1 Purpose of the Evaluation and Methodological Approach

In this chapter, we present the objective of the evaluation and its evaluation questions, the methodology used by the consultant to answer the evaluation questions. Furthermore, we identify the main issues within the methodology used, which need to be taken into account while interpreting the results.

1.1 The Evaluation

The objective of the evaluation of the absorption capacity of the Operational Programme Technical Assistance (OPTA) is:

> *To improve the quality, effectiveness and consistency of the assistance by providing a risk assessment of not fully drawing down the allocated funds of the OPTA, by assessing the danger of automatic de-commitment of OP funds over the next years and by proposing adequate options of reallocation of the possible unused funds within the programme or to other programmes.*

More specifically, the purpose is as following:

- "Quantifying the risk of not absorbing PA2 and PA3 allocations under the current state of play
- Detecting and alleviating the bottlenecks in implementing the PA2 and PA3
- Exploring the potentials for increasing the demand for PA2 and PA3
- Investigating if there is room for transferring funds from PA2 and PA3
- Establishing the financial benchmark of annual potential allocations for PA1 until 2013 considering the potential of additional absorption of this priority axis in order to avoid the automatic de-commitment of the OPTA funds
- Determining if there is the possibility of introducing new eligible costs, new eligible activities or -new eligible applicants, etc., to PA1. If this is the case, proposing additional interventions to be inserted into the programme
- Determining whether a reallocation within the OP is unavoidable, and to establish the amounts in an eventual transfer of funds between OPs"

In the Terms of Reference, this has been specified towards the following evaluation questions:

Evaluation Questions
Q1. By the end of the programming period, will the allocations for PA2 and PA3 be entirely used, in case no additional measures are adopted (e.g. new eligible costs/new activities/new eligible applicants/new target groups etc)?
Q2. To what extent and what way the reduced capacity of the beneficiary affects the planning and management of the projects founded by PA2 and PA3? Which are the tasks/responsibilities of the

beneficiary that can be outsourced?

Q3. Are there changes on eligible costs / activities / applicants / target groups, etc. that can be introduced in order to ensure the increase in demand / absorption of funds from PA2 and PA3?[3] If so, will they significantly change the probability of making full use of AP2 and AP3 financial allocations by the end of programming period?

Q4. What is the potential for spending the funds of PA1 in the coming years, for avoiding the automatic de-commitment of OPTA?

Q5. Are there are new eligible costs / activities / applicants / target groups, etc. that could be added to those already eligible in order to ensure the increase in absorption for PA1?

Q6. What are the options for reallocation of unused funds (within the OP or to other OPs), and which would be the effects on indicators targets and on general and specific objectives of the programme?

1.2 The Evaluation Methodology

For this evaluation, we have used the following methodologies:

1. Desk research

Document analysis (for a full overview of documents studied: see literature list, including an overview what literature has been used per evaluation question).

2. Interviews and focus groups

The purpose of the interview and focus groups was to gain further information, which was impossible to achieve based on the documentary analysis of official sources. The interviews especially served to get a better view on possible additional needs and the feasibility of generating new project ideas.

In the inception phase 19 people have been interviewed which has helped the project team to get a good overview of the current status and possibilities for increasing the absorption capacity of the OPTA.

For the workload analysis, additional interviews have been organised (see workload analysis). In order to collect information on possible additional needs that might lead to new projects in the project pipeline and in order to test whether project ideas from abroad might be relevant for Romania, interviews with beneficiaries and potential beneficiaries have been organised.

Two focus groups have been organized:

- 1 with the TA officers of other Operational Programmes on the 10th of May
- 1 with stakeholders of OPTA of the 11th of May

The objective of the focus groups was to discuss the feasibility, risks, potential budget, timing, actions needed for the suggested (project) ideas in order to confirm or fine tune our findings and to

[3] The evaluation must be performed within the limits established through the OPTA objectives, in order to avoid the artificial extension of eligibility

ensure that the solutions will be as realistic and feasible as possible. The outcomes of the focus groups provided important outcomes for the forecasting of scenarios.

