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1 EXECUTIVE SUMMARY

“The poor administrative capacity is a core concern for Romania. The ineffectiveness of the Romanian public administration with overregulation and cumbersome and inefficient procedures hampers the business environment and the capacity for public investment”

(European Commission, 2013)

The low administrative capacity is considered as one of the main factors contributing to the low rate of absorption under the current programming period; Romania is currently lowest in the EU rankings for structural, cohesion and fishery funds.

In this context, the Ministry of European Funds commissioned an assessment of the administrative capacity of the institutions with responsibilities in the management of EU funds as part of the Ex-ante evaluation of the Partnership Agreement. The first assessment looks at the 2007-2013 periods in order to identify the lessons learned that could be used for improving the administrative capacity.

After the new institutional framework is defined, the assessment will then look at the proposed institutional framework for 2014-2020 in order to formulate an opinion regarding the way Romania could improve the administrative capacity in order to make the best use of the funds available.

The assessment has to respond to the question: “Is the authorities’ and beneficiaries’ administrative capacity sufficient for an appropriate implementation of CSF funds?”

A summary of the main needs for improving the administrative capacity of the authorities and beneficiaries, based on the conclusions of the assessment, is presented below.

Summary of conclusions regarding the administrative capacity of the authorities and beneficiaries

The administrative capacity of the authorities and beneficiaries is a serious challenge for the effective implementation of the CSF funds. **Significant improvements are needed**, which should be built on the capacities developed during the 2007-2013 period.

The challenge for the Romanian authorities is to find the appropriate solutions to improve the administrative capacity and performance in the system responsible for EU funds management, in an environment where the progress in improving the entire public system is slow and uncertain. During the period 2007-2013, the measures to improve the administrative capacity of the EU funds management system were hindered by the systemic weaknesses of the Romanian public administration.

Romania is doing well in terms of **formal compliance**, such as setting up structures, formalising cooperation, creating tools and systems, but the **functioning of the system remains poor**.

The experience of the current programming period indicates the fact that increased authority of the management and coordinating bodies, **stability of the organisations’ structures and the whole overall framework have to be ensured**, in order to improve the institutional performance and the inter-institutional cooperation.

Although the partnership structures are created, **limited capacity in policy management, ineffective communication and cooperation tools** are among the factors influencing the effective participation of the partners in the programmes management cycle.



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Ensuring adequate human resources quantitatively and qualitatively is a key problem of the system. Largely **the HR function is limited to compliance with the requirements** to set up specific HR processes but their effectiveness is limited. The organisations **do not have a sufficient capacity to effectively use HR policies and practices**, to ensure adequate resourcing and to respond to the performance requirements and changes in the environment.

There is a need to align people performance with the organisation's performance, a shift from competences based to "results based" performance management, in order to better **orient efforts of the individuals towards the OPs performance targets**. The **reward system** has to be able to attract and retain good professionals and stimulate performance.

There is a need to create and offer training opportunities in order to ensure the competences in critical areas and a continuous professional development of the staff. The **training system has to be strengthened** using the past good practice such as the training mechanism managed by ACIS and the training practice from ROP MA, reinforcing the coordination and renewing the approaches and methods according to the best practices in the training world.

It is evident from the 2007-2013 period that, in the case of organisations where the capacities were built on the previous experience and with stable human resources at management level and critical positions, these organisations dealt better with the demanding performance requirements and the constraints of the economic and social environment. **More stability of the structures, of the managers** and people in key positions has to be ensured.

As a general feature, the **implementation system looks overregulated with complicated** and in many cases unclear procedures associated with excessive bureaucracy and high administrative burden have slowed down and even blocked the processes, mainly at the expense of the beneficiaries.

The allocation of responsibilities at all levels has to be reviewed and **procedures simplified** reducing the administrative burden. The tools used in programme implementation in all phases have to be clear, useful and friendly to beneficiaries.

A more effective indicators system, with an improved design, methodologies and capacity at all levels to use, calculate and report indicators. Production of data needed for the indicators selected has to be ensured.

The potential of the electronic systems is not fully used, and improvements are needed in terms of reliability and user friendliness. For 2014-2020 more useful features for the users are required than the present ES have. **Implementation of the e-cohesion concept** will enhance the simplification, administrative burden reduction and transparency.

A key problem encountered in the 2007-2013 exercise in using the systems and tools, is **the limited reliability of the management and control systems**. The irregularities identified in the management and control of public procurement would appear to be of a systemic nature, while other system irregularities in the activities of project appraisal and selection appear, such as fraud, suspicion of conflicts of interest and connivances.

