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2007 - 2013

# ROP 2.0: MA-IB COLLABORATION AND COMMUNICATION FOR THE REGIONAL OPERATIONAL PROGRAMME 2014-2020

# 1

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PROGRAMUL OPERAȚIONAL REGIONAL

*Inițiativă locală. Dezvoltare regională.*

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## ROMANIA REGIONAL DEVELOPMENT PROGRAM

Agreement for Advisory Services on assistance  
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### Assessment of the Communication and Collaboration between the Managing Authority and Intermediate Bodies of the Regional Operational Programme and Facilitation of Proactive and Direct Support for Beneficiaries

- Final Report, Component I -

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*Inițiativă locală. Dezvoltare regională.*

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*The findings, interpretations, and conclusions expressed in this report do not necessarily reflect the views and position of the Executive Directors of the World Bank, the European Union, or the Government of Romania.*

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## List of Acronyms

AA	Audit Authority
ACSI	Authority for the Coordination of Structural Instruments
CBA	Cost-Benefit Analysis
CCRD	Consultative Committee on Regional Development
CCTC	Consultative Committee on Territorial Cohesion
COCOF	Coordinating Committee of the Funds
DRP	Directorate on Regional Policies (Ministry of European Integration)
EC	European Commission
EU	European Union
ERDF	European Regional Development Fund
FA	Framework Agreement
FC	Financing Contract
GEO	Government Emergency Ordinance
GOR	Government of Romania
IB	Intermediate Body
IB-Tourism	Intermediate Body for Tourism
ICPA	Interinstitutional Committee for Elaborating the Partnership Agreement
IUDP	Integrated Urban Development Plan
MA	Managing Authority
MA-ROP	Managing Authority of the Regional Operational Programme
MC-ROP	Monitoring Committee of the Regional Operational Programme
MRDPWH	Ministry of Regional Development, Public Works, and Housing
MEF	Ministry of European Funds
MRDPA	Ministry of Regional Development and Public Administration
MRDT	Ministry of Regional Development and Tourism
NCRD	National Council for Resolving Disputes
NSRF	National Strategic Reference Framework
NCTIP	National Center for Tourism Information and Promotion
PND	Plan for National Development
OP	Operational Programme
RDA	Regional Development Agency
RCR	Regional Committee for Elaborating the Regional Development Plan
RCSEC	Regional Committee for Strategic Evaluation and Coordination
RDC	Regional Development Council
RDP	Regional Development Plan
ROP	Regional Operational Programme
SIC	State Inspectorate for Constructions
TCC	Thematic Consultative Committee
SMIS	Single Management Information System
TP	Technical Project
UCVPP	Unit for the Coordination and Verification of Public Procurement
WG	Working Group



## The Regional Operational Programme (ROP): Snapshot

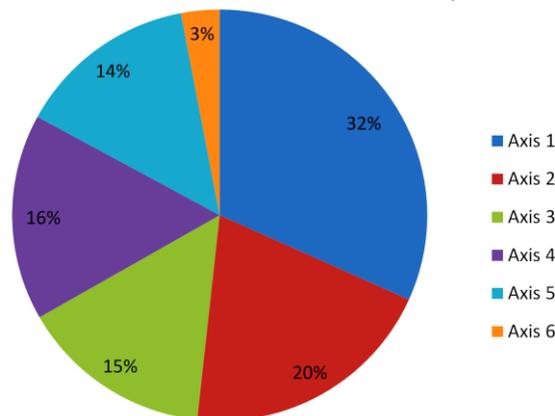
**Overall purpose:** The ROP's overall objective consists in supporting the economic, social, territorially balanced, and sustainable development of Romanian regions, according to their specific needs and resources, focusing on urban growth poles, improving the business environment, and basic infrastructure. The Romanian regions, especially the ones lagging behind, could become more attractive places where to live, visit, invest and work.

**Impact:** It is expected that the implementation of this programme will create better conditions for the economic and social balanced territorial development of all Romanian regions and for urban growth poles able to spread the development. The ROP's strategic objectives are: 15,000 new jobs by the end of 2015; and reduced interregional disparities between 2007 and 2015 (measured as GDP/capita).

### Priority axes:

1. Support to sustainable development of urban growth poles
2. Improvement of regional and local transport infrastructure
3. Improvement of social infrastructure
4. Strengthening the regional and local business environment
5. Sustainable development and promotion of tourism
6. Technical assistance

From a total value of **4.38 billion EUR**, the ROP's financial allocation by axes is as follows:



### Key players:

- **The Managing Authority (MA)** is under the Ministry of Regional Development and Public Administration (MRDPA) and is responsible for the ROP's design and implementation.
- **The Intermediate Bodies (IBs)** consist of 8 Regional Development Agencies (RDAs) and 1 central IB-Tourism. They fulfill tasks related to the ROP's programming and implementation, as delegated by the MA.
- **Beneficiaries** are public, private, or non-profit organizations that submit financing applications and receive ROP funding for implementing proposed projects.
- **Other key stakeholders include:** at the regional level, the Regional Development Council (RDC); at the national level, the Monitoring Committee of the ROP (MC-ROP), the Audit Authority, the Certification and Payment Authority, and the Ministry of European Funds.



## Executive Summary

**The Regional Operational Programme (ROP), worth EUR 3.7 billion, is a key source of funding for Romania’s sustainable and inclusive development.** With 19% of the total structural funds available through the National Strategic Reference Framework (NSRF) between 2007 and 2013, the ROP is the third largest program after transportation (23.7%) and environment (23.5%). The ROP remains a top performer in terms of absorption rates in the Romanian context, despite the fact that it is one of the most complex programs of its kind. It involves a diverse portfolio of projects, from urban development to transport infrastructure, social infrastructure, and tourism, including some large, challenging projects with cumbersome technical documentation and lengthy procedures. While noting the ROP’s superior absorption rates to date (compared to other Romanian operational programmes), this report also points out several areas for improvement, particularly with respect to the collaboration between two vital links, the Managing Authority (MA) and the Intermediate Bodies (IBs). The aim is to enhance the ROP’s performance in closing the 2007-2013 programming period and particularly throughout the next cycle (2014-2020).

**As a starting point, the guiding principle of this work is: “first do no harm” – or, put differently, “if something is working, do not try to fix it!”** This approach recognizes that the fundamentals of the ROP, and implicitly of the MA-IB relationship, are sound, even though room for improvement still exists, particularly when comparing the ROP to other Member States’ operational programs. That said, rash or unnecessary changes may create disruptions in the program’s implementation, generating confusion and frustration among key staff, and diminishing the benefits of accumulated institutional knowledge. In fact, one obvious observation concerns the benefit of building onto the current framework and its key resources – the experienced people who coordinate, draft, and implement ROP projects, skillfully navigating through a system whose rules have changed repeatedly, and often unpredictably, since its launch in 2007.

**The ROP’s future success depends, first and foremost, on a paradigm shift that puts beneficiaries in the center of the entire system.** Beneficiaries are the critical link that takes ROP projects from design through implementation, effectively absorbing structural funds for the benefit of their communities, their region and, most often, for Romania’s development as a whole. Indeed, the MA and the IBs should respond, above all, to the specific needs on the ground, ensuring that all rules and procedures are followed, but also making every effort possible to reduce the burden faced by ROP beneficiaries. On this note, procedures for verifying beneficiaries should be transparent and fair, and auditors should not treat them as potential lawbreakers, but rather help prevent mistakes and provide guidance whenever necessary. As argued also in the report on ROP beneficiary support mechanisms (Component II of the same World Bank project), it is through this lens of “beneficiaries first” that the MA-IB relationship, and the entire ROP system, can improve their functioning and efficiency.

### *MA-IB Structural Framework*

**The current ROP is a centralized system with a limited, defined set of responsibilities delegated from the MA to the IB level.** On the one hand, this favors coordination and standardization across regions. The MA has the overall perspective on how the ROP works and is in a unique position to promote improvements in the program’s implementation. On the other hand, the current institutional and legislative framework has created several points of tension as a result of limited decentralization: (1) the MA has become overburdened with verifications, approvals, and other procedures designed to validate



operational decisions at the IB level; (2) day-to-day implementation tasks have drained vital resources from the MA, distracting its staff from more critical roles like vision-setting, communication with IBs and beneficiaries, coordination among regional design and implementation, programming, monitoring and evaluation (M&E), etc.

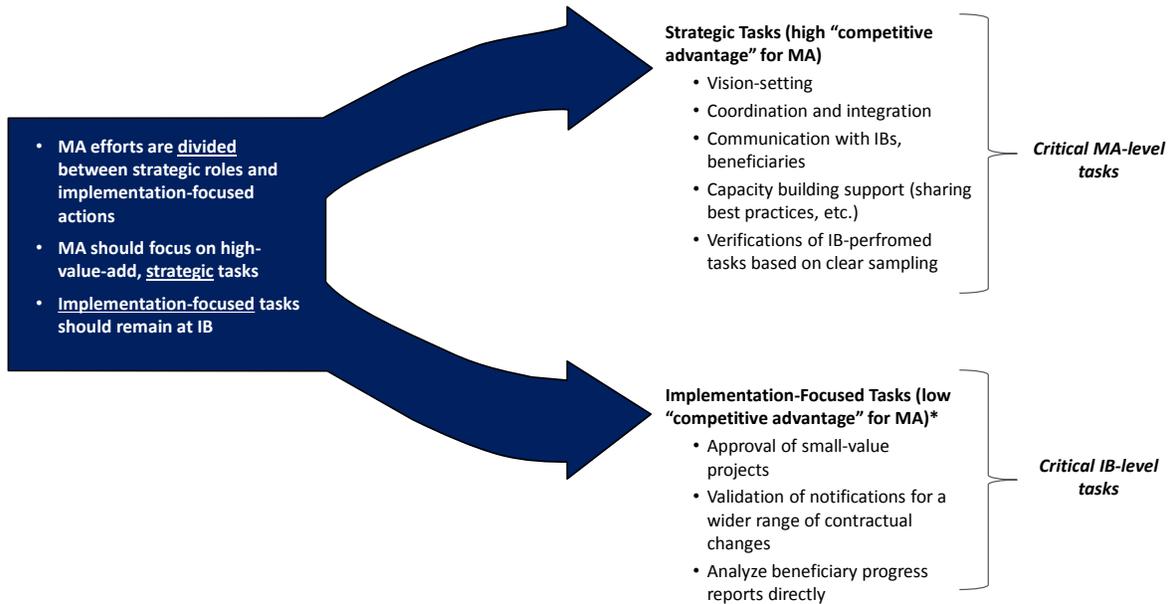
**The “regionalization” initiative – i.e., creating a regional-level administrative tier between national and county-levels – is high on the current government’s agenda, although the exact set-up remains to be determined.** The current report does not seek to make definitive recommendations on regionalization *per se*, but merely summarizes expected benefits and drawbacks of the proposed system. Potential strengths revolve around the need to develop larger, more strategic projects, better fitted to region-specific needs, provided that the new system does not replicate status quo patterns of minimal cross-jurisdictional joint efforts (among counties, cities, and other localities). The regionalization effort would also potentially bring the MA (or more empowered IBs) closer to beneficiaries and distribute the pressure on the capacity of the central system by, simply put, dividing up the work between eight regions as opposed to concentrating all projects from around the country in a central agency. On the downside, implementing the sweeping changes involved in the regionalization initiative will require constitutional amendment and the adjustment of some 40+ laws, which means that most of the expected positive effects will likely take hold after several years, if not beyond 2020 when then the 2014-2020 programming period ends.

**A proposed transformation of RDAs into regional MAs, along with a change in their status from NGOs of public utility to public-sector institutions, runs significant risks.** The vast majority of interviewed RDA staff opposes this idea, noting that it will contribute to high human capital turnover, the erosion of accumulated institutional knowledge, and reduced independence. One possibility worth evaluating further, based on interview feedback, is the following: RDAs could become MAs in each region, but maintain their current legal status, and handle small and medium-sized regional and local-level projects; the current MA could capitalize on its accumulated experience by becoming the MA for the large strategic projects to be agreed upon by the local and national government authorities; under this system, IBs may not be needed (and are not required by any regulation), which promises to speed up the evaluation and implementation of projects by essentially bringing the MA directly next to beneficiaries. All this, of course, depends on what the final regulatory framework for 2014-2020 will allow (e.g., if it will allow a nongovernmental body to serve as an MA).

**A more feasible recommendation is to maintain the current MA-IB institutional structure but delegate more tasks at the IB level.** As a basic principle, the MA’s competitive advantage is fulfilling strategic tasks that require a national-level vision, coordination, communication, and capacity building by sharing best practices from various regions. There are critical tasks currently within the MA’s mandate, although the status quo structure does not always allow MA staff to focus on these issues. In practice, they are often in a reactive operating mode, focused on “putting out fires” – i.e., day-to-day, project-specific tasks that require a formal resolution by the MA but do not add value to the whole system. At the same time, the IBs are closer to beneficiaries and know the operational issues very well, but typically lack the mandate to resolve them on their own. They need to turn to the MA and wait for a response “from the center,” which slows down the implementation of projects and generates frustrations among beneficiaries. The figure below represents a conceptual framework for dividing tasks and responsibilities among the MA and the IBs, and subsequent sections of this report make detailed, specific recommendations on the types of activities that can be delegated at the regional level, even under the current framework (i.e., in the absence of a formal regionalization process).



