Ministry of Public Finance

Authority for Coordination of Structural Instruments (ACIS)

Conducting Evaluations for the Period 2009-10

Second *Ad Hoc* Evaluation:

Review of investment in transport and environment infrastructure

Final Report

February 2011

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)

KPMG Romania / GEA S&C / Pluriconsult

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GLOSSARY

ACIS	Authority for Coordination of Structural Instruments
ANAR	National Administration *Romanian Waters*
BEUR	Billion Euros
CF	Cohesion Fund
CFR	National Railways Company
CNADNR	National Roads Company
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
ERDF	European Regional Development Fund
EIRR	Economic Internal Rate of Return
ESF	European Social Fund
EU	European Union
GDP	Gross Domestic Product
IB	Intermediate Body
IMF	International Monetary Fund
JASPERS	Joint Assistance to Support Projects in European Regions
KAI	Key Area of Intervention
LCP	Large Combustion Plants
MA	Managing Authority
MC	Monitoring Committee
MEUR	Million Euros
MoENV	Ministry of Environment
MoPF	Ministry of Public Finance
MoT	Ministry of Transport
MP	Master Plan
MRON	Million Romanian Lei
MTEF	Medium Term Expenditure Framework
NARMPP	National Authority for Regulating and Monitoring Public Procurement
n.a.	Not available
NCSC	National Council for Solving Complaints
NPV	Net Present Value
NRDP	National Rural Development Programme
NSRF	National Strategic Reference Framework
OP	Operational Programme
PA	Priority Axis
PIU	Project Implementation Unit
SMIS	Single Management Information System
SOP ENV	Sectoral Operational Programme Environment
SOP T	Sectoral Operational Programme Transport
TA	Technical Assistance
TEC	Technical and Economic Council
TEN-T	Trans-European Transport Network
ToR	Terms of Reference
TP	Technical Proposal
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.

The cut-off date for the data used in the evaluation is 31 August 2010, unless otherwise indicated.

EXECUTIVE SUMMARY

The review report was prepared in September-November 2010 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 (MoPF) and a consortium composed of KMPG Romania SRL (leader), GEA Strategy & Consulting and Pluriconsult.

The review was commissioned specifically to gain additional input into the Synthesis Report (SyR) designed to summarise the results of the individual Interim Evaluation (IE) Reports of the operational programmes (OPs) under the NSRF. The IE reports for two OPs were not ready in time for inclusion in the SyR. These were the Sectoral Operational Programme Environment (SOP ENV), the IE for which is planned for 2011 and the SOP Transport (SOP T), because of Managing Authority (MA) dissatisfaction with the relevant IE efforts in 2009-10. Because the two OPs encompass around 50% of the total value of the NSRF it was decided to commission a separate review of the infrastructure investment under the two OPs. The review focused on four evaluation criteria: relevance, consistency, effectiveness and efficiency, through answers to the following evaluation questions:

Relevance

- **Q1** - The socio-economic analysis underlying the two OPs is based on indicators up to 2004/05. What important changes have occurred since then and are expected in the future?
- **Q2** - How do these changes in the socio-economic context affect the OP and its priority axes, in particular their relevance to Romania's investment needs. Is relevance reduced or increased by the crisis, and if so in what way?

Consistency

- **Q3 -** Is the implementation to date of the Priority Axes (PA) within the OPs complementary with each other?
- **Q4** - Are the OPs and PAs coherent with any recent major relevant national and international policy/strategies and investment programmes, including strategies to deal with the economic crisis?
- **Q5** - Are there overlaps in the implementation of the PAs or operations within each OP and between these and other investments in the two sectors?

Effectiveness

- **Q6** - What is the actual implementation progress to the cut-off date? What is the gap between actual and planned progress? In particular, based on approaches to date and the likely project pipeline, what is the likelihood that the OPs will achieve their targets?
- **Q7** - Will the progress to date (and the rate of progress) lead to the achievement of the objectives of the OPs and PAs?
- **Q8** - What are the internal and external factors contributing to the gap between actual and planned performance? Are these factors at policy and decision-making level, management and implementation level? What is the nature and extent of specific obstacles such as policy-making capabilities, structures of implementation bodies, lack of investment prioritisation, relationships within and between structures, lack of personnel, lack of skills, and other evident obstacles?
- **Q9** - How has the economic crisis affected implementation progress, negatively or positively? What are the specific effects involved, e.g. budgetary difficulties, personnel shortages? Is this similar or different across the two OPs and the PAs?

Efficiency

- **Q10** - Is the management system (managing authority, intermediary bodies, beneficiaries) functional and operating efficiently?
- **Q11** - How has the economic crisis affected efficiency, e.g. did it affect resources? Costs? Supply of services?

The review encompassed first stage data collection through desk research, followed by interviews and workshops with representatives of the MAs, Intermediary Bodies (IBs) and beneficiary entities.

Relevance

SOP Transport

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

Recommendation: MoT and beneficiaries – National Roads Company (CNADNR) and National Railways Company (CFR) implement the institutional changes recommended by the World Bank in the Functional Reviews consultancy: clarification of the respective institutional roles of the MoT and the beneficiaries, privatization of National Railways Company for Freight (CFR Marfa), review of expenditure portfolio. The sector may also want to streamline the implementation of the Medium Term Expenditure Framework (MTEF), as foreseen in the Fiscal Responsibility Law. This means preparation of budgets based on realistic schedules for implementation and available financing.

Conclusion: The relevance of projects may be affected by traffic variations. In particular, major projects for railways (PA1), railway station rehabilitation (PA2) and some smaller road projects on PA2 might no longer be relevant in economic terms. With their current technical specifications, some railway projects (PA1) are not economically efficient, even without the effects of the crisis.

Recommendation: While economic relevance might currently not be the only determinant for keeping some of the projects in the SOP T (particularly rail projects in PA1, where the reopening of the discussion on technical specification might lead to even longer delays), the re-assessment of economic efficiency could be useful.

SOP Environment

Conclusion: The changes in the socio-economic environment resulting from the economic crisis do not affect in any way the relevance of the interventions under SOP ENV. The needs identified during the programming period remain as relevant as initially estimated. Needs analysis started from the requirements of compliance with EU environment standards being agreed through the Accession Treaty and this is not connected to the economic crisis.

Recommendation: Although the economic crisis does not affect the relevance of the interventions, in the context of the limited ownership of the beneficiairies on the SOP ENV projects, the MA SOP ENV is advised to increase the awareness of the beneficiaries on the relevance of the SOP ENV interventions.

Conclusion: The financial allocation for Key Area of Intervention (KAI) 2.2 was overestimated. Public authorities own only six out of 1,800 historically polluted sites. Project proposals were prepared for only three of these six sites.

Recommendation: The MA for SOP ENV is advised to seek reallocation of the balance under KAI 2.2 to KAI 2.1, or, alternatively, the development of project applications for the other three publicly owned sites, but only after considering the findings of the in-depth interim evaluation scheduled for 2011.

Consistency

SOP Transport

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

Recommendation: The MoT is advised to adopt an integrated approach of national and EU strategies to rationalize spending and complement investments and should not give in to the temptation to push for reallocation to road sub-sector projects if project implementation in the rail sub-sector encounters difficulties, but seek to enhance CFR capacity to ensure a balanced absorption of the SOP T. Although possible in principle, it is advisable that reallocations be made only if all opportunities to implement the envisaged railways programme have been exhausted. This should be agreed also with ACIS/MoPF to ensure that budget allocations are not cut from seemingly lagging KAIs.

Conclusion: SOP T has a stabilizing effect on transport sector strategies, as the only programme that has been pursued largely consistently over several electoral cycles and with spill-over effects on other strategies (including road-user charging and preparation of maintenance). The focus on full absorption as a yardstick for its success (to judge by the latest wave of projects under preparation and evaluation) may reduce the coherence of SOP T and its value as a 'strategy substitute'.

Recommendation: The MoT and the MA are advised to improve the budgetary forecasts under SOP T, by introducing the effective, realistic multi-year budgeting required by the EC, and introduce a similar approach in national programmes. The MoT is further advised to reassess and prioritise, in economic terms, the total investment portfolio for the transport sector resulting from previously approved strategies, based on a similar process as for the SOP T, in the interest of ensuring a balanced development of the transport sector.

The MoT and the MA are advised to consider carefully its current 'full-absorption-as-measure-of-success' approach. The purpose of the SOP T is to make the best use of available resources, focus on key priorities and reach transport sector objectives. The current focus on full absorption encourages the selection of non-priority, but 'mature' projects, which results in preference being given to projects with returns on investments lower than for other possible projects.

Conclusion: The SOP T portfolio of projects provides the opportunity to focus on expensive, but politically less 'visible' investments, such as those related to traffic safety and monitoring, as well as projects of lower direct public interest, but long-term high impact (inter- or co-modality, in particular). However, because of implementation difficulties, some projects (e.g. inter-modality) are being dropped or up for re-assessment in the context of the preparation of the next SOP T.

Recommendation: The MA and beneficiaries are advised to focus on implementing the projects with lower visibility and high impact, and avoid reallocations from these as much as possible. In respect of inter-modality, the MA is advised to discuss with the EC – in advance of the next SOP T – the institutional framework necessary for a broader approach to establishing transport nodes relevant to the main corridors at several large cities (Bucharest, Timisoara and Constanta).

SOP Environment

Conclusion: Consistency was given much consideration during the programming of SOP ENV. By contributing to regional development, SOP ENV projects are complementary to most other EU-funded programmes (including ROP, SOP IEC and NRDP). The objectives of the SOP ENV are fully correlated with the *National Stategy for Waste Management* and with *the National Strategy for the Sustainable Development. Romania 2013 – 2020 - 2030*. However, at the local level, consistency in implementation is reduced by the lack of ownership of projects on the part of local authorities.

Recommendation: The Ministry of Environment and MA SOP ENV are advised to take action in order to strengthen the role and contribution of the Regional Environment Protection Agencies in the Regional Strategic Evaluation and Correlation Committees. To increase local project ownership, the MA and IBs of SOP ENV are advised to request more engagement of the Agencies in the Committees' meetings.

Effectiveness

SOP Transport

Conclusion: Implementation of SOP T started slowly, but gathered pace in 2010, as indicated by the recent improvement of popularity ratio (14% at mid-2009, over 100% currently). Consequently, approval, contracting, payment and absorption ratios are smaller, showing the new thrust for preparation of projects that will need to go through all the next stages in the next months. Currently, projects submitted for major axes and KAIs generally exceed the respective allocations. The new wave of projects will possibly put pressure on the capacity for evaluation and approval in 2011. The implementation of major projects may experience delays for the usual reasons (land expropriation delays, tender contestations, faulty design and claims from constructors). Implementation may well exceed the capacity of understaffed beneficiaries. Although the MoPF is likely to allocate resources with priority to the absorption of EU funds, it remains necessary for the MoT to take budget availability in respect of SOP T into account. Application of the Fiscal Responsibility Law and limited opportunities for amending budgets may negatively affect implementation of SOP T.

Recommendation: As prioritization and realistic implementation schedules are critical to obtaining adequate budgets at the beginning of the fiscal year, the MA is advised that additional financing for projects not yet approved by the EC might be secured by taking advantage of the 2009 amendment of Council Regulation (EC) N° 1083/2006 according to which the EC can approve reimbursement of certified expenditure before the actual approval of major projects. This would avoid the need for budget rectifications/amendments mid-year by ensuring predictability of financing from the beginning of the year.

Conclusion: While delays in the implementation of SOP T can be overcome by adopting several measures proposed by the MA (including submission of any mature and eligible projects for EU financing), the main concern is that the success SOP T is measured in terms of full absorption of funds. Focusing on absorption may well ensure the spending of the full amount of available funds by the end of the programming period (N+2), *inter alia* through approving all projects that meet the eligibility criteria and reallocations from projects that do not work to those that likely do.

Recommendation: The MA and beneficiaries are advised to assign proper importance to physical targets and correlate these with applicable strategies. For example, in respect of the target for the total number of km of road to be built under the SOP T, adequate provision must be made for the timely financing of maintenance works on the relevant road sections in the future.

Conclusion: The major internal factors that affect the implementation of SOP T are understaffing and high workloads, excessive staff turnover, including at top management level (particularly at the

beneficiary entities), and risk aversion and red tape in the Romanian administration. Major external factors are the lack of good consultancy firms for the design of major projects in the market, current public procurement regulations, and the budgetary restrictions resulting from the crisis, including the recent introduction of the Fiscal Responsibility Law. While the latter is a good factor aimed to create predictability in the Romanian budgetary system, it requires good forecasting and planning capacity, which in case of MoT is still limited.

Recommendation: The MoT and MA are advised to put in place an effective risk management system. To facilitate sharing information on critical risk areas, before a formalized institutional arrangement is in place, an informal mechanism may be adopted at practically zero cost. This mechanism involves the sharing of information on a common platform, allowing for example future railways project managers to see how roads project managers handle land expropriation issues. The TA available under PA4 should be effectively allocated to adequate training that enhances capability of the beneficiaries to handle risks and manage projects effectively.

Conclusion: Although the economic crisis has not affected the implementation of SOP T directly, it may have negative effects through potential budget restrictions and the decision to restructure entities and lay off staff in 2011. The MoT and beneficiaries are preparing for a future reorganization and re-definition of structures and roles, because of the World Bank/IMF/EC joint loan conditionality and because the Government now focuses on accelerating the absorption of EU Funds.

Recommendation: The decision to restructure the entities involved in SOP T (MA, CFR and CNADNR) must take into account the need for qualified and accountable staff in key risk areas. The Functional Reviews, as well as TA provided under the World Bank Transport Restructuring Project may be used to cover the business areas subject to restructuring and staff reductions and fill in the needs of those departments where additional staff is needed, so as not to affect overall functionalities. The start of works on motorways, national roads and railways will require adequate staff resources and expertise, some of which cannot be outsourced (design approval and a part of works supervision).

SOP Environment

Conclusion: The overall projects' submission level is over targets, conclusion of contracts for the projects approved is closed to 100%, while the projects approved compared to projects submitted is lower (aprox. 60%). The payments within the contracted projects are quite delayed. The situation indicates the existence of problems in the SOP ENV implementation system, especially related to the length of the projects approval process. Unless the issues raised are urgently solved, the attainment of the SOP ENV targets may be endangered. Nevertheless, taking into account application of the n + 2 rule and the current efforts at the national level directed to measures for increasing the SI absoption, there are good premises for improvements and the targets to be met.

Recommendation: MA SOP ENV is advised to increase the control over the timely implementation of projects in order to meet the established deadlines The TA services should be used based on needs assessment process identifying and prioritizing the problems in the implementation system considered as a moving target.

Conclusion: The pace of submitting project proposals under for KAI 5.1 is slow, mainly because of a lack of consistency between technical solutions put forward in the project proposals and the provisions of relevant EU Directives. This is caused by experts' insufficient knowledge of sustainable development concepts in watercourse management, including the latest developments in this area in the 'old' Member States.

Recommendation: The National Administration *Romanian Waters* is advised to draw up a plan and take measures for improving its technical capacity in respect of formulating efficient and cost-effective technical solutions under KAI 5.1 that are in line with applicable EU Directives.

Conclusion: The fact that beneficiaries lack ownership of projects in the design and preparation phase generates bottlenecks in the course of project implementation.

Recommendation: Beneficiaries are advised to establish the core team of future PIUs at a very early stage of the project cycle, preferably already during the design phase. This PIU core team can then act as the main interlocutor with the IB/MA for all project stages.

Conclusion: Most of the SOP ENV projects with delays in implementation face problems related to the public procurement process. One underlying cause of this is the fact that Unit for Coordination and Verification of Public Procurement (UCVPP), National Authority for Regulating and Monitoring Public Procurement (NARMPP) and the National Council for Solving Complaints (NCSC) tend to address the same problem in different ways.

Recommendation: Using TA services, ACIS is advised to create a common understanding between contracting authorities, tenderers and regulatory bodies, by establishing of a Working Group with NARMPP, UCVPP and NCSC participation. Although this matter came up during the review of the SOP ENV, it might also be of interest for other OPs. It is therefore recommended to inform relevant other MAs accordingly and invite them to participate.

Efficiency

SOP Transport

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

Recommendation: The clarification of the respective institutional roles between the MoT and beneficiaries (CFR and CNADNR) is critical for the success of SOP T and the functioning of the transport sector overall. The MoT is advised to retain policy preparation and strategy formulation and supervision functions, with CFR and CNADNR acting as companies that implement MoT strategies on the basis of performance contracts. It is advisable to limit the sanction of replacement of the companies' management staff to failure to comply with the performance obligations only. The MoT and the companies are also advised to implement in full the recommendations on institutional reform in the sector as in the World Bank Functional Reviews and the accompanying Action Plan.

Conclusion: Given the track record of the beneficiary companies in implementing the investment projects proposed by them, which necessitated downward adjustment of budgets in the course of the financial year, the main risk in the short run concerns the financing available for future projects. At present it is assumed by MoT that budgets should be conservative with additional resources granted during the financial year in case of better than expected performance. However, the Fiscal Responsibility Law may prevent this approach. The CFR expects to be granted around 15% of its estimated budget requirements for 2011. The CNADNR expects to have enough resources for project implementation, but it is unclear if they will suffice to finance the necessary land expropriations.

Recommendation: Both the MA and beneficiaries should focus on a realistic implementation schedule for the next year, starting from the assumption that the granted budget is the final one. This would prompt the MA and beneficiaries to consider the attaching risks in full and seek ways to mitigate them through coherent risk management procedures, instead of ad hoc solutions.

SOP Environment

Conclusion: The marginal position of some PIUs within their respective organisations makes it difficult for project managers to distribute tasks to team members. This applies especially true if project team members are hierarchically superior to the project manager or formally belong to other departments with job descriptions containing functions and task beyond their involvement in the PIU.

Recommendations: Local public administration beneficiaries are advised to consider revising their organisational structure by subordinating PIUs directly to the highest level of management. In addition, using desk monitoring and site visits, the IBs are advised to monitor closely the stability of PIU staff and their tasks with regard to each project.

Conclusion: In the absence of in-house technical staff, beneficiaries find it difficult to fill the expertise gap with existing human resources, resulting in slow progress in project design and implementation.

Recommendation: The beneficiaries are advised to make use of the TA budget in order to contract services for their specific technical needs during the project implementation.

Conclusion: The management system in use within the MA for SOP ENV is of a very general character, lacking detailed instructions in respect of activities and evidence-based continuous improvement of business processes.

Recommendation: The MA for SOP ENV is advised to use TA services for improving its management system by the re-definition of processes, so as to avoid overlaps, mapping and formalising business processes, and establishing procedures for troubleshooting and remedial action.

Conclusion: The IBs have limited capacity for uploading data into SMIS, which is the cause for the usability of SMIS being limited for the purposes of the MA.

Recommendation: Provided that is considered useful by other MAs and IBs staff, ACIS is advised to establish a help-desk for the purpose of assisting SOP ENV IB staff with issues related to SMIS use in the day-by-day activities.

1. METHODOLOGY

1.1 Evaluation Background

1. As originally planned, the *ad hoc* evaluations within the frame of the contract aim 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. They further aim 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) +Nº 1083/2006[1].

Rationale

2. The *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. At NSRF-level, ACIS commissioned several evaluations under the 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)*. One of the expected results of the project is a Synthesis Report (SyR), designed to synthesise the results of the individual Interim Evaluation Reports of the operational programmes (OPs). The preparation of the SyR started in June 2010, for completion in November 2010. Due to circumstances outside ACIS control, the Interim Evaluation reports for two OPs will not be ready in time for inclusion in the SyR schedule – Sectoral Operational Programme Environment (SOP ENV), due to the later commencement of the evaluation (in 2011) and Sectoral Operational Programme Transport (SOP T), because of MA dissatisfaction with the quality of efforts in 2009-10 to arrive at an adequate IE report for that sector.

4. Given the importance of these OPs in the NSRF (they encompass around 50% of the total value of the NSRF), and the likely distinct implications that the economic crisis may have for them, ACIS, with the consent of the respective MAs, decided to commission a separate 'horizontal review' of the infrastructure investment under these two OPs, in order to generate salient input into the SyR on this important topic. This Review constitutes the Second Ad Hoc Evaluation under the project referred to in the Preamble.

[1] Laying down general provisions on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF).

1.2 Evaluation Design

5. The ToR (ref: **Annex 2**) stipulate as the overall objective of this review to analyse and draw out the implications of the economic crisis for progress, as well as the efficiency and effectiveness of the implementation across the two infrastructure-related OPs (ref: **Annex 3**) for, respectively, Transport and Environment.

6. Without being an evaluation as such, the review was intended to focus on the four evaluation criteria also addressed in the 2009 Interim Evaluations: relevance, consistency, effectiveness and efficiency. The evaluation questions (Q) addressing these criteria are the following:

Relevance

- **Q1** - The socio-economic analysis underlying the two OPs is based on indicators up to 2004/05. What important changes have occurred since then and are expected in the future?
- **Q2** - How do these changes in the socio-economic context affect the OP and its priority axes, in particular their relevance to Romania's investment needs. Is relevance reduced or increased by the crisis, and if so in what way?

Consistency

- **Q3 -** Is the implementation to date of the Priority Axes within the OPs complementary with each other?
- **Q4** - Are the OPs and Priority Axes coherent with any recent major relevant national and international policy/strategies and investment programmes, including strategies to deal with the economic crisis?
- **Q5** - Are there overlaps in the implementation of the Priorities or operations within each OP and between these and other investments in the two sectors?

Effectiveness

- **Q6** - What is the actual implementation progress to the cut-off date? What is the gap between actual and planned progress? In particular, based on approaches to date and the likely project pipeline, what is the likelihood that the OPs will achieve their targets?
- **Q7** - Will the progress to date (and the rate of progress) lead to the achievement of the objectives of the Operational Programmes and Priority Axes?
- **Q8** - What are the internal and external factors contributing to the gap between actual and planned performance? Are these factors at policy and decision-making level, management and implementation level? What is the nature and extent of specific obstacles such as policy-making capabilities, structures of implementation bodies, lack of investment prioritisation, relationships within and between structures, lack of personnel, lack of skills, and other evident obstacles?
- **Q9** - How has the economic crisis affected implementation progress, negatively or positively? What are the specific effects involved, e.g. budgetary difficulties, personnel shortages? Is this similar or different across the two OPs and the Priority Axes?

Efficiency

- **Q10** - Is the management system[2] (managing authority, intermediary bodies, beneficiaries) functional and operating efficiently?
- **Q11** - How has the economic crisis affected efficiency, e.g. did it affect resources? Costs? Supply of services?