The procedures for payment flows, expenditure forecasts and certification of expenditure need significant improvements being **excessively bureaucratic with prolonged processes**, and **low predictability** of the forecasts.

The **internal audit** does not appear to contribute to early detection of system irregularities. **Risk management is not properly used** as a management tool in all organisations and the



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management of irregularities has significant gaps in terms of prevention and correct recording of the current and future management.

The programming period **2007-2013 was a challenge for the beneficiaries**, due the new rules that were significantly different from those applied in the pre-accession programmes, the larger sizes of the projects, and, in some cases, involvement of the same entity in a large number of projects.

The **project management capacities built in the public institutions** responsible for a large amount of the funds to be absorbed, such as local and central public institutions, who are the key operators of public infrastructure, are a major area for further development.

Strengthening of the organisational capabilities to ensure sustainable capacities for project management is a key need and includes improved management and control systems, better integration with other functions of the institution, and improved competences in particular areas of expertise. **Public procurement and project management skills** continue to be training priorities. **Improved capacity for preparation of the technical documentation** in the case of infrastructure remains an issue to be addressed. There is limited capacity of the key development actors at regional, local, and sectoral level to manage project pipelines and ensure mature projects ready for implementation. For a number of sectors at regional level, there is no organisation empowered to implement sectoral policies, e.g. RDI, tourism, SMEs etc. The intentions to use more strategic integrated projects in 2014-2020 period will impose strengthening of these development actors mentioned above, able to facilitate or directly develop and implement such projects.

In the case of private and small beneficiaries, there needs to be ensured **simple procedures, clear guidelines** and **easy access to consultancy services** in terms of availability and affordability. **Consultancy services have to evolve** to respond to the market needs, through smooth and transparent procurement processes and predictable opportunities created in the programmes' implementation.

The beneficiaries have a limited capacity to mobilise financial resources, which remains a key issue and risk factor for programmes performance.

Recommendations

R1. Ensure increased authority¹ of the management and coordinating bodies, stability of the organisations' structures and the overall framework, in order to improve the institutional performance and the inter-institutional cooperation.

R2. Improve effective participation of the social partners in the programming process and the monitoring committees; improved coordination of the processes, provision of information and improvement capacity of the social partners has to be considered.

R3. *Develop the HR function in the system of the CSF funds.* Capacity for the management of the HR function has to be created with a central body at the level of MEF, strong coordination and adequate use of TA resources. Cooperation with the HR departments of the ministries and integration with their processes as many as possible is needed. Use of models from the business sector, analysis of the HR processes should be regularly performed in order to monitor effectiveness of the function and progress in development of the administrative capacity

¹ Power made legitimate by laws, written rules, and regulations.



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R4. Revision of the whole management system in order to simplify procedures, should focus on the optimal use of call for proposals, reasonable/minimum documents requirements for all phases, clarity and agreement on the interpretation of the procedures by all control bodies, the use of standard costs and lump sums where appropriate, etc.

R5. Develop user friendly guidelines, manuals, helpdesks, tutorials, with an extended use of ICT, in order to ensure easy access for all beneficiaries.

R6. Ensure development of an effective indicators system in line with the EC methodology, with adequate capacity at project and programme level to use the indicators and to produce data for the calculation and monitoring of the indicators. This should be implemented through coordination at MEF level, including a provision of guidance and training to all users of the system. MEF have to ensure the data providers have the capacity and ability to assume production of data.

R7. Extend implementation of the e-cohesion concept in all processes of data exchange with the beneficiaries.

R8. Strengthen the management and control systems of the authorities. This needs to be implemented through improved competences in internal control, risk management, and the prevention, detection and management of irregularities.

R9. More effective technical assistance support measures for the beneficiaries are needed to address the key weaknesses: project management skills, management of project pipelines, public procurement, technical skills, access to guidance and assistance, etc.

R10 Identify, strengthen or create, capacities for policy implementation for the key sectors funded from CSF, at the national and regional level, e.g. regional bodies for RDI policy implementation, SMEs, Human Capital, etc

R11. Improved access of the beneficiaries to finance to be ensured through accessible pre-financing mechanisms, an improved bankability² of the projects, simplified and quick reimbursements during the projects implementation,

Other factors enhancing the capacity of the authorities and beneficiaries

Implementation and progress of the public administration reform in Romania is a key external factor necessary to create a favorable environment for the implementation of administrative capacity measures addressed to the public institutions authorities and beneficiaries.

For the private beneficiaries, an essential external factor is the improvement of the business environment with a reduced administrative burden that will stimulate entrepreneurship and investments.

² The adequacy of a project to qualify for a bank loan in order to cover cofinancing and implementation cash-flow needs