13.3 Disseminate and discuss, in the case of major projects, the findings of risk analyses and enable follow-up in the form of corrective measures.	MAs	Roundtable involving project stakeholders	Recurrent

Individual Level

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
14. There is a noticeable difference in performance levels between beneficiaries with previous experience and those that implement SI projects for the first time. Given the novelty of SI project implementation functions, experience is still limited, although beneficiaries have acquired a considerable body of knowledge (<i>ref. 134 – 151, 235</i>).	14.1 Encourage the establishment of communities of SI practitioners, for the purpose of exchanging both explicit knowledge of practical experience in implementing SI projects and implicit, harder to formalise knowledge of catalysts for successful implementation of SI projects.	ACIS, MAS	Recognizing consultant as key parties in project preparation and implementation. Designing TA projects aiming at the development of communities of practitioners	2011-2013
15. Specific knowledge and skills are necessary for carrying out project management, public procurement procedures, ensuring proper financial records and generally respecting SI administrative requirements. Private beneficiaries have more flexibility in terms of supplying their project with the relevant skills, while public beneficiaries face more difficulties in that sense. (<i>ref. 135 - 152, 236</i>).	15.1 Provide support for beneficiaries in order to improve knowledge and skills with regard to aspects of project implementation (including project management, public procurement and financial record keeping) For public beneficiaries create the opportunity for the projects' staff to increase their professional capacity in different domains specific to the implementation of SI projects.	ACIS, MAS and NAPE	Improving communication, formulating clearer and more accessible guidelines, as well as providing training/informative sessions.	Recurrent
16. Beneficiaries who had already implemented EU-financed projects not only they submit better applications, but they are more successful in implementation. Still, beneficiaries of the large infrastructure project are confronted with a lack of experience regarding technical issues or project management	16.1 In order to improve knowledge and skills among public beneficiaries it might be useful for them to use technical assistance funds – under the Operational Programme Technical Assistance and the TA priority axes of other Operational Programmes, to cover capacity and expertise needs and to include	Public beneficiaries	Training sessions	Recurrent



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Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
aspects (ref. 139, 140, 144, 237)	in the terms of reference for technical assistance (where is the case) specific requirements to provide training sessions, training on the job.			

Annex 2 – List of Documents Analysed during Desk Research

- SOPs Framework Implementation Documents
- Monitoring Committee Meetings Minutes
- SI projects Technical and Financial Reports
- OPs management procedures
- *UNDP Practice Note: Capacity Development* (2008)
- “100 Notices” Report – Resource Centre for Public Participation, March 2010
- “Public Authorities Confronted with the EU Funds” - Soros Foundation Romania, 2010
- EVALSED Guide – Case Study Methodology

In addition all the MAs and ACIS’ websites were browsed for more information:

- www.fonduri-ue.ro
- www.fseromania.ro
- www.posmendiu.ro
- www.minind.ro
- www.poaat.ro
- www.inforegio.ro
- www.mt.ro
- www.fonduriadministratie.ro

ANNEX 3 - Guideliness for Interviews with MAs and IBs

Main problems affecting beneficiaries' capacity to implement SI projects

A. External level

1. To what extent does the economic crisis affect the capacity to implement the projects? Were there any higher budgetary constraints on the beneficiaries? Are there stricter constraints from the banking system that reflect on the capacity to implement the projects? In what way?
2. What are the clarification requests received by the MA and IB from the beneficiaries?
3. What are the sources of technical support/expertise that the beneficiaries use frequently? (Offered within the OP, external, sharing experience among the beneficiaries that are in different implementation phases, documentation, project officers, etc.)?
4. To what extent do they consider that the existing documentation (the applicants' handbook) is clear enough to guide the beneficiaries?
5. Access to the project officer -how frequent is it? How useful is it?
6. To what extent do the different revisions and additions/ successive specifications from the MA affect the capacity to administer the projects?
7. The arrangements with the partners – which is the most frequent role of the partners? Does it facilitate the reaching of the project objectives or does it make it more difficult?

B. Internal level / management capacity and implementation capacity of the projects (from the perspective of MA and IB) – the list of the problems

Administrating projects

1. To what extent is there a management capacity of the projects at the level of the applicants?
2. What are the requests regarding the design of the management plan that are meant to eliminate the problems occurred during implementation? What are the reasons for which these strategic projections fail?
3. To what extent is there a fluctuation of the staff involved in the management and the execution of the project?
4. Especially at the level of the central authorities (but also for the local authorities), in what extent are the projects administered by a certain department assumed at the level of the institutions?

Problems in project implementation

5. What are the problems that are reported most frequently by the beneficiaries in the progress reports/clarification requests along the implementation of the project/ during controls/ when there are irregularities, or there is missing documentation when forwarding the disbursement request?
6. Is there an evidence of the different types of errors occurred in implementation/ of different types of questions (evidences/statistics at MA level) and the frequency of occurrence?