7. The evaluation was carried out on the basis of an evidence-based approach, taking into account the particularities of each of the two OPs addressed. For all evaluation questions the process of data collection was organised in two stages.

8. *First stage data collection* consisted of desk research. In accordance with the ToR (ref: **Annex 2**) and after the consultation with the evaluation stakeholders carried out during the evaluation kick-off meeting, the desk research included both the strategic documents for the two OPs, as well as more operational documentation (ref: **Annex 4**). Based on the secondary data collected during this stage, the evaluators drafted the data collection tool for the next stage.

9. *Second stage data collection* included interviews and two thematic workshops. Interviews were carried out with representatives of the two Management Authorities (MAs), of the Intermediary Bodies (IBs) for SOP ENV and relevant beneficiaries. There were eight interviews for SOP ENV and 5 interviews for SOP T. The list of the interviewees is presented in **Annex 5** and the Interview Guideline is in **Annex 6**.

10. The evaluators drafted the preliminary findings of the review based on the primary and secondary data collected. The preliminary findings were presented and validated in a thematic workshop organised for each OP, held on 27/10/2010 (for SOP ENV) and 01/11/2010 (SOP T). Representatives of the MAs, IBs (for SOP ENV) and beneficiaries attended the workshops.

[2] Management system means planning, launching the call, quality of the project applications (and reasons for rejection), timeliness of the selection procedures, Timeliness of contracting, timeliness of processing applications for reimbursement.

2. FINDINGS OF THE REVIEW

2.1 Relevance

2.1.1 Changes in the context (Q1)

SOP Transport

11. The Sector Operational Programme for Transport (SOP T) was launched in 2007 when the expectations were that Romania would continue to enjoy robust economic growth. However, following the global economic crisis, Romania experienced a sharp drop in economic growth in 2009 (-7.1%) and is expected to continue to register GDP decline in 2010 as well (-1.9%, as estimated by the International Monetary Fund). The country will probably resume modest growth in 2011 (1.5%) and return to higher growth rates in the following years (4.4% in 2012, 4.2% in 2013[3]).

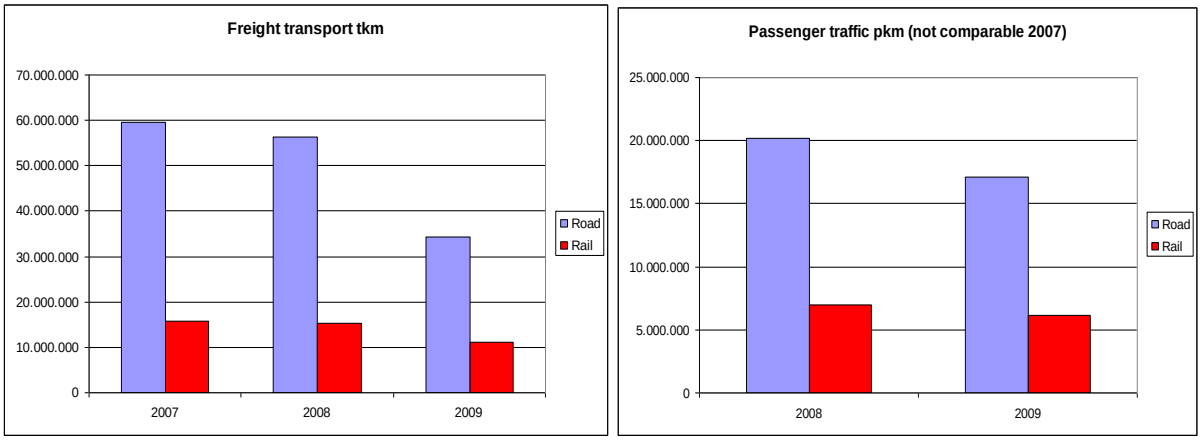
12. There are two possible effects of the crisis on the development of transport infrastructure:

(i) indirectly, through lower traffic, which affects the economic case for and benefits of the infrastructure projects;

(ii) directly, by the effects of limited public spending in transport (both co-financing of EU projects and development of national supported programmes, and through lower subsidies to state-owned operators, mainly CFR Calatori[4]).

13. **Traffic**. Since there is a clear correlation between economic growth and demand for mobility, the crisis has reduced traffic overall, for all transport modes and for both passenger and freight transport (ref: **Figure 1**). One can expect traffic demand to increase in the following years, following the economic recovery; but rates of growth of GDP and traffic will be lower than before 2008. The traffic expectations have the **highest impact on the relevance of the projects**[5] (ref: **Section 2.1.2**).

Figure 1 – Freight transport and passenger traffic evolution for road and rail transport



[3] IMF data, as per IMF mission in November 2010.

[4] National Railways Company for Passengers.

[5] www.mt.ro, Statistici.

14. **Deficits**. At the same time, the deficit of the Romanian consolidated budget soared to 7% of GDP in 2010, as the combined result of lower budget revenues due to the economic crisis and higher spending prompted by policy measures affecting pensions and wages taken in 2007-08. The crisis would thus affect the available public financing for transport infrastructure for both road and rail. In railways deficits would affect also the operators (the Government's subsidy obligation to CFR Calatori), and the ability of the state-owned, still subsidized clients of CFR Marfa[6] to pay in time (e.g. coal mines). Thus, the deficit would likely pose constraints on the co-financing available for EU funds, particularly in rail (ref: **Section 2.4**).

Box 2: Railway and road sector structures *(World Bank, 2010)*

The **road sector** consists of public infrastructure and private operators. Investment and maintenance of national roads and motorways are managed by the National Roads Company (CNADNR), whereas local and county roads are managed by local authorities. Operators for national roads (drivers, transport companies) are private and pay directly for infrastructure through 'road vignettes' and some small tolls (one bridge). The financing gap is covered from the state budget, received through Ministry of Transport (MoT). In Romania, fuel excises are not earmarked for road expenditure (since 2002, when the previously existing Road Fund financed from fuel excises was replaced by the road vignette). In future, tolls will be introduced for newly constructed motorways under SOP-T to ensure financing of maintenance.

The **railways sector** consists of one infrastructure company CFR, one state-owned passenger operator company CFR Calatori plus several very small passenger operators; and one state-owned freight operator CFR Marfa which operates in a very competitive market with over 20 private freight operators. The operators pay track access charges to CFR infrastructure.

CFR Calatori obtains revenues from sales of tickets plus a subsidy from the Government in the Public Service Obligation contract (subsidy per passenger per km). The amount is chronically insufficient. CFR Calatori cannot timely pay its track access charges and electricity bills, which are collected by CFR and paid to electricity distributors. In 2010 the arrears exceed 1 billion RON.

15. But more importantly, and with positive effects in the longer run, the operations and spending for both roads and railways, covering over 90% of the traffic, could be sharply rationalized, if the MoT implements long overdue reforms on pressures from external conditionality and deficits (ref: **Box 2**). Depending on how committed the Ministry is to reform, the sector could save substantial resources needed for co-financing of EU projects, covering ineligible expenditures and ensuring adequate funding in the long term for maintenance of the infrastructure built under the SOP T, and could substantially improve the planning capacity in respect of long-term projects.

Box 3 – The financial crisis could trigger long overdue reforms in the transport sector

Railways: In the past decade, the unfinished railways restructuring led to a significant increase in budget spending on railways, which are not sustainable during the crisis: currently, Romania spends on railways a higher share of GDP than developed EU countries (0.6% compared to 0.3-0.4%). Of this figure, only one fifth is spent on infrastructure, which leads to severe underfinancing of

[6] National Railways Company for Freight

maintenance (hence speed restrictions for safety reasons) and inability to finalize capital repairs. CFR and CFR Calatori are not financially viable because of: (i) falling traffic and growing operating costs for the existing but underutilized network (almost 3,000 km of loss-making lines that should be spun off CFR), (ii) high track access charges paid and low passenger tariffs collected by CFR Calatori and (iii) insufficient payments in the public service contract (subsidies to CFR Calatori). The financial crisis put additional pressures and also negatively impacted the financials of CFR Marfa.

Roads: The major problems are volatile strategies, substantial delays in implementation of major projects and escalating costs. Strategies except the projects 'fixed' in the SOP T are as volatile as the leadership (3 ministers in 3 years, 5 directors in CNADNR in the same period). Costs for major projects have tended to escalate and projects were delayed for various reasons (mainly faulty designs, land expropriation and claims). Sometimes it is widely acknowledged that costs are likely to escalate but there is no reassessment of project efficiency (see Brasov-Bors motorway). Particularly during the crisis the cost escalation must be carefully monitored not to drain resources for other programmes, including maintenance (World Bank, 2010).

As a result, Romania's transport sector might be finally compelled to enter a major reform programme in 2010-2011, as proposed recently by the World Bank[7]. This should entail an overall reassessment of sector strategies along more sustainable lines, as well as clarifying the roles and relationships between the MoT and companies CFR, CFR Calatori, CFR Marfa and CNADNR, by basing them on contractual agreements. The current portfolio of investment projects in the transport sector must also be cleaned up (e.g., the portfolio of all approved investments under all sources of financing exceeds nine times the available financing envelope, and the MoT has agreed to review and rationalize these). In railways, reforms could include also the privatization of CFR Marfa, the re-examination of the Public Service Contract for CFR Calatori to ensure affordable financial viability, and the closure of 2500-3000 km of loss-making lines. In roads, the reform would mean improved accountability on spending, better financing on sustainable road user charges, non-pledging of road vignette revenues for repayment of commercial loans and, possibly, a re-examination of payment and implementation schedule for the Transylvania motorway contract, which earmarked the majority of CNADNR's budget in 2009.

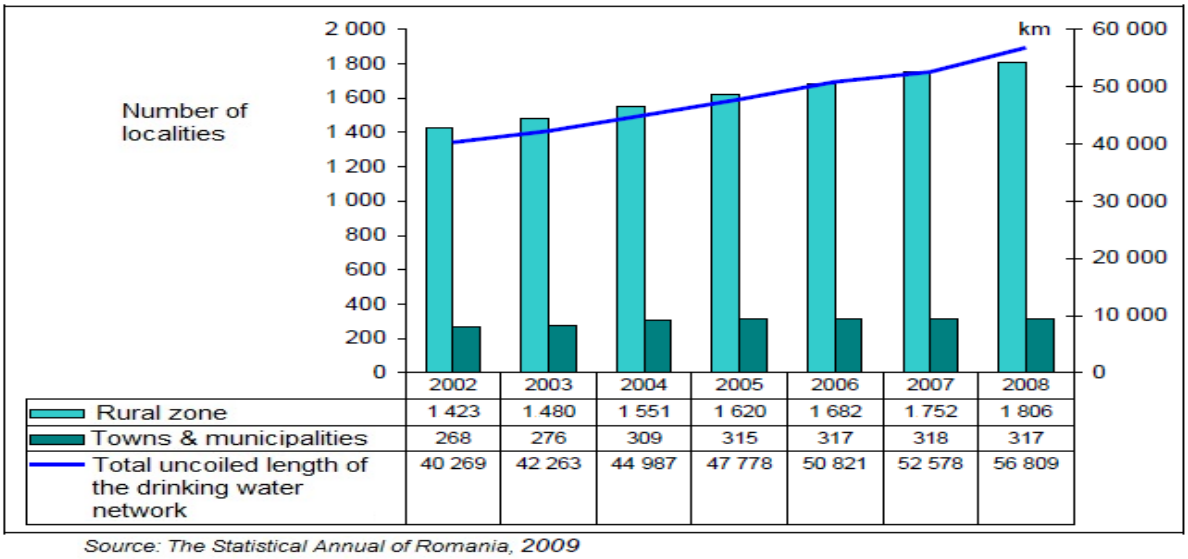
SOP Environment

16. The primary and secondary data sources of the review indicate that the economic crisis is generally regarded a temporary, macro-economically led phenomenon and not a basic shift in economic relationships or structures with fundamental significance for SOP ENV interventions.

17. **Priority Axis (PA) 1 Water/waste water sector.** According to the Statistical Year Book of Romania, at the end of 2007, the number of localities (municipalities, towns, communes) having installations for water supply was 2,070. The total length of the drinking water network distribution was 52,578 km. The evolution of the drinking water distribution network for 2002-07 is presented in **Figure 4.**

[7] World Bank Functional Reviews – Transport sector (September 2010); Draft Public Expenditure Review Transport (July 2010), unpublished

Figure 4 – Evolution of the drinking water distribution network (2002-08)



	2002	2003	2004	2005	2006	2007	2008
Rural zone	1 423	1 480	1 551	1 620	1 682	1 752	1 806
Towns & municipalities	268	276	309	315	317	318	317
Total uncoiled length of the drinking water network	40 269	42 263	44 987	47 778	50 821	52 578	56 809

Source: The Statistical Annual of Romania, 2009

18. Statistics for 2009 (*Source* ANAR) related to the level of wastewater treatment in Romania show that only about 23.6% of wastewater is treated in order to observe the quality requirements to allow them to be discharged into the environment. The rest of wastewater is treated insufficiently (44.2%) or not at all (32.3%).

19. As indicated in **Table 5**, among activities within the national economy generating waste water, the field of towns and communes' administration holds an important share:

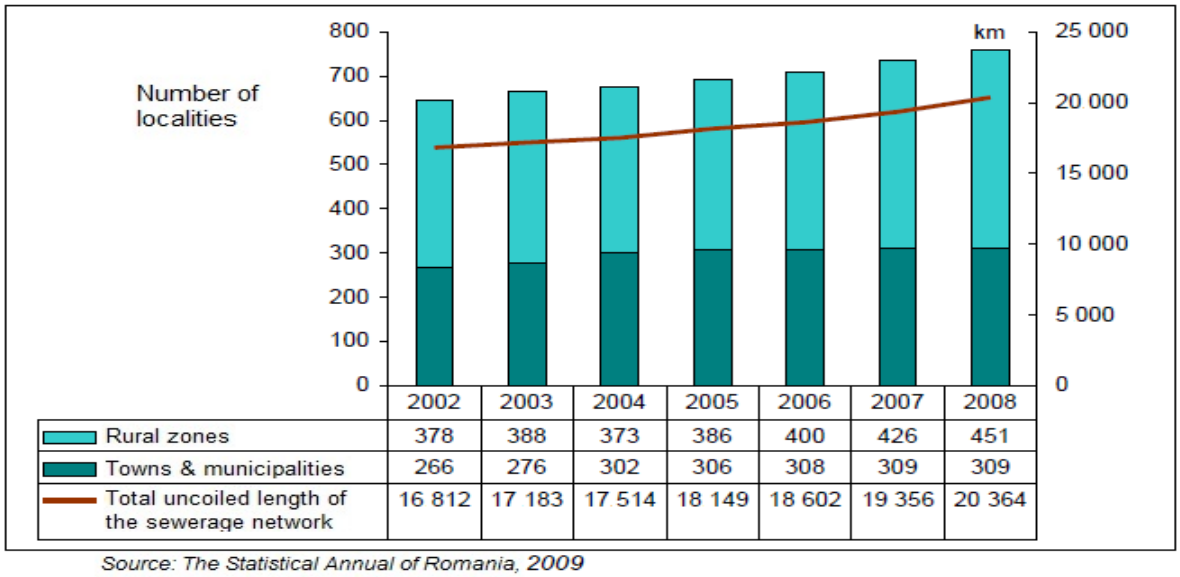
Table 5 – Distribution of waste waters by activities of the national economy

Wastewater categories / Economic activity	generate		requiring treatment		without any treatment		treated insufficiently	
	mill. m^3/an	%	mill. m^3/an	%	mill. m^3/an	%	mill. m^3/an	%
Towns and communes' administration	1,297	25	1,290	63	529	79	458	50
Thermal & electric energy (cooling waters)	3,497	67	378	18	7	1	313	34
Engineering & metallurgical industry	141	3	139	7	98	15	-	-
Chemical processing	129	2.5	120	6	28	4	41	5
Others	130	2.5		6	7	1		11

20. Out of 1,363 total waste water treatment plants (urban and industrial) investigated in 2009, 445 plants, representing 33%, operated adequately, the remaining 919 plants, representing 67%, operated improperly.

21. Compared with the period 2002-2005, the years 2006-08 saw a significant increase of the wastewater discharge distribution network, as shown in **Figure 6**. This trend followed the privatisation of the services in the domain. The private providers started to modernize and extend the wastewater discharge distribution network to reduce costs and attract more clients.

Figure 6 – Evolution of the sewerage networks (2002-08)

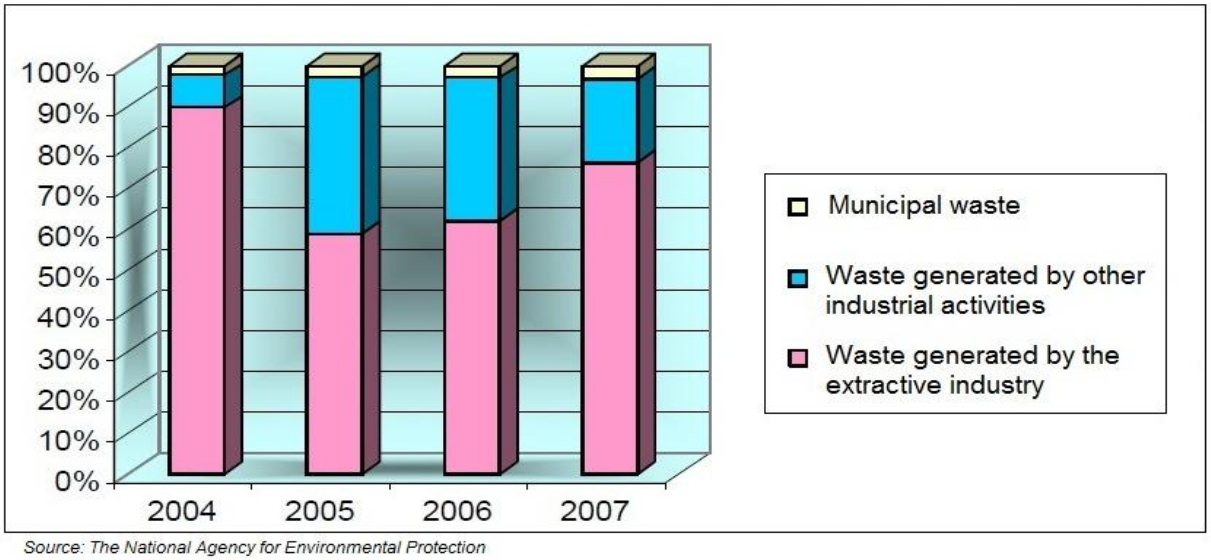


	2002	2003	2004	2005	2006	2007	2008
Rural zones	378	388	373	386	400	426	451
Towns & municipalities	266	276	302	306	308	309	309
Total uncoiled length of the sewerage network	16 812	17 183	17 514	18 149	18 602	19 356	20 364

Source: The Statistical Annual of Romania, 2009

22. **PA2 Waste management.** Specific data and information related to waste generation and management are collected by the National Agency for Environment Protection annually or more frequently, according to relevant legal reporting requirements. As indicated in **Figure 7**, the evolution of waste generation actually followed the industrial trends.

Figure 7 – Evolution of the quantitative distribution of the main categories of waste (2004-07)



Source: The National Agency for Environmental Protection

23. As indicated in **Table 8**, the increase rate of municipal waste generation (kg/inhabitant/year), the integrated management of which represents the main objective within the PA 2, diminished over the period 2003-07 and increased again in 2008[8].

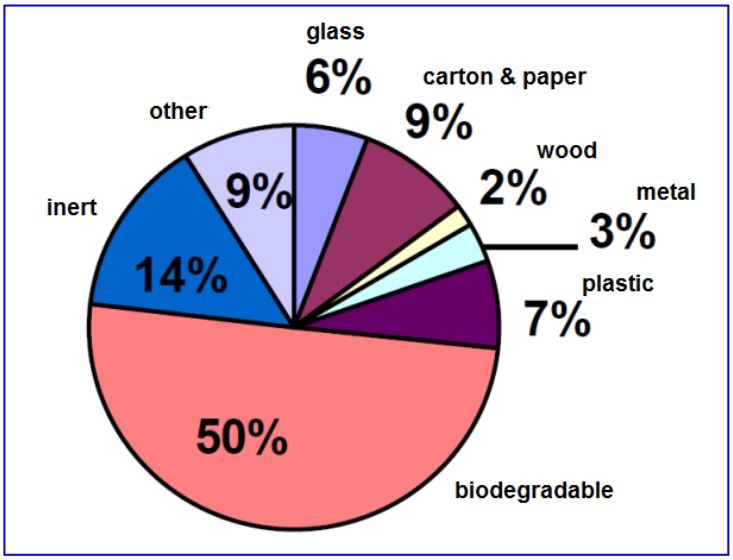
Table 8 – Evolution of the municipal waste generation

Year	2003	2004	2005	2006	2007	2008
Municipal waste kg/inhabitant/year	364	378	398	410	412	430
Percentage (%) of increase compared to the previous year		4	5	3	0.05	4

24. Within the structure of the municipal waste in Romania, the highest percentage is held by the household waste (approx. 81%), while the street waste and the ones generated by constructions & demolitions hold about the same share – 10%, and 9% respectively. Over 90% of these wastes are disposed in landfills.

25. The composition of the household waste in 2008, as indicated in **Figure 9**, had around 50% of biodegradable waste; about 27% of it belongs to the recyclable category.

Figure 9 – Composition of the household waste (2008)



26. The management of the biodegradable waste in Romania remains a problem difficult to be solved. Although the last years showed a decrease of the biodegradable share within the municipal waste, from 72% in 1998 to 61% in 2002, and approx. 50% in 2008, the total quantity of biodegradable waste/head/year increased in this period of time due to the fact that the overall municipal waste generated augmented.

27. In Romania landfills remain the main option for municipal waste disposal (98% of the municipal waste generated within a year is disposed in landfills).

28. The evaluation of the existing landfills in 2004 revealed that 240 of them did not comply with the requirements of the EU relevant directive. During the negotiations on the environment chapter,

[8] The official statistics are available only up to 2008.

Romania committed to cease disposal on 139 landfills until July 16, 2009 and on the remaining 101 municipal landfills between that date and July 16, 2017.

29. In practice, within 2004 - 2009, Romania ceaced the activity on 135 noncompliant municipal landfills, at the end of 2009 remaining operational 101 noncompliant landfills mentioned above (having a transition period for compliance), plus other 4 noncompliant landfills that did not ceased their activity until the deadline (**Table 10**).

