

## 6 Conclusions and recommendations

### 6.1 Conclusions

#### 6.1.1 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)?*

The baseline scenario shows that, in case no additional measures are adopted, 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.

For PA2 contracting is lagging behind and for 2012 could be below the N+3/2 amounts. At the current pace of absorption, the certification trend and the payment trend are expected to hit the N+3/2 line as early as 2012. According to the baseline scenario, taking into account the speeding-up of absorption in Jan-May 2012, only 13.4% of the commitments for PA2 would be contracted by the end of 2013. Even under the pipeline+ scenario with accelerated pace of absorption, contracting under PA2 will not go beyond 50% by end 2013.

The forecast is slightly better for PA3 in terms of contracting, but as concerns payments and certification, their levels are even lower. At the current pace the contracting will not reach more than 50% as of 2013 (in pipeline+ scenario, incorporating the latest data up to May 2012), which will have negative impact also on payments and certification. However, in the optimistic scenario with increased and streamlined absorption, contracting under PA3 might reach commitments, if all projects in the pipeline+ scenario are implemented.

#### 6.1.2 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?*

From the workload analysis of the two main beneficiaries for the PA2 and PA3 it becomes clear that in the current situation the capacity in terms of staffing to absorb more projects than already contracted is insufficient. 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.

Especially taking into account that at this moment, there are only 4 projects financed through PA 2 (and 2 projects are under preparation) and 2 projects under PA 3. This is a considerably lower level than the 34 projects that are still in the current project pipeline.

For the SMIS Unit especially there are opportunities to reduce the workload by working more efficiently though e.g. establishing better working procedures and a better workload distribution. However, introducing these changes will take time and will have its effect too late in order to be able to absorb more projects.

Hence, for both units, capacity could be generated by in- or outsourcing activities. For both units additional staff is needed that could be in sourced. Based on the figures collected, for SMIS Unit the



number of additional staff needed would be 5,9 FTEs and for ICIS it would be approximately 2.35 FTEs. However, considering the large variation of projects in terms of size, duration and complexity and the timing of their phases, it is recommended that temporary in-sourcing is considered, based on the estimation on the workload per project (when developing the projects, the actual workload will become clear). Also, before hiring new staff, priority should be given to filling in suspended and vacant positions in both units and to the reallocation of tasks between existing staff, especially in SMIS CS.

Furthermore, time consuming activities could be outsourced. For both units the following project management activities can be outsourced through technical assistance projects:

- Tender dossier preparation,
- Support in the evaluation of tenders,
- Monitoring of procurement contracts.

Additional for ICIS the implementation of activities from the Communication Plan could be outsourced and for SMIS Unit the help desk and SMIS training and organization of events.

Additional for SCD, the implementation of SMIS related activities, such as helpdesk to SMIS users, maintenance, development, training, helpdesk etc. should be outsourced as soon as possible in order to allow the unit to focus on project development and management, increasing in this way the absorption of OPTA available funds.

The workload analysis also looked in possibilities in improvements in procedures, tools, and the division of tasks and makes some suggestions for improvement. The main issue is the demarcation of tasks relating to procurement between the Implementing Service and the beneficiary and the exchange of information. As there are there are legal and liability risks connected to this, this issue should be solved on short notice.

*6.1.3 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?27 If so, will they significantly change the probability of making full use of AP2 and AP3 financial allocations by the end of programming period?*

For PA2 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. Priority 3 gives already enough possibilities and there are no general changes needed in eligible costs and activities, although the new projects agreed during the Focus Groups would introduce new applicant(s) and target groups within this Priority.

In this way, identified target groups for Priority 3 compared to the existing ones could be: The Ministry of Regional Development and Tourism; RDAs; City Councils; the Association of Communes of Romania (ACoR) and the awarded media/NGOs/companies/self-governments/universities, etc. – the latter would be involved in Project no 17 on the competition to support the best ideas of promoting the EU Structural Instruments' results.