7. Are there informative materials regarding the frequent implementation errors, dedicated to informing the beneficiaries with the purpose of identifying and avoiding them?
8. To what extent do the beneficiaries that register delays with the approval of the disbursement requests have delays starting from the contracting period of the projects?
9. The institutional overload: if it exists/ should there be a limit for the number of projects given to the same institution? In what extent do you consider that there are institutions that have too many projects?
10. To what extent do you notice during site visits that the staff involved in the project implementation is overloaded?
11. To what extent are the controls made at different levels of the system correlated so that a better coverage of the projects is attained and the multiple control overlapping (IB, MA, AA) on the same programmes is avoided?
12. Are the budgets planned according to the established objectives? What changes occur along the implementation in the budgets of the projects?
13. What are the problems that appear in the implementation because of the difficulties in assuring pre-financing and co-financing by the beneficiaries? What are the problems that the beneficiaries have in assuring pre-financing and co-financing?
14. What are the problems that beneficiaries have with the public procurements?
15. What other problems do the beneficiaries have with implementation?

Annex 4 – List of Interviews

First stage data collection

ROXANA MIHALACHE		
NAME OF THE INSTITUTION	INTERVIEWEE	DATE
MA SOP Transport	Ada Debu, Daniela Breazu , Gabriela Ilie	18/03/2010
MA SOP HRD	Mihaela Proja, Alina Taină, Valentina Bordei	22/03/2010
MA SOP ACD	Alina Ungureanu, Gabriela Panaitescu, Nicoleta Baldoventescu	25/03/2010
ELENA BOTEZATU		
NAME OF THE INSTITUTION	INTERVIEWEE	DATE
ROP, Regional Development Agency București - Ilfov	Dan Nicula	19/03/2010
MA SOP IEC	Cătălina Meliță, Mihaela Manolescu	22/03/2010
MA SOP AT	Adriana Gorgonetu	08/04/2010
COSMIN BRCIU		
NAME OF THE INSTITUTION	INTERVIEWEE	DATE
MA HRD SOP	Mihaela Proja, Alina Taină, Valentina Bordei	22/03/2010
MA SOP ENV	Marilena Naumescu, Mihai Popescu, Dan Dima	23/03/2010
SOP HRD - IB Ministry of Education	Diana Vintilă	23/03/2010
SOP HRD - IB National Center for Vocational Training	Viorel Mihai	23/03/2010
SOP ENV - IB București-Ilfov	Diana Culcer	26/03/2010
SOP HRD - IB National Employment Agency	Gabriela Rus	26/03/2010

Second stage data collection

A. Central Public Authorities

LIVIA PÎSLARU			
NAME OF THE INSTITUTION	OP	INTERVIEWEE	DATE
Authority for Certification and Payment	SOP TA	Ioana Stefanescu	21/06/2010
Ministry of Economy	SOP ACD	Laurențiu Grigorescu	22/06/2010
National Agency for Roma	SOP HRD	Roxana Vieru	21/06/2010
Ministry of Environment	SOP ENV	Maria Elena Teodorescu	24/06/2010
ROXANA MIHALACHE			
NAME OF THE INSTITUTION	INTERVIEWEE	DATE	

Ministry of Education	SOP HRD, SOP ACD	Monica Munteanu	22/11/2010
National Agency for Public Employees	SOP HRD, SOP IEC, SOP ACD	Lavinia Nemes Daniela Badea Daniel Mihailescu	06/12/2010
Central Unit for Public Administration Reform	SOP ACD	Cristina Belba	07/12/2010
National Roads Company	SOP T	Ștefan Mihai	20/01/2011
S.C. Apa Service S.A. Giurgiu	SOP ENV	Mihaela Năiță	21/01/2011

B. SMEs

ELENA BOTEZATU			
REGION/ NAME OF THE COMPANY	OP	INTERVIEWEE	DATE
București – Ilfov			
1) C&P HOE&&&&& INVEST	SOP IEC	Mihai Croitoru	09/06/2010
2) SC A&E&COR TRADING SRL	SOP IEC	Florica Traian	09/06/2010
3) C A&OSERV MANAGEMENT SRL	SOP HRD	Bogdan Negrea	09/06/2010
Centru			
1) SC DATA MANAGEMENT SOLUTIONS SRL	ROP	Doru Marginean	10/06/2010
2) SC HIPOCRAT SRL	ROP	Aurelian Coriu	10/06/2010
3) SC EUROPEXPRES SRL	SOP IEC	Eugen Lapadat	11/06/2010
4) SC SIGAPRESS SRL	SOP IEC	Erika Szoke	11/06/2010
Sud – Muntenia			
1) SC CONTAS SERV T&RGOVISTECONTAS SERV S.R.L	ROP	Marius Trandafirescu	14/06/2010
2) SC AVIGEO S.R.L.	ROP	Monica-Ștefania Radu	15/06/2010
Sud – Est			
1) SC ALMAR LOGISTIC S.R.L	ROP	Tanase Mega	15/06/2010
2) SC AMBIENT EXPERT S.R.L.	ROP	Nicoleta-Alina Solomon	15/06/2010
3) SC CONTAUDIT S.R.L.	ROP	Simion Pepene	16/06/2010
4) SC LE FRANC SRL	ROP	Liviu Sorin Gabriel Balica	16/06/2010
Vest			
1) MILLEFIORI SRL	SOP IEC	Iuliana Muntianu	17/06/2010
2) PROFI BETON SRL	ROP	Daniel Modalca	17/06/2010
3) GENUINE ADVERTISING SRL	ROP	Laszlo Szabo	17/06/2010
Nord – Est			
1) SC CROSS CONSTRUCT SRL	ROP	Tiberiu Bogdan Ungureanu	18/06/2010
2) SC COMPUTER CONECTIONS SRL	ROP	Iulian Cezar Pantirasu	18/06/2010
3) SC TERMO PLUS SRL	SOP IEC	Vasile Viorel Turcu	21/06/2010
Nord – Vest			
1) SC DENT AS MED SRL	ROP	Adrian Marusac	22/06/2010
2) SC BIO MICRON TRANSILVANIA SRL	ROP	Gheorghe Ciorba	22/06/2010