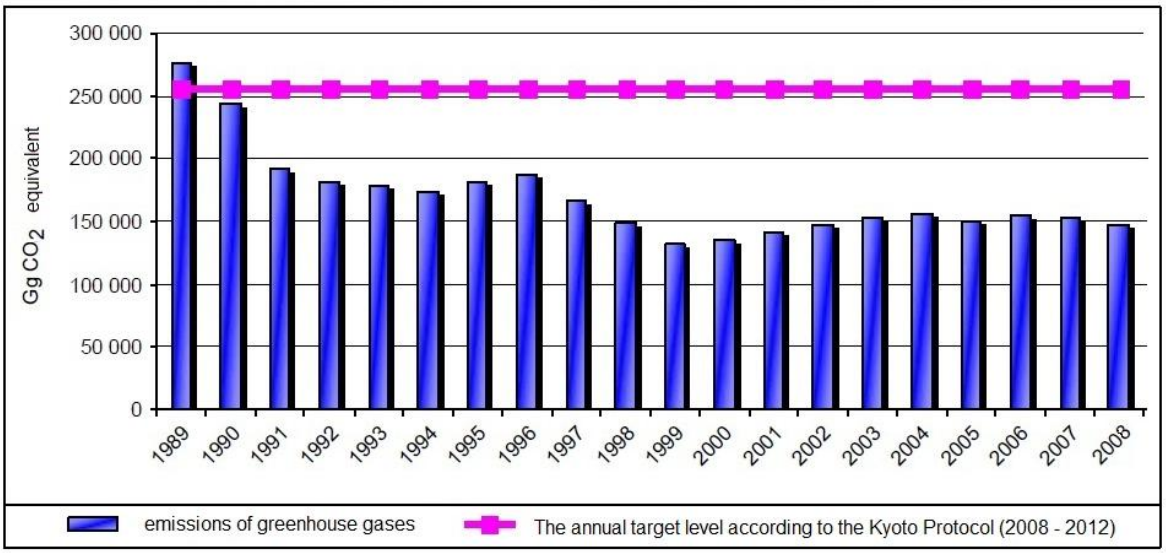
Table 10 – Quantity of disposed waste on the 101 noncompliant landfills

	2006	2007	2008	2009
Quantity of disposed waste on the 101 noncompliant landfills (mill. tones)	1.96	2.16	2.19	2.01
Maximum admitted quantity according to the Accession Treaty (mill. tones)	3.87	3.24	2.92	2.92

(*Source: National Environment Protection Agency)*

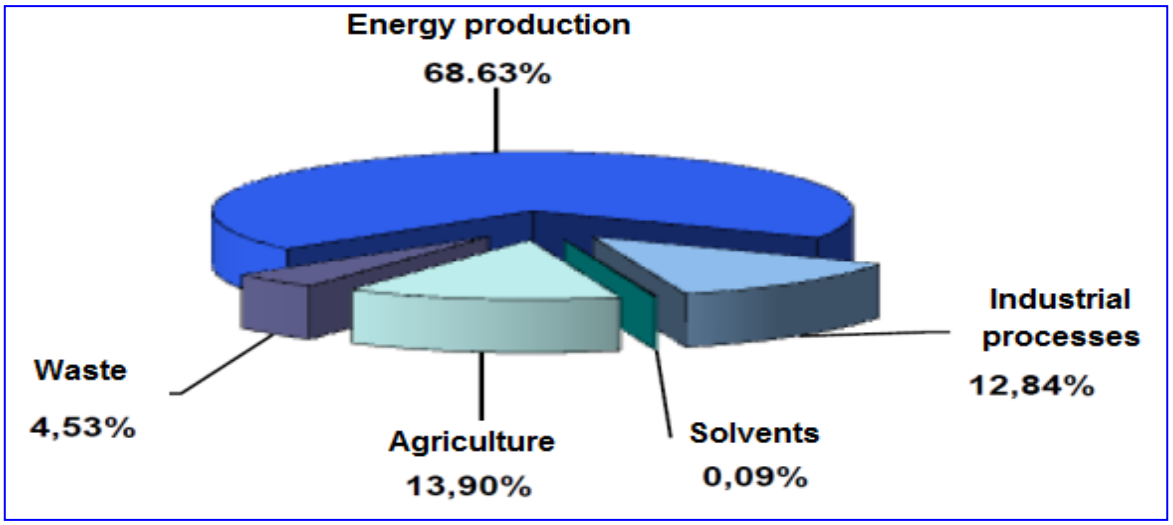
30. **PA3 Decrease of pollutants' emissions in LCPs (large combustion plants).** Of all emissions generated by the burning of fossil fuels in LCPs, much attention is given to the greenhouse effect gases. Due to economic mechanisms applied in Romania in the last 18 years, the levels of greenhouse effects emissions are situated much under the annual thresholds established according the Kyoto protocol (**Figure 11**).

Figure 11 – Levels of the total emissions of greenhouse gases



31. A shown in **Figure 12**, in 2008 the energy sector had the highest contribution to the total emission level of greenhouse gases (over 68%).

Figure 12 – Contribution of economic activities to the total emission level of greenhouse gases (2008)



32. **PA4 Conservation and development of biodiversity sustainable development.** At European level, Romania holds the most diversified and valuable natural patrimony; the surface of the protected natural sites of national interest, related to the surface of the country is 7%, and the total surface of the Natura 2000 sites, related to the surface of the country is 17,84% (in 2009). The total surface of the natural protected areas in Romania covers approx. 20% of the country's area.

33. Biological diversity faces a continuous threat because of the intensification of economic activity, which puts increasing pressure on the environment. In particular, there is an increase of anthropogenic pressure in the form of increased land occupation, development of agriculture and economy, landscape and ecosystems change, natural space destruction, unreasonable soil use, and over-concentration of activities in sensitive areas having a high ecological value.

2.1.2 Relevance of the changes on the OPs (Q2)

SOP Transport

34. **Projects in the SOP T continue to remain relevant in the long run, beyond the economic crisis**. The routes of projects under PA1 are on the TEN-T axes, which will continue to represent a substantial share of the traffic in Romania, both national and international (e.g., on railways, 50% of the traffic is on the TEN-T axes, which constitute 20% of the infrastructure). Road projects under PA2 and other projects on EU technical specifications, while not effectively prioritized, are at least contributing to achieving Romania's commitments in the accession negotiations with the EU (Chapter 9 – Transport), e.g. for roads these should be open to international traffic and bear 11.5 t/axle loads; for railways the speed must be 160 km/h for passengers and 120 km/h for freight. Large investments in less visible, hence politically unattractive measures, such as traffic safety, signalling and traffic monitoring are usually neglected in national strategies and are therefore good candidates for SOP T. A KAI on inter-modal transport development, though another 'ideal' candidate for the SOP T in terms of complexity potential outcome (competition among modes for the most efficient alternative) has unfortunately been delayed, because of difficulties in setting up an appropriate institutional

framework (ref: **Section 2.3.2**). However, the discussion will be reopened in a broader context in the preparation of the next SOP T, in a more comprehensive approach (for several large cities on main corridors and involving more than just two modes).

35. **The most important – crisis-related – factor that could affect the relevance of the projects and priority axes is traffic variation**. The extent to which variations in traffic demand will impact on the economic indicators of major projects is difficult to ascertain, and is not being considered by beneficiaries and MA for the re-assessment of the current portfolio of projects. In economic terms, there are two possible impacts that must be considered:

(i) ***technical efficiency***: Does the financial net present value (NPV) of the present project remain positive?

(ii) ***allocation efficiency***: Are there other, potentially better projects (opportunity costs)?

36. Based on the two criteria, as explained below, **it is expected that the major projects on rail (PA1), the railway station rehabilitations (PA2) and some smaller road projects on PA2 would need a reassessment** to identify whether they continue to be relevant in economic terms. Such a reassessment may take place in 2012, when the possibility of reallocation of funds between projects and axes will be analysed by the MoT, together with the European Commission (EC). While this reassessment is necessary, as it will generate information for the future, it still will not be the only consideration for the reallocation of funds. The latter also depends on other policy constraints (e.g., in the case of rail projects the risks associated with the re-opening of a two-year discussion on technical specifications). The reasons why the above-mentioned projects have to be subject to reassessment on economic feasibility, whereas the other projects are expected to remain relevant, are summarized below.

37. **Roads**. On **technical efficiency**, the feasibility studies for roads include sensitivity tests for a variation of -20% in expected traffic. The projects that are selected for investments are those with a positive NPV, even under these conditions. Thus, since the drop in GDP has not been more than 7.1% and traffic/GDP elasticity is 1-1.1 (according to the assumption adopted in SOP T), all projects are expected to remain relevant, as long as the feasibility studies are sufficiently recent (i.e. not older than three years). In addition, Romania's need for road infrastructure development is not determined solely by economic growth, as indeed the SOP T correctly points out. Romania's infrastructure has experienced years of neglect, and the growth of road traffic and car ownership has exceeded substantially GDP-growth after 1990, when the strict regulations on car ownership/road transport and railway use for freight transport for distances over 50 km were abandoned. The lingering effects of this 'catching up' process are visible in the form expansion of car ownership even under the current crisis conditions and despite a temporary reduction in traffic, as indicated in **Figure 1** (e.g., the number of individual cars in use rose from 4 million in 2008 to 4.2 million in 2009)[9]. **Road traffic will be less influenced by a temporary GDP contraction in the next period and recover once GDP-growth resumes**. In addition, large investment projects have benefits accruing over at least 20-25 years, extending beyond the current crisis that affects transport operators. The major construction projects will also be finalized in several years, after the effects of the crisis will have been partly amortized.

[9] Ref: www.mt.ro, Statistics.

38. It would be extremely difficult to capture the immediate effects of the crisis in terms of short-term traffic reduction, considering that the available capacity in the Romanian government for traffic forecasting is not yet refined enough. There is at present no adequate capacity for traffic forecasting in Romania across all transport modes, or even within each mode[10].

39. In terms of **allocation efficiency**, the motorway projects on the European corridor (PA1) remain relevant in the long run, as there is also practically little 'competition' from alternative projects. The question is **whether the proposed projects under PA2 (bypasses for smaller towns – consultancy and construction, and the rehabilitation of certain sections of national roads) are or continue to be the most relevant use for the European Regional Development Fund (ERDF) resources**. While road projects under PA1 have remained as in the initial SOP T (an indication of continued relevance), some projects under PA2 have changed. According to the MoT the new projects were selected as they were eligible and more mature, and the bypasses were included for financing from ERDF (construction or preparation of bidding documents) following TA recommendations in respect of prioritising several bypasses. However, there is no indication whether the newly included bypass-related activities (bidding documents for 21 bypasses and construction of 3) have a higher priority than other potentially eligible projects under PA2, such as rehabilitation of other national roads.

40. **Rail**. The railways construction projects under PA1 are confronted with an atypical situation. Some of the sections on the European corridor were initially planned at a certain technical specification (160 km/h on 27-50% of total track length), but the final technical specification accepted by the EC after two years of discussion was much higher (160 km/h on about 90% of total track length)[11]. This technical specification is in line with the European Agreement on Important International Combined Transport Lines and Related Installations (AGTC). Applying this technical solution means 2.2 BEUR of additional cost, with potentially the same quantity of traffic. The economic internal rate of return (EIRR) at lower standards was 5.6%, just slightly above the limit of 5.5% for the project to be considered beneficial to the society in the expected traffic forecasts[12]. Thus, on **technical efficiency**, the EIRR for the higher technical standard is probably much lower because of the higher costs and expected lower traffic, and does not justify the additional expense. Reportedly, EIB is not willing to co-finance one of the sections under the new technical specifications, while they would have accepted the lower standard, which is an indicator that the new solution is

[10] Romania does not have the capacity to forecast multi-modal traffic. It is understood that the Transport Master Plan, a draft strategy prepared in 2008-2009 for the MT and supposed to prioritize projects for SOP T, has been rejected because of the failure to provide a solid traffic forecasting model. In roads, CNADNR's Centre for Technical Roads Studies (CESTRIN) makes 5-yearly traffic counts and employs various softwares for traffic forecasts. Unfortunately, these are not considered very reliable even within CNADNR. Recently, inputs to traffic forecasting in roads deemed valuable by CNADNR staff have been provided by JASPERS (Joint Assistance to Support Projects in European Regions) to national authorities. Feasibility studies for major road projects contain estimates made individual project, in the absence of a model that could be consistently applied. For rail transport, there is a general acknowledgement that projects proposed are not justified in economic terms, regardless of the crisis.

[11] The sections under debate in this phase were Radna (km 614)-Simeria and Sighisoara-Brasov, which will slip into SOP T 2014-20. The 2-year discussion and the approval of the design for the line also affected the 3 sections that will be prepared in due time to be financed and implemented in 2007-13+2 and which are actually the 3 contracts that were never an issue (since it concerned a line that could be upgraded to 160 km on the same alignment).

[12] This is based on secondary data collected from National Railways Company and EIB representatives..

suboptimal in economic terms, also in respect of **allocative efficiency**. Thus, the higher specifications would save relatively little travelling time (only about one hour), which would not attract substantial new traffic) at significantly higher costs and will use the resources allocated to the railways in two programming periods of SOP T, instead of just the current one. A better alternative might have been to accept lower speed specifications, use less financial resources and discuss with the EC to finance other projects (e.g., build a TGV line by 2025) within the financial envelope of the two programming periods of SOP T. Under the current technical solution and financial envelope, Romania will have only the Bucharest-Curtici line by 2025, while at the same time MoT cannot find the financing for adequate rolling stock for operators to travel at 160 km/h (passengers) and 120 km/h (freight). The EC has accepted the project to be split up for financing under two SOPs, otherwise the total Romanian contribution would have been much higher than if MoT had decided to finance the lower technical standards solution in full from state budget sources. In addition, judging by past experience, CFR will probably not have enough resources to ensure adequate maintenance and the lines could have speed restrictions several years after construction. A case in point is the Bucharest-Campina line, which was designed and constructed for 160 km/h, but on which the average speed is 100 km/h. The fact that the **rolling stock purchase included under KAI 2.2 *Modernization and development of national railway infrastructure and passenger service* was deemed ineligible for EC funding by DG Regio (because of state aid issues)** means that the operator (CFR Calatori) would have to purchase rolling stock for the 160 km/h speed, using own funds. This is unlikely, given its chronic lack of resources for upgrading its 30-year average old rolling stock. On top of this, since the railway line at the higher technical standards would be finished several years later (by 2022), when Romania would also have finalized the competing motorway on Corridor IV. Several additional years of rail speed restrictions during construction of the railway could contribute to the modal shift from rail to roads in the meanwhile.

41. Despite the fact that the above-mentioned rail construction projects are reportedly suboptimal in economic terms and will become even less relevant after the crisis, **it is debatable whether the rail projects on PA1 can be effectively reconsidered in 2012**. The debate on the technical specifications has taken two years, and the reopening of this sensitive issue might just lead to longer discussions and would delay the projects even more. Therefore, for the current SOP T, the technical solution agreed with the EC (three sections at the higher standards) remains in place not only for the reason of compliance with the European standards, as previously indicated, but also because it was considered that a more performant railway will compete with the motorway on the respective corridor

42. The last railways project under PA1 (ERTMS[13] II Pilot, traffic monitoring), which is a pilot for future traffic monitoring along the entire rail corridor is relevant, to the extent that the design speed of 160 km/h is relevant in itself and not connected to the crisis.

43. The projects under PA2 consist of rehabilitation of railway stations and bridges. Bridges are important not only for transport, but also for safety reasons, so the crisis affects their relevance less. The **economic efficiency of the rehabilitation of stations must be carefully appraised, based on previous experience and future traffic forecasts**. Thus, in the past, CFR had a number of similar

[13] Electronic Railway Traffic Monitoring System.

railway stations modernization projects (to attract traffic), sponsored by EIB or EBRD (e.g., Constanta, Brasov, Bacau, Suceava and Iasi). The modernization included commercial spaces that CFR could let to private companies to earn additional revenue. Since CFR decided not to let real estate below a certain price (but which was higher than what the market was willing to offer), the spaces remained empty and deteriorated rapidly, thus partly negating the benefits of modernization.

44. With regard to **waterways**, the Danube projects (KAI 1.3 *Modernization and development of water transport infrastructure along the TEN-T priority axis 18*) remain relevant, also in view of the objective to increase the market share of water (river) transport; KAI 2.3 *Modernization and development of river and maritime ports* (works on Constanta port) remains relevant in the long term, as well as the management system for traffic on the Danube.

45. The **air transport** projects are in too early a phase to assess. The EC recently approved the state aid scheme and the applicant's guide was finalized in 2010. The selection criteria for airports should be made strict enough to allow only the most relevant airports to benefit from financing, instead of spreading the available financial envelope thinly over too many airports with very low traffic.

SOP Environment

46. The changes in the socio-economic environment resulting from the economic crisis do not affect in any way the relevance of the interventions under SOP ENV. The needs identified during the programming period (investments included) remain as relevant as initially estimated. Needs analysis started from the requirements of compliance with EU environment standards, being agreed through the Accession Treaty and this is not connected to the economic crisis.

47. The economic climate may influence SOP ENV to some degree as follows:

- The composition of municipal waste regarding the share of some components (e.g. the quantity of construction waste could be bigger in economic growth periods, as well as the electric and electronic waste; under economic crisis conditions, the above mentioned types of waste may decrease to a certain degree);
- The capacity of state-owned or private companies to observe the deadlines established through the compliance programmes that are conditioning the operation permit or through internal management programmes.

48. It is possible to carry out all investments estimated to be necessary for achieving the applicable objectives through implementation of projects in the pipeline, the major ones being prepared with TA. Under these circumstances, all KAIs remain relevant for SOP ENV.

49. KAI 2.2 *Rehabilitation of historically contaminated sites* is no longer highly relevant, for reasons unconnected to the current economic situation, but rather to as a consequence of national legislation and ownership of historically contaminated lands. The contaminated lands are usually large former industrial sites, which are predominantly privately owned. Unless local authorities are the owners of the sites, interventions on these sites are not eligible under SOP ENV. However, the potential beneficiaries for SOP ENV (public authorities) do not have the *capacity* to apply for and make use of all the funds allocated to this purpose.

50. The database of historically contaminated lands was created with EU pre-accession assistance. Out of 1,800 sites, local authorities own only six. Applications for three sites to be financed under SOP ENV were under preparation. When funds were allocated under the PAs, these figures were not known. The three projects cover only a part of the allocated funds. For the balance of funds available, there are two possibilities: either to reallocate it to KAI 2.1 *Development of integrated waste management systems and extension of waste management infrastructure*, or to elaborate three more applications for the remaining contaminated sites. The later option presumes local authorities' willingness to advance the cost of preparation, for reimbursement once the projects are approved and contracted.

51. Due to a large variety of historical pollution correlated with an even larger diversity of geological environment, each combination of these factors requires a specific solution. It is therefore inappropriate to approach the rehabilitation of historically contaminated sites through pilot projects, as they mostly cannot be replicated.

2.2 Consistency

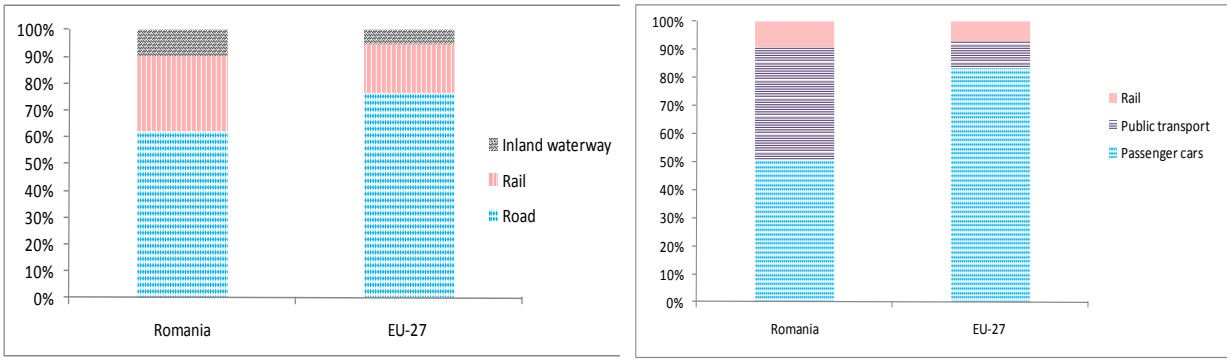
2.2.1 Complementarity of the implementation (Q3)

SOP Transport

52. The implementation to date of the projects among the PAs is not complementary. The railways, air and naval transport projects lag far behind the preparation of projects in the roads sector (ref: **Section 2.4**). While this is partly a problem of effectiveness of the management system and reflects differences in this respect among the entities involved, it affects the outcome of the implementation of the entire SOP T.

53. Over the past two decades, a modal shift from rail to road traffic has taken place also in Romania, even though the share of rail transport still remains higher than the average for the 27 EU Member States (EU-27) [ref: **Figure 13**].

Figure 13 – Share of rail transport – comparison with EU-27

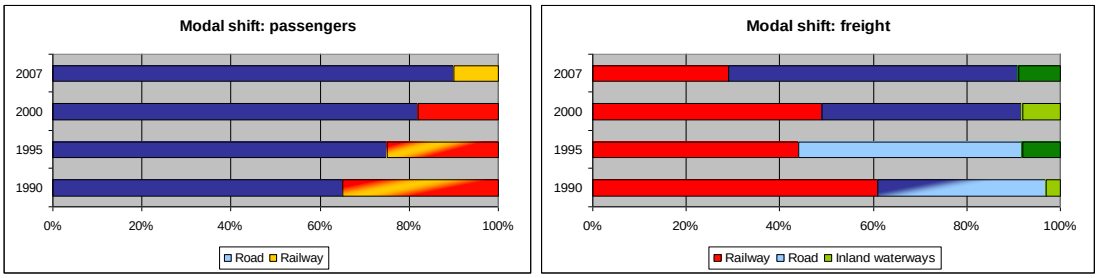


54. The total railway traffic volume in traffic units (ton/km plus passenger/km) decreased by 52% between 1995 and 2008. The railway traffic composition in terms of the ratio between passenger and freight traffic changed from 40/60 in 1995 to 30/70 in 2008. At the same time, the trend in the EU is to support rail transport for its benefits (safety and reduction of pollution). The EU has set as an objective to bring back or keep railway market shares around 15% for freight and 10% for passengers

by 2015 across all EU member states. In Romania the market share of railways is 28% for freight and 9% (already below target) for passengers[14] (ref: **Figure 14**). Both will continue to decline (by 1.5% per year according to CFR estimates), for passengers because of travel conditions and for freight because heavy industry (e.g. mines) will continue to undergo restructuring. The fact that railway projects have been substantially delayed compared to roads, combined with the fact that the originally envisaged rail construction programme will now be finalised under two programming periods of SOP T (instead of one), **reinforces the already strong shift of traffic from rail to road**.