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<sup>27</sup> The evaluation must be performed within the limits established through the OPTA objectives, in order to avoid the artificial extension of eligibility



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Hence, the absorption will not be increased by making changes in eligible costs, activities, applicants and target groups. That absorption is rather influenced by the capacity of the beneficiaries to absorb the available funds, due to several reasons (low capacity of the beneficiary, delays in procurement - complicated procurement procedures, overestimation of equipment needs and prices, time consuming procedures at beneficiary level, etc.)

The pipeline (as of 09.05.2012) and the new project ideas discussed during the Focus Groups change the likelihood for certification of PA2 and PA3 but this change is only marginal.

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.

The effects of adding the projects agreed during the Focus Groups to the pipeline (pipeline+ scenario) are marginal as concerns contracting and certification. At the current rate of certification both PA2 and PA3 would not reach their commitments for 2007 even under the pipeline+ scenario.

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

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 risk 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 any more.

#### *6.1.5 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?*

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, such as inclusion of: the Foundation of Romanian Business and Innovation Centres, the National Institute of Statistics (INS), National School of Administration and Political Science (SNSPA) and other universities., Moreover, the changes would be necessary for implementation of the networks – those new project ideas, which incorporate various types of activities and many new types of target groups (depending on the network).

Summing up, the new applicants and target groups identified for PA1 that could be added to would be the following: Regional and local authorities; Environmental organisations; Sustainable development main stakeholders; Romanian Federation of Municipalities; Romanian Association of Communes; relevant Ministries at national level; individual Towns and cities in Romania; Organisations representing women's interests; National School of Political and Administrative

Studies (SNSPA); Universities; Technological Centres; Research Institutes; National Authority for Scientific Research (ANCS); RDAs; Local Authorities; TAD; Chambers of Commerce; Regional Development Agencies, Federation of Entrepreneurs, National bodies for innovation and/or support to the private sector development; ANRMAP and well known organizations of evaluators.

Next to the projects identified, there might be a potential for activities that address the structural weaknesses in policy planning and design, for which some changes in the scope of the programme might be needed. This includes, for example, a functional review of the National Agency for Cadastre and Land Registration, upgrading the land registration system, rationalisation of investment, upgrading policy planning capacity and capacity for economic analysis to support policy design, Environmental Impact Analysis guidelines, horizontal support on SEA/EIA and ex ante evaluations.

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.

*6.1.6 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?*

The options for reallocation depend on a number of factors, including the choice of LOTHAR+ scenario. According to the baseline scenario results, there is a significant danger of de-commitment for all PA/KAI except PA1 and KAI1.1 as early as 2012, which suggests that urgent reallocation is needed from the PA/KAIs, which are the most threatened by de-commitment, e.g. KAI3.1 with 15 mln RON at risk.

The pipeline scenarios identify 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 such a reasonable amount at the current pace of certification is 132 mln. RON (the calculated difference between certification and commitments as of end-2015 in the pipeline+ scenario, taking into account information up to May 2012)
- ✓ 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

The above mentioned options for reallocation might affect in a small proportion the OPTA global objective of "ensuring support for the coordination and to contribute to the sound, effective, efficient and transparent implementation and absorption of the Structural Instruments in Romania" if we are taking into account that OPTA has no indicators defined at program level and no key indicators either.

A qualitative analysis of the consequences for the OPTA indicators in relation to proposed scenarios was founded on those indicators which are in common to at least two priority axes, and are as follows:

**Table 13 Consequences for the OPTA indicators (common to at least 2 PAs) based on the proposed scenarios**

Indicators cumulated at programme level from the level of priority axes	Indicative cumulative targets. Total – 2015	Achievements. Cumulated targets at 31.12.2011 % (value)	Estimated achievements for cumulated targets - Pipeline scenario	Estimated achievements for cumulated targets - Pipeline+ scenario
<b>Indicator 1:</b> Studies, analyses, reports, strategies (no.)	154	51% (79)	Between 72% (if reallocations from OPTA to other OPs are done) and 110%	Over passing 100% (109% - 130%)
<b>Indicator 2:</b> Guides and other methodological documents (no.)	38	34% (13)	56% - 60% (because PA2 contribution is over 50% to I2)	61% - 65% (because PA2 contribution is over 50% to I2)
<b>Indicator 3:</b> Events focused on exchanging experience on funds implementation and thematic aspects (no.)	39	74% (29)	Over 90%	100%
<b>Indicator 4:</b> Meetings of relevant committees and working groups (no.)	<b>158</b>	41% (64)	Over 80%	Over 90%
<b>Indicator 5:</b> Training days – administrative structures (no.)	48.000	31% (14.739)	Over 60% (because PA2 contribution is over 40% to I5)	Over 60% (because PA2 contribution is over 40% to I5)