3. Workload and process re-engineering analysis

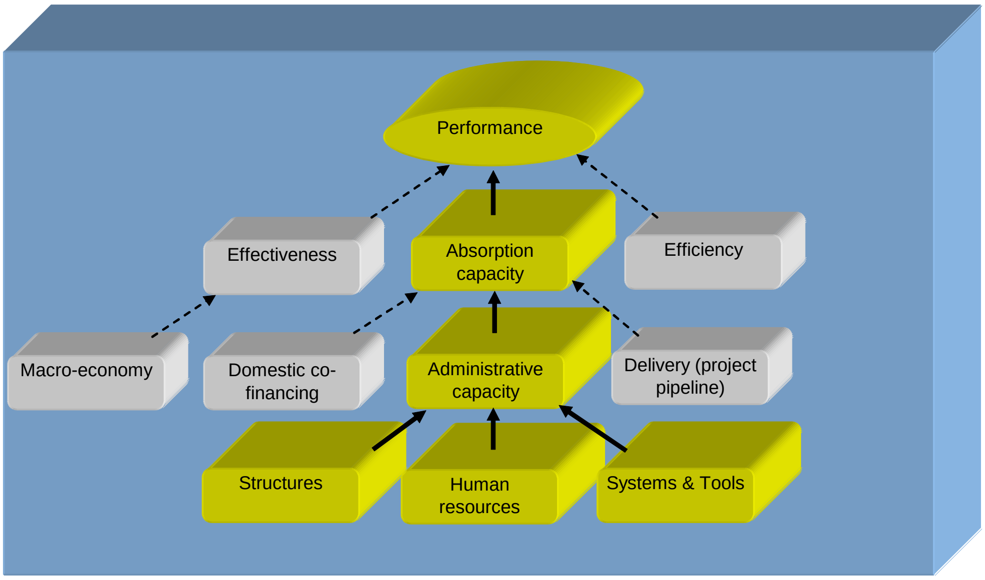
An integrated analysis has been performed for the main beneficiaries of the SMIS Coordination Service and the Information Compartment, the main beneficiary for PA2 and PA3 respectively. The analysis was based on the following sources:

- a *comprehensive desk research*, which allowed the identification of the work flows and functions as established through the regulatory documents,
- *questionnaires* among the staff, on workload, tasks and time,
- *joint interviews* (see Annex 7C).

For the data collection and processing, *tools were developed* whose design allowed for the relevant data to be collected in a structured way to enable processing and extracting of conclusions.

The analysis was made on the basis of the structures, human resources and systems and tools, the main three factors for absorption capacity (see figure below).

Figure 1 Overview of the elements influencing the absorption capacity



Source: Ecorys, based on the criteria used in the study "Key indicators for candidate countries to effectively manage the Structural Funds (NEI, 2002), p. 3 and 4

4. Forecasting

For the forecasting of the absorption rate we have used the modified LOTHAR forecasting tool (LOTHAR+). As a first step, the model was modified according to the needs of the client. Secondly, we have collected all relevant data from the SMIS and project pipeline documents.

LOTHAR+ is based on the LOTHAR system developed in partnership between the Bulgarian Authorities and the EC. The original LOTHAR is:

- Excel-based – basically an intricate Excel file with a number of links between cells and sheets, allowing visualization of different variables;
- Used for the preparation of financial forecasts for the absorption of SCF through the Bulgarian OPs;
- Used also for monitoring of main processes – contracting, payments, verification, and certification.

Just as LOTHAR, LOTHAR+ is Excel-based. However, the original LOTHAR does not include Visual Basic for Applications (VBA) elements. VBA is an implementation of Microsoft's programming language Visual Basic 6 within Excel, which enables building user defined functions and automating processes. In this way LOTHAR+ aims at overcoming LOTHAR's problem of non-automated forecasts.

Moreover, LOTHAR+ is much more interactive. It allows users to see the current state of play and to develop different scenarios, through changing parameters in the model. The tool also allows for visualization of different parameters chosen by the user.

The forecasting is done based on the following:

- ✓ Scenario without any changes, based on the currently contracted projects (business as usual)
- ✓ Scenarios based on the inclusion of additional projects – pipelines (as of 09.05 and after discussions with the stakeholders during focus groups) included
- ✓ Scenarios based on the change of different parameters (durations and ratios)

Detailed information on LOTHAR+ is included in Annex 1A.

For the different scenario analyses, the outcomes of the experiences in other countries (good practice projects), their relevance for Romania and other project ideas tested during the interviews and the focus groups have been taken into account.

In the table below a summary of the methodology and how it relates to the evaluation questions is presented.

Table 3 - Summary of used methodology per evaluation question and Priority Axis for which it is relevant

Evaluation question (with stages referred)	Methodology used	PA1	PA2	PA3
Q1. By the end of the programming period, will the allocations for PA2 and PA3 be entirely used, in case no additional measures are adopted (e.g. new eligible costs/new activities/new eligible applicants/new target groups etc)?	- desk research - interviews - financial forecasting (Lothar+)		✓	✓
Q2. To what extent and what way the reduced capacity of the beneficiary affects the planning and management of the projects founded by PA2 and PA3? Which are the tasks/responsibilities of the beneficiary that can be outsourced??	- desk research - interviews - workload analysis - process re-engineering - focus group		✓	✓