55. The pace of preparation of rail projects under the SOP T has increased in the second half of 2010, and by the end of the year the total amount of projects submitted by CFR may be expected to cover the full financial envelope of the PAs. There remains a risk at the later stages (approval, contracting, implementation), in that it is possible that the problems in these later phases in railways may prompt the Romanian Government to seek a reallocation of funds from the rail to the roads sub-sector in the future, if railways projects should prove not mature enough.

Figure 14 – Modal shift from rail to road in the past 20 years, passengers and freight



SOP Environment

56. The objectives of the SOP ENV are fully correlated with the *National Stategy for Waste Management* and with *the National Strategy for the Sustainable Development of Romania. Horizon 2013 – 2020-2030.* The projects related to PAs 1 and 2 are complementary at the level of water resources quality improvement by reducing the intake of pollutants in groundwater aquifers and surface waters, while the projects related to PA1 are complementary, in principle, with the objectives of PA4 at the level of habitats quality improvement as it relates to aquatic ecosystems.

57. The complementarity of the PA4 objectives with the ones of KAI 5.1 *Protection against floods* will materialise only if the project solutions for combating floods effects take into account the conservation of involved watercourses ecosystems' functionality. Similarly, the complementarity of the objectives of PA4 with the ones of KAI 5.2 *Reduction of coastal erosion* will be ensured if the projects developed under this KAI have in view the improvement of habitat conditions for the main sand source for the beaches located south of Eforie (in respect of the mollusc populations on the Black Sea continental shelf).

58. SOP ENV covers a few areas of interest for regional development. That is why SOP ENV funded projects are complementary to most other OPs, thus contributing to the development of regions as a whole. KAI 2.1 *Development of integrated waste management systems and extension of waste management infrastructure* finances large infrastructure projects for waste management. The

[14] World Bank, 2010

National Rural Development Programme (NRDP) finances small local infrastructure projects for rural areas (especially facilities of selective waste collection and local composting stations). PA3 finances Large Combustion Plants (LCPs) related to municipal heating systems owned by local authorities, whilst the OP for Increasing Economic Competitiveness (SOP IEC) finances LCPs that supply electricity to the national energy system. The same complementarity is between the PA1 of SOP ENV and the measure 322 of the NRDP, related to the infrastructure of waste water. In fact, there is a protocol in place in order to avoid double financing.

59. The Regional Operational Programme (ROP) assists – in the context of its PA1 *Support of Sustainable City Development* – the rehabilitation of historically contaminated lands in urban growth poles, where owners are private entities. This is complementary with SOP ENV PA2, KAI 2.2 *Rehabilitation of historically contaminated sites* (ref: **Section 2.1.2**).

2.2.2 Coherence with recent major relevant policies/strategies (Q4)

SOP Transport

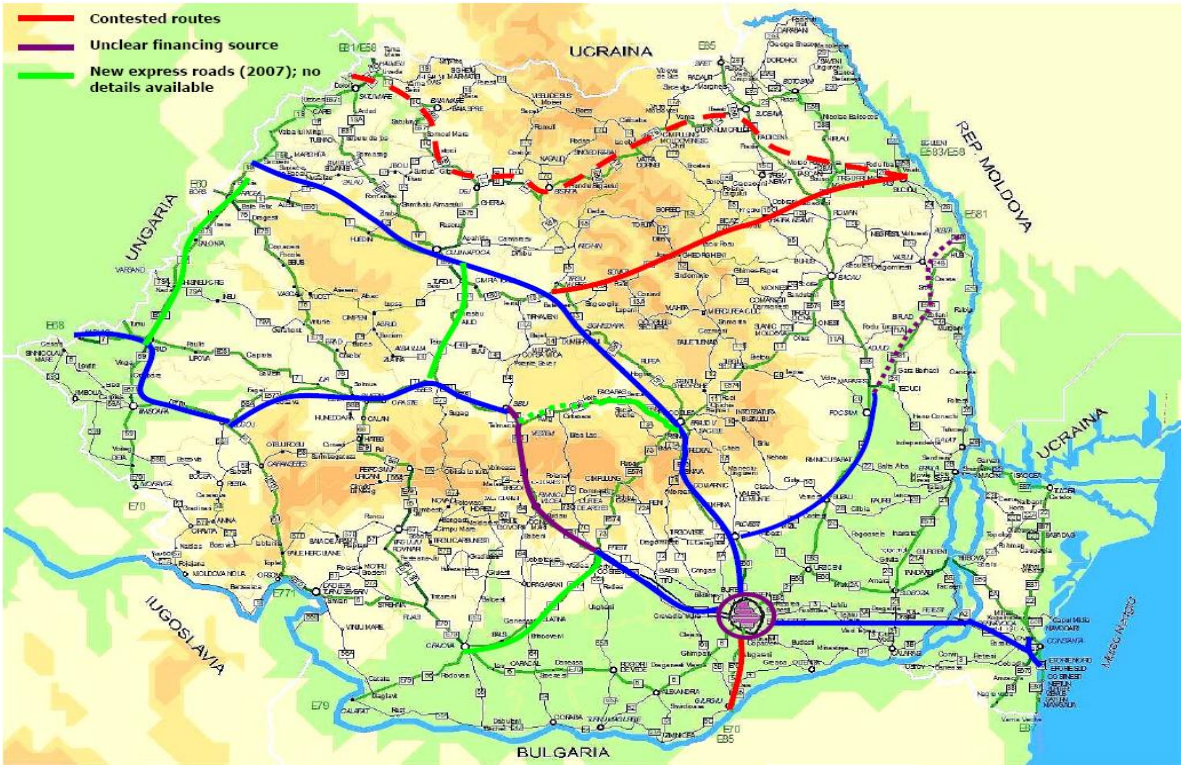
60. There are substantial issues in terms of relevance and economic benefits, particularly issues with regard to economic justification (ref: **Section 2.1.2**). But beyond economic relevance, a major benefit of the SOP T is the **stabilization effect on transport strategies**. In a volatile political environment like in the Romanian transport sector, this effect is critical for the finalization of major investment programmes, which take at least 5-7 years from the planning stage to the final delivery of the works.

61. The transport sector has had serious problems of implementing long-term strategies, an issue highlighted in all reports on the institutional setup of the sector[15]. Even with the delays and issues highlighted in the current report, **SOP T remains one of the very few programmes in the transport sector, which is pursued consistently, beyond one electoral cycle**. It is also the only programme that considers all modes of transport in a single package. Before the advent of SOP T there was no previous comprehensive and stable strategy for the transport sector. An attempt in 1998 to implement a Master Plan was immediately abandoned. Various strategies of different ministers such as the 2003 strategy, still on MoT's website, was abandoned within two years from elections (ref: **Figure 15**). Past experience shows that even on a single mode, only the programmes benefiting from external assistance or subject to external conditionality are actually pursued in the longer term (e.g., the rehabilitation of national roads in 15 stages, financed by IFIs and from the national budget, which started in 1994 and is currently at stages 4-6).

62. Because of all the above, the drive for full absorption of funds could actually be hazardous, if taken to extremes (ref: **Section 2.3.2**). The attempt to absorb funds in full without proper attention given to the overall programme outcome (targets and objectives) would push for an unbalanced focus on faster disbursing KAIs instead of on transport sector development priorities. This could undermine the internal coherence of the SOP T, with – since it is the only strategic foundation – very substantial impact on the long-term development in the sector.

[15] World Bank, Romanian Academic Society, Romanian Center for Economic Policies.

Figure 15 – Alternative routes related with different motorway strategies



63. The EU-funded projects are the most stable. For all others projects (such as those not on EU corridors, financed from own budget sources or by proposed public-private partnerships, and express roads) the terms are changing frequently, generally within less than one year (alignment, financing, opportunity and connection to strategy). For example, the expressways plans proposed in 2007 were abandoned completely after 2008, whilst the Pitesti-Sibiu segment of motorway on TEN-T 7 is no longer proposed to be a public-private partnership (since it is now considered unrealistic because of high costs and the risks attached).

64. SOP T could trigger some action in the preparation of other, complementary, but never properly prepared strategies. For example, the roads and railways sub-sectors have never had comprehensive and prioritized maintenance strategies, despite substantial efforts (supported by the World Bank and various consultants)[16]. Such strategies are now required by the SOP T, which creates an opportunity to finally rationalize maintenance. In terms of effectiveness of EU conditionality, the EC has managed to push for a clear commitment to establishing a toll policy for motorways. This was a requirement for EC approval of the request for financing of the Arad-Timisoara motorway (PA1, KAI 1.1 *Modernization and development of road infrastructure along the TEN-T priority axis 7*). The

[16] The major cause for the incapacity to prepare a feasible, prioritized maintenance strategy in both roads and railways is the persistence of 'normatives', and the budgetary practice to ask for more and get less. The maintenance programmes in roads and railways are based on normative principles such as 'every road needs resurfacing every 5 years' – regardless of traffic and deterioration, and 'each track of characteristic X or sleeper must be replaced every 3 years'. The resulting programmes are unrealistic and financially unsustainable, and there is no incentive for prioritization (particularly in railways, where improper maintenance is also a risk for safety and in case of an accident the person who has not requested funding for repairs is criminally liable). Therefore, the financial allocation for maintenance for roads is typically 1/3 to ½ of the requested budget, whereas for railways it is under 10%.

purpose was to ensure the maintenance of motorways financed from the Cohesion Fund and ensure that if CNADNR realises net profits, these will deducted from the construction budget and reduce the EU-grant and budget co-financing contributions proportionally. The fact that now MoT finally has to clarify the toll (road user charges) policy is crucial for the transport sector, as it creates the prerequisites for redefining infrastructure financing in a more coherent fashion.

65. Regarding the practical coordination with other projects and strategies outside the transport sector, the only coordination evidence is that the MoT has representatives on the Monitoring Committee (MC) of ROP and provides information on existing projects relevant to development poles.

SOP Environment

66. Operations financed through SOP ENV observe the principle of sustainable development and were selected on the basis of a long-term development strategy for the sector, which takes into consideration the economic, social and environment dimensions in an integrated way. SOP ENV operations are compliant with EU environment policy objectives in respect of conservation, environment quality protection and improvement, rationalisation of natural resources use, as well as human health protection.

67. Projects financed through PA1 and PA5 have to observe the European Directives specific to each field (including, respectively, the Water Framework, Waste Framework, Habitats, Wild Birds Conservation, Limitation of Certain Pollutants Generated by LCPs and Flood Management Directives).

2.2.3 No actual overlaps (Q5)

SOP Transport

68. SOP T is fortunate in that, from an overlap perspective, most major projects were known well in advance of the preparation of the programme and project selection is not based on competition between beneficiaries. The **coherence and avoidance of overlaps with other EU and national programmes was checked during the programming phase of SOP T**. The approved version of the projects also considered the ROP projects, the links with the NRSF and other strategies or projects financed from national sources.

SOP Environment

69. The 2009 Implementation Annual Report pointed out several cases (in particular in the water sub-sector) of *potential* overlaps between projects financed through SOP ENV and projects financed by different institutions and financing sources (including the Ministry of Regional Development and Tourism, MRDT – Investment National Company, MRDT – Phare Programme, Chancellery of Prime Minister – Ordinance 7/2006, Ministry of Environment and Forests – Environment Multiannual Programmes and the Environment Fund Administration). In order to avoid overlaps and correlate investments, adjustments and even changes of technical solutions within projects have been made. The MA and IBs managed to avoid 'double-financing' situations. However, considerable delays have been experienced with regard to finalising applications, especially because of the lack of ownership of projects on the part of local authorities.

2.3 Effectiveness

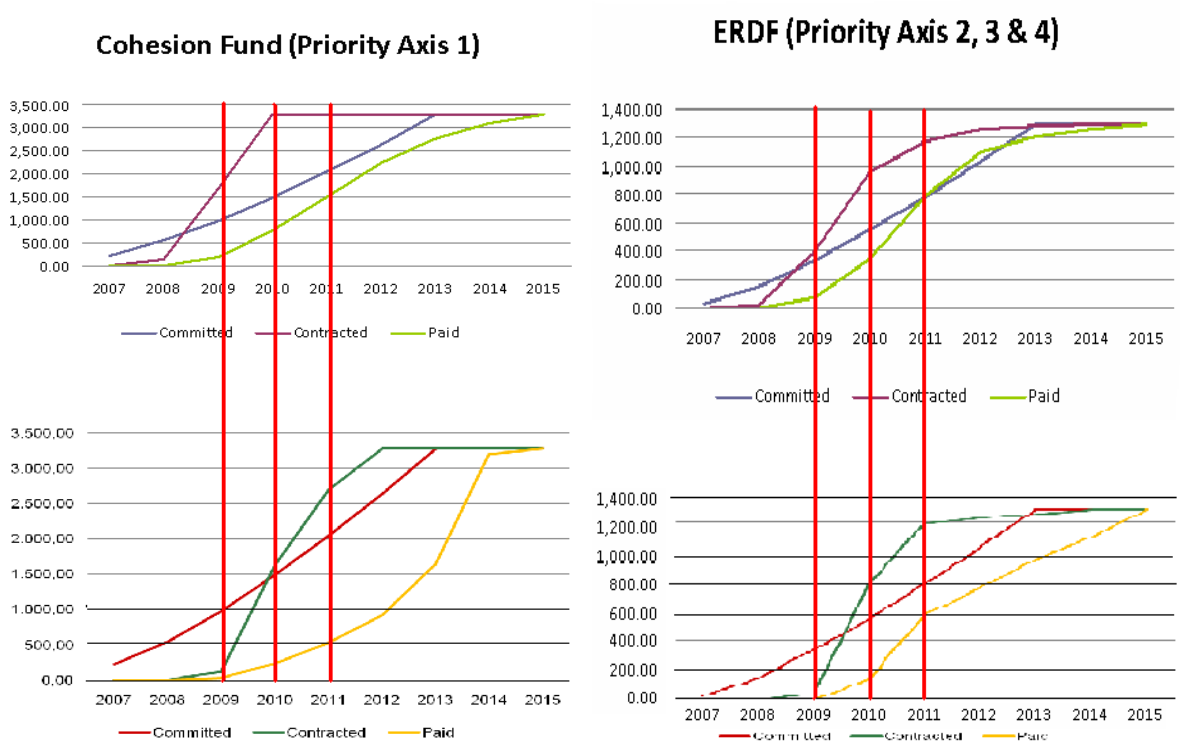
2.3.1 Actual progress in implementation (Q6)

SOP Transport

70. SOP T is clearly delayed compared to initial progress estimations. **Figure 16** compares, as an example, the expectations formulated at the MC meeting in November 2008 (top) with the expectations at the latest MC meeting in June 2010 (bottom). While the MC discusses progress and takes note of the projects or KAIs not launched, its expectations with regard to the project pipeline and absorption seem to reflect the slowest acceptable evolution to ensure full absorption, instead of **actual implementation capacity** (as observed by the EC representative during the June 2010 meeting of the MC).

71. The latest Annual Implementation Report (2009) does not include values SOP T targets, except the length of railway lines to be upgraded by 2015 (180 km). The expectation is that a new consultancy will be contracted by end-2010 to revise these targets and propose some intermediary figures for the remaining years. But the current assumption on which the MA and beneficiaries operate is that the measure for success of the SOP T implementation is full absorption, which could explain why there is little sense of urgency for the redefinition of the OP's targets.

Figure 16 – Differences in plans from November 2008 vs. June 2010



72. The following indicators have been used to illustrate the factors that influence progress, based on the model used in the NSRF Evaluation report[17]:

- popularity ratio (requested grant/allocation);
- admin processed ratio (admin processed grant (under evaluation and approved)/requested grant);
- approval ratio (approved grant/admin processed grant);
- contracting ratio (contracted grant/approved grant);
- payment (advance or re-imbursed) ratio (paid grant/contracted grant);
- absorption ratio (re-imbursed or pre-financed grant/allocation in the period 2007-10).

Table 17 – Process factors influencing progress of the PAs and KAIs for SOP T (%), as of October 15, 2010

Priority Axis/Key Area of Intervention	*Popularity ratio*	*Admin Processed Ratio*		*Approval Ratio*		*Contracting Ratio*		*Pay-ment Ratio*	*Absorption Ratio*
		No. of projects	*Grant*	*No. of projects*	*Grant*	*No. of projects*	*Grant*	*Grant*	*Grant*
PA 1/KAI 1.1. Roads TEN-T 7	190	100	100	33	9	100	100	30	5
PA 1/KAI 1.2 Railways TEN-T 22	130	100	100	0	0	0	0	0	0
PA 1/KAI 1.3 Water transport TEN-T 18	0	0	0	0	0	0	0	0	0
PA 2/KAI 2.1 National roads	252	92	97	73	60	63	72	0	0
PA 2 / KAI 2.2 National railways	28	100	97	17	28	0	0	0	0
PA 2/KAI 2.3 Ports	156	100	101	40	80	100	100	0	0
PA 2/KAI 2.4 Air transport	0	0	0	0	0	0	0	0	0
PA 3/KAI 3.1 Inter-modal transport	0	0	0	0	0	0	0	0	0
PA 3/KAI 3.2 Safety	46	100	98	83	34	100	100	4	1
PA 3/KAI 3.3 Environment mitigation	227	100	100	25	1	100	100	49	1
PA 4/KAI 4.1 TA for SOPT	2	89	100	100	100	100	9	8	0
PA 4/KAI 4.2 Publicity SOPT	13	100	100	100	100	100	100	1	0
TOTAL 15/10/2010	**140**	**96**	**100**	**57**	**16**	**86**	**83**	**10**	**2**

NB: Absorption ratio = popularity x admin processed x approval x contracting x payment

[17] Ministry of Public Finance, Authority for Coordination of Structural Instruments (ACIS), Conducting evaluations for the Period 2009-10: First Draft of NSRF Evaluation Report, June 2010.

73. While the other administrative processes of the OP seem to support progress, the major bottlenecks for absorption as of October 2010 seem to remain the approval and payment ratios[18]. However, the relatively very low approval and payment ratios in comparison with the popularity ratio must be interpreted with care: as previously explained, it signals a drive for absorption and submission of major projects in the past year. We can expect the approval and contracting ratio to improve in 2011 after the finalisation of the evaluation of newly submitted projects. To ensure that these ratios indeed improve, attention must be paid to the capacity of the staff and departments that are involved in the evaluation, approval and contracting processes. Contracting and payments also depend on available financing; even though the MoPF wants to improve the absorption of EU funds, the implementation of a MTEF means that MoPF, MoT and beneficiaries need to have stable budgets during the year and not have to rely on ad hoc budget amendments.

74. In terms of popularity, the situation has improved significantly since the cut-off date of the NSRF evaluation (June 30, 2009), when the value of submitted projects amounted to only 14% of total allocation. This indicates the drive for full absorption, which however might not be the best long-term solution. The popularity ratio indicates a wave of new projects submitted for financing under SOP T in the course of 2010 (e.g., a total of 1.38 billion EUR have been submitted in January-October 2010 under PA1 railways alone), which are currently under evaluation.

75. With regard to the large KAIs, the current total of projects submitted exceeds the total allocation (the exception seems to be KAI 2.2 *Modernization and development of national railway infrastructure and passenger service*, but CFR envisages to submit additional projects that will cover the allocated amount in full by the end of the year). The KAIs with lowest popularity (and which might trigger the need for reallocation after the discussion with the EC in 2012 or could extend in the next SOP T) remain:

- water transport on TEN-T 18 (KAI 1.3 *Modernization and development of water transport infrastructure along the TEN-T priority axis 18*). This KAI will very likely need reallocation after the discussions with the EC in 2012, particularly because of the environment issues expected to appear on Portile de Fier II Calarasi and Calarasi Braila second phase (ref: Box 16);
- air transport (KAI 2.4 *Modernization and development of air transport infrastructure*), where the guide for applications has been finalized in 2010 after discussions on state aid and the amount allocated is relatively small;
- inter-modal transport (development of logistics for transfer of traffic from one transport mode to another). The main issue with this intervention area has been one of clarifying the institutional framework to establish ownership for the project (local, from local authorities, or national, from beneficiaries CFR and CNADNR). The amount is very small, but the project objective is critical for the development of a competitive transport infrastructure (facilitating choice for the most efficient transport mode). This KAI will be launched in 2011. It is foreseen that funds from this KAI will be reallocated and by the next SOP T the approach is likely to be amended (instead of focusing on inter-modality, a broader policy would be followed, meaning the development into

[18] Since then, one major project has been approved by the EC – Arad Timisoara, 124 MEUR.

hubs for all transport modes of some major cities on main corridors – Bucharest, Constanta and Timisoara).

- the TA for transport (KAI 4.1 *Support for effective SOPT management, implementation, monitoring, and control*) needs to be allocated soon to ensure that beneficiaries have the capacity to implement projects; the MA and beneficiaries are proposing lists of needed TA by end-2010.

SOP Environment

76. There is progress with regard to the establishment of structures, procedures and practices related to implementation. In most cases, there has been good progress in launching calls and in obtaining responses to these calls. Still, responses to calls have been quite variable, with some calls heavily over-subscribed and others under-subscribed.

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

78. The financial progress of SOP ENV can be measured at a number of stages: value of applications, value of approvals, value of contracted projects and value of actual payments (**Table 18)**. These values can be compared either with the allocation for the whole period or for the allocation for the years 2007-10[19].

79. Although the cut-off date for the present review is August 31, 2010, the MA for SOP ENV preferred to present the most recent implementation status, due to progress made since the cut-off date.

Table 18 – Process factors influencing progress of the PAs and KAIs for SOP-ENV (%)

Priority Axis/ Key Area of Intervention	*Popularity Ratio*	*Admin Processed Ratio*	*Approval Ratio*	*Contracting Ratio*	*Payment Ratio*	*Absorption Ratio*
PA 1/KAI 1.1 Extension and modernization of water and wastewater systems	212	100	47	100	16.8	16.7
PA 2/KAI 2.1 Development of integrated waste management systems	158.2	100	30.8	100	8.9	4.3
PA 2/KAI 2.2. Rehabilitation of historically contaminated sites	0	0	0	0	0	0
PA 3/KAI 3.1 Restructuring & Renovating Urban Heating Systems (hot-spot)	203.3	100	45.6	69.1	0	0
PA 4/ KAI 4.1 Implementation of Adequate Management Systems for Nature Protection	278.6	50	64.6	27.3	10.4	2.6
PA 5/ KAI 5.1 Implementation of adequate infrastructure for Natural Risk Prevention	141.8	100	0	0	0	0
PA 5/KAI 5.2 Protection and rehabilitation of the Black Sea shore	8.2	100	100	100	0	0

[19] Allowing for the fact that 2010 was not finished when the data were collected.

