



## Preface

In this report the results of the "Evaluation of the absorption capacity of the Operational Programme Technical Assistance" are presented. The evaluation was done in the period January – June 2012 by Ecorys in consortium with LIDEEA and was commissioned by the Ministry of European Affairs, Authority for Coordination of Structural Instruments, Evaluation Central Unit.

An important part of the study was making the forecast for the absorption of the Operational Programme. The evaluation team has not only made the forecasts based on the available data, but also delivered the actual forecast tool, Lothar+, to the client and the beneficiary. As a result, the forecasts presented in this report are not static, but can be adjusted based on new developments within the programme. By creating a new monitoring and forecasting tool Lothar+, based on the Lothar model, developed for monitoring by DG Regio, and actually delivering it to the client and beneficiary, the team considers to have added an important value to the evaluation reports itself.

The team has worked with great enthusiasm on this challenging evaluation. We would like to thank all who have cooperated in this study, by participating in interviews, the focus groups and by delivering the data needed. Furthermore, we would like to thank the client, beneficiary and steering group for their comments.

*The Evaluation Team,*  
Bucharest, June 2012





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## Summary

The objective of this evaluation is to:

*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.*

For this purpose, the following evaluation questions were answered.

- By the end of the programming period, will the allocations for PA2 and PA3 be entirely used in case no additional measures are adopted?
- To what extent and what way the reduced capacity of the beneficiary affects the planning and management of the project founded by PA2 and PA3? Which tasks can be outsourced?
- Are there any changes on eligible costs/ activities/ applicants/target groups that can be introduced to increase absorption for PA2 and PA3?
- What is the potential for spending the Funds of PA1 in the coming years for avoiding automatic de-commitment?
- Are there any changes on eligible costs/ activities/ applicants/target groups that can be introduced to increase absorption for PA1?
- What are the opportunities for reallocation of unused funds and would be the effects on indicators targets and on objectives of the programme?

### Current situation and dangers for de-commitment

Based on the current contracted projects (baseline scenario), we can see the following trends:

- Priority axis 1:
  - 121% contracted by end of 2013, taking into account the acceleration in the programme implementation in Jan-May 2012
  - Key area of intervention 1.1 (KAI 1.1) outpaces the rest of the programme in terms of contracting, payments and certification
- Priority axis 2:
  - Contracting lagging behind, payment and certification for 2012 could be below N+3/2 amount
  - Only 13.4% of commitments for PA2 would be achieved by the end of 2013, based on data up to May 2012
- Priority Axis 3:
  - Contracting level is slightly better, but payment and certification are lower.
  - Contracting will be 18.4% as of 2013, having a negative impact on payment and certification, based on the latest available information up to May 2012



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The main result generated by LOTHAR+, based on information up to 31.05.2012, is that with the exception of KAI 1.1 and 2.3, all other key areas of intervention have dangers of de-commitment in 2012 and after 2012<sup>1</sup>. KAI 1.1 is not at danger of de-commitment, while KAI 2.3 is expected to run into deficit of certification, starting from next year. At OPTA level there is no danger of de-commitment in 2012, but the programme faces significant risks starting from next year, even taking into account the pipeline projects. On the one hand, the certification pace has picked up in the first half of 2012, partly due to the suspension of the payment claims to the Commission in the second half of 2011. On the other hand, in 2013 both the N+3 for 2010 and N+2 for 2011 rules are applied, leading to a sharp increase in the de-commitment target and putting pressure on its achievement.

### Factors hindering absorption capacity

Several issues hinder the absorption of the funds.