3) SC ARHIPRO ARHITECTURA SRL	ROP	Doru Nicolae Constantin	24/06/2010
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C. NGOs

ROXANA MIHALACHE			
NAME OF THE ORGANISATION	OP	INTERVIEWEE	DATE
Asociația Centrul de Resurse pentru Participare Publică CȚe-Re (București)	SOP HRD	Oana Preda	16/06/2010
Fundația Națională a Tinerilor Manageri (București)	SOP HRD	Elena Bărbulescu, Andrei Gheorghe	18/06/2010
Fundația "Motivation" (București)	SOP HRD	Cristian Ispas, Gabriela Comănescu	18/06/2010
Fundația Rromani Criss (București)	SOP HRD	Adrian Vasile	16/06/2010
Centrul de Consultanță și Management al Proiectelor Europroject (Sud Vest Oltenia Region)	SOP HRD	Florin Jianu	14/06/2010
Asociația pentru Dezvoltare Durabilă Slatina (Sud Vest Oltenia Region)	SOP HRD	Vasile Meda	14/06/2010

D. Local Authorities

COSMIN BRICIU			
REGION / NAME OF THE INSTITUTION	OP	INTERVIEWEE	DATE
Consiliul Judetean (CJ) Dolj	ROP	Ileana Majină, Daniela Elena Pîrîu	17/06/2010
ADR Sud-vest Oltenia	ROP	Marilena Bogheanu, Dorian Delureanu	17/06/2010
CJ Olt	ROP	Daniela Lungu	18//06/2010
CJ Harghita	ROP	Orban Bela	22/06/2010
CJ Alba	ROP	Dan Mihai Popescu, Floare Perța	23/06/2010
CJ Sibȃiu	ROP	Costȃiȃ Corman	21/06/2010
Primăria Comunei ȃugustin	SOP ACD	Gabor Molnar	21/06/2010

E. Academic sector

COSMIN BRICIU			
NAME OF THE INSTITUTION	OP	INTERVIEWEE	DATE
Institute for Quality of Life Research	SOP HRD	Sorin Cace	23/09/2010
Institute for Quality of Life Research	SOP HRD	Cristina Dobos	23/09/2010
University of Bucharest	SOP HRD	Ionut Minciuna	24/09/2010
ROXANA MIHALACHE			
University of Bucharest	SOP HRD	Mihaela Lambru	23/11/2010

Annex 5 – List of Problems that Delay Submitting Reimbursement Requests

External level (context)	
Economic crisis	Effects at the level of insuring co-financing, the access to bank loans, changes in the living and occupational standards of the target group, variations of the exchange rate
Policies	Lack of a strategic vision at a national level that would integrate the projects from SI instruments in a national strategy
Legal issues	The lack for a period of time of regulations as the ones regarding VAT recovery, relations with the partners, implementation of the legislation regarding public procurements
Cooperation with MA/IB	
Communication	Lack of access to reliable information (especially the lack of project officers that could communicate to beneficiaries)
	Lack of data bases/manuals with typical errors in implementation
	Contradictory information and resolutions from MA/IB
	Insufficient training for beneficiaries; limited content on the practical aspects of implementation
Procedures	Bottlenecks due to overload of the management authorities
	Delays in all the phases, from evaluation to the approval of the disbursement, which leads to a delay in all the activities
	Bureaucracy
Organizational level	
Management	Problems in establishing objectives, targets and activities at the strategic level
	Insufficient internal monitoring
Partners and suppliers	Weak performance of some partners or suppliers
Staff	Staff fluctuation (due to changes in management at the level of public institutions)
Attitude/mentality	Dependence on the MA/IB instructions
	Reluctant/disproof general attitudes
Individual level	
Knowledge	Poor documentation of the team members
	Problems at the level of the financial executive and of the accounting expert
Skills	Limited efficiency (as a result of the overload and the problems with the payments to the staff from the public system; poor performance of the external experts)

Annex 6 – Questionnaire for the Survey on the Capacity of SI Beneficiaries

1. Details regarding the organization

1.1 The name of the organization (complete name, without short versions and abbreviations)

1.2 City of residence of the organization

1.3 County of residence

1.4 The number of projects finalized/ongoing (in implementation) financed from structural instruments

1.5 Has your organization implemented/is implementing projects financed from sources others than structural funds?

1. Yes
2. No

1.6 Comparing to the projects financed from other sources, how do you appreciate the implementation of the projects financed from structural instruments from the point of view of