PA 6/KAI 6.1. Technical support for the management and evaluation of SOP Env	65.8	NA	NA	68	7.4	3.3
PA 6/KAI 6.2. Technical support for communication and publicity	49.9	NA	NA	47.9	37.9	9.05
TOTAL – 31/08/2010	**182.1**	**72.5**	**58.9**	**94.6**	**15.3**	**11.3**
TOTAL – 30/09/2010	**187.8**	**72.6**	**59.4**	**94.8**	**15.1**	**11.6**

80. A comparison with the situation at the cut-off date (31 August 2010) shows the following differences:

- under PA2, one more project was approved out of the total projects under evaluation;
- under PA4, nine more projects were approved and ten more contracted.

81. As presented in **Table 18**, compared to the funds allocation for 2007-10, the value of applications submitted reached 188% for SOP ENV as a whole. Out of the total of applications submitted, 59.4% were approved. Of the projects approved, 95% projects were contracted. Payments, however, have so far reached only 15.1% of the contracted projects. The absorption rate at the cut-off date (30/09/2010) was 11.6%. This highlights the fact that a crucial issue now is the outlook for actual absorption. Causes that led to the relatively low values of process indicators presented above are detailed in the next sections.

2.3.2 Progress to date leading to achievement of OP objectives (Q7)

SOP Transport

82. If full absorption in terms of the N+2/N+3 rule is the goal of the MoT, then it can be achieved. The projects proposed for the SOP T cover the full envelope of the programme, and under the ERDF there is a chance of over-contracting in 2014. If not all of these are approved by the EC in time for full implementation, three options remain:

- propose substantial revisions of allocations on axes and KAI in 2012, when there will be a joint reassessment with the EC of the SOP T axes.
- 'bridge' projects (projects that overlap two SOP Ts and are split into two parts) – similar to ISPA experience, under which projects not finalised by applicable ISPA deadlines were moved to SOP T, it might be possible to split some projects at the end of the current SOP T, support their first stages from the current SOP T and their following stages from the next SOP T (this might well apply to the Lugoj-Deva motorway section, to be submitted for EC for approval in 2011).
- inclusion in SOP T of projects that are currently envisaged to be financed from other sources (including the national budget). They only have to meet eligibility criteria and be contracted under the national rules applicable also to EU projects. In other words, the beneficiaries can submit a financial application on such projects for EU financing, even if they were already started with other financing, provided these meet the eligibility requirements.

83. However, full absorption *per se* should not be the ultimate goal of SOP T, but the achievement of certain output/outcome indicators relevant for the entire SOP T programme as a coherent package, or at least the progress in the achievement of physical targets. So far, there are no

intermediary targets, and the initially set final targets are now under reassessment (ref: **Section 2.3.1**). Not focusing on such programme targets could undermine the balanced implementation of the SOP T and favour the better performing or disbursing KAIs to the detriment of those lagging behind, in the interest of using resources as opposed to achieving agreed targets.

SOP Environment

84. All projects under implementation are in accordance with objectives established in the OP for each PA. The existing projects were designed in order to reach OP objectives. Project specific objectives are agreed with the EC in the financing contracts and are in line with those objectives.

85. Many initiatives have been taken over the last year in order to overcome obstacles, such as improvement of procedures, enhancing communication between actors and an accelerated decision-making process. Consequently, increased progress may be expected.

86. Taking into account the fact that a higher number of applications have recently been submitted, the MA for SOP ENV considers that it is likely that OP objectives can be achieved under application of the N+3/N+2 rule. Indeed, based on the evidence with regard to the application submission and contracting ratios it is likely that the OP objectives will the reached. Still, the payment ratio indicates that there are bottlenecks in implementation. The secondary and primary data collected during the review show that the problems encountered are mainly related to the public procurement procedures, which generate delays in contract implementation and, ultimately, the achievement of OP objectives.

87. **PA1** is progressing at a satisfactory level, mainly because the elaboration of most PA1 projects had started already in 2004 and represented the basis for the implementation of the OP. According to the MA for SOP ENV, additional funds are required to respond to the large existing needs in the water and wastewater sub-sectors.

88. Progress with regard to **PA2** reflects previous experience gained through ISPA TA projects, which has helped beneficiaries to prepare a sound pipeline of solid waste management projects. Investment in solid waste is financed on the basis of development of Master Plans, which form part of application documentation and incorporates lessons learnt in the pre-accession period. Related to KAI 2.1 there are important aspects that are not available in some of the Master Plans, which may have a negative effective on the project implementation and sustainability. These include: (i) availability of specialised companies to recycle plastic, metal or paper waste; and (ii) utilisation of the compost produced in other location than rural households.

89. **PA 5** is progressing quite slowly. Progress with regard to project submission under KAI 5.1 *Protection against floods* is very slow compared to the political importance of controlling flood damage. As for KAI 5.2 *Reduction of coastal erosion,* currently there are no projects related to coast erosion control. KAI 5.2 objectives neither considering the biological dimension of the problem nor take into account the almost exclusively biogenic source of the beach sand[20] south of Eforie Sud. The coast erosion on Romania southern coast derives from ecological imbalance of the sea biocenosis[21]

[20] Sand created by the crushing of shells by wave action.

[21] All plant and animal organisms populating an ecosystem.

within the adjacent continental shelf, therefore the problem could be approached through projects developed within PA4. A Master Plan defining technical solutions for coast erosion control is under elaboration.

2.3.3 Factors contributing to the gap between actual and planned performance (Q8)

SOP Transport

90. The **internal factors** that affect project implementation mainly relate to staffing, staff turnover at management level and risk aversion.

91. *Staffing* issues refer to work overload, demotivation after the recent pay cuts in response to the crisis and shortage of personnel. There are no unitary human resources policies within the MA and the beneficiary companies, which would ensure proper and timely SOP implementation. The quality and number of staff is crucial for effective project preparation and implementation and the differences in pay and work conditions lead to high turnover and even migration from SOP T responsible departments and to other units inside the same organization. Thus, MA staff has relatively low salaries and receive the 75% bonus. However, their salary is subject to the 25% cut implemented in the summer of 2010. By decision of their respective boards, staff in the companies (CNADNR, CFR) no longer receive the 75% bonus.

92. All relevant sections (within the MA, CNADNR and CFR) signal work overload, better prospects in the private sector and being saddled with more tasks than foreseen in their job description. As indicated in **Table 19**, the situation is particularly worrying in the railways company CFR, where only half of the positions are filled. The company is concerned it may not have enough project officers for the project implementation stage starting in 2011. Within CNADNR, the major cause of faulty designs (the factor triggering most delays and cost escalations in motorway construction) is considered to be the limited time for design checks (one week on average for each complex project) and the number of staff involved, prior to submission to the Technical-Economic Committee (TEC) for approval.

Table 19 – Comparative data on staffing situation among MA SOP T, CNARDNR and CFR[22]

Staffing at 31/12/2009	***MA***	***CNADNR***	***CFR***
Filled Positions (Number)	96	111	94
Vacant Positions (Number)	4	24	79
Total Staff Complement (Number)	100	135	173
Occupancy Rate (%)	96	82	54

93. The *lack of management capability and excessive turnover 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 sector, instead of potentially eligible projects (especially in the case of project under PA 2).

[22] SOP-T Annual Implementation Report, 2009

94. *Excessive red tape and risk adversity* takes various forms, ranging from the 'normative' approach to maintenance, through complicated approval procedures for financial applications, to resistance with regard to issuing instructions or simplifying procedures. Examples include:

- the MA requests financial information in a certain format according to the Applicant's Guide. This format differs from the EC template for the request for financing and therefore requires substantial additional work to re-fashion in the format required for major projects that need EC prior approval (over 50 MEUR);
- comments from the MA concern mostly presentation, bullet points and numbering, rather than substantial issues;
- the risk aversion to take advantage of the 2009 amendment to the Council Regulation (EC) N° 1083/2006, according to which the EC can approve reimbursement of certified expenditures before the actual approval of major projects (which tends to reduce the budgetary burden but requires confidence that the major project will be approved). The MA is willing to explore the possibility of taking advantage of this crisis-related opportunity, but demands exact estimates of project costs. Beneficiaries cannot be certain of the amounts to be paid in the future on the contracts before the tenders are finalized;
- repeated reviews of the same information. The MA reviews the data in the financial application three times; in the Feasibility Study, in the Technical Proposal and in the signed contract. All these are checked also by the Technical Economic Council because there are sometimes substantial discrepancies between the three documents);
- there are missing items in internal procedures regarding the instructions (deadlines, standardization of usual documents, e.g. the differences between "Annex XXI" – the financial request in EU format and the financial request format required by MoT from beneficiaries, and inconsistent instructions issued by various departments within the MA);
- the approval process with regard to tenders at beneficiary level is complicated. For example, the CFR 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);
- since tenders cannot be launched without the necessary financing being available in the budget, the procedure is to ask small amounts of money for all projects to tender or contract, so as not to lose the allocation. This however may delay projects because of staff being overburdened with many projects and because of contracting beyond staff capacity to manage.

95. Among the **external factors** the following are the most important:

- in spite of the limited availability on the market of quality engineering consultants, legally it is difficult to create 'black lists' of poorly performing companies that would not be allowed to tender for design assignments in the future. It remains to be discussed with the procurement authority to ensure that the procedure does not unlawfully restrict the number of bidders;

- the regulations on public procurement, before the amendment of the procurement legislation in the summer of 2010, made contestations very easy. The newly amended version of Ordinance 34/2006 allows contestations to be made only if the contestant makes a guarantee deposit. The extent to which this would deter unjustified contestations remains to be seen;
- procurement checks and clarifications, for example from the Unit for Coordination and Verification of Public Procurement (UCVPP) are perceived sometimes as a burden, as well as the budgetary restrictions during crisis and possibly the Fiscal Responsibility Law, which does not allow budget amendments, are all external factors reducing the actual performance of the beneficiaries.

SOP Environment

96. The **internal factors** that affect SOP ENV projects' implementation mainly relate to limited capacity for project development and lack of project ownership, difficulties in the decision-making process, difficulties in the project evaluation phase and lacking details on the KAI 5.1 in the SOP ENV Implementation Framework Document.

97. The low quality of applications reflects the lack of local authority involvement in project preparation and the *limited administrative capacity for project development* within local administrations. Projects 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.

98. Local authorities often face *difficulties in the decision-making process*, *inter alia* with regard to: postponement of important decisions for project preparation; approval of investment priorities and Master Plans; postponement of decisions on the creation of the institutional framework for implementing regional projects; establishing Intercommunity Development Associations (IDAs) and regional operators; signing service management contracts, as well as ensuring sufficient capitalisation of regional operators. In the case of PA 2, local authorities have difficulty in identifying sites for waste management projects and consequently making decisions on this aspect.

99. The lack of continuity at decision level, due to political and management changes generates changes in investment priorities. There are many examples of infrastructure projects the location of which was changed during the design and preparation phase (e.g. for water distribution networks), requiring reconsideration of the feasibility studies, including consultations with the local community (often meeting with their rejection, especially in the case of waste dumps). Under PA5, the small number of applications is largely the result of the lack of continuity at decision level within the National Administration 'Romanian Waters' (ANAR).

100. Another source of delay concerns the *project evaluation* phase and involves a variety of factors, including:

- differences between the value of the financing contract and the actual cost of project implementation, due to changes in macro-economic indicators and exchange rate variations during the implementation stage;

- insufficient human resources on the part of MAs and IBs, combined with low salaries not commensurate with the heavy responsibilities of staff involved in OP management;
- the outsourcing of part of project evaluation (because of the need for specific technical knowledge) to contracted evaluators without decision-making powers. This requires extensive consultation between the contracting authority (which retains the ultimate responsibility for project selection) and the outside evaluators;
- often low quality of consulting services for project preparation, typically necessitating correction and completion of project documentation by the beneficiary. In fact there has not been a single case of an application that did not need improvement.

101. In the course of project implementation, beneficiaries 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.

102. The *lack of details* in the Implementation Framework Document of SOP ENV *on KAI 5.1 Protection against floods* causes a slow progress. The objective of KAI 5.1 refers to sustainable management of floods in the most exposed areas, but the framework document does not detail the expected approach to KAI 5.1 to the extent it does for the other KAIs.

103. Among the **external factors** the most important refer to the difficulties related to the public procurement process, the lack of consistency between technical solutions applied in Romania so far and the provisions of the European Directives concerning protection against floods, as well as to the contradicting interests of the private waste operators compared to the provisions of the Master Plan.

104. SOP ENV beneficiaries are confronted with a major external factor generating delays during the public procurement process, Beneficiaries have to deal with different approaches to the same problem on the part of, respectively UCVPP, NARMPP and NCSC (National Council for Solving Complaints). Addressing the issues caused by these different approaching puts project implementation on hold, until a commonly shared solution is found and adopted.

105. There is a lack of consistency between technical solutions applied in Romania on the protection against floods, on the one hand, and the provisions of European Directives and the latest developments in the field in Western Europe, including reactive solutions and pro-active solutions with sustainable development in mind, on the other hand. The minutes of the June 2010 MC meeting and the interviews conducted during the current evaluation show that three projects cannot be submitted and implemented because the solutions adopted were not compliant with legislation in force (Ministerial Order 1163/2007 on 'Measures for Improvement of Technical Solutions for the Design and Implementation of the Watercourses Works', Ministerial Order 1215/2008 on 'Criteria and Principles for the Valuation and Selection of the Technical Solutions for the Design and Implementation of the Watercourses Works', as well as Directive 2007/60/EC–WFD on the 'Valuation and Management of Flood Risk').

106. The process of project elaboration for KAI 2.1 *Development of integrated waste management systems and extension of waste management infrastructure* is affected in some cases by the involvement of local political actors, or by interests of private waste operators that may to a degree be contrary to Master Plan provisions.

2.3.4 The effect of the economic crisis on the implementation progress (Q9)

SOP Transport

107. While the economic crisis has not affected implementation directly, it could have effects in the future indirectly through potential budget restrictions (ref: **Section 2.3.1**), restructuring of the MoT and beneficiary entities, and staff lay-offs in 2011 (possibly by 25%, although it is unclear whether they would apply only to the Ministry or to state-owned companies also). The MoT and beneficiaries are preparing for a future reorganization and re-definition of structures and roles because of conditionalities imposed by World Bank, IMF and EC under the joint 20 BEUR loan. Thus, the World Bank Functional Reviews (ref: **Annex 7**) propose a major restructuring of the transport sector, whereas the IMF monitors 10 companies with arrears, including CFR, CNADNR, CFR Calatori and CFR Marfa. In addition, the Romanian Government is focusing on acceleration the absorption of EU Funds, which could lead to other restructuring initiatives. An across-the-board solution to lay off staff proportionally from all departments would be the worst solution, as this would demotivate staff and reduce capacity even more in units that are overstretched (for example, CFR project officers). There have been several TA reports and advisory services under Phare and World Bank projects containing findings and recommendations on business processes and models, market conditions and management development for the two largest beneficiaries (CFR and CNADNR) that could be used to focus the necessary restructuring.

SOP Environment

108. The availability of the budgetary resources was reported to be the single largest factor triggered by the economic crisis that affected the projects implemented under SOP ENV. Beneficiaries have difficulties in ensuring project co-financing and cash flow because the financial allocations from the state budget were reduced and the revenues from local services decreased. Although the projects from sectors considered strategic such as water, wastewater and solid waste management infrastructure benefit from the Government Emergency Ordinance N° 9/2010, which provides public beneficiaries with state guarantees, SOV ENV beneficiaries continue to have difficulties in obtaining loans. Furthermore, the bottlenecks in beneficiary entity liquidity have a negative influence on the cash flow of projects, especially when it comes to make advance payments during the last months of the financial year. This is because advance payments have to be justified by delivery of works by the end of the same financial year, typically not a practical proposition. The rule has negative impact on the cash flow of services providers and, ultimately, negative impact on the quality of services delivered by them in projects.

109. As further explained in **Section 2.4.2**, and similar to SOP T, salary cuts, staff turnover and possibly staff reductions will have a negative influence on staff motivation and performance at the MA, the IBs, as well as beneficiaries entities. This is decreasing both the efficiency and the effectiveness of project implementation.

2.4 Efficiency

2.4.1 Management system (Q10)

SOP Transport

110. The management system for SOP T is improving as the programme becomes more mature and solutions are found for problems as they are encountered. The preparation and implementation of SOP T, must necessarily be a learning process, particularly in this first programming period. There is a shared perception within the MA and amongst beneficiaries that: (i) certain problems (including economic return calculation errors and the accuracy of applications) are being solved and not repeated; (ii) the quality of applications improves with each application (applications for railway stations being a case in point); and (iii) the reasons underlying interruptions and requests for clarifications by the EC and the MA are becoming more sophisticated as SOP T advances. Since staff working in the MA and beneficiaries generally have also worked on projects financed from pre-accession funds (ISPA, Phare), the opportunity to use previously gained experience exists. However, this experience is being used only in some certain projects and not in others (ref: **Box 20**).

Box 20 – Lessons learned and remaining lessons

During the construction of the Bucharest-Campina line, the CFR saw that it cost more to contract all components of the railway construction (respectively buildings, track, electrification, signalling and interlocking) with a single company, than to contract each component separately[23]. To avoid repetition, the construction of the Bucharest-Constanta line was split into five different contracts for each of its four sections, requiring the coordination of a total of 20 contracts. The line has been under construction for almost 10 years and will be probably finalized in 2011. The delays emanate from a lack of adequate coordination of the different contracts. Delays experienced by contractors entitle them to claim liquidated damages, which subjects the project to the risk of cost overruns. The Bucharest Constanta experience showed that, in the end, concluding separate contracts for each component leads to both delays and higher costs from constructor claims. Learning from both experiences, the CFR and the MA have agreed to ensure contracts for the railway sections under PA1 are concluded with one contractor only.

In the case of water transport, major projects to be undertaken concern upgrading of Constanta port and the Danube waterway. Half of the allocated amounts (about 150 MRON) are set aside for a project (Portile de Fier II – Calarasi) that requires the deepening of the Danube to 2.5 m in several bottleneck areas. The project is likely to encounter delays due to the need for environmental approvals. To clear the way for implementation, the project will need public debate and the consent of environment NGOs, as well as the subsequent approval of DGs Regional Policy and Environment. Given the complexity of the project, and looking at what has happened in the past on the very similar Calarasi-Braila project financed under ISPA 2005, this project is risky. The contract on Calarasi Braila was signed before completion of the Environment Impact Assessment (EIA), in spite of the fact that carrying out an EIA is a condition for obtaining the second instalment of the advance payment. In the event, the Calarasi Braila project was blocked because of complaints on the part of NGOs. Even now,

[23] This evidence was drawn from comparisons with other similar contracts.

in 2010, the project still has not been approved by DG Environment. While the consultant was contracted already in 2006, four years later on the project is still not ready, with two years of delays due solely to environmental issues. The projects currently under preparation may also be expected to meet with environment-related opposition in the course of 2011, which, if history repeats itself, might mean delays extending beyond the N+2/N+3 rule.

111. Despite overall improvement, the management system for the SOP T continues to have several weaknesses of an institutional and operational character, as set out below.

112. **Institutional relationships.** The problems in this category are connected to the balance of powers between the MA and the beneficiaries, the quality of the institutional relationships between the MoT and the two largest beneficiaries (CFR and CNADNR), and administrative capacity in terms of staffing, risk management systems and continuity of procedures.

113. A fundamental problem in the transport sector is the unclear relationship between the MoT (which includes the MA) and its subordinated companies[24]. In the particular case of SOP T, this means that the ministry, which manages the operations of the subordinated companies (CNADNR, CFR), interacts directly with them in setting project or programme financing priorities. In doing so, it sometimes bypasses the MA in respect of decisions affecting major transport projects in the SOP T. For example, the fact that some projects under PA2 (the priority status of which is not well documented) have changed since the preparation of the SOP T, could indicate that these are nevertheless high on the political agenda. Thus, the Annex 3 of SOP T contains as likely projects the rehabilitation of several national roads, although the focus has shifted to bypasses.

114. Interference by MoT in operational matters affects SOP T in various forms, most obviously a lack of continuity (frequent changes in management, particularly at beneficiary level, and organization structure). The MA has seen only one change in leadership since the beginning of the OP, but changes in top level management of the beneficiary companies have been much more frequent (e.g., five successive Directors at CNADNR since the start of SOP T, mostly following the appointment of a new Minister of Transport. Similarly, the Director General of the CFR has been replaced three times since the start of SOP T).

115. The organization charts of beneficiaries are also subject to frequent change, and a new across-the-board reorganisation is expected in coming months, affecting staff morale and confusing job descriptions. Some past reorganisations were necessary, as in the case of the MA, which obtained management and control powers in June 2009 after a series of reorganisations within the MA itself. Other reorganisations concerned the beneficiaries and were designed to ensure compliance with functional requirements and as well as those of Council Regulation (EC) N° 1083/2006.

116. Frequency of changes has wide ranging effects. That there is no effective risk management system to provide early warning of difficulties in the implementation of SOP T (ref: **Box 20**) can be traced back to the fact that beneficiary entities typically lack stable top management, with the necessary institutional memory, capacity to exert leadership and ability to manage risk.

[24] World Bank, 2010

Box 21 – Current risk management systems are not effective for early warning

SOP T has a formalised risk management procedure. However, in practice, there are reasons for concern in respect of the existing risk monitoring mechanism's effectiveness in terms of providing early warning of issues arising. There is little systematic communication between MA and beneficiaries or even within beneficiaries on major risks that may appear in projects, including those attaching to land expropriation or initial designs problems in the roads sub-sector. Beneficiaries also do not share information on common risks, such as land expropriation. A case in point concerns the CFR, which now has to deal – for the first time – with expropriation of land in some 30% of the corridor with a total length of 500 km. The CFR could profit much from the CNADNR's experience with the practical problems in this sphere. These factors seem not to have been considered when assessing the risk of project delays beyond the N+2/N+3 rule.