The MA and the IBs should leverage their respective competitive advantages



\*Note: Chapter V – the processes and procedures section – includes a detailed list of tasks that can be delegated at the IB level

The main document governing the institutional relationship between the MA and the IBs is *the Framework Agreement (FA)*, and it can be improved through a number of recommendations. At a basic level, the document is generally perceived by IB staff as “strong,” “defining clear responsibilities,” and “supporting a sense of ownership from both sides.”<sup>1</sup> However, several areas for improvement exist, including: the need to institutionalize more constant interactions and consultations between the MA and the IBs; a more substantial input by IBs in the area of local and regional-level ROP evaluations; and a better definition of the RDAs’ mandate in terms of tasks they can reasonably accomplish with available instruments – especially responsibilities related to project monitoring and verification.

Finally, there is a clear need for improved IB-IB relationships, covering both strategic and day-to-day issues. Preconditions for successful horizontal collaboration include dedicated financing for such efforts and a predictable, equitable institutional arrangement governing the existing RDA association, including leadership by rotation of agency directors. It would be desirable for RDAs to formulate collective viewpoints in their relationship with the MA, if their interests converge on critical issues (e.g., programming, new MA instructions, etc.). Equally relevant, there is much benefit to facilitating improved knowledge sharing across agencies, in recognition of the fact that often the issues they face are similar across all regions because they, along with their assigned applicants and beneficiaries, all operate under the same national-level legal and institutional framework.

**ROP Strategic Direction: MA-IB Roles**

The ROP framework, including the program’s design (axes, intervention areas, funding allocation by region, etc.), is a combination of top-down EC-level priorities and bottom-up feedback and consultations in each region. The MA plays a coordinating role for the development of the national

<sup>1</sup> Interview feedback (January-May 2013)



regional development strategy for the ROP's 2014-2020 programming documents, while the IBs work in each region to identify specific needs and priorities and, based on these analyses, elaborate the Regional Development Plans (RDPs). At the national level, the Ministry of European Funds (MEF) coordinates and integrates all structural programs and provides the main interface with the EC. In principle, this framework is reasonable and, if properly implemented, should result in a program that is aligned with both EU and national/regional-level priorities and development needs. In particular, the RDAs play a dual role: as IBs for the current ROP and, more importantly in this context, as key facilitators of regional planning. For this reason, to the full extent possible, the 2014-2020 ROP would benefit from their involvement in all planning stages and in the development of major documentation (ROP 2014-2020, the Framework Document for Implementation, the order of eligible expenditures, etc.).

**Equally important for the MA-IB collaboration in setting the program's strategic direction, the ROP has derived significant value from having institutionalized M&E mechanisms from the very beginning.** Time and time again, the program was improved through feedback loops to the Monitoring Committee (MC-ROP), and evaluations to date have been useful. Going forward, building on the accumulated experience in the system, the ROP has the opportunity to further strengthen M&E mechanisms along with moving from a predominant focus on output-type indicators (e.g., absorption targets) to more refined outcome-based indicators that would contribute to better assessments on the level of impact generated by ROP-financed projects on the ground.

#### ***The ROP's Operationalization: MA-IB Collaboration for Successful Implementation***

**Culture and Interaction Norms: The MA-IB relationship is generally characterized as positive and collaborative, although at least at a *de jure* level, the MA enjoys more leverage.** RDAs are providers of services to the MA, which is in turn responsible for monitoring and verifying their performance. Through the contract signed with the MA, the IBs derive a substantial proportion of their revenues. At the same time, the IBs enjoy significant autonomy and can act as partners to the MA, particularly as they maintain non-governmental, public utility status. The capital of trust that now exists between MA and IB teams is a most precious feature of the current ROP and one that should be maintained and nurtured going forward. In short, the organizational culture that characterizes the MA-IB relationship provides a solid foundation on which operational aspects can be continuously improved.

**Human Resources: The most widely recognized factor that has contributed to the ROP's success to date is the experienced key staff in the MA and the IBs.** In 150+ interviews with beneficiaries, the one common theme that nearly everyone pointed out, and testified to, was that MA and IB employees demonstrate exceptional professionalism, dedication, and competence. So far, both the MA and the IBs have recognized the importance of ensuring high staff satisfaction by nurturing proper, motivating working conditions. Based on field interviews, RDAs are particularly recognized as dynamic, fast-paced environments with significant promotion opportunities and more autonomy for employees at every level. It is harder for the MA to create similar conditions in terms of people's upward and downward mobility within the organization, largely because the MA remains a public institution governed by strict laws and regulations (such as the public servant statute), whereas the IBs have much more flexibility in human capital management policies. In terms of capacity, the MA would benefit from more staff who can properly handle peak demand. A full review of personnel requirements is recommended at the MA level to make sure that staff can properly fulfill all assigned tasks and responsibilities, as well as always deliver on vital tasks (albeit sometimes appearing less urgent than implementation issues) in the areas of programming, M&E, and communication.



**Budgeting and Financial Resources:** A fundamental component of the MA-IB relationship relates to the financial aspects and the Financing Contract (FC) between the two parties. Generally, IB revenue sources are threefold: (a) from the ROP Axis 6 (technical assistance), which IBs apply for as a beneficiary and cover around 70-75% of their budget; (b) from county budgets within their respective regions, covering around 20-25% of their needs; and (c) other sources, including funding directly from the EC through different available programs. The main areas of improvement concerning the FC include: ensuring proper consultations among both parties; making prefinancing available to all RDAs (by instituting an exception to the 5% rule on contracted services as a proportion of the total contract value); reducing delays in signing the contract and/or expanding its duration through addenda; and simplifying procedures for reimbursements.

**Processes and Procedures:** There are several principles of sound process improvement. These include: triage (handling different types of projects through different procedures, proportional to complexity); simultaneous processing; addressing bottlenecks with adequate capacity; continuous processing (no or little batching); addressing and preventing backlogs; and designing mistake-proof procedures. Based on these general rules, several observations hold regarding the ROP's implementation.

**For the *evaluation and selection* stage, improvements are recommended for shortening timeline for contracting evaluators and developing of mechanisms to hold them accountable for the quality of their output.** Stronger contracts should be designed to bolster incentives for delivering timely, high-quality evaluations of projects. Additional solutions include proper selection criteria in the public tender documentation used to contract evaluators, as well as more rigorous evaluation grids that ask evaluators to delve deeply into the assumptions behind indicators or assessments from the financing proposal submitted by potential beneficiaries. For the technical and financial evaluation stage, a field visit by evaluators is recommended for all projects that include an infrastructure component, along with allowing beneficiaries the option to put up for bid "design and build" contracts (i.e., making the submission of the technical project optional for the evaluation stage). Moreover, evaluation and selection procedures should also focus on: reducing delays; simplifying procedures for smaller projects; and eliminating batching to avoid backlogs. Finally, once the independent evaluation is complete, the MA should only intervene and ask for clarifications on content in those limited instances where there are solid grounds for doubting the evaluation results. If evaluators will be held accountable as proposed in this report, such instances should indeed occur very rarely.

**For the *contracting* phase, certain beneficiaries reported delays and expressed their preference for a clearer, more transparent processing of approved financing proposals.** To help reduce the time required for completing this stage, a solution is to perform a better triage of projects (e.g., by delegating as much authority as possible to the RDAs when it comes to simpler, smaller investments). When the MA intervention is required, the flow of information could be made more efficient by switching to electronic transfers and storage of documents, along with the provision of a clear interface to beneficiaries, showing how and when they can expect their proposal to be fully contracted.

**For the *monitoring* procedures, the area that requires the most immediate attention concerns project indicators.** At one level, for future project proposals should use a standard set of indicators (e.g., program-level indicators), which would avoid the often cited examples of unrealistic, ineffective, and unquantifiable indicators chosen by some beneficiaries. For current projects that are flagged as failing their selected targets, potential corrections should only apply to program-level indicators and remain proportional to the registered gap. Like in other all other project stages, the introduction of e-documents and e-signatures would deliver considerable improvements over the current system.



**IT Infrastructure and Systems:** The Single Management Information System (SMIS) has several key strengths and can allow for building out a future system based partially or entirely on e-forms and e-signatures. The idea to connect all operational programs under the SMIS platform is powerful, in principle, as it allows for: quick comparisons and assessments, prompt interventions to correct problematic areas, and constant communication with CE representatives. In practice, however, SMIS suffers from several shortcomings that undermine its usefulness as a tool for staff in the MA, the IBs, and elsewhere (e.g., the ACIS). Specifically, SMIS lacks continuous updating and assistance, and its capabilities are not fully aligned to MA reporting requirements. The implication is that MA and IB employees spend significant time on manual data entry and report generation, as well as on devising solutions for processes that are not built into the SMIS. Moreover, a beneficiary interface to allow for continuous tracking of requests submitted into the system (financing proposals, reimbursement requests, etc.) would be a very useful tool. The recent effort by ACIS to develop mySMIS has yet to deliver any results, but should be prioritized in preparation for 2014-2020. Given that SMIS is primarily a communication channel to the EC and based on best practices elsewhere, it should be kept relatively simple. The add-ons suggested above could there be developed on a separate platform that would maintain some level of integration with SMIS.

**Learning and Adaptation:** The ROP implementation framework has adjusted over time in response to new situations, requests from the EC, or other factors. Specific examples prove that the ROP system has the capacity to learn and adapt (see, for instance, instruction no. 105 on reimbursements and instruction no. 92 for modifications to the technical documentation). Still, underlying mechanisms for accumulating knowledge and reviewing processes through feedback loops are not always institutionalized and data collection on processes is relatively weak. One key component of learning and adaptation is the ability to share knowledge quickly and effectively. Again, if properly implemented, the solution can be technology.

### ***ROP Axis 5.3 and the MA-IB-Tourism Relationship***

**For funds available through ROP axis 5.3 – “promoting the tourism potential and setting up the needed infrastructure in order to increase Romania’s attractiveness as a tourism destination” – the IB is under the National Authority for Tourism (NAT), which warrants a separate discussion.** IB-Tourism is a useful example of how a fully *centralized* MA-IB model works in practice for ROP-financed projects. The thinking behind the centralized approach was that promoting tourism needs to happen beyond a particular region and sometimes beyond the national borders. As such, a national-level IB-Tourism was believed to have a better reach to promote tourism across Romania’s regions, as well as tourism from abroad.