	Simpler	The same	More difficult	Cannot be compared
Complexity of administrative procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Human Resources need (number and experience)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitoring and control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sustainability requests (the necessity to maintain the investment)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Details regarding the project that registers more than 3 months delay in submitting the disbursement request

2.1 Do you have any project with more than 3 month delays with regard to claiming reimbursement?

1. Yes
2. No

2.2 Which are the factors responsible partially or totally for the delays recorded in the forwarding of the disbursement request? (You can choose more options)

1. Management Authority
2. Intermediary Body
3. Your organization
4. External factors/the context

2.3 If the MA or IB is responsible (partially or totally) for the delays, what was the main reason?

	To a very great extent	To a great extent	To a small extent	To a very small extent	Not applicable
Insufficient communication/ incomplete information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Erroneous/contradicting information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changing the rules along the implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complexity and difficulty of procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delays in contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delays in obtaining the pre-financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.4 If your organization is responsible (partially or totally) for the delays, what was the main reason?

	In a very great extents	In a great extent	In a small extent	In a very small extent	Not applicable
Changes in the priorities of the organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes in the initial planning of the project	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficult procedures for obtaining pre-financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficulties in assuring the co-financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficulties in assuring an efficient financial management (separate accounting, audit, assuring the necessary cash flow, etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	In a very great extents	In a great extent	In a small extent	In a very small extent	Not applicable
Difficulties in project implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficulties in the relation with your partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficult internal procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of internal procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delays in creating the project team (difficulties in finding the right persons for the positions in the project)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes in the project staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of project staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poor initial training of the project staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of proper training for the project staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Low capacity of administering risks (internal or external) occurred during implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficulties in writing the disbursement request	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The procedures of public procurements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.5 How do you appreciate the difficulty of preparing the disbursement documentation?

	Very difficult	Quite difficult	Quite simple	Very simple
The disbursement request form	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RTF/Progress report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Justifying documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.6 What types of problems occurred during the preparation of the disbursement request?

1. difficulties in filling in the forms
2. difficulties in understanding the MA/IB requests
3. difficulties in the correct identification of the eligible and non-eligible expenses

4. difficulties in supplying justifying documents
5. difficulties in reaching the minimum level of expenses
6. I haven't prepared a disbursement request yet
7. other difficulties, please mention which

2.7 If you consider that the delay was caused by changes in the planning of the project, what were those changes:

1. Adding/reducing or changes in some activities
2. Budget reduction
3. Reallocations between the chapters of the budget
4. Changes in the duration/deadlines of some activities
5. Changes in the project team structure
6. There were no changes in the planning of the project that could lead to delays
7. Other changes, please mention which

3. External factors that caused delays greater than 3 months in submitting the reimbursement request

3.1 What external factors (others than the ones your organization or the MA/IB can control) influenced the occurrence of delays?

1. legislation
2. economic crisis
3. the banking system
4. there were no external factors that influenced the occurrence of delays
5. other factors, please mention which

3.2 What effect did the economic crisis have on the implementation of your project (you can choose one or more options)

1. a decrease in the demand for the product/service that you have initiated the project for
2. changes in the cash flow of the organization
3. changes in the conditions for obtaining a bank loan
4. difficulties in assuring the co-financing
5. staff cuts
6. changes or the disappearance of the target group initially established
7. variations of the exchange rate
8. none
9. other effect of the economic crisis

4. Details regarding the implementing team

4.1 Please mention the number of employees of your organization

4.2 For the implementation of the project you use...

1. external human resources
2. internal human resources; mention the number of the employees inside the organization

4.3 Have you externalized components of the project?

1. Yes
2. No

4.4 What components did you externalize?

1. project management
2. public procurements procedures
3. writing the disbursement request

4.5 Is the management of the organization directly involved in the implementation of the project?

1. Yes
2. No

4.6 The persons from the project team...

	Yes	No
Have previous experience in project implementation	<input type="checkbox"/>	<input type="checkbox"/>
Participated at project implementation trainings	<input type="checkbox"/>	<input type="checkbox"/>

4.7 Were there any changes in the structure of the project team?

1. Yes
2. No

4.8 What were the causes of the changes:

4.9 How would you appreciate the performance of the team members (use a mark from 1 to 5, 1 for a very poor performance, 5 for a very good performance)

	Project manager	Financial expert	Technical team	Accounting expert	Judicial consultant
Knowledge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Practical experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dedication/involvement in the project at the desired level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The accomplishment of the task projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4.10 How do you appreciate the performance of the project team from the point of view of:

	Very weak	Weak	Average	Good	Very good	Not applicable
Project management capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Acquaintance with contractual clauses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Acquaintance with tMA/IB requests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capacity to prepare the necessary documentation (reports, disbursement requests)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capacity to conduct a public procurement process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capacity to respect the project timetable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capacity to reach the project objectives/indicators	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4.11 How would you appreciate the performance of the partners and of the suppliers of services in reaching the tasks from the project?