In terms of budgeting in the context of the Medium Term Expenditure Framework (MTEF), the MoPF – at the most recent MC meeting – flagged the possibility of unsustainable peaks in expenditure for the period 2014-15. These peaks result from MoT assumptions with regard to the N+2/N+3 rule and the absence of budgetary constraints or ceilings set by the MoPF beyond the MTEF horizon (2010-13). While ISPA experience has shown that large allocations in the final years of a programme may be allowed, there is no indication that the MA is taken the existing budgetary risks seriously. In addition, ISPA supplementary budgets in the past tended to change the priority setting of other projects, which affected the overall consistency of transport strategies (including their assumptions with regard to EU grant-funding and loans from commercial banks and IFIs, thus affecting allocations for maintenance for example). In respect of the 2011 budget, there are indications that at least one of the beneficiaries might not have access to the funding necessary to commence project implementation. Thus, CFR management estimates that the company's budgetary allocations for 2011 might not amount to more than 15% of the total need, while CNADNR expects not to have enough money for land expropriations in 2011. The assumption that budget amendments might solve funding problem in case of implementation going faster than currently expected by the MoPF and the MoT can no longer be taken for granted, now that the new Fiscal Responsibility Law, which is closely monitored by the IMF, substantially reduces the scope for budgetary amendments.

117. **Operations.** Several issues were highlighted in the discussions held in the course of the present evaluation. One example concerns the *high degree of informality in problem solving* and the general lack of internal deadlines for specific responses, such as queries by beneficiaries addressed to the MA and requests for instructions. In most cases, responses are obtained by direct calls and informal discussion, which leaves arise the need to formalise the process to ensure that the designated staff member can be held accountable. Existing risk management (including the provision of information on how to deal with a specific problem, such as expropriations) relies on informal communication between project officers, without assurance that the information is shared with all other project officers encountering similar problems.

118. Because the risk management system is not fully functional and accountability is diffuse due to a lack of formalised business process, there is much opportunity for *key risk factors not being considered*.

Box 22 – Why don't we have motorways?

The *major risks* in respect of delays in the construction of new roads are: faulty design, contestation of tenders, slow construction permits, lengthy and unsuccessful land expropriation procedures and utility relocation.

The usual sequence of events for projects is presented below. There is no evidence that CNADNR, even though its individual staff members are well aware of these risks, considers them as such as an institution and, in particular, from the angle of potential delays in the implementation of SOP T beyond 2013 or in the context of the N+3/N+2 rule. That is, these risks are not formally monitored with the use of a risk management system aiming at taking timely remedial action.

For example, in the case of projects based on the FIDIC *Red Book* (with design and supervision being separated from construction), consultants often prepare designs of poor quality. Tenders for construction and expropriations can start once the technical proposal is ready. But even though legislation in force since 2004 facilitates expropriation[25], these can still take very long and may be risky, as explained below. The issues set out below occurred in the case of road construction works on the sections Arad-Timisoara and Cernavoda-Constanta, as well as the Arad and Constanta bypasses and are likely to happen again in any similar project, including bypass-related works under PA2:

- a poorly designed TP has to be changed after the initial decision for expropriation. That means CNADNR needs to purchase other land plots (and sell the previously purchased land, to recoup the earlier expenditure);
- there are issues with the cadastre such as the impossibility to identify land ownership, because of poor cooperation with local authorities;
- the expropriation of land belonging to other administrative entities tends to be more cumbersome than expropriation from private individuals. For example, local authorities may be in the process of restituting property expropriated under communism at the same time CNADNR is engaged in preparing expropriation documentation for the same property necessitating the revision of that documentation with the new owners;
- the expropriation of buildings owned by other public institutions is also difficult. For example, the constructor contracted by CNADNR must build a similar building on another land plot made available by the municipality. However, MoPF forbids that one credit ordinator (CNADNR) uses its allocated budget to build property for another credit ordinator (the public institution that ones the building);
- the land given to a public institution by law cannot be expropriated by a lower normative act, but only through another law. However, for this case there is a construction agreement allowing CNADNR to build on the public institution's land before the legal transfer of the land ownership is completed.
- the majority of landowners (mostly agricultural land) accept the compensation paid by CNADNR in the case expropriation. However, there are cases when a speculator buys the land and sues CNADNR for higher compensation. For example, CNADNR has an on-going lawsuit for a plot of

[25] Expropriations can start immediately after the finalization of the TP

land for which it paid 1 MEUR and the owner claims 11 MEUR.

- In case of archaeological findings on the site, the project must be changed (either alignment or technical solution).

Construction may start before the design consultant prepares the detailed specifications for project execution. If the design is of poor quality, the constructor might find during construction that it is not possible to build the road on the basis of the detailed specifications, for example when the quantities of materials specified are insufficient. This is a major source of significant cost escalations and substantial delays. The procurement department in CNADNR must formally endorse the contract addendum after making sure the addendum with the additional quantities is not in breach of the procurement legislation. Any delays due to mistakes on the part of CNADNR give the constructor the possibility to claim damages. In most cases, however, there claims on both sides, so neither party is interested to pursue its claim. It is interesting to note that because of the crisis CNADNR is less willing to pursue claims against constructors as this might affect the constructor's liquidity and the capacity to complete the construction in time.

Another common cause of delays consists of tender complaints (half of the infrastructure projects experience delays for this reason). For example, on the Deva-Orastie motorway, financed under ISPA 2004, the tender had to be re-launched four times, due to five different complaints. The contract was finally signed only in early-November 2010.

SOP Environment

119. In the course of the evaluation, the MA for SOP ENV stressed the importance of developing close partnerships with all key stakeholders from the first stages of SOP ENV elaboration, through consultation and involvement in decision making. One of the major concerns of the MA was to ensure compliance of SI-funded operations with both Community and national legislation related to public procurement, environment protection, promotion of equal opportunities and competition rules.

120. The management system within the MA includes the organisational structure, planning activities, responsibilities, practices, processes and resources through which the organisation is oriented and controlled in relation to the fulfilment of SOP ENV implementation requirements. Overall, the system is functional in the sense that it has been put in place, is operational and improving over time, as a result of incremental adjustments based on experience. The system is very much embedded in Romania's public administration overall, and its efficiency is therefore highly dependent upon that of the public administration system as a whole.

121. The interviews conducted with representatives of IBs and PIUs revealed issues of an organisational nature that affect SOP ENV implementation efficiency. Thus, the position PIUs within the organisational charts of some County Councils, which are beneficiaries of major projects, is marginal. This threatens the decision capacity of project managers. The possibility to allocate tasks within PIUs in a balanced manner is affected when the project manager is formally subordinate to project team members in the organigramme of the local authority.

122. The basic documentation of the management system consists of 'Operational Procedures' specific to each MA department. These procedures consist of manuals and operating regulations describing the general legal framework for SOP ENV, organisational and personnel matters, the competencies and activities of department and units, as well as their relation with other

departments. A number of aspects render the management system complex and tend to reduce the efficiency of the MA. Thus, the complex processes described by most of the existing operational procedures represent an accumulation of elementary processes. Each of the operational procedures include aspects related to documents and records control, internal and external communication, identification and solving of non-conformities, legal requirements, other issues related to the coherent operation of the management system as a whole, while these elements should be separate subjects of system procedures, available for all activities developed within the MA.

123. The management system lacks clear rules regarding the format and coding of categories of documents (system procedures, operational procedures, instructions, forms, records). Furthermore, the procedures do not indicate clearly the continuous performance improvement process of the management system.

124. There is a limited expertise amongst beneficiary staff involved in TA contracts related to the preparation of large infrastructure projects. When combined with low quality consulting and consultants' delays in finalising applications, it generates substantial delay with regard to submitting adequate applications.

125. Interviews held with MA, IBs and PIUs' representatives revealed that their staff is overloaded with frequent reporting to control entities. Most reports are required both on paper and in electronic format, resulting in large paper files that have to be kept for long periods of time. The files take a lot of space that has to be properly maintained and guarded against unauthorised access, leading to additional costs.

126. There where cases when the entities in charge of controlling asked for scanned/copied documents, signed and stamped on each page, to attest conformity with the original document. In some cases the documentation requested in this form amounted to more than 6,000 pages.

127. As all the other MAs, the MA for SOP ENV has to undertake SMIS reporting. But the MA is generally dissatisfied with the support provided by SMIS because of the limitations of the system in dealing with the reporting particularities for SOP ENV (especially with regard to the monitoring of project level indicators). That is why the MA uses parallel records in Excel and Word formats, which over-burdens staff with reporting tasks.

Box 23 – Lessons learnt from SOP ENV implementation

A major cause of the delays appeared during the SOP ENV implementation is generated by the solving process of procurement procedures launched by beneficiaries within the major projects.

According to the MA SOP ENV data on the tendering stage within the major contracts approved under the PA1 and PA2, for the projects amounting over 5 billion RON, 116 procurement procedures have been launched, of which 72 have been finalised by the conclusion of procurement contracts. A great part of the launched procurement procedures were cancelled and then re-launched, some of them several times, either by the beneficiary (32 cases), or as a result of the appeals made by the tenderers (16 cases). Once reached the tenders evaluation stage, a large part of the procurement procedures have been appealed, 24 such procedures being in Court at present. Counted in number of days, the delay caused by the cancellation and re-launching of procurement procedures amounts approx. 2,900 days, and the delay caused by appeals amounts approx. 9,400 days.

The data above show that, due to causes that can be identified and remedied through managerial

measures, the delays registered during the procurement process within the projects approved under the PA1 and PA2 amounted approx. 12,300 days, which represents an average of 106 days of delay for each procurement procedure.

The lesson that has to be learnt refers to the following main causes of delay within public procurement procedures: the deficiencies of the Terms of Reference (ToRs), of the evaluation procedures and the ones related to the correspondence of the ToRs' requirements with the evaluation criteria for tenders. Once these deficiencies solved, the number of cancellations of public procurement procedures will be reduced through:

- adjustment of the ToRs requirements to the market situation of the potential tenderers (the "no tenderer" situations are avoided);
- elimination of non-compliances of regulatory nature, noticeable by the control and supervision bodies (e.g. UCVPP).

2.4.2 Economic crisis affecting efficiency (Q11)

SOP Transport

128. The main effect of the economic crisis concerns the availability of funding for the projects to be implemented in coming years. In the past, initial budget estimates for investments overrated the capacity for implementation in CFR and CNADNR and frequent budget rectifications (sometimes as often as 4 times per year) took place. Given current budget constraints and the track record of the transport sector, there is a risk that the budget for railways investment and maintenance will be severely constrained. A case in point is that the budget the railways sector expects to have available for 2011 is around 15% of what is needed to finance the advances necessary for the start of project implementation in 2011.

129. There are some concerns in CNADNR regarding the budget for 2011 allocated for the land expropriations, but relatively few concerns with regard to the financing available for future projects. As mentioned above, the MoT and companies expect budgetary rectifications if implementation speeds up, but take little heed of the possibility that budgets be constrained once the Fiscal Responsibility Law (requiring budgetary predictability, hence restricting budgetary rectifications) comes into force (in 2011).

SOP Environment

130. So far there was no attempted to quantify the precise impact of the crisis, i.e. what would be the counter-factual in terms of progress if the crisis had not occurred. The common sense perception resulting from stakeholder experience is that the economic crisis has had and will have an adverse effect on projects. In the absence of quantifiable evidence however, the crisis is often used as an explanation for bottlenecks that might have arisen anyway.

131. That said, the economic crisis has a major impact on the human resources involved in the management and implementation of SOP ENV. The 25% salary reduction for civil servants has demotivated staff. With the MA and the IBs there is increasing staff turnover, with remaining staff being overloaded and performance affected negatively. Legislative measures to reduce the number of positions and restrictions with regard to hiring temporary staff have decreased staffing levels just at the time when the number of applications/projects is starting to increase significantly.

132. Another effect of the budgetary restrictions deriving from the economic crisis refers to the reduction of the budget allocations necessary for on-site visits. This has a negative impact on the efficiency and the effectiveness of projects monitoring and, ultimately, on the quality of project implementation.

133. Because of the crisis, many contractors cannot obtain the financial guarantees necessary for advance payments. This means they have to ensure implementation cash flow from their own resources. Because many contractors currently lack a solid financial foundation, they work with a reduced number of staff, which generates delays and lower quality of work.

3. CONCLUSIONS AND RECOMMENDATIONS

134. The conclusions and recommendations emanating from the evaluation findings presented in the previous chapter are structured in accordance with the four evaluation criteria. *Annex 1* sets out the conclusions and recommendations in tabular form.

Relevance

SOP Transport

135. *Conclusion:* In the short to medium term, the crisis affected traffic and the future available financing. Probably the most important external constraint arising from the crisis is the need to rationalize public spending sharply and implement reforms in the public administration in general and the transport sector in particular. However, the current approach of the Ministry of Transport (MoT) and beneficiaries seem to be 'business as usual', relying on the assumption that budget rectifications can occur several times a year. The current forecasts of full absorption in 2013-14 must therefore be considered unrealistic (*ref: 12, 14, 15)*.

136. *Recommendation:* MoT and beneficiaries – National Roads Company (CNADNR) and National Railways Company (CFR) implement the institutional changes recommended by the World Bank in the Functional Reviews consultancy: clarification of the respective institutional roles of the MoT and the beneficiaries, privatization of National Railways Company for Freight (CFR Marfa), review of expenditure portfolio. The sector may also want to streamline the implementation of the Medium Term Expenditure Framework (MTEF), as foreseen in the Fiscal Responsibility Law. This means preparation of budgets based on realistic schedules for implementation and available financing.

137. *Conclusion:* The relevance of projects may be affected by traffic variations. In particular, major projects for railways (PA1), railway station rehabilitation (PA2) and some smaller road projects on PA2 might no longer be relevant in economic terms. With their current technical specifications, some railway projects (PA1) are not economically efficient, even without the effects of the crisis (*ref: 34 - 43)*.

138. *Recommendation:* While economic relevance might currently not be the only determinant for keeping some of the projects in the SOP T (particularly rail projects in PA1, where the reopening of the discussion on technical specification might lead to even longer delays), the assessment of economic efficiency could be useful.

SOP Environment

139. *Conclusion*: The changes in the socio-economic environment resulting from the economic crisis do not affect in any way the relevance of the interventions under SOP ENV. The needs identified during the programming period remain as relevant as initially estimated. Needs analysis started from the requirements of compliance with EU environment standards being agreed through the Accession Treaty and this is not connected to the economic crisis (*ref: 16 - 33)*.

140. *Recommendation*: Although the economic crisis does not affect the relevance of the interventions, in the context of the limited ownership of the beneficiaries on the SOP ENV projects, the MA SOP ENV is advised to increase the awareness of the beneficiaries on the relevance of the SOP ENV interventions.

141. *Conclusion*: The financial allocation for Key Area of Intervention (KAI) 2.2 was overestimated. Public authorities own only six out of 1,800 historically polluted sites. Project proposals were prepared for only three of these six sites (*ref: 48 - 51)*.

142. *Recommendation:* The MA for SOP ENV is advised to seek reallocation of the balance under KAI 2.2 to KAI 2.1, or, alternatively, the development of project applications for the other three publicly owned sites, but only after considering the findings of the in-depth interim evaluation scheduled for 2011.

Consistency

SOP Transport

143. *Conclusion:* The implementation to date of the projects under the different KAIs is not complementary, with road projects being more developed than railways, water and air transport projects. The projects tend to support a modal shift from rail to road, contrary to that which is desired, i.e. from road to rail. An additional determinant of this modal shift is that the initial railway construction programme under PA1 will now be finalized in two programming periods of SOP T (by 2022). While the preparation of railway projects has recently speeded up and those to be submitted in 2010 will likely exhaust the relevant allocations, the risk to railway projects remains in those cases where the MoT expects quicker implementation and absorption by reallocations to road projects (*ref: 52 - 55)*.

144. *Recommendation:* The MoT is advised to adopt an integrated approach of national and EU strategies to rationalize spending and complement investments and should not give in to the temptation to push for reallocation to road sub-sector projects if project implementation in the rail sub-sector encounters difficulties, but seek to enhance CFR capacity to ensure a balanced absorption of the SOP T. Although possible in principle, it is advisable that reallocations be made only if all opportunities to implement the envisaged railways programme have been exhausted. This should be agreed also with ACIS/MoPF to ensure that budget allocations are not cut from seemingly lagging KAIs.

145. *Conclusion:* SOP T has a stabilizing effect on transport sector strategies, as the only programme that has been pursued largely consistently over several electoral cycles and with spill-over effects on other strategies (including road-user charging and preparation of maintenance). The focus on full absorption as a yardstick for its success (to judge by the latest wave of projects under preparation and evaluation) may reduce the coherence of SOP T and its value as a 'strategy substitute' (*ref: 60 - 65)*.

146. *Recommendation:* The MoT and the MA are advised to improve the budgetary forecasts under SOP T, by introducing the effective, realistic multi-year budgeting required by the EC, and introduce a similar approach in national programmes. The MoT is further advised to reassess and prioritise, in economic terms, the total investment portfolio for the transport sector resulting from previously approved strategies, based on a similar process as for the SOP T, in the interest of ensuring a balanced development of the transport sector.

147. The MoT and the MA are advised to consider carefully its current 'full-absorption-as-measure-of-success' approach. The purpose of the SOP T is to make the best use of available resources, focus

on key priorities and reach transport sector objectives. The current focus on full absorption encourages the selection of non-priority, but 'mature' projects, which results in preference being given to projects with returns on investments lower than for other possible projects.

148. *Conclusion:* The SOP T portfolio of projects provides the opportunity to focus on expensive, but politically less 'visible' investments, such as those related to traffic safety and monitoring, as well as projects of lower direct public interest, but long-term high impact (inter- or co-modality, in particular). However, because of implementation difficulties, some projects (e.g. inter-modality) are being dropped or up for re-assessment in the context of the preparation of the next SOP T (*ref: 68)*.

149. *Recommendation*: The MA and beneficiaries are advised to focus on implementing the projects with lower visibility and high impact, and avoid reallocations from these as much as possible. In respect of inter-modality, the MA is advised to discuss with the EC – in advance of the next SOP T – the institutional framework necessary for a broader approach to establishing transport nodes relevant to the main corridors at several large cities (Bucharest, Timisoara and Constanta).

SOP Environment

150. *Conclusion:* Consistency was given much consideration during the programming of SOP ENV. By contributing to regional development, SOP ENV projects are complementary to most other EU-funded programmes (including ROP, SOP IEC and NRDP). The objectives of the SOP ENV are fully correlated with the *National Strategy for Waste Management* and with *the National Strategy for the Sustainable Development. Romania 2013 – 2020 - 2030*. However, at the local level, consistency in implementation is reduced by the lack of ownership of projects on the part of local authorities (*ref: 56, 58, 59, 69)*.

151. *Recommendation:* The Ministry of Environment and MA SOP ENV are advised to take action in order to strengthen the role and contribution of the Regional Environment Protection Agencies in the Regional Strategic Evaluation and Correlation Committees. To increase the local project ownership, the MA and IBs of SOP ENV are advised to request higher engagement of the Agencies in the Committees' meetings.

Effectiveness

SOP Transport

152. *Conclusion*: Implementation of SOP T started slowly, but gathered pace in 2010, as indicated by the recent improvement of popularity ratio (14% at mid-2009, over 100% currently). Consequently, approval, contracting, payment and absorption ratios are smaller, showing the new thrust for preparation of projects that will need to go through all the next stages in the next months. Currently, projects submitted for major axes and KAIs generally exceed the respective allocations. The new wave of projects will possibly put pressure on the capacity for evaluation and approval in 2011. The implementation of major projects may experience delays for the usual reasons (land expropriation delays, tender contestations, faulty design and claims from constructors). Implementation may well exceed the capacity of understaffed beneficiaries. Although the MoPF is likely to allocate resources with priority to the absorption of EU funds, it remains necessary for the MoT to take budget availability in respect of SOP T into account. Application of the Fiscal Responsibility Law and limited opportunities for amending budgets may negatively affect implementation of SOP T (*ref: 70 - 75)*.

153. *Recommendation:* As prioritization and realistic implementation schedules are critical to obtaining adequate budgets at the beginning of the fiscal year, the MA is advised that additional financing for projects not yet approved by the EC might be secured by taking advantage of the 2009 amendment of Council Regulation (EC) N° 1083/2006 according to which the EC can approve reimbursement of certified expenditure before the actual approval of major projects. This would avoid the need for budget rectifications/amendments mid-year by ensuring predictability of financing from the beginning of the year.

154. *Conclusion:* While delays in the implementation of SOP T can be overcome by adopting several measures proposed by the MA (including submission of any mature and eligible projects for EU financing), the main concern is that the success SOP T is measured in terms of full absorption of funds. Focusing on absorption may well ensure the spending of the full amount of available funds by the end of the programming period (N+2), *inter alia* through approving all projects that meet the eligibility criteria and reallocations from projects that do not work to those that likely do (*ref: 82, 83)*.

155. *Recommendation:* The MA and beneficiaries are advised to assign proper importance to physical targets and correlate these with applicable strategies. For example, in respect of the target for the total number of km of road to be built under the SOP T, adequate provision must be made for the timely financing of maintenance works on the relevant road sections in the future.

156. *Conclusion:* The major internal factors that affect the implementation of SOP T are understaffing and high workloads, excessive staff turnover, including at top management level (particularly at the beneficiary entities), and risk aversion and red tape in the Romanian administration. Major external factors are the lack of good consultancy firms for the design of major projects in the market, current public procurement regulations, and the budgetary restrictions resulting from the crisis, including the recent introduction of the Fiscal Responsibility Law. While the latter is a good factor aimed to create predictability in the Romanian budgetary system, it requires good forecasting and planning capacity, which in case of MoT is still limited (*ref: 90 - 95)*.

157. *Recommendation:* The MoT and MA are advised to put in place an effective risk management system. To facilitate sharing information on critical risk areas, before a formalized institutional arrangement is in place, an informal mechanism may be adopted at practically zero cost. This mechanism involves the sharing of information on a common platform, allowing for example future railways project managers to see how roads project managers handle land expropriation issues. The TA available under PA4 should be effectively allocated to adequate training that enhances capability of the beneficiaries to handle risks and manage projects effectively.

158. *Conclusion:* Although the economic crisis has not affected the implementation of SOP T directly, it may have negative effects through potential budget restrictions and the decision to restructure entities and lay off staff in 2011. The MoT and beneficiaries are preparing for a future reorganization and re-definition of structures and roles, because of the World Bank/IMF/EC joint loan conditionality and because the Government now focuses on accelerating the absorption of EU Funds (*ref: 107)*.

159. *Recommendation:* The decision to restructure the entities involved in SOP T (MA, CFR and CNADNR) must take into account the need for qualified and accountable staff in key risk areas. The Functional Reviews, as well as TA provided under the World Bank Transport Restructuring Project

may be used to cover the business areas subject to restructuring and staff reductions and fill in the needs of those departments where additional staff is needed, so as not to affect overall functionalities. The start of works on motorways, national roads and railways will require adequate staff resources and expertise, some of which cannot be outsourced (design approval and a part of works supervision).