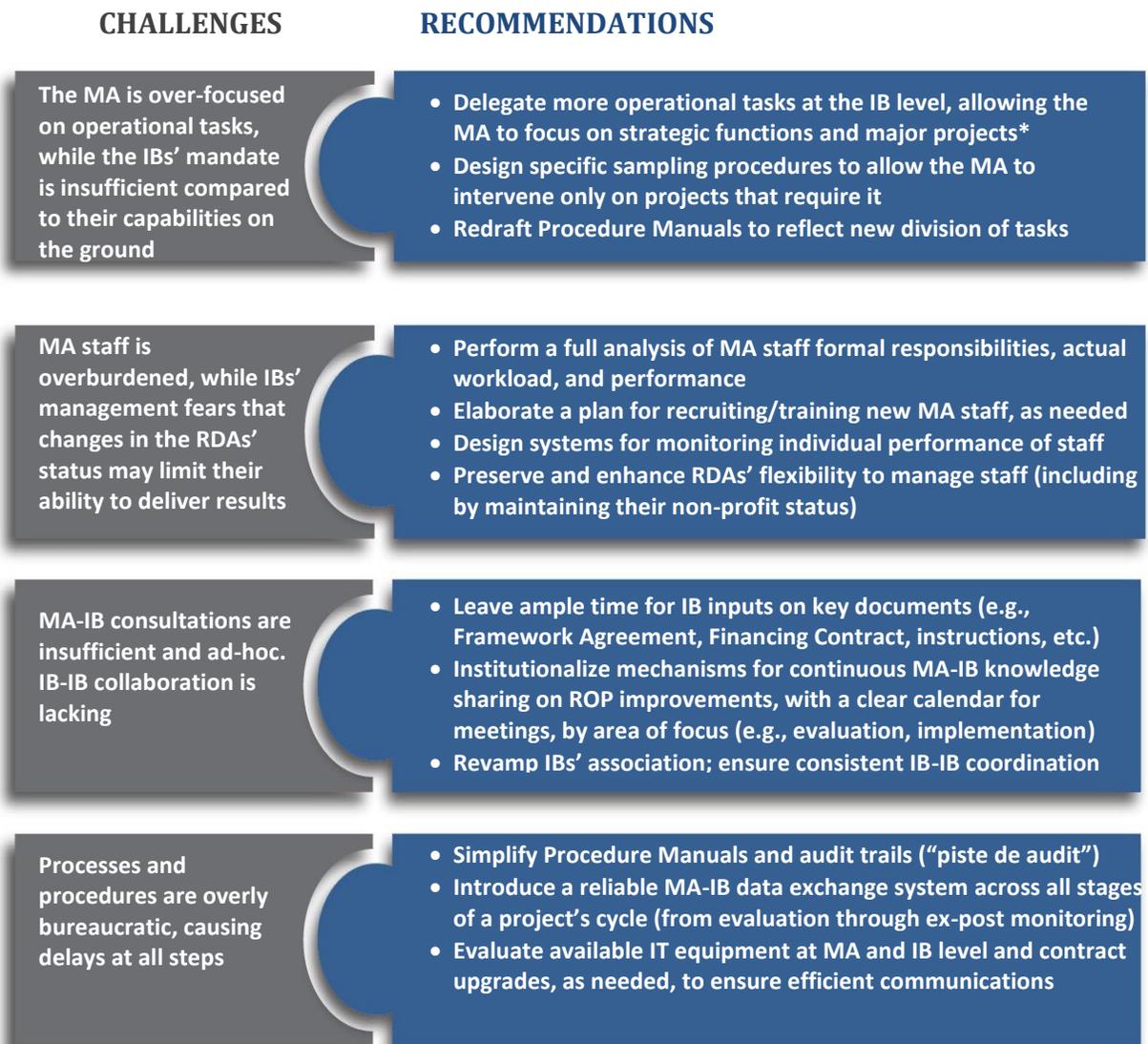
**Still, centralization at both MA and IB level for axis 5.3 has caused less efficient, slower implementation.** As of April 2013, there were only five people in the unit for verifying public procurement and only five teams in charge of processing and checking reimbursement requests (with two people or “four eyes” assigned to each team), but the number of ongoing projects exceeded 400. As capacity is limited, requests eventually pile up, along with all the problems that result from batching, as described earlier in this report: longer processing times, increased likelihood of error, distraction from critical tasks to, etc. A related aspect particular to IB-Tourism, when compared to the RDAs, is that it is a public institution that must abide by all laws, regulations, and procedures applicable to such bodies. This means that IB-Tourism is much more limited in its ability to manage human capital resources assigned to it. Despite repeated requests from management to increasing the staff to reflect the high number of contracts under implementation, no optimal solution has been found to date.



Going forward, the challenge is to accommodate national-level needs, such as the development of a national brand, while ensuring an effective regional/local beneficiary interface. In the short term, it is recommended to develop a quick assessment of available resources at the IB-Tourism level and determine solutions for rapidly eliminating backlog and resuming critical functions, including trainings and preparations for 2014-2020. For the next programming period, only the truly national-level interventions should be maintained under a central MA, while the projects involving regional and local authorities should be managed at the appropriate level to optimize the “distance” between the MA/IB, on one side, and beneficiaries, on the other.

**Summary Recommendations**

The figure below presents the top four challenges and corresponding policy recommendations. This is not an exhaustive list. The last chapter of the report presents a full implementation roadmap, including specific proposals with a corresponding timeline, resources required, and potential risks.



\*Note: See Chapter V for a full list of tasks that can be delegated from the MA to the IBs





## I. Introduction

1. **The Government of Romania (GOR) aims to enhance the preparation and implementation of investments financed from structural instruments by the European Union (EU).** In January 2012, the GOR and the World Bank signed a *Memorandum of Understanding on Partnership and Support in the Implementation of the EU Structural and Cohesion Funds in Romania and Modernization of Public Administration*. As a result, five projects were agreed with the Ministry of Regional Development and Public Administration (MRDPA): (1) Romania's urban development and spatial planning strategy; (2) growth poles policy review; (3) implementation of the Regional Operational Program (ROP) assessment, including a functional review of the communication and collaboration between the ROP's Managing Authority and Intermediate Bodies and the facilitation of proactive and direct support for program beneficiaries; (4) assistance for the identification of ROP project selection models; and (5) the elaboration of integration strategies for poor areas and disadvantaged communities in Romania. The findings across all projects are meant to be complementary in nature and contribute directly to the design and implementation of the ROP in Romania, particularly for the 2014-2020 programming period.

2. **In particular, the functional review of the Regional Operational Programme's implementation (project #3 above) is fundamental to improving EU structural funds' absorption rate, efficiency, and impact in Romania.** While the analysis focuses on the ROP, many findings are applicable across multiple operational programs, with the hope of contributing to the country's improved overall results in accessing EU funding for the 2014-2020 period. This is particularly important in light of the fact that Romania remains as of April 2013, by most measures, the weakest performer among all Member States in terms of EU funds absorption for the 2007-2013 budgeting cycle.

3. **This report focuses on the first component under the functional review of the ROP, namely the assessment of the communication and collaboration between the ROP's Managing Authority (MA) and Intermediate Bodies (IBs), i.e. the eight Regional Development Agencies (RDAs) and IB-Tourism.** The current analysis touches on three key levels of the MA-IB relationship – statutory, financial, and procedural – providing guidance on current strong points and areas for improvement. While its findings stand on their own, the current report should be read in conjunction with the Component II assessment of the support mechanisms for ROP applicants and beneficiaries. In what follows, the current analysis first provides a general background of Romania's challenges and opportunities in accessing EU funding, particularly through the ROP. Further, it summarizes the current work's main objectives and scope, methodology, and key audiences.

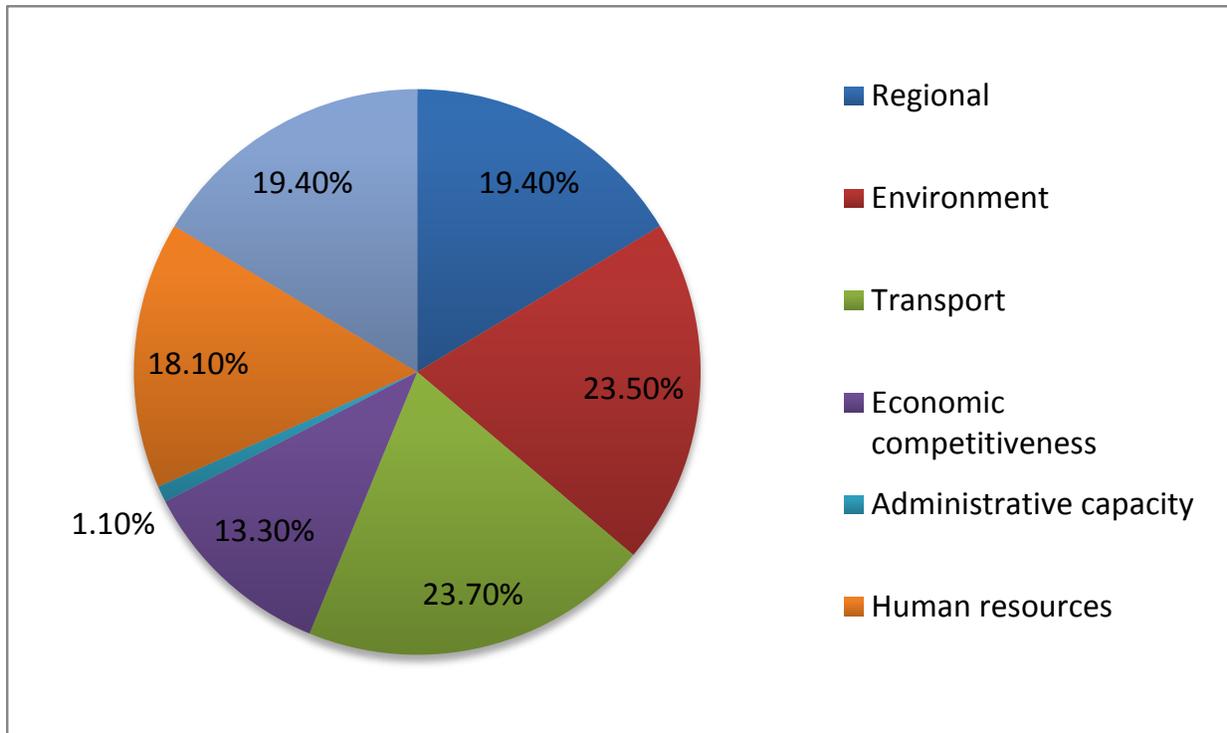
4. **The current work is based on a series of working visits to all Intermediate Bodies of the ROP (including in the eight development regions in Romania), as well as on initial discussions with key stakeholders within the Ministry of Regional Development and Public Administration (MRDPA).** It also draws on applicable insights that emerged from the World Bank's 2011 Functional Review of the Ministry of Regional Development and Tourism (MRDT), which became the MRDPA more recently – compared to the MRDT, the new structure has added public administration functions, while tourism is now under a separate ministry. At multiple points during the process of developing the current report, the team has reached out to counterparts in the MA, the RDAs, and beneficiary organizations, holding workshops specifically designed to test and refine findings.



## II. Context

5. To support Romania’s regional development in the post-accession period, the EU dedicated EUR 3.7 billion to the Regional Operational Program (ROP). This amounts to 19% of the total structural funds available through the National Strategic Reference Framework (NSRF) between 2007 and 2013, making the ROP the third largest program after transportation (25%) and environment (23%).

Figure 1. Distribution of EU Structural Funds for Romania by Operational Programme (2007-2013)

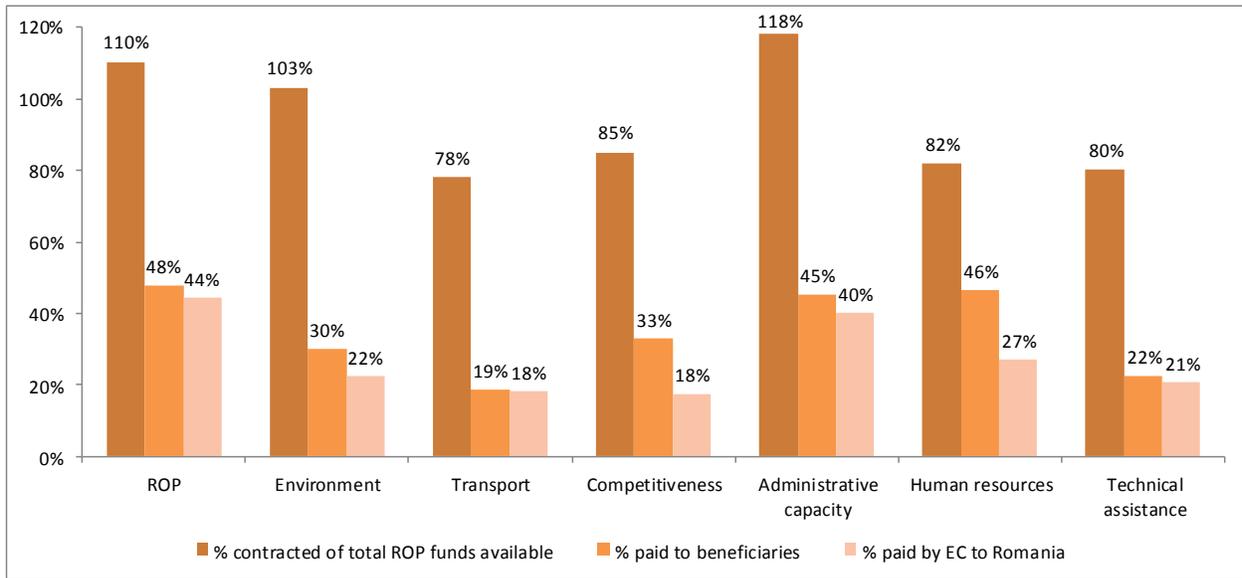


Source: National Strategic Reference Framework

6. Despite its complexity, the ROP remains a top performer in terms of its absorption rates to date, when compared to other operational programs in Romania. As of November 30, 2013, contracting stood at 110%, disbursements to beneficiaries reached 48%, and payments from the EC to Romania were at 44.2% of the total available allocation. Contracting will continue to exceed 100%, in expectation that there will be savings and corrections that will allow projects on the “back-up list” to be financed. As for the other two indicators, disbursements to beneficiaries and payments from the EC, the ROP has done better than any other operational program in Romania. As this report later argues, these results are largely due to the experienced MA-IB teams and the effective working relationships among these actors, developed since the pre-accession phase.



Figure 2. Relative performance of EU structural programs in Romania (as of November 30, 2013)



Source: Ministry of European Funds ([www.fonduri-ue.ro](http://www.fonduri-ue.ro))

7. **This is not to say, however, that absorption is a perfect proxy for “performance” of an operational programme.** There are a range of issues that fall beyond the scope of the current report, but that would be well worth exploring further by the MA: the actual impact of projects; selectivity and prioritization of investments compared to local needs and existing territorial and sectoral strategies, at various levels; sustainability and operations and maintenance (O&M) costs; duplication of ROP funding through state budget programs, etc. These issues are partly addressed by other ongoing World Bank and MRDPA work.