	Very weak	Weak	Average	Good	Very good	Not applicable
Partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Services suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Relation with MA/IB

5.1 Along the implementation, did you request the assistance of the Management Authority/ Intermediary Organisms? By what means?

1. websites: MA / IB (check-box)
2. Implementation handbook or instructions
3. written clarifications from MA/IB
4. events organized by MA/IB (check-box)
5. on the telephone, at MA / IB helpdesk (check-box)
6. on the telephone, discussions with the project officer (check-box)
7. personally, with the project officer (check-box)
8. others, please mention which

5.2 How would you appreciate the clarity/simplicity/utility of the information necessary for the implementation of the project available from the sources you used: use a grade from 1 to 5 for each of the criterion (clarity, simplicity, utility) – 1 represents the lowest appreciation for that

criterion while 5 represents the highest appreciation.

	Clarity	Simplicity	Utility
MA website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IB website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Applicant's guide	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Implementation handbook or instructions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Events organized by MA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Events organized by IB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
MA Helpdesk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IB Helpdesk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Project Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trainings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5.3 Until now, the implementation of the project was checked by:

1. Management Authority
2. Intermediary Body
3. The Authority for Certification and Payment from the Ministry of Public Finance
4. Audit Authority from the National Court of Audit
5. It hasn't been verified yet.

5.4 The results of these visits entailed recommendations that led to the improvement of the implementation of the project?

1. There was no feedback
2. NO, there were sanctions
3. YES, specify the recommendations

6. General aspects

6.1 What other problems, except the ones already mentioned but which are connected to the implementation capacity, did you have until now?

6.2 Do you consider that after the implementation of the project(s) financed from SI, the capacity of your organization to reach its objectives:

1. Increased
2. Remained the same

3. Decreased

6.3 What other difficulties do you estimate to have in the implementation of the project in the following period?

6.4 If you have suggestions / proposals for improving the implementation of the projects, please detail.

6.5 What problems did you have in filling in this questionnaire?

Annex 7 – Guidelines for Interviews with Beneficiaries

Main Problems Affecting the Capacity of Beneficiaries to Implement Projects Financed from SI

Target group: beneficiaries that register delays in implementing the projects financed from SI **Purpose:** Understanding the context and the causes that led to the occurrence of delays in project implementation

Approach: Semi-structured interview

Main themes of discussion:

1. Brief description of the phases of project implementation, starting from the project idea until the present time

- Generating the idea for the project;
- Information sources;
- The preparation process and forwarding the financing request;
- Implementation method;
- Delays occurred in different phases;
- Related actions necessary for accessing or implementing the project (for example, obtaining the letter of guarantee, the execution of the technical project, etc.)

2. Unexpected aspects occurred from the moment of the idea of the project and until present and ways of dealing with them

- Economic context – the impact of the financial crisis;
- Changes in the strategies at organizational level;
- Assuring the co-financing and obtaining the letter of guarantee;
- Duration, costs and complexity of the activities (including acquisitions);
- Complexity and difficulty of the procedures associated to the reporting/discounting the expenses;
- Contractual requests and implementation instructions (including their changes);
- Performance of the project team and the involvement of the management

3. Aspects generating delays in implementation

4. Perspectives for the following period and conclusions

Annex 8 – Multi-Criterial Analysis

Societal Level

Factors Capacity component	Financial aspects (including relations with financial institutions)	Changes in the target group	National policies and strategies	Legislation						Social norms	
				VAT		Correlation of national legislation with EU legislation		Public procurement			
A. Project management capacity	1 1	1 1	1 1	1 1				2	2	1	1
	2 1	1 1	1 1	1 1	1 0	2	2	1	1	2	2
B. Implementation and reporting capacity	0 0	1 1	0 0	0 0	0 0			1	2	0	0
	0 0	1 1	1 1	1 1	0 0	2	2	2	2	1	2
C. Capacity to request for reimbursement	1 1	0 0	0 0	0 0	1 0			2	2	0	0
	0 0	1 0	0 0	0 0	0 0	2	2	2	2	1	1
D. Capacity to mobilize human resources	2 1	1 0	1 0	1 0	1 0			1	0	1	0
	1 1	2 0	2 2	2 2	0 0	2	1	2	1	2	2
E. Capacity to mobilize financial resources	2 2	0 0	1 0	1 0	1 2			1	0	1	0
	2 2	0 0	2 2	2 2	2 2	2	1	0	0	2	1

Collaboration with MAs and IBs

Capacity component \ Factors	Information sources		Quality of resolutions and guidance		Required documentation		Written instructions		Delays	
A. Project management capacity	2	2	2	2	2	2	1	1	2	1
	1	1	2	2	2	1	2	2	2	2
B. Implementation and reporting capacity	2	2	2	2	2	2	2	1	1	2
	2	2	2	2	2	1	2	2	2	2
C. Capacity to request for reimbursement	2	2	2	2	2	2	2	2	2	1
	2	2	2	2	2	2	2	2	2	2
D. Capacity to mobilize human resources	1	0	1	0	1	1	1	0	2	1
	1	0	2	1	2	1	1	1	2	2
E. Capacity to mobilize financial resources	2	1	2	1	0	0	1	1	2	1
	0	0	2	1	0	0	1	1	2	2