SOP Environment

160. *Conclusion:* The overall projects' submission level is over targets, conclusion of contracts for the projects approved is closed to 100%, while the projects approved compared to projects submitted is lower (approx. 60%). The payments within the contracted projects are quite delayed. The situation indicates the existence of problems in the SOP ENV implementation system, especially related to the length of the projects approval process. Unless the issues raised are urgently solved, the attainment of the SOP ENV targets may be endangered. Nevertheless, taking into account application of the n + 2 rule and the current efforts at the national level directed to measures for increasing the SI absorption, there are good premises for improvements and the targets to be met (*ref: 76 - 81)*.

161. *Recommendation:* MA SOP ENV is advised to increase the control over the timely implementation of projects in order to meet the established deadlines The TA services should be used based on needs assessment process identifying and prioritizing the problems in the implementation system considered as a moving target.

162. *Conclusion:* The pace of submitting project proposals under for KAI 5.1 is slow, mainly because of a lack of consistency between technical solutions put forward in the project proposals and the provisions of relevant EU Directives. This is caused by experts' insufficient knowledge of sustainable development concepts in watercourse management, including the latest developments in this area in the 'old' Member States (*ref: 89, 102)*.

163. *Recommendation:* The National Administration *Romanian Waters* is advised to draw up a plan and take measures for improving its technical capacity in respect of formulating efficient and cost-effective technical solutions under KAI 5.1 that are in line with applicable EU Directives.

164. *Conclusion:* The fact that beneficiaries lack ownership of projects in the design and preparation phase generates bottlenecks in the course of project implementation (*ref: 96 - 99*).

165. *Recommendation:* Beneficiaries are advised to establish the core team of future PIUs at a very early stage of the project cycle, preferably already during the design phase. This PIU core team can then act as the main interlocutor with the IB/MA for all project stages.

166. *Conclusion:* Most of the SOP ENV projects with delays in implementation face problems related to the public procurement process. One underlying cause of this is the fact that Unit for Coordination and Verification of Public Procurement (UCVPP), National Authority for Regulating and Monitoring Public Procurement (NARMPP) and the National Council for Solving Complaints (NCSC) tend to address the same problem in different ways (*ref: 104)*.

167. *Recommendation:* Using TA services, ACIS is advised to create a common understanding between contracting authorities, tenderers and regulatory bodies, by establishing of a Working Group with NARMPP, UCVPP and NCSC participation. Although this matter came up during the

review of the SOP ENV, it might also be of interest for other OPs. It is therefore recommended to inform relevant other MAs accordingly and invite them to participate.

Efficiency

SOP Transport

168. *Conclusion:* SOP T is a learning exercise and solutions are found to problems as they are encountered, partly based on previous experience gained with ISPA and Phare projects. There are however some institutional weaknesses that need urgent correction, as they appear to be systemic and cannot be solved without explicit and clear policy decisions. The most important of these is the lack of clarity on the respective roles of MoT and its subordinated companies, which negatively affects the continuity of guidance. This results in unclear lines of responsibility and a high degree of informality in problem solving (inadequately documented ad hoc solutions, many of which lack clear timetables for implementation and deadlines), combined with a largely ineffective risk management system (*ref: 110 - 118)*.

169. *Recommendation:* The clarification of the respective institutional roles between the MoT and beneficiaries (CFR and CNADNR) is critical for the success of SOP T and the functioning of the transport sector overall. The MoT is advised to retain policy preparation and strategy formulation and supervision functions, with CFR and CNADNR acting as companies that implement MoT strategies on the basis of performance contracts. It is advisable to limit the sanction of replacement of the companies' management staff to failure to comply with the performance obligations only. The MoT and the companies are also advised to implement in full the recommendations on institutional reform in the sector as in the World Bank Functional Reviews and the accompanying Action Plan.

170. *Conclusion:* Given the track record of the beneficiary companies in implementing the investment projects proposed by them, which necessitated downward adjustment of budgets in the course of the financial year, the main risk in the short run concerns the financing available for future projects. At present it is assumed by MoT that budgets should be conservative with additional resources granted during the financial year in case of better than expected performance. However, the Fiscal Responsibility Law may prevent this approach. The CFR expects to be granted around 15% of its estimated budget requirements for 2011. The CNADNR expects to have enough resources for project implementation, but it is unclear if they will suffice to finance the necessary land expropriations (*ref: 128, 129)*.

171. *Recommendation:* Both the MA and beneficiaries should focus on a realistic implementation schedule for the next year, starting from the assumption that the granted budget is the final one. This would prompt the MA and beneficiaries to consider the attaching risks in full and seek ways to mitigate them through coherent risk management procedures, instead of ad hoc solutions.

SOP Environment

172. *Conclusion:* The marginal position of some PIUs within their respective organisations makes it difficult for project managers to distribute tasks to team members. This applies especially true if project team members are hierarchically superior to the project manager or formally belong to other departments with job descriptions containing functions and task beyond their involvement in the PIU (*ref: 121).*

173. *Recommendations:* Local public administration beneficiaries are advised to consider revising their organisational structure by subordinating PIUs directly to the highest level of management. In addition, using desk monitoring and site visits, the IBs are advised to monitor closely the stability of PIU staff and their tasks with regard to each project.

174. *Conclusion:* In the absence of in-house technical staff, beneficiaries find it difficult to fill the expertise gap with existing human resources, resulting in slow progress in project design and implementation (*ref: 123)*.

175. *Recommendation:* The beneficiaries are advised to make use of the TA budget in order to contract services for their specific technical needs during the project implementation.

176. *Conclusion:* The management system in use within the MA for SOP ENV is of a very general character, lacking detailed instructions in respect of activities and evidence-based continuous improvement of business processes (*ref: 124, 125)*.

177. *Recommendation:* The MA for SOP ENV is advised to use TA services for improving its management system by the re-definition of processes, so as to avoid overlaps, mapping and formalising business processes, and establishing procedures for troubleshooting and remedial action.

178. *Conclusion:* The IBs have limited capacity for uploading data into SMIS, which is the cause for the usability of SMIS being limited for the purposes of the MA (*ref: 127)*.

179. *Recommendation:* Provided that is considered useful by other MAs and IBs staff, ACIS is advised to establish a help-desk for the purpose of assisting SOP ENV IB staff with issues related to SMIS use in the day-by-day activities.

ANNEX 1 – DETAILED CONCLUSIONS AND RECOMMENDATIONS[26]

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
Relevance				
1. The crisis affects budget deficits, triggering the need for reform to meet external conditionality *(ref: 12, 14, 15, 135).*	1.1. Implement the institutional changes recommended by the World Bank in the Functional Reviews consultancy: clarification of the respective institutional roles of the MoT and the beneficiaries, privatization of National Railways Company for Freight (CFR Marfa), review of expenditure portfolio. The sector may also want to streamline the implementation of the Medium Term Expenditure Framework (MTEF), as foreseen in the Fiscal Responsibility Law. This means preparation of budgets based on realistic schedules for implementation and available financing. *(ref: 136)*.	MoT, beneficiaries, ACIS	MoT and ACIS representatives bring these topics in the Government meeting discussions on faster absorption of EU funds and preparation of National Reform Program; the discussions take into consideration the Government Memorandum to implementation of the Functional Reviews Action Plan	First semester 2011
2. Traffic variations caused by the crisis affect projects that were marginally economically justified (KAI 1.2 *Modernization and development of railway infrastructure along the TEN-T priority axis 22*, KAI 2.1 *Modernization and development of national road infrastructure*, KAI 2.2 *Modernization and development of national railway infrastructure and passenger service*).	2.1. While economic relevance might currently not be the only determinant for keeping some of the projects in the SOP T (particularly rail projects in PA1, where the reopening of the discussion on technical specification might lead to even longer delays), the assessment of economic efficiency could be useful *(ref: 138)*.	MoT, MA SOP T	Amending the CBA	2011-2012

[26] References in the 'Conclusions' column indicate the numbered paragraphs in Chapters 1 and 2 of the report.

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
Under current technical specifications KAI 1.2 is not economically justified, but cannot be changed in the current SOP T because of risk of further delays (*ref: 34 – 43, 137).*				
3. The changes in the socio-economic environment resulting from the economic crisis do not affect in any way the relevance of the interventions under SOP ENV. The needs identified during the programming period remain as relevant as initially estimated. Needs analysis started from the requirements of compliance with EU environment standards being agreed through the Accession Treaty and this is not connected to the economic crisis (*ref: 16 – 33, 139*).	3.1. Although the economic crisis does not affect the relevance of the interventions, in the context of the limited ownership of the beneficiaries on the SOP ENV projects, the MA SOP ENV is advised to increase the awareness of the beneficiaries on the relevance of the SOP ENV interventions *(ref: 140)*.	MA SOP ENV	Services contracted from KAI 6.2 *Support for information and publicity,* decided based on the findings of the evaluation of the SOP ENV Communication Plan and of the interim evaluation of the SOP ENV	2011 - 2012
4. The financial allocation for KAI 2.2 was overestimated. Public authorities own only six out of 1,800 historically polluted sites and projects proposals were prepared for only three of them *(ref: 48 – 51, 141)*.	4.1. Either reallocation of the remaining amount from KAI 2.2 to KAI 2.1, or the development of project applications for the other 3 sites *(ref: 142)*.	MoENV, MA SOP ENV	Following the in-depth analysis of the coming interim evaluation	Last quarter 2011
Consistency				
5. Implementation to date of KAIs is not complementary and reinforces modal shift from rail to road, contrary to EU trend (*ref: 52-55, 143).*	5.1. Adopt an integrated approach of national and EU strategies to rationalize spending and complement investments and should not give in to the temptation to push for reallocation to road sub-sector projects if project implementation in the rail sub-sector encounters difficulties, but seek to enhance	MoT, ACIS, MoPF	MC meetings discussions	Bi-annual

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
	CFR capacity to ensure a balanced absorption of the SOP T. Although possible in principle, it is advisable that reallocations be made only if all opportunities to implement the envisaged railways programme have been exhausted. This should be agreed also with ACIS/MoPF to ensure that budget allocations are not cut from seemingly lagging KAIs. *(ref: 144)*.			
6. SOP T has a stabilizing effect on transport sector strategies, as the only programme that has been pursued largely consistently over several electoral cycles and with spill-over effects on other strategies (including road-user charging and preparation of maintenance). The focus on full absorption as a yardstick for its success (to judge by the latest wave of projects under preparation and evaluation) may reduce the coherence of SOP T and its value as a 'strategy substitute' (*ref: 60-65, 145).*	6.1. Improve the budgetary forecasts under SOP T, by introducing the effective, realistic multi-year budgeting required by the EC, and introduce a similar approach in national programmes. 6.2. Re-assess and prioritise, in economic terms, the total investment portfolio for the transport sector resulting from previously approved strategies, based on a similar process as for the SOP T, in the interest of ensuring a balanced development of the transport sector.Improve budget forecasts based on realistic implementation schedule and streamline MTEF in all transport projects. *(ref: 146)*. 6.3. Refocus SOP T implementation from 'full absorption' to 'most relevant projects' (those that contribute the most to reaching outcome objectives/have the highest impact for the transport sector) *(ref: 147)*.	MoT, ACIS, MoPF, beneficiaries	MC meetings discussions; preparation of budget requests by MoT and beneficiaries	Bi-annual
7. The SOP T portfolio of projects provides the opportunity to focus on expensive, but politically	7.1. Focus on implementing the projects with lower visibility and high impact (trafic monitoring, safety), and avoid reallocations	MoT, ACIS, beneficiaries	MC meetings discussions	Bi-annual

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
less 'visible' investments, such as those related to traffic safety and monitoring, as well as projects of lower direct public interest, but long-term high impact (inter- or co-modality, in particular). However, because of implementation difficulties, some projects (e.g. inter-modality) are being dropped or up for re-assessment in the context of the preparation of the next SOP T (*ref: 68, 148)*.	from these as much as possible. *(ref: 149)*.			
	7.2. Regarding inter-modality, in advance of the next SOP T consider the institutional framework necessary for a broader approach to establishing transport nodes relevant to the main corridors at several large cities (Bucharest, Timisoara and Constanta) *(ref: 149)*.	MA SOP T	Discussions with CE	2012
8. Consistency was well considered in the programming phase of the SOP ENV. By contributing to the development of the regions, the SOP ENV projects are complementary to most other UE funded major programmes (ROP, SOP IEC, NRDP). At the local level consistency in implementation is reduced by the lack of ownership of the projects by the local authorities. The objectives of the SOP ENV are fully correlated with the National Strategy for Waste Management and with the National Strategy for the Sustainable Development. Romania 2013 – 2020 - 2030, However, at the local level, consistency in implementation is reduced by the lack of ownership of projects on the part of local authorities. (*ref: 56, 58, 59, 69, 150)*.	8.1 Increase role and contribution of the Regional Environment Protection Agencies' in the Regional Strategic Evaluation and Correlation Committees (CRESC) *(ref: 151)*.	MoENV, MA/IBs SOP ENV	Notifications of the Ministry of Environment, discussions during the meetings of CRESC	Bi-annual
Effectiveness				
9. SOP T project submission is speeding up and will overstretch evaluation, approval and contracting in 2011-2012 (*ref: 70-75, 152).*	9.1. Re-direct resources (staff, training) towards evaluation and approval (MA), and contracting and implementation (beneficiaries) functions	MoT beneficiaries, ACIS	MC meetings discussions; preparation of next year work plan and budget	First semester 2011

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
	9.2. Explore possibility to take advantage of the 2009 amendment to EC Regulation 1083/2006 for faster availability of funding *(ref: 153)*.			
10. Full absorption is the measure of success for SOP T and no proper importance is given to programme objectives and targets (*ref: 82, 83, 154).*	10.1. Monitor closely the implementation of the TA contract that will establish intermediary and revised final targets for SOP T *(ref: 155)*.	MA SOP T	MC meetings	First semester 2011
	10.2. Correlate targets for SOP T with other programmes (e.g., maintenance for future infrastructure) *(ref: 155)*.	MoT, beneficiaries	MoT discussions with management of beneficiary companies	First semester 2011
11. Internal bottlenecks for implementation are staff turnover, management and organizational changes, and risk aversion. External risks consist of recurrent problems such as land expropriation, tender contestations, claims and faulty designs (*ref: 90 – 95, 156).*	11.1. Start procedures to create an effective risk management system (under the envisaged reform of the transport sector); implement immediately an informal risk information sharing *(ref: 157)*.	MA SOP T, MoT, beneficiaries	Setting-up a communication system among project managers	First semester 2011
12. The crisis might trigger staff layoffs and budgetary cuts in 2011 (*ref: 107, 158)*.	12.1. Implement recommendations of previous World Bank and EU TA for management development *(ref: 159)*.	MoT, beneficiaries	Discussion between MoT and beneficiaries	2011
13. The overall projects' submission level is over targets, conclusion of contracts for the projects approved is closed to 100%, while the projects approved compared to projects submitted is lower (approx. 60%). The payments within the contracted projects are quite delayed. The situation indicates the existence of problems in the SOP ENV implementation system, especially related to the length of the projects approval	13.1. Increase the control over the timely implementation of projects in order to meet the established deadlines *(ref: 161)*.	MA SOP ENV	TA services used based on needs assessment identifying and prioritizing the problems in the implementation system considered as a moving target	2011

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
process (*ref: 76 – 81, 160*).				
14. Projects submission for KAI 5.1 is slow because of a lack of consistency between technical solutions in the project proposals and the provisions of the related EU Directives (*ref: 89, 102, 162)*.	14.1. Improve the technical capacity of the National Authority *Romanian Waters* to formulate solutions in line with the EU Directives *(ref: 163)*.	National Authority *Romanian Waters*, MA SOP ENV	Technical assistance services	First semester 2011
15. Beneficiaries lack ownership in the project preparation phase, which generates bottlenecks in project implementation (*ref: 96 – 99, 164)*.	15.1. Request beneficiaries to set-up the core team of the future PIU from an early project phase (i.e. design phase) as the main interlocutor with the IB/MA for all project stages *(ref: 165)*.	MA SOP ENV	Include this as a precondition in the project design phase	First semester 2011
16. Most of the SOP ENV projects delayed in the implementation have problems related to the public procurement process. UCVPP, NARMPP and NCSC have different approaches to the same problem (*ref: 104, 166)*.	16.1. Create a common understanding between contracting authorities, tenderers and regulatory bodies *(ref: 167)*.	ACIS, MA SOP ENV	Establishment of a Working Group with NARMPP, UCVPP and NCSC participation	First semester 2011
Efficiency				
17. SOP T has several institutional weaknesses (roles, accountability, informality, ad hoc decision making style) that prohibit the emergence of an effective risk management system *(ref: 110-118, 168)*.	17.1. Implement recommendations from Functional Reviews: MoT to retain policy and strategy function, CFR and CNADNR implementing agencies on clear performance contract, dismissal of management only for non performance *(ref: 169)*.	MoT, beneficiaries	Government Memorandum to implement Functional Reviews Action Plan	2011
18. Past track record of investment budget implementation of beneficiaries limits the available budget for next year *(ref: 128, 129, 170)*.	18.1 Focus on a realistic forecasts and implementation schedule, starting from the assumption that the initial budget would be final. This would increase urgency for proper risk management *(ref: 171)*.	MA SOP T, beneficiaries	MC meetings, preparation and negotiation of budgets	2011

Conclusions	Recommendations	Responsible	Implementation Modalities	Time Line
19. The marginal position of some PIUs within the organisational chart makes it difficult for the project manager to distribute tasks to all team members, especially when some of them are hierarchically superior to the project manager or are hired by other departments, having their own obligations derived from the job description *(ref: 121, 172)*.	19.1. Positioning PIUs under the direct subordination of the top management (e.g. President of the County Council).	SOP ENV beneficiaries	Revision of the internal organisational chart	Recurrent
	19.2. Closely monitor the stability of PIU staff and tasks as per the project approved Desk and on the site monitoring visits *(ref: 173)*.	MA/IBs SOP ENV, SOP ENV beneficiaries	Desk and on the site monitoring visits	
20. In the absence of technical staff, the gap of expertise is difficult to be covered with the existing human resources. Therefore, the progress in projects' design and implementation is slow *(ref: 123, 174)*.	20. Contract services for their specific technical needs during the project implementation *(ref: 175)*.	SOP ENV beneficiaries	Technical assistance services (PA6)	First semester 2011
21. The management system implemented within the MA SOP ENV has a high level of generality. Instructions for detail activities and evidence of the continuous improvement process are lacking (*ref: 124, 125, 176)*.	21.1. Improvement of the management system by the re-definition of processes to avoid overlaps, drawing-up the processes map, establishment of procedures for the identification of aspects that need correction and the related action plan and elaboration of system procedures *(ref: 177)*.	MA SOP ENV	Technical assistance services	First semester 2011
22. Limited capacity of the IBs of uploading data in SMIS generates limited usability of the SMIS for the MA *(ref: 127, 178)*.	22.1. Setting-up of a help-desk in order to assist the IBs' staff with punctual issues related to the system use in the day-by-day activities *(ref: 179)*.	ACIS	Technical assistance services	First semester 2011

ANNEX 2 – TERMS OF REFERENCE

1. Background

The Vision of the National Strategic Reference Framework (NSRF) is to create a competitive, dynamic and prosperous Romania. In this regard, its general objective is to reduce the economic and social development disparities between Romania and the EU Member States, by generating a 15-20% additional growth of GDP by 2015.

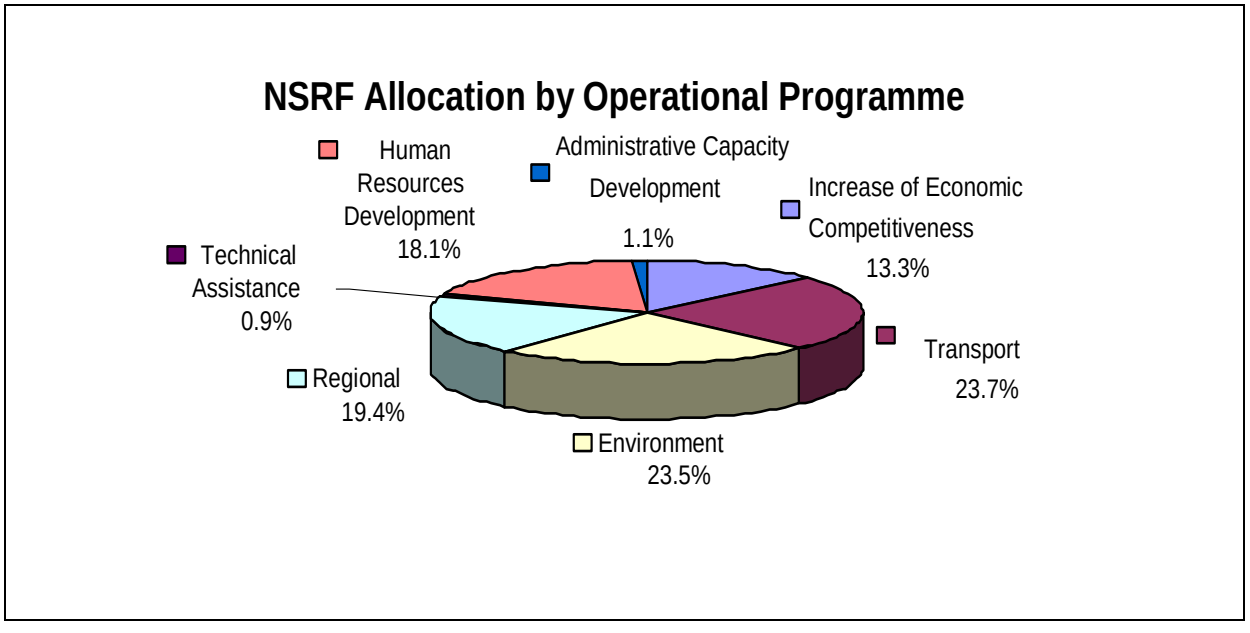
The NSRF priorities have been formulated as the Government's strategic response to current economic weaknesses and in order to create the opportunities Romania desires. The NSRF seeks to draw the priority strands together in a consistent strategy that is appropriate for Romania but also conforms to the strategies of the European Union including the Lisbon Strategy and will deliver economic growth and new jobs.

The NSRF is implemented through Operational Programmes under the European Cohesion Policy's Objectives, namely 'Convergence' and 'European Territorial Cooperation' which are co-financed by the EU Structural Instruments (European Regional Development Fund, European Social Fund and the Cohesion Fund).