8. **In accessing structural assistance, Romania abides by EU regulations on financial management and control.** There are specific responsibilities assigned to each Member State and to the designated bodies in charge of the ROP’s implementation. In Romania, there are two primary levels under this institutional framework: a centralized Managing Authority and nine Intermediate Bodies.

- *Managing Authority.* The Governments’ Decision No. 243/2006 established the Managing Authority (MA) for the ROP within the Ministry of European Integration.<sup>2</sup> At that point, the Ministry had accumulated some experience in the implementation of regional programs, having served as the Contracting/Implementing Authority for pre-accession instruments (PHARE ESC). Currently, the MA is within the MRDPA, but has retained many experienced staff members who have worked on pre-accession programs like PHARE. The MA is the institution responsible for the ROP’s implementation and answers to the Romanian Government and the European Commission for fulfilling Romania’s obligations under EC Regulation No. 1083/2006.
- *Intermediate Bodies.* Law No. 151/1998 granted Regional Development Agencies (RDAs) non-profit, public-utility status as regional technical bodies in charge of territorial programming. In 2007, the European Commission approved the programming documents establishing the eight Regional Development Agencies (RDAs) as the Intermediate Bodies (IBs) for the ROP’s implementation, in line with Romania’s commitments toward the EU under chapter 21 of the

<sup>2</sup> See “Monitorul Oficial, Partea I nr. 194 din 01.03.2006” (and subsequent revisions of this legislation)



Regional Policy and Coordination of Structural Instruments. Each RDA serves as an IB and there is also an IB-Tourism at the central level, now within the National Authority for Tourism.

- *MA-IBs relationship.* Within this institutional framework, the MA maintains overall responsibility for the ROP's management and implementation and can delegate specific attributions to the IBs. This arrangement was formalized in 2007, when the MA concluded an Implementation Framework Agreement with the ROP's Intermediate Bodies. This document – together with later additions and slight modifications – laid out a set of commitments and defined both parties' lines of responsibilities in the ROP's implementation. Among other tasks, the IBs' mandate includes serving as direct points of contact for ROP beneficiaries; as intermediate bodies, it is natural for RDAs to have assumed the role of providing the interface between beneficiaries and the program's Managing Authority.

9. **While the ROP is one of the top-performing structural programs in Romania when it comes to absorption rates, its results are still lower than benchmark programs in other Member States.** At the time of the functional review, in 2010-2011, the ROP still fared better than Bulgaria's average absorption rates, yet by February 2012 Romania's neighbor had reached 37.55% in payments received from the EU, significantly higher than the ROP.<sup>3</sup> As another case in point, in Slovakia, by February 2013, the Regional Operational Programme had certified 60.59% of the total allocation available.<sup>4</sup> Now it is critical to understand and address any remaining gaps in the Romanian ROP's implementation in order to increase absorption rates through 2013 and prepare the ground for better performance during the 2014-2020 budgeting period.

10. **At a basic level, the efficiency of ROP-related processes is a function of two variables: the number of procedural steps and the time required to complete each of them.** A February 2010 survey of 637 stakeholders (beneficiaries, MA representatives, consulting companies, and banks) identified the main elements affecting the absorption of EU funds.<sup>5</sup> The excessive bureaucracy and long evaluation and reimbursement times stood out among the set of factors mentioned by respondents. For the current study, another survey was conducted, focusing specifically on ROP beneficiaries. The second figure below presents the insights gathered from 470 respondents, listing the main obstacles in implementing ROP-funded projects, along with a corresponding "level of importance." The results are striking and confirm many of the themes noted by the 2010 survey, with "excessive bureaucracy and documentation" and "delays in project evaluation and selection" ranking first and second, respectively. In particular, over 60% of the total sample considered that "excessive bureaucracy" was an "extremely important" obstacle. At the other end of the spectrum, as this report argues, there is a close link between obstacles experienced by beneficiaries and the relationship between the MA and the IBs. The report on beneficiary support mechanisms (Component II) addresses each of the elements in the figures below in greater depth and provides potential solutions. For the purposes of this report, these survey results are mentioned here to guide the subsequent discussion and provide an overview of the main issues that affect the performance of the ROP system. The larger point is that nearly every obstacle faced by ROP beneficiaries translates into additional pressure on the proper functioning of the MA-IB link.

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<sup>3</sup> See <http://insideurope.eu/taxonomy/term/186>

<sup>4</sup> Ibid.

<sup>5</sup> See figure below. Source: fonduri-structurale.ro

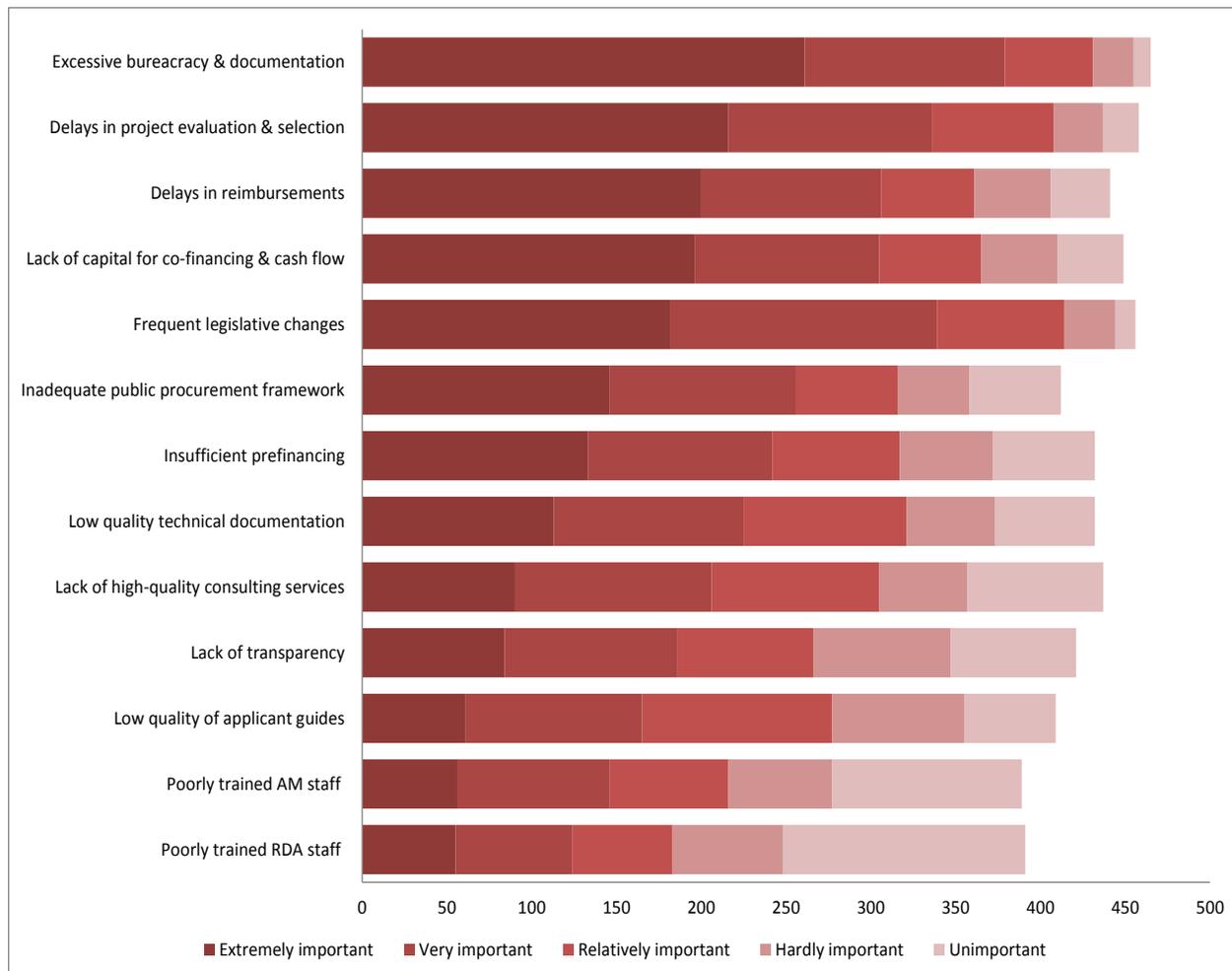


Figure 3. Results of Stakeholder Survey

What Affects the Absorption of EU Funds? (February, 2010)	
1. Excessive Bureaucracy	33,59%
2. Long evaluation and reimbursement times	16,22%
3. Lack of co-financing and banks' reticence in lending (given that finished constructions and purchased equipment cannot be mortgaged)	16,22%
4. Rigid and unclear applicant guides, with last-minute corrections	9,65%
5. Poorly trained staff in the MA and in the Intermediate Bodies, and poor communication with applicants/beneficiaries	7,72%
6. Poor promotion of funding sources	6,95%
7. Lack of quality of consultancy services	6,56%
8. Lack of transparency	3,09%

Source: fonduri-structurale.ro

Figure 4. Beneficiary perceptions of obstacles and their level of importance (N=470, May 2013)





11. **More generally, there are six primary causes for the slow absorption of EU funds by Romania.** These hold for the ROP and for most other operational programs in the country, and are provided here as further context for the current analysis, noting that coming up with solutions for these systemic issues is beyond that scope of this work – and also beyond the MA/IB mandate. Specifically, the six causes of slow absorption include the following:

(1) *The country has struggled because of the lack of adequate preparation for the 2007-2013 budgeting period, particularly in terms of fully aligning critical national frameworks to EU standards.* To give one important example:

- The public procurement legislation was updated and clarified to fit EU standards only in mid-2011, after 4+ years of ROP implementation, which was bound to generate frustrations and confusion among beneficiaries, as well as problems in Romania's ability to absorb structural funds.
- Specifically, since the ROP's beginning, beneficiaries generally followed national legislation applicable at the time of their public procurements (Government Emergency Ordinance 34/2006, with its many subsequent modifications). These procurements were also verified and implicitly validated by institutions mandated to do so, both ex-ante (by the National Authority for Regulating and Monitoring Public Procurement – NARMPP) and ex-post (the IBs and the MA, which approved reimbursement requests based on beneficiaries' public procurement contracts).
- Most notably, however, Romanian legislation did not fully clarify what was meant by restrictive criteria (a major cause of subsequent penalties), nor did it detail what the penalties were for potential errors in awarding public procurement contracts. By June 2011, however, Emergency Ordinance (EO) 66 was adopted to include the COCOF guidelines on applicable corrections, followed by clarifications provided by NARMPP through, notably, order 509 from September 2011 on acceptable criteria. Such actions were meant to fully align to EU-level standards the public procurement legislation and procedures applicable in Romania. Subsequently, based on these updated rules, all public procurement contracts under the ROP were reverified and corrections were applied.
- In parallel, noting the principle that laws cannot be applied retroactively (e.g., GEO 66/2011), beneficiaries are winning court trials against such penalties, and the state budget has to ultimately cover these costs anyway.
- In theory, funds obtained from such corrections can be used by Romania on financing new proposals, as long as there is still time to evaluate, contract, and implement additional projects in the pipeline.
- Still, the consequences on the system remain very serious: in interviews, beneficiaries have noted that they have a much lower appetite for accessing future EU-level funding given the perceived risks involved in incurring unjust financial corrections resulting from unclear, interpretable legislation and its retroactive application.

(2) *Romania does not have sufficient budgetary resources to support the swift implementation of EU programs, which means that decisions to "pre-suspend" a certain program basically clog the entire system.* Since the national budget cannot fully absorb the shock of the EU



stopping reimbursement requests, local beneficiaries are soon left to search for resources from the local budgets or from commercial loans to ensure that project implementation moves forward. In many cases, local budgets are already under strain, so essentially there are no funds to pay for the service providers needed for the project's completion. On a similar note, any ineligible expenditures (such as those resulting from the frequent changes to the technical documentation during the project execution phase) cause great strain on beneficiary budgets.

- (3) *Applicable procedures remain cumbersome, particularly in the area of public procurement, while the capacity of beneficiaries to implement projects continues to face significant constraints.* Compared to pre-accession programs like PHARE, structural post-accession funding has been more centralized, with overburdened central Management Authorities, a problem compounded by heavy bureaucratic processes. A higher degree of decentralization and the involvement of Regional Development Agencies are, in fact, key elements that explain why the ROP has fared better than other EU financing programs for 2007-2013. But even the ROP, which has already gone through several rounds of simplifications, continues to face complex procedures and heavy documentation, despite a legal framework that does permit a full electronization of the program.
- (4) *Administrative capacity remains limited when it comes to local public authorities implementing projects that far exceed annual budgets.* Salaries in the public sector, especially at the local level, are low. Even bonuses that employees working on EU projects under implementation have recently been able to access (up to 62.5%) make a small difference when the salary base is so low. It is remarkable that talented, experienced people continue to stay in the public sector, despite superior offers from, say, private consulting firms. The risk of turnover remains high.
- (5) *Property rights are often hard to determine and beneficiaries cannot demonstrate proof of ownership over land assets.* This is caused by two primary factors: the complex legal framework dealing with the restitution of properties nationalized by the communist regime before 1989; and the lack of a functional cadaster system in many parts of the country.