Organisational level

Capacity component	Factors		Internal policies		Monitoring (procedures)		Risk management (procedures)		Arrangements		Frameworks	
A. Project management capacity	2	2	2	2	2	2	1	1	1	1		
	2	2	2	2	2	2	2	2	2	2		
B. Implementation and reporting capacity	1	0	2	2	1	2	1	1	1	1		
	1	1	2	2	2	2	2	2	2	2		
C. Capacity to request for reimbursement	1	0	2	1	2	2	1	1	1	0		
	1	1	2	1	2	2	2	2	2	2		
D. Capacity to mobilize human resources	2	1	2	1	2	1	1	2	1	1		
	2	2	1	1	2	2	2	2	2	2		
E. Capacity to mobilize financial resources	2	2	2	1	2	2	0	0	0	0		
	1	1	2	1	2	2	1	1	2	2		

Individual level

Factors \ Capacity component	Knowledge		2. Previous experience in project implementation		Skills	
A. Project management capacity	2	1	2	2	2	2
	2	1	2	2	2	2
B. Implementation and reporting capacity	2	2	1	2	2	2
	1	2	2	2	2	2
C. Capacity to request for reimbursement	2	2	1	2	2	2
	1	2	2	2	2	2
D. Capacity to mobilize human resources	2	1	1	1	1	1
	1	1	2	2	1	2
E. Capacity to mobilize financial resources	2	1	1	1	2	2
	1	1	2	2	2	2

Annex 9 – List of Documents Attached to Reimbursement Requests under SOP IEC

INFORMATION REGARDING THE SUPPORTING DOCUMENTS THAT CAN BE REQUESTED AT THE REIMBURSEMENT BY THE MA/IB FOR THE SOP IEC

The list of the SUPPORTING documents is not exhaustive; it could be completed with other justifying documents according to the specific and the decision of each intermediary body.

For all the documents included in the reimbursement request file, written in other languages, there will be a translation in Romanian made by an authorized translator.

All the documents, except the reimbursement request and the progress report, will be presented in a certified copy "According to the original" by the legal representative of the beneficiary or by a person mandated by the legal representative.

Common documents:

The reimbursement request

Progress report

Contracts for good acquisition/services rendered/works

Accounting documents

- Invoices – invoices will have the following inscription "Financed from SOP IEC, priority axe... major intervention area ..., financing contract no...," ;
- Payment order; CEC sheet and bank statements;
- Accounting notes; - accounting sheets;
- Analytical trial balance for the cut off period for the reimbursement request concerned.

Documents regarding the procurement procedure (for the case in which the whole procurement file is not requested)

- Proof of publication;
- Selection criteria;
- Tendering report of the contract.

Documents regarding the informing and publicity measures

- copies of the publications in which the public ads appeared, the ads/press releases for the beginning and the ending of the project; - in the situation in which the press releases/press announcements were published on websites, a print screen that proves the correct writing of the press release/announcement and copies of at least one article, news. – in the situation in which the press releases/announcements were sent to the mass-media representatives by email or fax, the model of the material that proves the correct writing of the press release/announcement, the sending confirmations and copies of at least one article, news.
- photos of the purchased goods within the project that prove the placing of the plates/stickers; - photos from the location of the project that show the placing of the panels for temporary display and the plates for permanent display (if that is the case) – CD with the spot/material broadcast on the radio/TV – documents that show the payment of TV/radio advertising, for promoting the project (if these are eligible expenses);

- 1 copy of the brochure / folder (if these are eligible expenses); - copies of the articles, of the announcements that appeared in the press, radio/TV interviews; - photos that show the placing of the posters /banners (if these are eligible expenses); - photos from the locations of the events promoting the project, etc. (if these are eligible expenses);

Specific documentation:

Supporting documents

(Documents will be sent to the MA/IB in copies “according to the original”)

Goods acquisitions

- tendering files, (on demand); - customs documents (for import goods);
- Statement of the contractor that certifies the fact that the purchased equipment/machines respect the technological standards with the ones mentioned in the project;
- receipt report, startup report of the purchased goods.

Contracted works

- tendering file (on demand);
- verification reports on determined execution phases, approved by the SIC;
- building permit;
- guarantee of good execution;
- qualitative reception reports;
- receipt report of the location and of the terminal marks;
- reception reports at the end of the works;
- incorporated analysis reports, quality/conformity certificates of the used materials for the works/ trial reports and technical approvals;
- payment situations for the works and the centralization of the payment situations;
- the authorization of the building site supervisor;

In the situation in which along the execution of the works there are changes of the solutions from the Technical Project, the following documents will be prepared and sent:

- building provision for the execution of the works made by the contractor and signed by the building inspector, beneficiary and constructor; this provision is accompanied by the justifying statement made by the contractor and verified by the project verifier, if that is the case;
- lists of quantities for the works that are given up to, made by the contractor;
- lists of quantities for the supplementary works made by the contractor;
- renunciation note;
- note for supplementary order that must be signed and stamped by the legal representative of the project, the building site supervisor and the contractor;
- payment situations for the supplementary order notes must be signed by the constructor, the building site supervisor and the beneficiary.