The "Studies and analyses" development (Indicator 1), together with "Guides and methodologies" elaboration (Indicator 2), have an important contribution to the overall improvement of the SI management and implementation. Scenarios helping the achievement of Indicators 1 and 2 targets will generate significant contributions to the general objective of OPTA.

The biggest contribution to indicator 1: Studies, analyses, report, strategies, have the projects implemented under PA1, with a target of 121 out of the total of 154. The current achievement on this indicator from the projects in implementation under KAI 1.1 is 64%. Within PA1, the biggest contribution to indicator 1 has KAI1.1, with a target of 106 out of the total of 121, then KAI1.2 with 14 and KAI1.3 with 1.

The first scenario forecast if all the projects in the pipeline are contracted, it would be more than double the actual commitments for PA1 (especially KAI 1.1 and KAI 1.2) meaning an achievement of more than 130% of total targets. Even the contracting on KAI 1.1 will be slowed down, if over-

contracting will not be an option, still the total target of indicator 1 will be achieved. Looking on certification, again KAI 1.1 is leader and the forecasts are good, over passing 100% in both scenario, and the danger of de-commitment for KAI 1.3 will not affect the achievement of total target of Indicator 1. If the reallocation from PA3 to PA1-KAI1.1 and KAI1.2 will be taken into consideration, the target for Indicator 1 could be achieved but additional efforts to increase the rate of certification under KAI 1.2 are needed by the end of 2012.

If the reallocation from PA3 to PA1-KAI1.1 only will be taken into consideration, the target for Indicator 1 could be achieved due to the over-passing of both contracting and certification under KAI 1.1, even if the targets for this indicator will not be achieved by interventions under KAI 1.3 due to the de-committed and/or reallocated funds from KAI 3.1. This assumption is based on the rate of achievement of 0% for Indicator 1 from KAI 3.1 balanced by the important proposed projects in pipeline and new identified.

If reallocation from OPTA to other OPs will be considered as viable option, the target for Indicator 1 will be affected with maximum 28% if amounts will be taken from KAI1.2, KAI2.1 and KAI 3.1 as KAIs with important contributions (28%) on this Indicator beside KAI 1.1.

If reallocation from other OPs to OPTA will be taken into consideration to fulfil the contracting pace of PA1, the target of Indicator 1 will be achieved as shown above.

With similar impact on OPTA general objective is Indicator 2. KAI2.1 has the biggest contribution (over 50%) together with KAI1.1 and KAI 1.2 to the cumulative targets of Indicator 2. Therefore, all proposed reallocations from PA2 will affect Indicator 2 targets with around 50%.

For Indicators 3, 4 and 5 only PA1 and PA2 are contributing. As the scenarios proposed for reallocations are taking amounts from PA2, targets of those indicators are in danger with the proportion given by PA2. Based on the positive trend of achievements targets of Indicator 3 and Indicator 4 registered in 2011 and looking into the pipeline and the new proposed projects, we can assume the cumulative targets will be achieved at least 80%,

The biggest risk is for Indicator 5 as PA2 contribution is over 40% to the cumulative target. If we are taking into consideration reallocations to PA1, the projects included into existing pipeline and the new ones proposed must contribute to those indicators fulfilment but still targets of Indicator 5 are in danger with around 40% not be achieved in both scenarios.

On the other hand, the OPTA global objective will be achieved by two specific objectives:

SO1: Ensuring support and appropriate tools for an efficient and effective Structural Instruments coordination and implementation during the 2007-2013 period and preparation of the future Structural Instruments programming period.