*Last but not least, Romania has often “overcorrected” issues that have been flagged as potentially problematic in the implementation of EU structural funds. Overcorrections are common for bureaucracies and fundamentally mean that a “solution” to one problem can generate a range of unintended consequences when applied indiscriminately to the entire system. In other words, if a certain irregularity becomes evident in a few distinct cases, it is rarely optimal to create an additional rule and a supplementary control and verification layer for all cases. The area of public procurement verifications is rich with examples of such tendencies to “over-check” for potential errors, involving a range of auditing and control bodies. This topic is further explored under the Component II report related to ROP beneficiary support mechanisms.*

## Objective and Scope

12. **This report aims is to improve the performance of the ROP system by developing the partnership between two key players: the Managing Authority and the Intermediate Bodies.** To this end, the following sections provide a review of the MA-IB collaboration and communication, both formal (*de jure*) and informal (*de facto*), and recommend, where appropriate, key actions for



strengthening this functional relationship. If the immediate target is to enhance the smooth functioning of the ROP, the ultimate aim is to help Romania increase its absorption of available EU funds and, through the fulfillment of the program's objectives, promote the country's sustainable and inclusive development.

13. **Given the report's agreed goals, the bulk of the analysis focuses on getting ROP investments quickly and effectively evaluated, contracted, implemented, and monitored.** The MA-IB relationship comes into play at all stages of a project's cycle, from concept to proposal submission, evaluation, and implementation. That said, the quality of projects in the pipeline, along with selection models and criteria, are beyond the scope of the current work, although they are key focal points of a complementary World Bank project for the MRDPA ("Technical Assistance for the Identification of Project Selection Models"). Using a metaphor that will later be revisited, the current system can be associated to a network of pipes with water coming in (project proposals) and going out (implemented investments). The key question is ensuring a steady, efficient flow of water through available pipes between the MA and the IBs. As the next section explains, this is not just about pure operational processes and procedures, but has to include a broader look at the program's institutional governance and strategic direction and how the MA and IBs influence each respective area.

14. **Finally, it is important to note that time and resource constraints have limited the focus of the current report primarily to the ROP case study.** Faced with a choice between exploring the program itself in greater depth and making broader comparisons with other EU frameworks, this work prioritizes the former, arguing that there are specificities of the Romanian ROP (e.g., the non-profit status of RDAs, the legal framework governing the ROP, etc.) that deserve substantial attention. Moreover, Component III of the same technical assistance project involved a working visit to Spain, which exposed MA staff firsthand to best practices in another Member State that is highly praised for its efficient absorption of EU funds. The "project selection models" workstream also includes an extensive section on EU-level comparisons of institutional frameworks. As noted earlier, a range of other important issues fall beyond the scope of the current analysis: the actual impact of projects; selectivity, prioritization, and sustainability of investments; duplication of ROP funding through state budget programs, etc. While recognizing the relevance of such topics, this report focuses more specifically on the MA-IB collaboration, seeking to cover all facets of this relationship, as noted in the methodology section below.

## Methodology

15. **As a starting point, the proposed approach is: "first do no harm."** The ROP and its components, including the MA and the IBs, are high performers relative to Romania's average absorption rates of EU funds. Additionally, rash or unnecessary changes may create disruptions in the program's implementation, generating confusion and frustration among key staff, and diminishing the benefits of accumulated institutional knowledge.

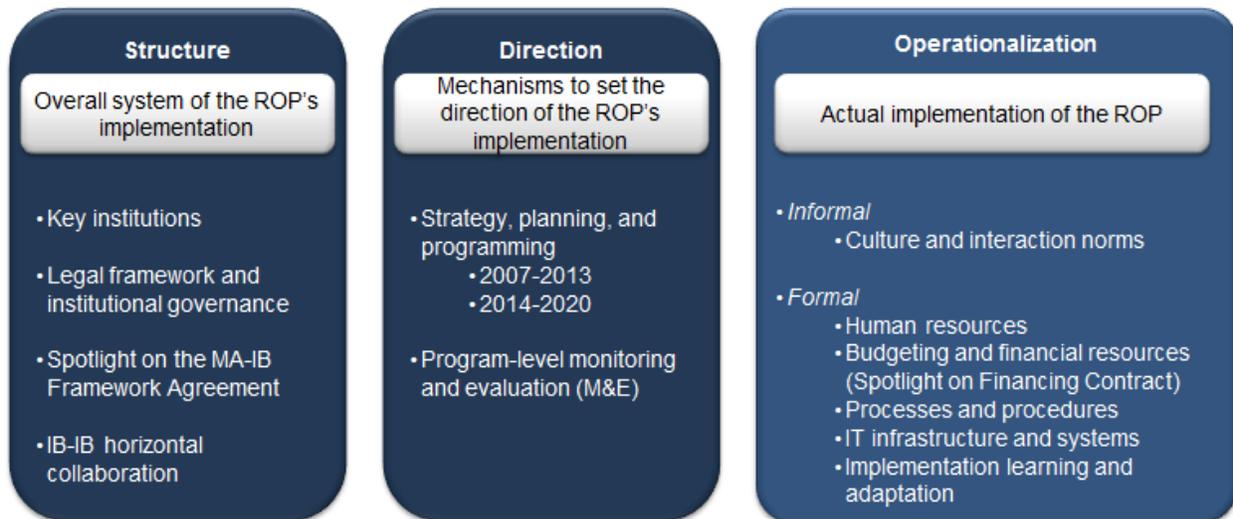
16. **As such, any efforts targeted at improving the ROP should build on the program's current strengths and address remaining gaps.** Within its defined scope, the current assignment involves several steps in assessing the ROP's implementation: first, identifying aspects and procedures that work well and should be continued; second, determining areas for improvement and particularly the root causes of potential issues; and third, making recommendations to address current obstacles, while maintaining and strengthening the components of the system that have performed satisfactorily. Interviews, surveys, and in-depth field research – including weeklong visits, at a minimum, at each IB –



constitute the main method of analysis, as is typical for functional reviews. In addition, the project team has engaged – and will continue to engage – Ministry counterparts to collaborate on the implementation of the recommendations put forth in this report.

17. **The methodology is adapted from the World Bank’s phase I and II Functional Reviews in Romania, and systematically assesses three key dimensions of the MA-IB relationship: structure, direction, and operationalization.** The figure below describes those general categories and lists relevant elements under each of them. The first two areas focus on the structural and strategic context in which the MA-IB relationship takes place, setting the stage for the in-depth analysis of the third area (in light blue). Each hypothesis is tested, from the current legal framework to principles of good governance and control mechanisms, to prevent and address potential irregularities in funding allocation and disbursement. “Operationalization” is the center focus of the report, as it deals with how the MA-IB collaboration works in practice in the actual implementation of the ROP, and it is also the area that likely has the greatest potential for improvement. The current report assesses both formal aspects of the ROP’s implementation (e.g., processes, procedures, IT systems, etc.) and informal critical elements such as organizational culture and interaction norms. Both formal and informal elements are expected to shape the efficiency of the MA-IB collaboration. Importantly, this methodology does not imply that all covered issues depend strictly on the MA and/or the IBs. Quite a few of them fall beyond these bodies’ direct mandate, but they still need to be analyzed because they have a direct bearing on the efficiency of the MA-IB relationship.

**Figure 5. Functional Analysis Framework for the MA-IB Collaboration within the ROP System**



*Source: Adapted from Functional Reviews Methodology, World Bank (2011)*

18. **Within this overall framework, observations and conclusions regarding the MA-IB collaboration draw from three primary sources.** First, the team has reviewed existing reports and evaluations to take advantage of potential synergies. Second, where appropriate, the findings from the World Bank 2010-2011 Functional Review of the MRDT (now MRDPA) also inform the current research effort. Third and most importantly, the project team has engaged with 50+ representatives of RDAs in all eight regions and 150+ ROP beneficiaries, as well as with key MRDPA staff. Interviews covered both aspects relevant for both the current component (MA-IB collaboration) and the second one (beneficiary support mechanisms, assessed under the Component II report).



## Audiences

19. **The main audiences of the current report are senior managers from the Ministry of Regional Development and Public Administration (MRDPA), as well as officials from the European Commission (EC) responsible for the ROP's oversight.** For this reason, the analysis puts forth, whenever possible, specific observations and recommendations, which are synthesized in the last chapter into a full implementation roadmap, with a proposed timeline, risk assessment, and estimated resources needed, for each proposal. Other stakeholders who may benefit from this assessment include RDA managers and staff, as well as MA and IB staff from other operational programs. Above all, however, the analysis will produce positive results if it is accepted and endorsed by MRDPA leadership and staff. The hope is that they will continue to develop a sense of ownership over proposed actions and push for their actual implementation.

## Structure of the Report

20. **The main section of the report is split into three parts corresponding to the methodology described above.** Applied to the MA-IB collaboration within the ROP, the three chapters cover: overall institutional structure (Chapter III); strategic direction (Chapter IV); and actual implementation/operationalization (Chapter V).

21. **Chapter III provides key information on the institutions involved in the ROP system and the challenges they currently face.** In particular, after a brief summary of key institutions and how the ROP works, that chapter makes important observations on the key systemic issues that are not exclusively related to the MA-IB relationship, but strongly influence it, and hence cannot be left out of the current analysis. The final two sub-sections narrow it on the MA-IB statutory relationship under current legislation and as reflected in the Framework Agreement (FA).

22. **Chapter IV includes a brief assessment of the strategic function of the MA-IB collaboration.** Put differently, the main question is to determine what roles the MA and the IBs play in setting the ROP's overall direction and priorities, including strategic planning for the 2014-2020 period. Because this is also the focus of a parallel work stream by the World Bank, and was also covered in some depth in an earlier "Evaluation of Regions' Administrative Capacity in the Area of Regional Development" (December 2011), this component of the analysis remains succinct.

23. **Chapter V takes on the task of assessing the MA-IB collaboration, as it works in practice in the operationalization of the ROP.** In many ways, the issues discussed here are related to Component II report on support mechanisms for applicants and beneficiaries – as the core element of the system, and the ultimate *raison d'être* of the entire ROP, beneficiaries cannot be excluded from the MA-IB equation. The chapter includes a number of sub-sections focusing on key elements of implementation: culture and MA-IB interaction norms; human resources; budgeting (including an assessment of the Financing Contract); processes and procedures; IT infrastructure; and learning and adaptation. In particular, the more extensive sub-section on process improvement provides a list of guiding principles and further summarizes suggestions for enhancing the program's efficiency. These are mostly based on field interviews and, as necessary, a desk review of the Procedures Manuals.

24. **Finally, chapter VI provides a separate assessment of IB-Tourism, which is justified due to the unique features of the ROP's implementation corresponding to axis 5.3 projects and IB-Tourism.** This section makes a comparison between the two different models: fully centralized (IB-Tourism, axis 5.3) and less centralized (eight RDAs covering the rest of the ROP axes). The assessment describes the main obstacles encountered by IB-Tourism and recommends solutions for surpassing them.





### III. The Overall Structure of the MA-IB Collaboration

25. **The Managing Authority and Intermediate Bodies of the Regional Operational Programme operate in a complex legal and institutional environment, which has experienced multiple adjustments over time.** A wide range of players intervene at various points in the ROP's implementation and a comprehensive review of the entire system is beyond the scope of the current report. Still, the MA-IB relationship cannot be effectively understood in a vacuum. As such, this chapter begins with a brief description of the ROP system's main institutions and their roles, noting that references and more in-depth assessments of these actors will follow throughout this report. The second part of this chapter narrows in on the key pieces of legislation and other governing documents that refer specifically to the MA, the IBs, and the MA-IB collaboration.

#### Key Players

26. **EC Regulation 1083/2006 stipulates that “for each operational program the Member State shall designate”: a managing authority, a certifying authority, and an audit authority.<sup>6</sup> Importantly, the same document notes that the managing authority and/or the certifying authority can entrust intermediate bodies to carry out duties on their behalf.** The institutional set-up of the Regional Operational Programme (ROP) is in line with this regulation, as follows:

- The *Managing Authority (MA)* is based in the Ministry of Regional Development and Public Administration (MRDPA);
- Eight *Regional Development Agencies (RDAs)* act as the ROP's Intermediate Bodies, with specific attributions delegated by the MA;
- The *Certification and Payment authority (CPA)* within the Ministry of Finance is responsible for certifying expenditures before sending them to the European Commission, and receives reimbursements from the EC and the State Budget in line with reported expenditures;
- The *Payment Unit (PU)* within the MRDPA disburses state budget funds to ROP beneficiaries, according to approved claims, and subsequently receives “reimbursements” from the CPA; and
- The *Audit Authority (AA)*, under the Court of Accounts of Romania, is fully independent from all other stakeholders and verifies the functioning of the ROP's management and control system, reporting results to the European Commission.