Diverse and unexpected expenses can be used only for changes in the quantities of works in the

conditions mentioned by GD no. 28/2008.

- additional papers signed by the beneficiary and the constructor that mention the supplementary amount for the works that will be requested for payment in the limit of the available sum in the budget of the project for “Diverse and unexpected expenses”;
- the additional paper signed by the beneficiary and the contractor, if for the redesign there is the need for supplementary amounts that will be solicited for payment in the limit of the available sum in the budget of the project for “Diverse and unexpected expenses”;
- annex for the Technical Project with the redesigned part (where there is the case) – the annex has to be checked by an authorized verifier for the category and importance class of those works that applies the stamp on this document. Also, the annex will be accompanied by the verification report.
- building provision for the execution of the diverse and unexpected works, made by the contractor and signed by the building site inspector, beneficiary and constructor, this building provision is accompanied by a justifying report made by the contractor and checked by the project verifier, where there is the case.
- provisional measurement and lists of quantities for supplementary works made by the contractor;
- order note for supplementary works that has to be signed and stamped by the legal representative of the project, by the building master, by the contractor;
- distinct payment situations for the diverse and unexpected works that have to be signed by the constructor, building master and the beneficiary;
- the mentioning referring to “diverse and unexpected expenses” must appear on the invoice;
- the negotiation report according to OUG no. 34/2006 art. 122 lit. i.

Services rendered

- the approval of the beneficiary for the documents issued during consultancy;
- for services rendered for which a notice/agreement of another institution is issued at the end, the notice/agreement of that institution will be presented;
- for services rendered for which the law requires an authorized operator and/or that has as a specific type of activity for a certain type of services, the document that proves the authorization of the operator and/or the registration at the Trade Registry will be requested.

Land / Building acquisition

- real estate register extract; proof regarding tabulation in the real estate register; - certificate of fiscal attestation;
- the value is certified by an independent authorized evaluator that confirms that its value does not exceed the market value;
- declaration on own responsibility that the building hadn't had any non-refundable community financing in the past 10 years for construction and renovation;
- real estate register extract
- the report of the independent authorized evaluator that certifies that the acquisition cost does not exceed the market value and that the building respects the technical conditions stipulated by the national legislation.

Staff expenses

Salaries and expenses connected to salaries

Fees

Social contributions for the salaries expenses

- individual working contracts (or equivalent) on determined/undetermined period of time registered and sanctioned by the WTI (if there is the case); payment order/CEC sheet/payment sheet
- docket for transfers in card account, cash book; order of payment (in case of cash payments); - bank statements that prove the transfers, - lists for fortnightly advance (if there is the case); - synoptic table for payrolls; time sheets, job responsibilities chart; -payrolls;
- contracts for services rendered; -mandatory contracts; - time sheet; - issued invoices;
- bank statements that prove the transfers and/or withdrawals; - approval of the beneficiary for the documents issued during consultancy'
- copies of the financial provisions for services;
- payrolls;
- synoptic tables of the payrolls;
- statements for Social Security/Health Insurance/unemployment;
- bank statements that show the transfers and/or withdrawals;

Expense, accommodation, allowance expenses

Personal vehicle

- health insurance (for external traveling); - receipts, taxes for highway, bridge, parking, etc.
- receipt for fuel (for private companies and NGO's), with the mentioning on the back of the receipt the car registration number;
- traveling order (for the employees of the public institutions) and the justification report;

Work vehicle

Transportation by plane/train/ship

Transportation by coach

Materials and equipments transport

Accommodation allowance

- vehicle log sheet and FAZ; B.C.F.s ; traveling order;
- table signed and stamped by the beneficiary of the financing that has the name of the persons benefiting from the transportation;
- traveling tickets (in the conditions mentioned by the law, without exceeding the rights of this nature that can be given to the employees of the public institutions);
- traveling order; - external or internal invoice; (if there is the case).
- contract for services rendered (where it is applied); - lease contract (where it is applied); - external or internal issued by the seller, locator, provider;

- waybill; traveling order;
- external or internal accommodation invoice with the mentioning of the persons benefiting from the accommodation, the duration and the price (or a synoptic table with the persons benefiting from the accommodation as an annex to the invoice)
- traveling order.

Technical assistance

Technical and financial expertise Audit Accounting

- contract for services rendered; - external or internal invoice; stamped receipt; - the proof of the expertise right; - the expertise report;

Notary taxes

Insurance premiums

Expenses regarding lease, depreciation and leasing

Lease (locations, goods)

Asset depreciation

Leasing installments

- the approval of the beneficiary for the documents issued during consultancy.
- the insurance policy; -the insurance contract;
- payment orders/CEC sheet/ payment sheet stamped by the bank, cash book; - payment provision/receipt (for payments in cash)
- bank statements or other proof for the payment of the invoice (for the electronic payments).
- time sheets for trainings; - evaluation sheets of the participants; - payrolls of the trainers; - copies of the financial provisions for Services.
- the lease contract or the contract for services rendered;
- external or internal invoice issued by the seller, provider;
- the register of fixed assets; - the chart of the fixed asset; - the monthly chart of depreciation of the assets from their classification code; - the depreciation/cassation report; - statement on own responsibility that it hasn't benefited from non-refundable financing for its acquisition – at the first reimbursement request.
- leasing contract with the timetable of the leasing installments; - the invoice with the paid leasing installments; - the final/temporary reception report.