SO2: Ensuring coordinated delivery at national level of the general messages related to Structural Instruments and implementation of ACIS's action plan for communication in line with the National Communication Strategy for Structural Instruments.

*As PA1 and PA2 assure the achievement of SO1, each reallocation proposal from PA2 will affect its targets' indicators. Besides the common indicators analyzed above, there are three indicators specific for PA2:*

**Table 14 Consequences for the specific indicators (at PA level) in case of reallocation from PA2**

Specific indicators at PA level	Indicative cumulative targets. Total – 2015	Achievements. Cumulated targets at 31.12.2011 % (value)	Estimated achievements for cumulated targets - Pipeline scenario	Estimated achievements for cumulated targets - Pipeline+ scenario
PA2 - Indicator 6: SMIS versions (no.)	5	60% (3)	100%	100%
PA 2 - Indicator 7: SMIS complementary applications (no.)	3	0% (0)	40% - 50%	50%
PA2 - Indicator 8: Inquiries received at SMIS helpdesk (no.)	420	0% (0)	40% - 50%	50%
PA 1 - Indicator 6: Participant training days - beneficiaries (no.)	42.000	31% (4.705)	Over 80%	Near 100%

The projects in implementation under PA2 are contributing to the progress of programme level indicator - SMIS versions. This is the sole indicator with 60% achievement up to end of 2011 and the projects included into the existing pipeline are assuring the fulfilment of this indicator.

On the same PA2, no significant contribution is registered on indicators: "SMIS complementary applications" and "Inquires received at SMIS helpdesk" as the target achievements were 0% at 31.12.2011. None of the proposed scenarios are positive in terms of contracting and certifying on this PA, will be very difficult to achieve at least 50% of their targets.

The rest of projects in implementation under PA2 are not contributing to programme level indicators such as acquisition of necessary equipment or performance indicators related to system operation.

If the reallocation proposal from OPTA to other OPs will be taken into consideration then is possible to affect PA1 indicators since some have ambitious targets and low achievement at present, such as "Participant training days – beneficiaries" (42.000). The achievement of 31% on this indicators target was obtained only in 2011 but the trend is positive due to the contracted FAT. Both scenarios are supporting reallocations to PA1 (more than double) so the achievement of this indicator will be **near 100%**.

*SO2 is possible to be achieved through the best PA3 implementation* therefore any reallocation proposal from PA3 to other PAs of OPTA or other OPs will affect this specific objective - and the general OPTA objective, too.



**Table 15 Consequences for the specific indicators (at PA level) in case of reallocation from PA3**

Specific indicators at PA3 level	Indicative cumulative targets. Total – 2015	Achievements. Cumulated targets at 31.12.2011 % (value)	Estimated achievements for cumulated targets - Pipeline scenario	Estimated achievements for cumulated targets - Pipeline+ scenario
<b>Indicator 5:</b> Website visits (no.)	1.000.000	103% (1.028.262)	Over 100%	Over 100%
<b>Indicator 2:</b> Communication and publicity events (no.)	120	3% (3)	Under 40%	Under 60%
<b>Indicator 3:</b> Information and publicity materials (no.)	72	8% (6)	Under 40%	Under 60%
<b>Indicator 4:</b> Mass-media campaigns (no.)	10	10% (1)	Under 40%	Under 60%
<b>Indicator 6:</b> Inquiries received at the Information Centre (no.)	40.000	0% (0)	Under 40%	Under 60%
<b>Indicator 7:</b> Degree of population awareness (%)	15	0% (0)	Under 40%	Under 60%

The progress registered for PA3 indicators is very low with one exception: "Website visits" where is possible to have an underestimated target as the achievement registered at end of 2011 was 103%.

With a small number of projects in implementation, the only possibility to increase the rate of achievement of PA3 specific indicators, between 0% and 8% by the end of 2011, is to contract as soon as possible all projects included in existing pipeline and the new ones identified together with measures for speeding up the spending under PA3. As shown in both scenarios even the contracting can support this PA, in terms of spending will be difficult to absorb the commitments as planned and the targets will be achieved fewer than 40%.