- Time consuming approval and signing procedures at beneficiary level
- Limited capacity of beneficiaries (especially for PA 2 and 3)
- Complicated procurement procedures
- Immature consultancy market
- Economic crisis (less co-financing)
- Overestimation of funds needed for OPTA:
  - Insufficient analysis of the legal framework needed for implementation (public procurement)
  - Overestimation of equipment needs
  - Underestimation of staff number and qualifications
  - Overestimation of costs of certain activities needed for reaching the objectives

Especially for PA 2 and PA 3 there is a problem concerning the absorption capacity of the beneficiaries. The number of staff is insufficient to absorb more projects than already contracted; regular tasks require all capacity. Therefore, of the 34 projects in the pipeline for both priorities, there are currently only 4 projects financed under PA2 and 2 under PA 3. Within the SMIS CS there are opportunities for reducing the workload by working more efficiently (work procedures, workload distribution, less ad hoc tasks), but will not provide a solution on short notice. Hence, in order to increase the absorption capacity of both beneficiaries there is an urgent need to fill the vacancies in the units. Next to this the in- and outsource both activities related to their regular tasks (e.g. helpdesk function for the SMIS Coordination Unit (SMIS CS) and the outsourcing parts of the implementation of the communication plan for the Information Compartment for Structural Instruments, ICIS) as well as project management related tasks.

Furthermore, it is essential to establish a better demarcation tasks and cooperation relating to procurement between Implementing Service and beneficiary, as there are currently legal and liability risks. There is a need for implementation agreements between them.

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<sup>1</sup> The danger of decommitment is calculated as the difference of certification and commitments with a lag, according to the N+3/2 rule, plus pre-financing. Commitments for 2007 are re-allocated across the remaining six years. Throughout the report, the N+3/2 rule (advance excluded) is calculated from commitments with a delay of 3/2 years, taking into account pre-financing as well.

In order to increase the capacity on the longer term, it is needed to improve the OPTA MA implementation procedures, to prepare a dedicated a beneficiary's procedures manual and to revise the division tasks within SMIS CS along with internal working procedures. For this, detailed recommendations are provided in the workload analysis report.

### Possibilities for new projects and consequences for eligibility criteria

As part of the evaluation, an inventory has been made on possible new projects that could be added to the project pipeline, based on international experience. The outcome of this exercise shows that there are mainly possibilities to add to new projects to the pipeline for PA1. In order to facilitate those project ideas some amendments in terms of applicants are needed (e.g. adding the Foundation Business and innovation centres, National Institute of Statistics, Universities). For PA2 the existing project pipeline is complete, the only new activities identified are the activities of the SMIS unit that could be outsourced. Also for PA3, there is no need for changes in the eligibility criteria, as it provides enough possibilities to cover additional activities identified.

### Forecast pipeline and pipeline+

Based on the project pipeline (P) available and the newly identified projects ideas (pipeline+, P+) a forecast was made for the contracting and certification. The results on PA level are presented below.

**Table 1 Contracting and certification pipeline scenario (in RON), based on data up to end 2011**

	Commitments (2015) <sup>2</sup>	Contracting - P (2015)	Contracting - P+ (2015)	Certification - P (2015)	Certification - P+ (2015)	Certification - P+ (2015) – accel.
OPTA	737 299 868	913 190 767	991 316 392	390 516 757	429 784 355	511 800 472
PA_1	358 575 162	744 804 862	794 948 237	302 170 950	325 601 578	404 947 824
PA_2	231 233 298	102 406 798	113 640 548	55 575 709	61 821 958	64 651 571
PA_3	147 491 408	65 979 107	82 727 607	32 770 099	42 360 819	42 201 077

\* Information in columns 2-5 is based on data up to the end of 2011. Data in column 7 incorporates most recent available data up to May 2012.

For KAI1.3, KAI2.2-2.4, and KAI 3.2 there is no difference between the pipeline (P scenario) and the pipeline with included new project ideas (P+ scenario).

According to the P+ scenario contracting of OPTA come close to 1 bln. RON, which is far above the commitments. Yet, certification is not expected to increase so significantly and the dangers of de-commitment remain. Overall in the P+ scenario there is an expected increase in contracting of nearly 600 mln. RON as compared to the baseline and 78 mln. RON over the pipeline scenario, mostly due to PA1 (KAI1.1). The increase in certification is 200 and 40 mln. RON as compared to the baseline and the pipeline scenario respectively. If the acceleration of OPTA funds absorption in the first five months of 2012 is taken into account, then certification would be expected to go beyond 500 mln. RON, i.e. 225 mln. would not be certified under this scenario.