27. **At the national level, two additional bodies play direct, key roles in the ROP's design and implementation: the Authority for Coordinating Structural Instruments (ACSI) and the Monitoring Committee for ROP.** The Romanian Government established ACSI through Decision 457/2008.<sup>7</sup> ACSI initially functioned under the Ministry of the Economy and Finance, but is now under the Ministry of European Funds (MED). Its purpose remains the same: the coordination of the preparation, development, harmonization, and functionality of the legislative, institutional, and procedural framework governing structural instruments.<sup>8</sup> The law lists a long list of responsibilities for ACSI,

<sup>6</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006R1083:20100625:EN:PDF>

<sup>7</sup> Government Decision 457/2008, “Monitorul Oficial Nr. 364 din 13 mai 2008”

<sup>8</sup> Ibid., Chapter II



including: issuing legislative proposals related to the coordination and implementation of EU programs in Romania; supporting the development of administrative capacity of key institutions involved in such programs; making recommendations for standardization of procedures and documentation, as well as for the overall improvement of different instruments; coordinating negotiations with the EC regarding operational programs; developing and supervising the SMIS information system meant to centralize all relevant information related to the implementation of structural instruments in Romania, etc.

28. **For its part, the Monitoring Committee for ROP (MC-ROP) focuses specifically on overseeing the implementation of the Regional Operational Programme.**<sup>9</sup> MC-ROP is led by the Minister of Regional Development and Public Administration. The MA-ROP within the MRDPA is a member of MC-ROP and also acts as its Secretariat. Other full members include representatives of other structural programs' MAs and two representatives for each of the eight regions (one county president and one other appointee per region, as selected by the Regional Development Council). The MC-ROP is primarily responsible for: approving project selection criteria; analyzing the program's progress and making recommendations for improvements or adjustments; and evaluating and approving proposals for the reallocation of funding across different ROP axes, intervention area, and regions.

29. **At the regional level, the main actor involved in the ROP's implementation, besides the RDAs, is the Regional Development Council (RDC).** Since Romania's regions are not formal administrative units, RDCs are meant to function through a partnership between local authorities at different levels (county, city, communes, etc.). The RDC's mandate, as defined in law 315/2004,<sup>10</sup> is broader than the ROP and refers to the coordination of regional development policies and programs, both those funded from EU sources and those financed through the State Budget (e.g., the National Fund for Regional Development). In relation to the ROP, the RDC of each region oversees the RDA's activities, making sure that all counties within a region receive a fair and equal treatment. The RDC funds parts of RDAs' budgets through the county budgets. Its membership includes the presidents of counties in each region and three representatives of local administrations in the county (one for each level of local councils – major cities, towns, and communes). The RDC is led by a president and vice-president, positions that rotate among counties in a particular region, and its secretariat is provided by the RDA.

30. **The other significant player at the regional level was the Regional Committee for Strategic Evaluation and Correlation (RCSEC), which had a key role in prioritizing investment projects to be financed through the ROP.** The RCSEC was established through Government Decision 764/2007 and was mandated: (a) to assess how proposed projects fulfilled needs at the regional level; and (b) to prioritize strategic projects at the level of the eight development regions. The RCSEC membership included four representatives of each county in a particular region, two from the local public administration and two from civil society organizations in the socio-economic sphere. In principle, the RCSEC had an important mission in terms of aligning ROP investments with regional needs, but in practice this system generated significant delays and a range of other issues (e.g., lack of transparency regarding prioritization criteria; potential conflict of interest between local authorities as RCSEC members and potential ROP beneficiaries; duplication of evaluation criteria, etc.).<sup>11</sup> As a result, Government Decision 1383/2008 revised the RCSEC's role, limiting its attributions to recommendations and purely consultative opinions

<sup>9</sup> See Government Decision No. 765 from July 11, 2007, published in "Monitorul Oficial nr. 547 din 10.08.2007"

<sup>10</sup> See "Monitorul Oficial nr. 577 din 29.06.2004"

<sup>11</sup> For a range of concerns expressed by the EC regarding the role of RCSECs, see, for instance, [http://www.fonduri-ue.ro/res/filepicker\\_users/cd25a597fd-62/Documente\\_Suport/Rapoarte/1\\_Rapoarte\\_POR/16.07/4\\_Minuta\\_CMPOR\\_%2027\\_oct\\_2008.pdf](http://www.fonduri-ue.ro/res/filepicker_users/cd25a597fd-62/Documente_Suport/Rapoarte/1_Rapoarte_POR/16.07/4_Minuta_CMPOR_%2027_oct_2008.pdf)

on regional investments. Based on field research observations, the RCSEC has stopped functioning *de facto*, as its decisions no longer have an impact on decisions related to ROP investments.

31. **Additionally, a range of institutions play a role in various aspects concerning the implementation of projects, primarily on the beneficiaries' end.** These include, for example, the State Inspectorate for Constructions (SIC), which issues approvals for construction permits, as well as institutions involved in the public procurement process, such as the National Authority for Regulating and Monitoring Public Procurement (NARMPP), the National Council for Resolving Disputes (NCRD), the Unit for the Coordination and Verification of Public Procurement (UCVPP), etc. The purpose of this observation is to note that the MA-IB relationship exists in a complex institutional setting, which often directly impacts how the MA and the IBs interact, as well as how they support program beneficiaries. That said, to remain within the scope of the current project, institutions that are not central to the ROP system will be reviewed by this report only to the extent that they affect the MA-IB-beneficiary triad.

**Figure 6. Key players in the ROP's implementation (as of April 2013)**

	Description / role as related to the ROP	Main legal basis
<b>Managing Authority (MA-ROP)</b>	<ul style="list-style-type: none"> <li>• Functions within the Ministry of Regional Development and Public Administration (MRDPA)</li> <li>• Manages, administers, and implements the ROP</li> </ul>	<ul style="list-style-type: none"> <li>• EC regulations</li> <li>• Gov't decision 457/2008</li> </ul>
<b>Intermediary Bodies (IBs)</b>	<ul style="list-style-type: none"> <li>• 8 RDAs as executive arms of the RDC; 1 IB-Tourism at national level</li> <li>• Fulfills obligations delegated by MA-ROP and provides the interface with ROP beneficiaries (among other tasks)</li> </ul>	<ul style="list-style-type: none"> <li>• Gov't ord. 26/2000</li> <li>• Law 315/2004</li> </ul>
<b>Regional Development Council (RDC)</b>	<ul style="list-style-type: none"> <li>• Regional, partnership-based structure meant to coordinate regional development policies as well as oversee and support RDAs</li> <li>• Includes County Presidents and representatives of different rank cities</li> </ul>	<ul style="list-style-type: none"> <li>• Law 315/2004</li> </ul>
<b>ROP Monitoring Committee (MC-ROP)</b>	<ul style="list-style-type: none"> <li>• National, partnership-based structure with decision-making and strategic responsibilities in the ROP's implementation</li> <li>• Approves project selection criteria, reallocates funding among axes</li> </ul>	<ul style="list-style-type: none"> <li>• Gov't decision 765/2007</li> <li>• Framework for MC-ROP organization &amp; functioning</li> </ul>
<b>Certification and Payment Authority (CPA)</b>	<ul style="list-style-type: none"> <li>• Functions within the Ministry of Public Finance</li> <li>• Certifies expenditure forms and payment requests before these are sent to the EC; receives ROP-related payments from the EC and the state budget</li> </ul>	<ul style="list-style-type: none"> <li>• Art. 61, Council Regulation 1083/2006</li> </ul>
<b>MRDPA Payment Unit (PU)</b>	<ul style="list-style-type: none"> <li>• Functions within MRDPA</li> <li>• Receives funds from the CPA</li> <li>• Makes payments to ROP beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Applicable national legislation (TBD)</li> </ul>
<b>Audit Authority (AA)</b>	<ul style="list-style-type: none"> <li>• Functions alongside the Romanian Court of Accounts, independent of MA-ROP and the CPA</li> <li>• Conducts auditing of all operational programs, verifies expenditures, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Applicable national legislation (TBD)</li> </ul>
<b>Authority for Coordinating Structural Instruments (ACSI)</b>	<ul style="list-style-type: none"> <li>• Functions within the Ministry of European Funds (MEF)</li> <li>• Coordinates the management and implementation of structural funds</li> <li>• Ensures the coordination and coherence of various instruments</li> </ul>	<ul style="list-style-type: none"> <li>• Gov't decision 457/2008</li> </ul>
<b>Regional Committee for Strategic Evaluation and Correlation (RCSEC)*</b>	<ul style="list-style-type: none"> <li>• Discussed and analyzed public investment priorities at the regional level</li> <li>• Currently issues <i>consultative</i> opinions, at the request of MA-ROP, regarding the prioritization of ROP projects with finalized technical and financial evaluations</li> </ul>	<ul style="list-style-type: none"> <li>• Gov't decision 1383/2008</li> </ul>

\*Note: Due to later policy revisions, the RCSECs no longer have as a main attribution the strategic evaluation and prioritization of ROP projects. These bodies can issue consultative opinions at the MA-ROP's request. The current system for project selection is the main focus of a related MRDPA study by the World Bank.

## How the ROP Works

32. **The ROP system is complex, involving multiple-level interaction between beneficiaries, RDAs, and MA-ROP.** In the first phase, once the call for applications is publicized, interested applicants submit project proposals and supporting documentation to the RDA in their region, including three hard copies



of the original and a digital copy. Next, the RDA checks the basic administrative documents and eligibility requirements and verifies that the applicant's file is complete. If all is in order, process moves to the technical and financial evaluation stage, implemented with the help of external experts (contracted by the MA or directly by IBs). The independent evaluators verify the project's estimated costs, timelines, supporting documentation, objectives, etc., based on an evaluation grid specific to the type of proposed project. They then send a report to the respective RDA, which compiles the evaluations and sends them further for approval to MA-ROP. The figure below provides a summary of a typical ROP process.

Figure 7. Overview of typical ROP process\*

Primary roles and activities by stage of process							
	Submission	Admin & eligibility evaluation	Tech. & financial evaluation	Technical project (TP) analysis	Site visit	Contracting	Implementation
<b>Beneficiary</b>	- Fill out application - Submit all required doc.	- Interact with IB; provide required clarification	- Provide any required clarifications & supporting docs.	- Submit TP (if required) - Upgrade feasibility study (FS), if needed	- Cooperate with RDA to set date and respond to observations, suggestions	- Sign contract	- Start project, organize tenders, etc. - Submit receipts, supporting docs.
<b>IB</b>	- Advertise opportunity - Assist applicants in submission of docs	- Run admin & eligibility check - Ask for adjustments, clarifications	- Solicit experts from MA / contract independent experts directly (more recently) - Receive evaluation report, compile, send to MA	- Verify TP with help of specialized experts	- Conduct site visit and report on findings, together with MA rep. if present		- Support capacity building of beneficiary - Monitor and report on progress - Verify procurement documentation, reimbursement requests
<b>MA</b>	- Define eligibility & selection criteria - Advertise opportunity	- Delegated to IBs	- Contract independent experts - Approve evaluation report, ask clarifications	- Approve RDA report on TP	- Perform site visit (if needed)	- Verify entire file & supporting docs, ask for clarifications - Approve and sign contract	- Monitor results, report to EC - Verify and approve payment requests - Verify procurement doc. for select projects
<b>External evaluators</b>			- Evaluate tech. and financial aspects - Liaise with IB, respond to potential challenges	- Verify TP (basic conformity check, limited input on content) - Liaise with IB			

\*Note: For a full description of assigned responsibilities at each step of the process, see the applicable Procedures Manuals and audit trails ("piste de audit"). Some of the specific steps and tasks will vary depending on the type of investment.