The recently contracted project "Information Centre on SI" will have a significant contribution to the indicators: "Inquires received at Information Centre" and "Degree of population awareness" (with 0% achievements at 31.12.2011)

However, majority of PA3 target indicators are in danger with an average of 40%, both in terms of contracting and spending.

Finally is good to keep in mind that not all funds reduction proposed involves the targets' reduction. There are in pipeline project proposals with quite small budgets for the proposed objectives.



Also must consider the impact of public procurement at the lowest price on project budgets without reducing the size of target indicators to be affected.

Last but not least, the project ideas have been estimated on their minimum efficient budgets. There is a possibility for expanding the budget of few of them. It would help to improve the contracting rate – that comment concerns especially the grants for promotion projects. Replication of the eventual call for proposal every year (in 2012-2013 and 2014) would lead to contracting of 12 million Euro projects in PA3.

## 6.2 Recommendations

### Enhance the absorption capacity by capacity building at beneficiary level and simplification of procedures for the authorisation of payments or certification

If additional measures are not adopted, the certification of funds under OPTA is not expected to reach the commitment levels. As LOTHAR+ shows, even the inclusion and contracting of all the pipeline+ projects would not guarantee absorption of all funds under the 3 priority axes. Despite the over-contracting for PA1, at the current rates, absorption under OPTA will not exceed 70% by the end of 2015. These results suggest that contracting the pipeline projects without dramatically changing the payments and certification rates would not increase absorption significantly.

There is room for improvement through streamlining of the implementation of the projects under OPTA and through enhancement of the absorption capacity of beneficiaries. The latter can be achieved either through trainings and guidance, authorisation of payments or certification. Gains from such improvements in the efficiency of EU funds absorption under the OPTA might not be negligible. Nevertheless, even the most efficient project approval, implementation and certification process would hardly be sufficient to ensure alone coverage of the commitments by adequate certification by the end of 2015.

In order to ensure the absorption capacity of the SMIS CS and the ICIS, it is recommended to follow up the specific recommendations made as part of the workload analysis and to ensure sufficient capacity by filling vacancies and the in/outsourcing of tasks.(see chapter 3 and annex 2)

### Consider the expansion of the list of activities, target groups and beneficiaries under PA1 based on the new project ideas identified

Some amendments to the Programme are inevitable. The suggested lists of 17 new projects/ideas amending the original project pipeline developed by the ACIS requires expansion of the list of: activities, target groups and beneficiaries.

However, all of these elements have been proposed based on either completed or currently implemented projects from other EU Member States. Therefore these ideas should face a positive consent from the European Commission. These ideas should be put into the updated version of the Operational Programme without further hesitation, assuming approval of the OPTA Monitoring Committee.

Once approved, the updated project pipeline should be subject of scrutinised, coordinated and priority follow-up measures on identified projects by the OPTA management

### Consider the following reallocation options

The options for reallocation were listed in section 6.4 and in the answer to Question 6. Based on the results from LOTHAR+ (pipeline+ scenario) it can be recommended to consider the following two viable options as concerns reallocation within OPTA and to other OPs:

- Reallocation of a 132 mln. RON (under the pipeline+ scenario) from PA2 and PA3 to KA11.1 in order to fully meet the absorption rate under this KA1.
- Reallocation from OPTA to other OPs – the decision on this option should be taken on the basis of the speed of contracting and the certification rate in 2012. LOTHAR+ can only make a suggestion on the basis of the current rate of absorption and its financial implications.

### Ensure the follow up on the identified project ideas

In the focus groups new project ideas that are relevant for Romania were identified. However, this does not mean that these projects will come into existence without further support and follow-up. Hence, it is recommended that the OPTA Strategy Unit discusses these project ideas further with the beneficiaries, in order to ensure that these will be taken forward. This is especially important for the networking projects, for which it is in some cases undecided who should take the lead as beneficiary.

### Improve internal mechanisms and procedures for procurement.

Some of the projects in the pipeline have already been started however the internal lengthy procedures and decision making rules made contracting of those activities impossible or delayed beyond acceptable periods. These delays should be shortened in order to allow implementation of the projects in their originally designed form; without the necessity for redrafting the tender dossier as they became outdated.