<sup>2</sup> Figures based on: Government of Romania, Ministry of Public Finance 2011, Framework Document for Implementing the Operational Programme Technical Assistance 2007-2013

## Reallocation options

When including the pipeline and pipeline+ in the forecast, the results for the contribution to the danger of de-commitment and the insufficiency of funds are as following:

**Table 2 Contribution to the danger of de-commitment pipeline(+ scenario (figures in RON)**

			Pipeline scenario		Pipeline+ scenario	
	Funds left to be contracted- 31.12.2012	Funds left to be certified - 31.12.2012	Contribution to danger of de-commitment: Difference b/aw certification and N+3/2 31.12.2012	Contribution to danger of de-commitment: Difference b/aw certification and N+3/2 31.12.2012	Contribution to danger of de-commitment: Difference b/aw certification and N+3/2 31.12.2012	Contribution to danger of de-commitment: Difference b/aw certification and N+3/2 31.12.2012
	Based on data up to end 2011			Up to May 2012	Up to end 2011	Up to May 2012
<b>OPTA</b>	2 799 009	629 294 164	-20 699 735	9 367 726	-20 699 735	9 367 726
<b>PA_1</b>	-293 105 533	261 330 945	33 609 642	59 228 288	33 609 642	59 228 288
<b>PA_2</b>	189 551 344	220 914 982	-26 270 664	-23 349 978	-26 270 664	-23 349 978
<b>PA_3</b>	106 353 198	147 048 237	-28 038 713	-26 510 584	-28 038 713	-26 510 584
<b>KAI_1.1</b>	-346 193 226	91 239 143	48 146 791	69 816 689	48 146 791	69 816 689
<b>KAI_1.2</b>	-18 057 141	34 156 502	-4 506 992	-2 048 059	-4 506 992	-2 048 059
<b>KAI_1.3</b>	35 530 262	67 351 176	-4 886 055	-4 308 904	-4 886 055	-4 308 904
<b>KAI_1.4</b>	35 614 572	68 584 124	-5 144 101	-4 231 439	-5 144 101	-4 231 439
<b>KAI_2.1</b>	57 393 620	59 042 696	-8 723 673	-10 366 089	-8 723 673	-10 366 089
<b>KAI_2.2</b>	24 498 856	34 000 681	-7 758 672	-7 667 356	-7 758 672	-7 667 356
<b>KAI_2.3</b>	29 678 833	30 917 410	-1 375 495	1 001 996	-1 375 495	1 001 996
<b>KAI_2.4</b>	77 980 035	96 954 194	-8 412 824	-6 318 530	-8 412 824	-6 318 530
<b>KAI_3.1</b>	71 491 867	100 437 318	-18 840 992	-17 312 863	-18 840 992	-17 312 863
<b>KAI_3.2</b>	34 861 332	46 610 919	-9 197 721	-9 197 721	-9 197 721	-9 197 721

Because time is needed before the projects, envisaged under the pipeline and pipeline+ scenarios, generate payments, there are no major differences in the conclusions for 2012 between the baseline and pipeline (+) scenarios. Hence, according to the pipeline(+) scenario, there are the following options:

- Reallocation from PA2 and PA3 to KAI1.1 and KAI1.2 to cover all insufficient funding
- Reallocation from PA2 and PA3 to KAI1.1 only. According to the pipeline scenario and taking into account the pick-up in contracting and certification in Jan-May 2012, a total of 118 mln. RON might be reasonably reallocated, assuming that the current pace of certification is preserved. This estimation is based on the calculated difference between certification and commitments under KAI 1.1 as of end-2015. In the pipeline+ scenario this amount goes up to 132 mln. RON.

- Reallocation from other OPs to OPTA in order to meet the contracting pace of PA1 – cannot be considered a viable option having in mind the overall danger of de-commitment for the program
- Reallocation from OPTA to other OPs – a viable option, but the amount depends on a number of factors, e.g. contracting in 2012 and certification rate.