Specifications Documents

Issued invoices

- must mention in detail the purchased good, the rendered service or the contracted works;
- must have the format imposed by the normative papers and must be filled in according to their requests;
- the date written on the invoice is not previous to the date of signing the financing contract (except for the cases in which the financing contract stipulates otherwise);

- the date written on the invoice is not previous to the date of signing the acquisition contract;
 - the number, the date and/or the object of the acquisition contract for goods/services/works must be mentioned.

Payment documents

- must confirm that the payment was not made in cash – for works and services rendered;
- must be issued after signing the acquisition contract;
- must have the signature and stamp of the issuing bank and of the beneficiary of the project, except for the payment documents for electronic payments;
- must mention clearly the number of the invoice or the contract that is being paid;
- the account and the bank of the beneficiary must correspond to the information from the acquisition contract or from the address of the works/services supplier regarding his bank account; the cheques/ promissory notes must be issued by the beneficiary of the project, in the name of the supplier, without being guaranteed by a third party. (If these payment forms are accepted by the IB);
- in the case in which the payments are made by cheques/promissory notes, the beneficiary must present the cashing docket s of these payment documents, that must be stamped and signed by the bank (if these payment forms are accepted by the IB); - in case the payment is made by an external letter of credit, the File of Payment Request must contain copies of all the papers requested by the bank for the transfer of those sums (according to the credit contract). (If these payment forms are accepted by the IB).

Bank statements

- must be dated and stamped by the bank of the beneficiary of the financing; (except for the electronic payments)
- must prove both as value and as date the fulfillment of the payments from the payment correspondent document (s)

Construction Permit and Construction Permit for the temporary works

- must be issued according to the law (Law no. 50/1991 with its changes and completions), and must be valid along the duration of the works execution.

Quality/conformity certificates

- for purchased goods they must be dated, signed and stamped by the issuing authority.

Customs statements

- for direct imports of purchased goods they are attached to the invoices (where there is the case). These documents must be signed and stamped by the issuing authority (import represents the entry of goods outside the community space).

The order for beginning the works

- is the document that indicates the moment when the execution of the works began. The date of issuance of this document must be previous to any other registration dates of the analysis reports, of the hidden works reports and the reports for determined phases (at the first reimbursement requests).

The delivery report of the building and the placing plan of the investment containing the position of the topographic landmarks

- must be dated, signed (with the name written clearly) and stamped according to the Programme for respecting and controlling the quality of the works. The date of this document must be after the Order for beginning the works (first reimbursement request).

The programme for respecting and controlling the quality of the works

- must be approved by the State Inspection in Constructions, signed by the legal representative of the project, by the contractor and the performer (at the first reimbursement request).

The qualitative reception reports, for hidden works and determined phases

- must be created, dated and signed according to the programme for respecting and controlling of the works from the technical project.

The delivery-receipt report, the reception and startup of the purchased goods reports

- must be filled in, signed and stamped by the supplier of goods and by the beneficiary.

Payment situations for the works and the synoptic tables of the payment situations

- must be signed with the name mentioned clearly, stamped and dated by the legal representative, by the master/building inspector (for whom an attestation certificate has been presented) and by the performer of the works.

Financial provisions

- For services they must be dated, signed, stamped by the supplier of services and by the legal representative of the project. These must be according to the financial offers presented by the supplier of services and declared winner.

Community Standard

- After the implementation of a community standard, the beneficiary must present the file with the reimbursement request, a document issued on the name of the beneficiary, signed and stamped by the authority in the area that shows that the community standard proposed in the project has been implemented.

The minimum 4 (***the number of Reimbursement Claim will be adapted according to each Intermediary Body***) samples of the Reimbursement Claim, in original, along with all the justifying requests in copies, make up the *File of the Reimbursement Claim of the Beneficiary*, a file that will be sent to the Intermediary Body.

The nature and the number of the justifying documents which are requested to the beneficiary will be established by the IB, taking into account the recommendations made by the Management Authority through the standard contract format, the specific of the project approved for financing, the stipulations regarding the eligibility of the expenses and/or the project included in the orders for eligible expenses and/or the state aid decisions/ minimis for the operation the financed project is part of. The justifying documents will be mentioned in the financing contracts. FOR THE SIGNED CONTRACTS THE COMPLETE LIST OF REQUESTED DOCUMENTS WILL BE ESTABLISHED THROUGH AN ADDITIONAL ACT TO THE FINANCING CONTRACT AND/OR PAYMENT NOTIFICATION.

The file of the Reimbursement Claim will have a table of contents, and the documents it contains must be numbered. The beneficiary will mention at the end of the file "This file contains.... pages. numbered from 1 to..." The documents will be arranged in chronological order, according to the general OPIS.