The overall Structural and Cohesion Funds allocation for Romania is 19.668 bn Euro of which 12.661 bn Euro represent Structural Funds, 6.552 bn Euro Cohesion Fund (under the Convergence Objective), and 0.455 bn Euro are allocated under the European Territorial Cooperation Objective (including transfers to the Instrument for Pre-accession Assistance – IPA, and to the European Neighbourhood and Partnership Instrument - ENPI).

The NSRF financial table presents the breakdown by Operational Programme of the Structural Funds under the Convergence Objective.

Table 1: NSRF Allocation by Operational Programme



As shown in **Table 1**, the two largest OPs involve infrastructure investment in Transport and the Environment respectively. Together these two Programmes account for almost half of planned NSRF investment. They are the subject of this Ad Hoc Horizontal Review.

2. Evaluations of NSRF

2.1 Evaluation Structures

The Operational Programmes within the NSRF and the responsible Managing Authorities are listed in **Table 2**.

Table 2: Operational Programmes in Romania

Operational Programme	Managing Authority
Transport	Ministry of Transport and Infrastructure
Environment	Ministry of Environment and Forestry
Increasing Economic Competitiveness	Ministry of Economy, Trade and Business Environment
Regional	Ministry of Regional Development and Tourism
Human Resources Development	Ministry of Labour, Family and Social Protection
Administrative Capacity Development	Ministry of Administration and Interior
Technical Assistance	Ministry of Public Finance
Cross-Border Cooperation	Ministry of Regional Development and Tourism

Each OP Managing Authority has an Evaluation Unit (EU) which coordinates the elaboration and implementation of a multi-annual evaluation plan (MAEP). At NSRF level the Evaluation Central Unit has its own MAEP, incorporating evaluations taking the form of synthesis reports, strategic or meta-evaluations with a focus on cross-cutting, horizontal issues across all or a number of Operational Programmes.

ECU has also a coordinating role supporting the strengthening of evaluation capacity building in the overall structural instruments evaluation system. The main coordination tool is the Evaluation Working Group (EWG) chaired by ECU and composed of the members of the individual EUs.

2.2 OP Interim Evaluations 2009

According to the MAEPs, during 2009 OPs under the Convergence objective launched an Interim Evaluation, except for the SOP Environment which planned this exercise in a later period. Usually, related ToRs were discussed within the EWG and Evaluation Steering Committees and key elements were presented in the Monitoring Committees meetings. ECU supported the EUs in the design the Interim Evaluation of their OPs by organising training, issuing guidelines and commenting on Terms of Reference.

The ECU's guidelines indicated two purposes for OP interim evaluation, namely to:

- provide an informed judgement on the OP's progress to date and lessons learned; and
- provide an input to strategic reporting under Article 29 of the Council Regulation (EC) Nº 1083/2006.

Suggested evaluation themes were: relevance, consistency, effectiveness and efficiency. More detailed evaluation questions were identified within these.

2.3 Synthesis of OP Interim Evaluations

At NSRF level the ECU commissioned a number of evaluations under the contract 'Evaluations during the period 2009-2010'. This was contracted in October 2009 by ACIS following a public procurement procedure, with the consortium composed of KPMG Romania, GEA Strategy & Consulting and Pluriconsult. A Synthesis Report (SyR) is one of the expected deliverables of the project. This report is designed to synthesise the results of the individual Interim Reports.

The expected result of the SyR, as set out in the ToR, is to reach conclusions and make recommendations addressing the following strategic issues:

- consequences for NSRF strategy and its implementation of the financial and economic crisis;
- relevance, efficiency[27] and effectiveness of the existing (OP) strategies. Best practices and failures explaining the asymmetry of implementation between OPs and within each OP should also be provided;
- relevance of the implementation mechanisms;
- potential for upgrading the impact of investments, including the increase of the synergies and complementarities between programmes and priorities, and judgement on the quality of the investment.

The Synthesis Report is due for completion in the period June-October 2010, with a final report prepared by 31st October 2010.

Due to circumstances outside the ECU's control, two OP Interim Evaluation reports will not be ready within the Synthesis Report schedule – Environment due to its commencement date and Transport because of MA dissatisfaction with its quality.

2.4 Horizontal Review of Infrastructure Investment

Given the importance of these OPs in the NSRF, and the likely distinct implications that the economic crisis may have for them, ACIS with the consent of the respective MAs has decided to commission a separate Horizontal Review of these two Programmes. The Review will also serve as an important input to the SyR regarding the two OPs. This Review will constitute Ad Hoc Evaluation No. 2 under the contract referred to above.

3. Horizontal Review Terms of Reference

3.1 Overall Objective

The overall objective of the Horizontal Review is to analyse and draw out the implication of the economic crisis for progress and for implementation efficiency and effectiveness across the two infrastructure-related OPs, Transport and the Environment. The Review will also constitute an important input to the SyR.

3.2 Horizontal Review Evaluation Criteria and Questions

The Review is intended to address the four evaluation criteria also addressed in the 2009 Interim Evaluations. These and more detailed evaluation questions within them are:

Relevance

[27] Including the efficiency of the management, financial and certifying systems.

- The socio-economic analysis underlying the two OPs is based on indicators up to 2004/05. What important changes have occurred since then and are expected in the future?
- How do these changes in the socio-economic context affect the OP and its priority axes, in particular their relevance to Romania's investment needs. Is relevance reduced or increased by the crisis, and if so in what way?

Consistency

- Is the implementation to date of the Priority Axes within the OPs complementary with each other?
- Are the OPs and Priority Axes coherent with any recent major relevant national and international policy/strategies and investment programmes, including strategies to deal with the economic crisis?
- Are there overlaps in the implementation of the Priorities or operations within each OP and between these and other investments in the two sectors?

Effectiveness

- What is the actual implementation progress to the cut-off date?[28] What is the gap between actual and planned progress? In particular, based on approaches to date and the likely project pipeline, what is the likelihood that the OPs will achieve their targets?
- Will the progress to date (and the rate of progress) lead to the achievement of the objectives of the Operational Programmes and Priority Axes?
- What are the internal and external factors contributing to the gap between actual and planned performance? Are these factors at policy and decision-making level, management and implementation level? What is the nature and extent of specific obstacles such as policy-making capabilities, structures of implementation bodies, lack of investment prioritisation, relationships within and between structures, lack of personnel, lack of skills, and other evident obstacles?
- How has the economic crisis affected implementation progress, negatively or positively? What are the specific effects involved, e.g. budgetary difficulties, personnel shortages? Is this similar or different across the two OPs and the Priority Axes?

Efficiency

- Is the management system[29] (managing authority, intermediary bodies, beneficiaries) functional and operating efficiently?
- How has the economic crisis affected efficiency, e.g. has it affected resources? Costs? Supply of services?

3.3 Users

The users of the Horizontal Review report will be ACIS, the authors of the SyR, MAs, IBs, European Commission, beneficiaries, members of the Monitoring Committees of the two OPs and other stakeholders.

[28] The cut-off date will be suggested in the methodology.

[29] Management system means planning, launching the call, quality of the project applications (and reasons for rejection), timeliness of the selection procedures, Timeliness of contracting, timeliness of processing applications for reimbursement.

3.4 Expected Results

The expected results of the Horizontal Review will be conclusions, and recommendations regarding the two Operational Programmes, addressing the four strategic issues of the Synthesis Report, as set out in **Section 2.3** above, and repeated below:

- consequences for NSRF strategy and its implementation of the financial and economic crisis;
- relevance, efficiency[30] and effectiveness of the existing (OP) strategies. Best practices and failures explaining the asymmetry of implementation between OPs and within each OP should also be provided.
- relevance of the implementation mechanisms.
- potential for upgrading the impact of investments, including the increase of the synergies and complementarities between programmes and priorities, and judgement on the quality of the investment.

It is recognised that the comprehensiveness of the results in this regard will reflect the limited nature of the Review.

4. Horizontal Review Methodology

1) Drafting the Methodology

Based on these ToR, the Review team will develop a succinct methodology including:

- a draft report outline;
- a list of possible additional data/information sources to be consulted;
- a detailed work plan.

2) Kick-off seminar

The Evaluation Steering Committee, the two MAs concerned (MA SOPT and MA SOP E) and DG Regio will be invited to review and comment on the methodology for the Horizontal Review during a kick-off seminar. The Review team will respond during the meeting or in writing to all received comments and, as the case may be, to improve the methodology. The final Methodology must be approved by the Evaluation Central Unit.

3) Elaborating the report

The drafting of the Horizontal Review report will be based on the approved methodology. The methodology will include document and data review and interviews.

The methodology is anticipated as including analysis of performance indicator data available from the MA, IBs or other sources, review of other relevant documentation including Progress Reports, Annual Implementation Reports and Monitoring Committee meeting minutes, relevant evaluations including the NSRF Interim Evaluation. It will also include semi-structured interviews with the MAs, IBs, and beneficiaries in order to allow a qualitative assessment.

[30] Including the efficiency of the management, financial and certifying systems.

It is understood by ACIS that this Horizontal Review is not the equivalent of a full Interim Evaluation of the two OPs involved. While the ToR ask the Review to address similar questions as an IE, the depth at which these can be addressed will inevitably reflect the more limited nature of the work programme of the Review.

The draft reports will be submitted to the Evaluation Steering Committee and key stakeholders for comments. The Evaluation Steering Committee will conduct quality assurance of the final version of the report.

4) Debriefing meeting

The results of the Review will be presented by the team in a debriefing meeting, as well as in the National Coordination Committee for Structural instruments if appropriate.

5. Resources

The remaining balance of resources available under Component 2.2 Ad Hoc Evaluation will be utilised on this Review. This involves 30 Key and 120 Non-Key Expert days. A detailed breakdown for the use of the Non-Key Expert resources will be provided in the consortium's proposed methodology.

6. Outputs

The output of this activity shall be a Draft and a Final Report elaborated in Romanian and English. The reports shall each have maximum 50 pages of text, tables and charts, without annexes.

The Final Report should contain a Summary Report of maximum 8-10 pages summarising the Review objectives and scope, and the main conclusions and recommendations arising.

The report shall meet the following quality control criteria:

Criterion	***Interpretation***
Relevance	Does the report respond to information needs, in particular as expressed in the terms of references?
Appropriate design	Is the design of the work adequate for obtaining the results needed to answer the questions?
Reliable data	Are data collected adequate for their intended use and have their reliability been ascertained?
Sound analysis	Are data systematically analysed to answer the questions and cover other information needs in a valid manner?
Credible findings	Do findings follow logically from and are justified by, the data/information analysis and interpretations based on pre-established criteria and rational?
Valid conclusions	Are conclusions non-biased and fully based on findings?
Helpful suggestions	Are areas needing improvements identified in coherence with the conclusions? Are the suggested options realistic and impartial?
Clarity	Is the report well structured, balanced and written in an understandable manner?

The Quality control will be performed by the Evaluation Steering Committee. For this specific evaluation, the Steering Committee will include representatives of the MA SOP T and MA SOP E.

7. Timetable

The Review shall be carried out during the period July-October 2010. It is anticipated that the desk research will be carried out during the months of July and August, and the fieldwork in September. This latter will facilitate availability of the Draft SyR in advance of the consultations, which will help to focus the consultations on key emerging issues.

The draft Intermediary Report should be delivered by 31 August 2010 and will cover the outcome of the desk analysis. The Draft Final Report will be delivered at 30 September 2010 and will cover the remaining work. The Final Report will be submitted no later than 15 October 2010.

These deadlines are also critical to the timetable for the SyR they must be adhered to. The Methodology Proposal will set out a more detailed timetable for the Review.

ANNEX 3 – LIST OF PRIORITY AXIS AND KEY AREAS OF INTERVENTION

Priority Axis (PA)	Key Area of Intervention (KAI)
SOP Transport	
1. Modernization and development of TEN-T priority axes aiming at sustainable transport system integrated with EU transport networks	1.1. Modernization and development of road infrastructure along the TEN-T priority axis 7
	1.2. Modernization and development of railway infrastructure along the TEN-T priority axis 22
	1.3. Modernization and development of water transport infrastructure along the TEN-T priority axis 18
2. Modernization and development of the national transport infrastructure outside the TEN-T priority axes aiming at sustainable national transport system	2.1. Modernization and development of national road infrastructure
	2.2. Modernization and development of national railway infrastructure and passenger service
	2.3. Modernization and development of river and maritime ports
	2.4. Modernization and development of air transport infrastructure
3. Modernization of transport sector aiming at higher degree of environmental protection, human health and passenger safety	3.1. Promote inter-modal transport
	3.2. Improve traffic safety across all transport modes
	3.3. Minimize adverse effects of transport on the environment
4. Technical Assistance	4.1. Support for effective SOPT management, implementation, monitoring, and control
	4.2. Support for information and publicity regarding SOPT
SOP Environment	
1. Extension and modernization of water and wastewater systems	1.1. Extension/modernization of water and wastewater systems
2. Development of integrated waste management systems and rehabilitation of historically contaminated sites	2.1. Development of integrated waste management systems and extension of waste management infrastructure
	2.2. Rehabilitation of historically contaminated sites
3. Reduction of pollution and mitigation of climate change by restructuring and renovating urban heating systems towards energy efficiency targets in the identified local environmental hotspots	3.1 Rehabilitation of urban heating systems in selected priority areas
4. Implementation of adequate management systems for nature protection	4.1 Development of infrastructure and management plans to protect biodiversity and Natura 2000
5. Implementation of adequate infrastructure of natural risk prevention in most vulnerable areas	5.1 Protection against floods
	5.2 Reduction of coastal erosion
6. Technical Assistance	6.1 Support for SOP ENV management and evaluation
	6.2 Support for information and publicity

ANNEX 4 – LIST OF DOCUMENTS REFERRED TO IN THE EVALUATION

Strategic/programming documents

- Sectoral Operational Programme Transport
- Sectoral Operational Programme Environment
- Implementation Framework Document of the Sectoral Operational Programme Transport
- Implementation Framework Document of the Sectoral Operational Programme Environment
- National Strategic Reference Framework
- Ex-ante Evaluation SOP Transport
- Ex-ante Evaluation SOP Environment
- On-going Evaluation of the NSRF
- National Strategy for Waste Management
- National Strategy for the Sustainable Development. Romania 2013 – 2020 - 2030

Operational documents

- Master Plans:
  - on water in Covasna, Mures, Dambovita, Jiu Valley
  - on waste in Botosani, Olt, Suceava, Calarasi, Vaslui
  - on heating in Bacau and Timisoara
- Annual implementation reports 2007 – 2009 (both OPs)
- SOP Environment - project monitoring fiches for:
  - Priority Axis 1 (13)
  - Priority Axis 2 (5)
  - Priority Axis 3 (1)
- Situation of SOP Environment at the end of August and end of September 2010
- Monitoring Committee meetings' minutes for September 2007, May and October 2008, May and December 2009, June 2010
- Monitoring Committee meetings' minutes for November 2009 and May 2010
- Multiannual Evaluation Plan for both OPs
- Impact Evaluation Report of the SOP Environment Promotion Campaign
- Management Operational Procedures for both OPs
- Internal Bylaw of the Ministry of Environment and Forests
- Guidelines for the preparation and evaluation of projects under the SOP Environment 2007 – 2013
- Guidelines for applicants for both OPs.

In addition the MAs and ACIS' **websites** were browsed for more information:

- *www.fonduri-ue.ro*
- *www.mt.ro*
- *www.posmendiu.ro*

ANNEX 5 – LIST OF INTERVIEWS

Institution	Representatives	Meeting date
SOP Environment		
AM SOP Environment	Florian Burnar, MA Director Valentin Simion, Public Manager, Programming and Evaluation Directorate Roxana Ifrim, Counsellor, Payment Directorate Mihai Constantin, Counsellor, Structural Funds Directorate	04/10/2010
	Lucia Popa, Cohesion Fund Directorate Catalin Gheran, Structural Funds Directorate	15/10/2010
	Florian Burnar, MA Director Gabriela Dugoiasu, Head of Office, Programming and Evaluation Directorate Valentin Simion, Public Manager Mălina Frăteanu, Communication Officer, AM SOP Environment	25/10/2010
IB SOP Environment, Bucharest	Cristina Maruta, Financial Control Directorate Luminița Neagoe, Head of Programming Office	15/10/2010
IB SOP Environment, Cluj-Napoca	Marius Baican, IB Director	19/10/2010
Giurgiu County Council	Gabriela Petruş, Project Manager, PIU Simona Dumitrescu, Project Assistant	20/10/2010
S.C. Apa Service S.A.	Lucica Neagu, Project Manager, PIU	20/10/2010
IB SOP Environment Bacău	Anca Bostan, IB Director	22.10.2010
SOP Transport		
JASPERS - EIB	Tudor Radu, Transport expert Alexandra Stan, Transport expert	14/10/2010
MA SOP Transport	Cătălin Costache, Director, Programming Department Ada Debu, Head of the office, Monitoring Department Daniela Breazu, Evaluation expert	21/10/2010
SNCFR	Radu Irimia, Deputy General Director, Department for European Projects Constantin Onoiu, Deputy Director adjunct, Department for European Projects	22/10/2010
CNADNR	Andreea Olteanu, Head of the office for drafting project proposals Mihai Macrea, Head of the office for National Roads ISPA and Phare Nicoleta Șandru, Head of the office for Management of the Non-reimbrusable Funds for Highways	26/10/2010
CNADNR	Claudiu Brânzan, Expert European Procedures' Implementation Office Ștefan Mihai, Project Manager Adelina Toculeț, Project Manager	28/10/2010
EC, DG Regio	Eduardo Barreto, Desk Officer Unit I1 (Romania)	20/01/11

ANNEX 6 – INTERVIEW GUIDELINE

Relevance

1. Are there any changes in the socio-economic environment that have affected the relevance of the interventions under OP?
2. What do you consider to be the main socio-economic tendencies which could affect project implementation?
3. Are the identified needs (including investment needs) still relevant, as initially estimated?
4. Are the planned objectives relevant to the current needs?
5. Are the operations under the Priority Axes and subsequent KAIs still relevant?

Consistency

1. Is the implementation to date of the Priority Axes within the OP complementary with each other?
2. Are the OP and Priority Axes coherent with any recent major relevant national and international policy/strategy and investment programme, including strategies to deal with the economic crisis?
3. Are there overlaps in the implementation of the Priority Axes or operations within the OP and between these and other investment in the sector?

Effectiveness

1. What are the number and value of contracted projects? What is the difference between the planned and actual performance?
2. Which are the factors contributing to the difference between the planned and real performance (see also the attached SWOT analysis)?
3. What are the reasons for a low number of projects approved/contracted?
4. What are the delays in achieving the planned results and objectives? What are the reasons for such delays?
5. What are the internal and external factors affecting the progress of the Operational Programme?
6. Are there deviations in the programme implementation time-plan? What is the cause for such deviations?
7. To what extend each Priority Axis and subsequent KAI is implemented effectively (is contributing to reaching OP objectives)?

Efficiency

Implementation Architecture and processes

1. Is the management system functional and operating efficiently?
2. Are internal procedures in place and supporting the efficient implementation of the OP?
3. Are there inter-institutional procedures for the OP implementation?
4. What is the relationship of the MA with the beneficiary institutions? Is this a critical factor influencing the project implementation? How?
5. How has the economic crisis affected efficiency (resources, costs, supply of services etc.)?
6. What improvements can be made to increase the efficiency of the management system?

Information and advertising

7. Are you aware of any deficiencies / inconsistencies in relation to the guidelines for applicants? Have they been corrected? How?
8. How would you describe the operation of help-desks in respect to their usefulness for beneficiaries? What are the main problems in this respect?
9. Which are the main instruments used for publicity and promotion of the OP (events, information campaigns etc.)? What were the main problems that affected their efficiency?

Launch of the requests for project proposals

10. What is the quality of applications received up to the cut-off date?
11. What were the reasons for rejecting applications?
12. Was the evaluation and selection process transparent? Where the rejection reasons clearly justified?
13. Was the evaluation and selection process delayed? What were the reasons for such delays?
14. Were there any appeals submitted to projects approval decisions? Have there been any problems in solving the appeals?
15. What were the main problems in evaluation and selection quality of evaluators, evaluation grids, evaluation reports, etc.)?

Contracting and implementation

16. What are the main problems in contracting projects?
17. What have been the main problems in project implementation so far for the *MA* (e.g. approving contract addenda, elaborating progress reports, processing reimbursement claims etc.) and for *beneficiaries* (project design, feedback quality from the MA, ensuring co-financing, obtaining licences, permits, observing public procurement rules, etc.)?
18. What are the problems in projects monitoring (consistency of project indicators with the programme objectives, availability of documents, SMIS system, beneficiaries' capacity/preparation/attitudes etc.)?

Implementation Capacity/ Skill

19. Are the human resources sufficient and working efficiently? Is it difficult to find personnel with the necessary expertise?
20. Is the estimated budget sufficient for the current needs?
21. Do the results obtained in the programme implementation justify the budget used so far?
22. How do the TA Priority Axis and the OPTA funds have been employed for improving the implementation of the OP?

ANNEX 7 – WORLD BANK'S FUNCTIONAL REVIEWS

The Functional Reviews consultancy of the World Bank is a formal request from the EU in the joint on-going IMF/EU/World Bank loan and is included in a Memorandum signed by the Romanian Government with the EU in June 2009. The first phase of the Functional Reviews, finalized in mid-September 2010, contains detailed analysis and recommendations on 6 sectors (Centre of Government, Ministry of Public Finance, Ministry of Transport, Ministry of Agriculture and Rural Development, Ministry of Education and Competition Council). The recommendations are summarized in a series of **Action Plans** that will be formally approved by the Romanian Government in a Memorandum with the EU before the end of 2010. The integration and coordination of the Action Plans with the National Reform Program is also under discussion. The measures included in the Action Plan and formally assumed by the Romanian Government in the Memorandum will become EU conditionality for Romania.

It is very likely that the disbursement of future EU grants to Romania and possibly the next IMF/EU loan in 2011 will be conditioned on the implementation of the Action Plans. The implementation of the Action Plan for Transport is thus critical for the well-functioning of the SOP T, not only because it would improve the institutional setup in the Transport Sector, but also because the release of future EU funds could be conditioned on several key measures from this Plan, pending on EU and the agreement of the Romanian Government in the coming period. As ACIS is the key institution in coordinating the structural instruments, it is expected to be properly involved by the Romanian Government in all discussions on the potential conditionality for Romania with regard to the release of EU funds resulting from this Memorandum, in all the sectors included in the Review.

The second phase of the Functional Reviews (which will start in mid November 2010 and be finalized in mid-April 2011) will contain analysis and recommendations on other 6 sectors, including the Ministry of Environment. The 6 sectors are: Economy (Energy), Regional Development, Environment, Higher Education and Research, Health, Labour and Social Protection.