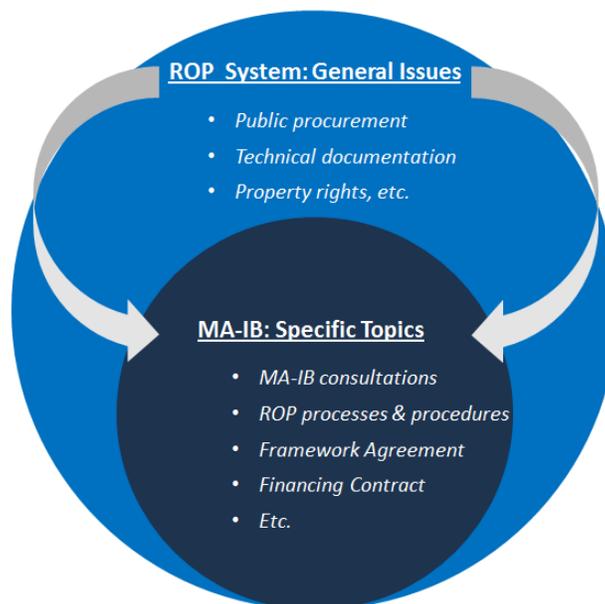


33. The next stage involves the applicant’s submission of a technical project (TP) within six months (if the type of investment requires it), and the TP is verified by the IB and approved by MA-ROP. This is mostly a conformity check, as evaluators do not have the mandate, the time, or the capacity to intervene significantly on the content of the technical project. Upon approval of the TP, a site visit is arranged, whereby IB and sometimes MA-ROP representatives make sure everything is in order and in accordance with the conditions described in the original application. MA-ROP then approves the site-visit report and the IB submits the beneficiary’s final documentation for the project’s contracting and financing. The MA-ROP checks the entire file, sends any clarifying questions, and eventually approves or rejects the proposal. Each approved application then enters the implementation phase, which involves additional, project-specific steps, from tendering to contracting, execution/delivery of contracted services, and reimbursement of expenditures. Throughout that process, the MA-ROP and the IBs continue to support beneficiaries, within the limits of their mandate, and can also encourage faster implementation through a set of strict deadlines. The figure above provides a summary of this process.

### General Issues of the ROP System

34. The MA-IB collaboration and its *specific* issues cannot be treated in isolation of the ROP’s *general* issues. The latter ones tend to affect the program’s beneficiaries most directly and will be covered in depth in the report on beneficiary support mechanisms. In this context, the term “general” or “systemic” is meant to reflect that such factors have a bearing on how the entire ROP functions, including the MA-IB relationship. Still, it is important to note from the start that these issues are beyond the immediate control of the MA and/or the IBs. Two types of solutions are available to these bodies: (a) procedural changes to adapt the ROP so that the impact of systemic shortcomings is more limited; and (b) proactive assistance to beneficiaries to help them cope with the issues. Chapter V provides several suggestions from the former category, while the latter are covered in depth by the Component II report. The following sub-sections are meant as a summary that puts in context the rest of this report (Component I) and some of the challenges facing the MA-IB relationship.

Figure 8. ROP general and MA-IB specific issues have to be assessed together





### **Public Procurement and Associated Corrections**

35. **By far the greatest concern expressed by ROP beneficiaries in field interviews centers on issues related to public procurement and associated corrections.** This is a widespread issue among local authorities, who commonly refer to it as “a witch hunt,” “a national obsession,” and “the biggest deterrent against ever seeking EU financing again.” The backstory goes to the EC’s audit findings from 2011, which noted that the system of verifying public procurement procedures was flawed and had permitted a significant amount of breaches of applicable EU-level regulations governing the ROP’s implementation. The key issue was that Romanian legislation on public procurement procedures related to EU-financed projects failed to incorporate until 2011 a range of key, mandatory requirements (e.g., clear definitions of restrictive criteria, applicable corrections, etc.). Particularly beneficiaries who launched public tenders early on during the ROP’s implementation were largely unaware of such requirements and simply followed Romanian legislation applicable at that time (ordinance 34/2006 with its subsequent adjustments). Government Emergency Ordinance (GEO) 66/2011 later sought to fill the legislative void and translated nearly *ad literam* the COCOF guide on applicable financial corrections for breaches of public procurement regulations. Other acts, such as NARMPP order 509 on acceptable criteria for awarding public procurement contracts, further completed the national-level legislation in 2011.

36. **After the publication of GEO 66/2011, the Romanian Government mandated the re-verification of public procurement procedures on all ROP contracts, with the RDAs checking 100% of them, and the MA and the Audit Authority (AA) checking a subset based on sampling.** Based on feedback from interviews with the AA, RDAs, and beneficiaries, most of the issues discovered were related to “restrictive criteria” in the tender documents, accelerated bundled procurement without sound justification, breaches of advertising requirements (e.g., failure to advertise a tender above a certain threshold in the Official Journal of the European Union), and “unpredictable” additional work. Restrictive criteria were reported in interviews as the most common irregularity, often originating in the beneficiary’s honest intention to select an appropriate service provider (e.g., construction company with experience in EU-funded projects so that it would be familiar with the specific forms and reporting requirements). In a few instances, one mistake (e.g., specifying the brand name of a certain construction equipment required without the added phrase “or similar”) was unintentionally propagated from beneficiary to beneficiary in cases where local authorities collaborated in the preparation of tender documentation. At the end of the day, however, a very small number of instances led auditors to suspect fraudulent intentions, but corrections were applied to a staggering number of projects, for various reasons. Many beneficiaries have challenged these penalties in court, often arguing that retroactive application of law is unconstitutional. Some of the initial decisions from Appellate Courts are favorable to beneficiaries, though most final definitive verdicts by the Supreme Court are only expected in 2014 or 2015.<sup>12</sup>

37. **The immediate consequence of the corrections is that local authorities with smaller budgets face serious financial risks, while their long-term appetite for ROP funding diminished drastically.** The rule is that they have to either return the money (if already disbursed) or take a cut from future disbursements, effective immediately and regardless of whether beneficiaries challenge the decision in court. Particularly in the case of corrections on large public works contracts, a 25% penalty can be a significant burden on local budgets; even if beneficiaries may be right to claim the money back, it will take years until the sums are reimbursed and they will ultimately come from the state budget. In other words, these funds are put back into the ROP budget and available for projects in the reserve list,

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<sup>12</sup> In 1-2 cases, beneficiaries actually had final favorable verdicts as of April 2013.



although given Romania's low level of absorption to date some of this money may be eventually lost. But the bigger problem is that some beneficiaries are losing trust in the system. They perceive it as unfair to be punished despite the fact that they had abided by Romanian legislation at the time of the public tender and, moreover, several institutions had validated their proposed procedure.

38. **A related issue is the lack of a proper ex-ante verification system for public procurement procedures.** For their part, beneficiaries often lack the technical capacity to avoid all potential pitfalls of very complex public procurement legislation (Government Ordinance 34/2006 and its many subsequent changes). The MA and the IBs cannot help much because that would create a conflict of interest with their role in evaluation, while the AA only has a mandate for ex-post audits. There are instead dedicated institutions that are mandated under Romanian law to oversee and regulate public procurement, particularly the National Authority for Regulating and Monitoring Public Procurement (NARMPP), the National Council for Resolving Disputes (NCRD), and the Unit for the Coordination and Verification of Public Procurement (UCVPP). Currently, none of these actors is willing to formally "endorse" a clear set of general rules or resolutions for specific cases, so beneficiaries are left to bear the entire responsibility over the process without the certainty that the other actors involved help eliminate the risk of subsequent corrections. Beneficiaries are also the only ones getting penalized even though past procurement procedures had passed through the NARMPP and UCVPP filters. In quite a few cases, corrections apply long after the sums had been reimbursed (i.e., after another ex-post set of verifications by the IB and the MA) and even after projects have been fully finalized.

39. **The public procurement monitoring and verification system, and corresponding decisions to apply corrections, would benefit from clearer and better communicated rules and standards.** The RDAs, the MA, and the AA can independently propose corrections, with the AA having the last say as the EC's primary instrument for auditing structural funds in Romania. Many beneficiaries, particularly public authorities, face a significant number of audits every year. Some level of auditing is necessary to flag errors and potential fraud, but beneficiaries rightly note that key resources are dedicated to responding to multiple audit missions, which sometimes verify the same documentation over and over again. This duplication can overburden beneficiaries' and constrain their capacity to implement current projects and prepare new ones for 2014-2020, and it also increases the risk that auditors will pass on responsibilities from one another.

40. **A related issue is the lack of technical competencies among auditors.** Beneficiaries note in their interviews that many auditors come from a finance/economics background and do not fully understand the technical reasons behind certain procedures (for example, unpredictable necessary works that are not related to errors in project design). In practice, at the end of the day, many beneficiaries do not have a clear understanding of why they are getting sanctioned and how the level of penalties is decided. The lack of predictability affects their ability to make cash flow projections and in some cases imposed corrections have directly impacted local authorities' capacity to co-finance additional ROP projects for 2007-2013 and the preparation for 2014-2020. There is also a strong perception that the level of corrections is decided somewhat subjectively by various auditors, without clear guidance for beneficiaries, and with differences across similar cases around the country.

41. **Last but not least, delays in public procurement also come from the high number of legal challenges that are formulated against almost every single procedure of this sort.** There are known firms who participate in biddings and later challenge them, even without any serious reason. If a challenge is struck down by the National Council for Resolving Disputes (NCRD), some firms will take the case to court and can generate delays of 1-2 years. A solution that has been suggested before is the



fining of repeated challengers who dispute public procurement procedures without just cause. Currently, they only stand to lose a small sum of money deposited at the time of the tender, which is obviously a stick that is not big enough to disincentiveze malevolent legal challenges.

### ***Technical Documentation***

42. **A significant proportion of issues related to poor quality technical documentation have originated in having technical experts hired by a central body, without a direct link to ultimate beneficiaries of investment projects.** Specifically, Government Decision 811/2006 mandated the then Ministry of European Integration (MEI) to finance the preparation of project documentation to be financed from ROP 2007-2013. These were actually “back-up projects” inherited from the PHARE CES 2004-2006 program. Several problems emerged from this set-up: technical experts contracted by MEI elaborated the documentation without paying much attention to why the projects had scored less than 50 in the first place; also, in 2006 the list of eligible expenditures had not yet been issued for the ROP, so the beneficiaries ended up incurring significant non-eligible expenses during the implementation phase. Moreover, this documentation was generally of poor quality, but beneficiaries had little opportunity to correct it, both because of lack of capacity and lack of time: when they received the technical projects financed by the MEI, they rushed to apply to the recently launched ROP. It is recommended that such situations are avoided in the future by always establishing the direct link between beneficiaries and technical experts, with possible technical support from RDAs.

43. **Even when beneficiaries contract technical experts directly, the overall quality of technical documentation for ROP projects tends to be unsatisfactory as a result of lack of capacity and lack of responsibility.** On the one hand, technical experts in charge of feasibility studies and technical projects are often selected based on the lowest price criterion – again, this is because NARMPP rejects documentation based on other criteria or because beneficiaries simply fear future potential corrections due to “restrictive” conditions, so they generally award the contract to the lowest bidder. Also, the procedural deadline for elaborating the technical project is six months, and few beneficiaries start on that before then. This is mainly because they are weary to invest in producing technical documentation for projects that may not receive financing. Otherwise, auditors from the Court of Accounts may challenge their decision to spend taxpayers’ money on investments that do not materialize. Some beneficiaries have considered launching public procurement procedures for technical documentation in advance, awarding the contract, and ordering the winning bidder to commence work only after the financing is secured. Further research is needed to ensure the validity of this potential solution and its feasibility given current applicable legislation.

44. **While technical experts sometimes lack the required skills and often have insufficient time to develop solid technical projects, public authorities also lack the capacity to verify submitted documentation.** As noted earlier, the quality of output by technical experts is typically proportional to the rates they can charge. Forced to bid on the lowest price criterion, companies are not always willing to assign their best resources for these projects and, if they do, they impose tight timelines so that they can still make a profit off the low revenue base. This problem of poor quality outputs is further compounded by the lack of adequate verifications. For their part, project evaluators mainly perform an “administrative” check on the technical documentation to see if all supporting documents are included, without having the capacity to check chosen technical solutions in depth, the lists of required materials and quantities, etc. There are also technical project verifiers, who should technically be contracted directly by beneficiaries and look out for their best interest. In practice, quite a few beneficiaries receive technical documentation already stamped with the seal of approval of a verifier. Such situations can be



avoided through more rigorous contracts that hold parties accountable for errors at every step of the chain (technical experts for any clear mistakes in the project; verifiers for approving faulty documentation; engineers for not supervising work progress properly, etc.).

45. **Poor technical documentation eventually leads to significant ineligible expenditures when there are differences between the technical project (TP) and the implementation phase.** EU-level regulations do not accept all such discrepancies as “unpredictable.” More specifically, technical errors in developing the documentation are not considered to be unpredictable and do not qualify for the 10% margin of expenses that can vary from the original budget baseline. Only natural disasters or truly unexpected “discoveries” when conducting renovation works in old buildings have generally been accepted as eligible additional work. To some extent, it is reasonable to say that errors in project design should not be overlooked and expensed from EU funds; preventing them would require holding project designers accountable for the quality of their output, as the report on assistance to beneficiaries argues in more depth.

