

PREAMBLE

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

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

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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