### Consequences for indicators

If reallocations would be made within the programme, this might affect the global objective slightly. The effects for the indicators differ per option chosen. PA 1 and PA 2 contribute to Specific Objective1 (support and appropriate tools for Structural Instruments implementation), reallocation from PA 2 will affect some indicators (e.g. guidelines, events on exchanging experience, training days). When the option is chosen to reallocate to other OPs, ambitious targets could be amended from PA 1 (e.g. the number of studies and training days). Specific Objective 2 (Communication) will be affected by a reallocation (public awareness, studies). However, not all funds reductions will involve a reduction of the targets as these are realised against lower costs.

### Conclusions

- Based on the contracted projects, the allocations (commitments) for PA2 and PA3 will not be fully used if no additional measures are introduced by the end of the programming period. For both Priority Axes contracting, payments and certification are even far below the relevant commitment levels.
- The rate of contracting for PA1 is good and if the additional acceleration, observed in Jan-May 2012, is maintained, by 31.12.2013 estimated 186% of the funds are expected to be contracted under the pipeline+ scenario. The different KAIs under PA1 follow different paths, with KAI1.1 outpacing the other 3 KAIs in contracting, payments and certification. According to the baseline scenario only KAI1.1 is not at danger of de-commitment, whereas the other 3 KAIs are in danger as of this year. Nonetheless, it is expected that after 2012 KAI 1.2 will not contribute to the increase of the danger of de-commitment anymore. The two main beneficiaries for the PA2 and PA3 have currently insufficient capacity in terms of staffing to absorb more projects than already contracted. The regular tasks, combined with the tasks related to the implementation, require the full capacity of the people already employed. Hence, without additional measures, the beneficiaries will not be able to (fully) absorb the projects in the pipeline.
- Hence, for both units, capacity could be generated by in- or outsourcing activities. For both units additional staff is needed that could be sourced. Next to this, suspended and vacant positions need to be filled in.
- In terms of options for absorbing more projects by adding projects to the pipeline, it can be concluded that:
  - For PA 2 the list of activities in the pipeline is rather complete. The only issues that might be added are the activities that can be outsourced by the SMIS Unit (see section above). This would not require additional eligible cost, activities applicants or target groups.



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- Priority 3 gives already enough possibilities and there are no general changes needed in eligible costs, activities, applicants and target groups.
- Even if the project pipeline and projects agreed during the Focus Groups were taken into account (pipeline+ scenario), both PA2 and PA3 would not reach their commitments for 2007 at the current rate of certification. For PA2 the pipeline scenario shows contracting levels just below the 2010 commitments, i.e. less than half of the commitments are expected to be contracted. The contracting forecasts for PA3 also show that the commitments are not expected to be contracted with and without the pipeline projects. Even after pipeline projects are included in the forecast, contracting would be approx. a half of the commitments.
- It is clear that PA1 is the “engine” for the OPTA. The inventory of new project ideas based on international experience and on the needs of the beneficiaries involved shows that there is no need to amend a lot of the eligibility of costs or activities. In terms of applicants there are some changes needed.
- When looking at the increase in absorption it is noted that the pipeline+ scenario is more optimistic for PA1 as compared to PA2 and PA3. At the current accelerated absorption pace of 2012 there will be a projected certification of 46 mln. RON more than the actual commitments for PA1 in end 2015, if all projects in the pipeline+ are implemented. The results from LOTHAR+ scenarios suggest that the contracting envisaged in the pipeline+ would change certification values by 93 mln. RON, if the latest information up to May 2012 is considered as well.

## Recommendations

- Enhance the absorption capacity by building at beneficiary level (project preparation and implementation) and simplification of procedures related to the authorisation of payments. A shorter throughput time for certification is urgently needed.
- Consider expansion list of activities and beneficiaries under PA 1 based on identified projects
- Consider the reallocation options presented
- Ensure the follow up on the identified project ideas
- Improve internal mechanisms and procedures for procurement
- Follow-up on the recommendations from the workload analysis