Q3. Are there changes on eligible costs / activities / applicants / target groups, etc. that can be introduced in order to ensure the increase in demand / absorption of funds from PA2 and PA3?4 If so, will they significantly change the probability of making full use of AP2 and AP3 financial allocations by the end of programming period?	- desk research in BG, PL, ES - interviews - financial forecast instruments (Lothar+) - develop scenarios - focus groups		✓	✓
Q4. What is the potential for spending the funds of PA1 in the coming years, for avoiding the automatic de-commitment of OPTA?	- desk research - interviews - financial forecasting (Lothar+)	✓	(✓)	(✓)
Q5. Are there are new eligible costs / activities / applicants / target groups, etc. that could be added to those already eligible in order to ensure the increase in absorption for PA1?	- research in BG, PL and ES - interviews - financial forecast instruments (Lothar+) - develop scenarios - focus groups	✓		
Q6. What are the options for reallocation of unused funds (within the OP or to other OPs), and which would be the effects on indicators targets and on general and specific objectives of the programme?	- reallocations proposals	✓	✓	✓

1.3 Limitations of the Methodology

The following advantages of LOTHAR were the main reasons why this system was chosen as a starting point for the development of the forecasts under the project:

- Provides information on the level of operations;
- Combines comprehensive information on commitments, payments, contracting, verification, certification, and project appraisal;
- Facilitates analysis of time series;
- Enables forecasting with available projects;
- Provides automatic charts;
- Relatively easy to use.

[4] The evaluation must be performed within the limits established through the OPTA objectives, in order to avoid the artificial extension of eligibility

However, LOTHAR also has some disadvantages, which had to be taken into account:

- ✓ LOTHAR is mostly used as a monitoring rather than a forecasting tool;
- ✓ LOTHAR does not automatically signal for potential de-commitment dangers. One should be able to ‚read' the model;
- ✓ LOTHAR does not automatically provide forecasts – experts provide forecasts and fill them in.

Having in mind the advantages and disadvantages of LOTHAR, the project team developed a new forecasting model named LOTHAR+ which is based on the LOTHAR principles and practices, but has a far greater forecasting power.

LOTHAR's objective is to monitor the implementation of N+3/2 rules under OPTA so that corrective actions could be taken, if there is a danger of de-commitment. Thus, LOTHAR's objective and elements are very similar to the objectives of this project, which is why the model was selected as a starting point for the development of a forecasting tool.

LOTHAR+ aims at supporting the assessment of automatic de-commitment and the process of proposing options for reallocation through financial forecasting. This model allows users to make alternative scenarios, based on different values for:

- ✓ EU contribution share;
- ✓ Exchange rate of RON against the EUR;
- ✓ Different authorisation schemes for each KAI, both in terms of period and amount of authorisation;
- ✓ Duration between first approval of the project and its completion;
- ✓ Different payment schemes for each KAI, both in terms of period and amount of payments;
- ✓ Different certification schemes for each KAI, both in terms of period and amount of certification;
- ✓ Transfer of commitments for a particular year from one KAI to another;
- ✓ Inclusion of additional projects in the pipeline.

The last variable must be treated carefully when proposing "trustful„ scenarios for increasing OPTA absorption rate as:

- ✓ The budgets dimension is possible to be adjusted from the phase of project proposal included into the pipeline to the phase of contracted project.
- ✓ The lack of capacity of some OPTA beneficiaries might affect the proper development or/and implementation of projects.
- ✓ The risk of late procurement would lead to lower absorption or to later absorption.

If we are taking into consideration new project ideas, as discussed during both focus-groups, other risks can affect the alternative scenarios:

- ✓ Projects ideas are not taken up due to lack of capacity within the beneficiaries. This risk can be reduced a bit by taking follow up actions by OPTA Strategy Unit and by outsourcing project management and project development tasks.
- ✓ The budget estimations from the incipient phase up to contracted project might be significant higher or lower than foreseen at this stage.
- ✓ A large preparation period for new projects might conduct at submitting the projects too late to be able to implement them fully within the current programming period.

For the analysis Report of the capacity of the beneficiaries of PA2 and PA3 it should be noted that the estimation made by the staff, in the filled in questionnaires, of time needed for the tasks performance allowed identification of potential work overload for the staff undertaking both OPTA beneficiary responsibilities and other ACIS related tasks. The time estimation by responders represent monthly average estimates for both total working time and tasks structures, and were made taking into account the following limitations:

- ✓ retroactive estimation based on staff memories in the absence of detailed working time records. A correct estimation could have been done on the basis of time records made by the staff for all the activities undertaken during a certain period of time, which has been out of this project lifetime;
- ✓ OPTA related tasks and other ACIS tasks allocated to staff, in various percentages both between staff and between beneficiaries. While for SMIS CS the OPTA related tasks represent most part of their working time (more than an average of 85%), for ICIS staff, according to ROF, job descriptions and questionnaires, the PA3 beneficiary responsibilities cover less than 35% of their tasks and average working time;
- ✓ variation of workloads along time according to project cycle and length and/or periodicity of certain tasks, overlaps between OPTA tasks and other regular ACIS tasks (not related to OPTA), pick periods generated by deadlines for both tasks categories, all leading to uneven workloads and percentages of time dedicated to OPTA beneficiary role;
- ✓ some information provided by SMIS CS staff not confirmed by management whose opinions could not be collected for the analysis.