## List of Abbreviations

Abbreviation	Explanation
AA	Audit Authority
ACIS	Authority for Coordination of Structural Instruments
AIR	Annual Implementation Report
ANCS	Authority for Scientific Research
ECU	Evaluation Central Unit at Ministry of European Affairs
ICIS	Information Compartment for Structural Instruments, ACIS
CF	Cohesion Fund
CPA / ACP	Certifying and Paying Authority
DLAF	Department for Fight against Fraud
EBRD	European Bank for Regional Development
EC	European Commission
EIB	European Investment Bank
ER	Evaluation Report
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FR	Final (progress) Report
FTE	Full time employee
FWC	Framework Contract
IB	Intermediate Body
ICIS	Information Compartment for Structural Instruments
IS	Implementation Service
IR	Inception Report
KAI	Key Area of Intervention
Lothar	Financial model used for forecasting & monitoring
M	Month
MA	Managing Authority
MEUR	Million Euro
MR	Monthly Report
NSRF	National Strategic Reference Framework
OP	Operational Programme
OPTA	Operational Programme for Technical Assistance
PA	Priority Axis
PM	Project Manager
PR	Progress Report
Q	Evaluation question
RDA	Regional Development Agency

<b>ROF</b>	Organising and Functioning Regulation
<b>RTD</b>	Research and Technology Development
<b>SCD</b>	System Coordination Directorate, ACIS
<b>SI</b>	Structural Instruments
<b>SMIS</b>	Single Management Information System
<b>SMIS CS</b>	SMIS Coordination Service
<b>SNSPA</b>	National School of Political and Administrative Studies
<b>TAD</b>	Technical Assistance Directorate, Ministry of European Affairs
<b>ToR</b>	Terms of Reference

## Lothar+ Terminology

Technical Term	Description
<b>Commitment / Financial Allocation</b>	Type of differentiated (by countries and by operational programmes) appropriation, which covers the total cost, in the current financial year, of the legal obligations entered into for operations to be carried out over more than one financial year. This type of appropriation constitutes the upper limit of expenditure, which can be committed during the financial year. Differentiated appropriations are introduced to manage multi-annual operations, the related payments can be made during the year of the commitment and during the following years. Differentiated appropriations are used mainly for the Structural Funds and the Cohesion Fund.
<b>Contracted budgets</b>	Within an OP, the contracted budget is stated in the financial agreement between the contracting authority and the beneficiary. The contracted budget might be lower than the budget, submitted in the project proposal, as it is subject to assessment.
<b>Certified payments</b>	Payments checked against regulations and correctness
<b>N+2/3 rule</b>	<p>According to the N+2/3 rule, the Commission shall automatically de-commit any part of a budget commitment in an Operational Programme that has not been used for payment of the pre-financing or interim payments or for which an application for payment has not been sent in conformity with Article 86 by 31 December of the second/third year following the year of budget commitment under the programme, with some exceptions (these include major interruptions of some projects, or cases where reimbursement has been suspended by the EC, payments that has been capped due to lack of budget resources, force majeure).</p> <p>With the introduction of the N+2/3 rule the EC seeks to:</p> <ul style="list-style-type: none"> <li>✓ Activate spending funds and prevent keeping funds frozen and inactive for many years</li> <li>✓ Avoid financing of unviable projects</li> </ul>



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✓ Encourage long-term planning and value for money

<p><b>Automatic commitment</b></p>	<p><b>de-</b> The Commission shall automatically de-commit any part of a budget commitment in an OP that has not been used for payment of the pre-financing or interim payments or for which an application for payment has not been sent in conformity with Article 86 by 31 December of the third year following the year of budget commitment (n+3) or the second year following the year of budget commitment under the programme (n+2) with the exceptions mentioned in Council Regulation No. 1083/2006 and CR No. 539/2010.</p>
<p><b>Danger for de-commitment</b></p>	<p>The term is defined as the difference between certified expenditure plus pre-financing, minus commitments, allocated for two or three years ago. In other words it is the difference between certification and the N+2/3 rule, where the latter is calculated as the sum of commitment appropriations, depending on the applicability of the N+2/3 rule, reduced by the pre-financing, amounting to 9% for OPTA. Committed funds for 2007 are divided into 6 and allocated across the remaining six periods in the EU financial period.</p> <p>Within present Report, the danger of de-commitment is calculated as commitments – (certification + pre-financing). Thus, negative values mean danger of de-commitment.</p>