46. **Equally important, differences between EU and state-funded projects still persist, well after Romania’s EU accession, which confuses beneficiaries and crowds out EU investments.** Typically, state-funded projects face more flexible regulations, including with respect to what qualifies as unpredictable required works. It would be advisable that all public investments follow the same rules, regardless of the funding source, with the important note that such rules and their enforcement should be reasonable. On unpredictable expenditures specifically, an optimal approach would allow beneficiaries to claim them as eligible whenever they cannot be anticipated, despite best efforts by beneficiaries and their contracted service providers (including technical project designers and verifiers), as mandated by current legislation (particularly law 10/1995 on the quality of construction works). The report that focuses on applicants/beneficiaries specifically details all these issues and provides recommendations.

#### ***Unclear Property Rights***

47. **Though perhaps less pressing in the short term, the third issue that causes concern among beneficiaries has to do with unclear property rights.** There have been many promising projects that got significantly delayed or completely stuck because of property rights issues. This is connected to Romania’s broader cadaster problem, as well as ongoing court trials by former owners seeking repossession of land and buildings nationalized before 1989. This was and continues to be one of the toughest issues to solve, and the main reason why the ROP axis for redeveloping brownfields performed dismally (with the exception of the West region, where more brownfields are state property) and funds were eventually reallocated toward other axes. Still, if sustainable development is truly a priority, a solution will need to be developed so that brownfields in prime urban locations can be brought back to life and economic activity. As noted earlier, potential solutions to these external problems are noted in the report on ensuring proactive assistance to ROP applicants and beneficiaries.

#### ***Impact on the MA-IB Relationship***

48. **The issues mentioned above put significant additional pressure on the entire ROP system, slowing down the vital mechanisms upon which the program’s absorption and impact depend.** Basically, every problem faced by beneficiaries translates into more work at the IB and MA levels. There have been countless requests to review expenses considered unpredictable by beneficiaries. The surge in financial corrections has also generated many more verification procedures, arbitration, and even significant time spent in court. These are the more tangible costs, but there are also intangible negative



consequences of these general issues, such as the erosion of beneficiaries' trust in the overall fairness of the system. There is already an emerging perception among interviewed ROP beneficiaries that local authorities who are the most active in seeking to attract EU funds also face the highest risks of financial corrections. This should be a warning signal in preparation for the next budgeting period: if those who are supposed to apply for ROP financing and implement the projects have no motivation to do so, Romania may miss absorption targets for 2014-2020.

### The MA-IB Relationship: Institutional and Legal Governance

49. **The core MA-IB relationship is founded on the sound general principle of dividing responsibilities.** In the ROP's current structure, there is need for both a central body with coordination, monitoring and evaluation, and general oversight functions, as well as a regional body that is closer to beneficiaries and deeply involved in the program's operational aspects. The MA-IB relationship is and should be symbiotic: none of them can perform on their own when the other is failing. If the IBs are not up to the task at hand, too many of the issues will escalate up to the MA and eventually block its capacity to respond; similarly, if the MA does not adequately fulfill its tasks, the IBs will be unable to act on their own and support the beneficiaries as needed. Under the current structure, both the MA and the IBs understand the need for continued partnership and collaboration, and this should be nurtured going forward.

50. **At the European level, the role of Managing Authorities is defined through EC Regulation 1083/2006, which sets the overall framework of structural funds implementation.**<sup>13</sup> The main MA functions noted in EC 1083/2006 refer to ensuring that financed projects are in line with program criteria, that information and publicity requirements are fulfilled, and that program evaluations are carried out and results reported back to the EC. Still, the predominant focus is on the MA's crucial role in ensuring compliance with the principle of sound financial management, a core concern for the EC, which wants to make sure that European taxpayers' money is spent wisely, transparently, and fairly. As article 59 in EC 1083/2006 explicitly notes, the MA "may designate one or more intermediate bodies to carry out some or all of the tasks of the management or certifying authority under the responsibility of that authority."<sup>14</sup> In other words, the MA and Member States Governments maintain full accountability for the implementation of EU structural funds.

51. **For Romania's ROP, the Managing Authority (MA-ROP) was established within the Ministry of Regional Development, Public Works, and Housing (now the Ministry of Regional Development and Public Administration – MRDPA) through Government Decision 457/2008.**<sup>15</sup> The list of responsibilities is longer than in EC 1083/2006, including 40 different, wide-ranging tasks: from elaborating the ROP and negotiating it with the EC to the development of applicant guides, procedures for managing the ROP, and criteria for project selection, identification of irregularities and recovery of expenditures through penalties, endorsement of financing contracts with beneficiaries of ROP funding, etc. The MA sets the main responsibilities of IBs, and also liaises with other involved institutions (e.g., ACSI, CPA, etc.).

<sup>13</sup> See Council Regulation (EC) No 1083/2006 of 11 July 2006 (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006R1083:20100625:EN:PDF>)

<sup>14</sup> Ibid., p. 40

<sup>15</sup> See "Monitorul Oficial, Partea I nr. 364 din 13.05.2008"



52. **The same Government Decision 457/2008 lays the foundation for establishing the IBs.**<sup>16</sup> Rather than noting specific responsibilities in detail, as in the case of MAs, this decision leaves up to each program and its MA the actual institutional design and the MA-IB split of responsibilities. Article 31 merely notes that the delegation of tasks to IBs is done through an agreement between the MA and the IB; however, “the MA remains responsible for the proper completion of delegated tasks.”<sup>17</sup> This legal provision is correct in leaving some flexibility for each operational program in how it carries out its mission, although the emphasis on the MA’s complete responsibility does run the risk of duplication between the MAs and the IBs. Put differently, because the MAs are repeatedly signaled out as the bearers of full accountability for the programs, it is likely that they protect themselves by over-verifying the tasks carried out at the IB level. As this report will later argue, this has often played out in the ROP’s implementation, with the MA actively supervising and verifying many of the RDAs’ activities through specific procedures, as stipulated in the Procedures Manuals and their corresponding audit trails. As a direct consequence, the process was sometimes delayed and EU funds absorption slowed down in order for the MA to ensure adequate program implementation.

53. **A key factor in the current institutional set-up of the MA-IB relationship is the legal status of the eight NUTS II regions, which fosters centralized coordination but allows for only a limited degree of decentralized management.** In Romania’s case, the solution agreed by the Government with the European Commission was to maintain the eight planning regions and corresponding RDAs as IBs for the ROP in the post-accession period, building on their pre-2007 experience with programs like PHARE. Nevertheless, given the formal limitations on decentralization and the fact that there are no regional bodies with formal administrative powers, the central MA-ROP was mandated with primary responsibility for the ROP’s management and implementation. The eight RDAs were thus constrained to a more limited, supporting role, providing the interface with ROP beneficiaries, as delegated by MA-ROP and under its careful monitoring and supervision.

54. **On the one hand, the current centralized system favors coordination and standardization across regions.** The MA has successfully established a set of common standards and procedures to be followed by all IBs. As “owner” of the relationship with the EC as well as national-level bodies like the National Audit Authority, the MA’s coordination role is backed by strong formal authority and legitimacy. When quick measures are needed, the MA can issue instructions and rapidly correct any misfiring of the system. The MA also has the overall perspective on how the ROP works and is in a unique position to promote improvements in the program’s implementation. At a time when Romania still had limited experience in the management of EU funds, this centralized system was likely more appropriate and helped avoid a range of issues through centralized guidance and standardization.

55. **On the other hand, the current institutional and legislative framework has created several points of tension as a result of limited decentralization:**

- a. *The MA has become overburdened with verifications, approvals, and other procedures designed to validate decisions at the IB level.* This has been aggravated by capacity constraints, primarily at the MA level, where hiring freezes have limited the current staff’s ability to respond properly, particularly during peak times of demand (e.g., when many applications come in from RDAs for verification and approval).

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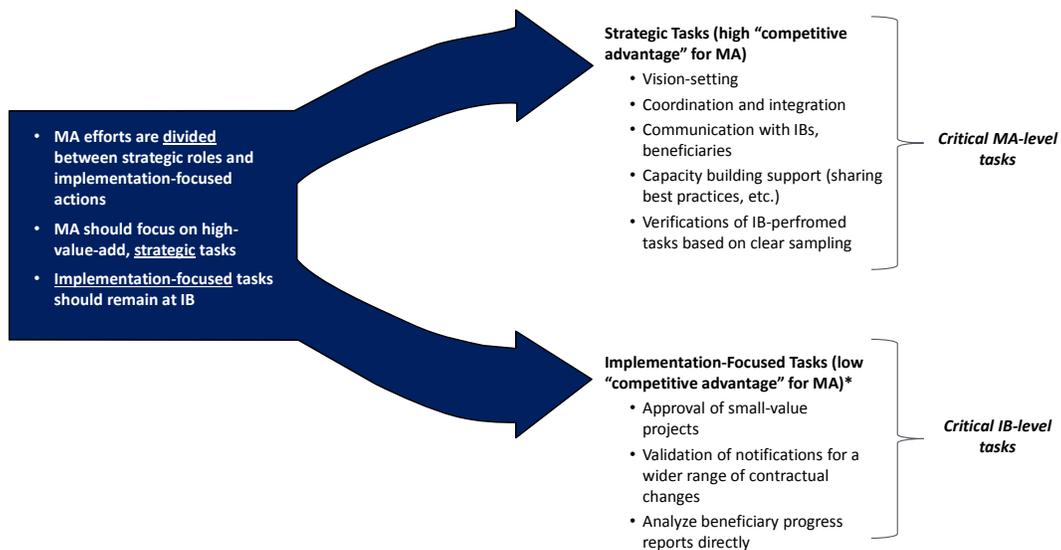
<sup>16</sup> Ibid.

<sup>17</sup> Ibid., art. 31



- b. *Day-to-day implementation tasks have drained vital resources from the MA, distracting staff from more critical roles.* Because of the constant push to eliminate backlogs and reduce delays, the MA cannot properly focus on its coordination and monitoring and evaluation (M&E) functions, which are time-intensive but also critical in ensuring proper feedback loops for the program’s ongoing improvement. As a concrete example, coordination meetings with the IBs have been less frequent over the past year because of other urgent tasks. In an ideal scenario, IBs would complete as many implementation tasks as possible without MA intervention, leaving the MA staff to focus on the more long-term, critical areas of the ROP.
- c. *As pressure increases, so does the risk of higher staff turnover at the AM level.* MA staff is highly experienced, with many having worked on EU funds since Romania’s pre-accession days. These critical resources are also highly valued by private sector consulting firms, which generally offer better pay and better working conditions, without the pressures and scrutiny associated with a position with the MA. While data on staff turnover are not currently available, anecdotal evidence suggests that the current system risks leaking critical experienced staff to the private sector, reducing the chances of successful implementation during the 2014-2020 programming period.
- d. *At the level of beneficiaries, frustrations sometimes run high because the link to the central MA is much weaker than with RDA representatives at the regional and local level.* Even when RDAs perform well in their specific tasks, there are situations that they cannot resolve on their own without input from the MA. This is mainly because of the current institutional set-up, although culturally there is also a fear of making mistakes and taking ownership over solutions recommended to beneficiaries. As delays accumulate at the MA level, beneficiaries bear much of the cost of waiting (for instance, if authorizations expire or there is a need to redesign the technical documentation because of the time elapsed between initial evaluation and eventual contracting). There is also a perceived lack of transparency regarding the MA’s internal processes and the causes of the delays in getting approvals from the central level.

**Figure 9. The MA is now distracted by, and over-burdened with, operational tasks that IBs can perform better**



\*Note: Chapter V – the processes and procedures section – includes a detailed list of tasks that can be delegated at the IB level



56. **Chapter V explores in-depth solutions for streamlining processes and procedures, and includes detailed recommendations on tasks that could be delegated to the IB level.** Essentially, it provides a step-by-step analysis of procedure manuals that define the MA-IB collaboration for various key areas (evaluation, implementation, monitoring, etc.), noting the points at which the MA's intervention is not necessarily required, especially for certain types of projects. For now, it suffices to note that from the perspective of the overall institutional framework there are potential efficiency gains from a more decentralized ROP structure. Additional specifics are provided in chapter V.

### Regionalization Perspectives

57. **In this context, the government is considering plans for devolving increased responsibilities at the regional level, including through the creation of a formal administrative level.** In the course of the field research for this report, RDA representatives and beneficiaries were asked about their overall perspectives regarding the prospects of introducing administrative responsibilities at the regional level. Opinions were mixed, overall, reflecting both benefits and drawbacks of various scenarios (e.g., status quo; eight regional MAs and IBs; transforming RDAs into regional MAs, etc.). This section summarizes the input received from interviewees, emphasizing that recommending a particular model is beyond the scope of the current assignment.

58. **The main advantage of a regional-focused ROP was identified as a higher level of responsiveness and ownership at the regional level.** Nearly all beneficiaries and most of the interviewed RDA representatives noted that the current regions in Romania – and this holds for any regional split, regardless of which counties would be included in the various regions – have very different needs and available opportunities. This conclusion results also from the World Bank report on Competitive Cities, which notes that leading and lagging areas within a country require different types of investments: for example, leading regions (as the economy's main engines) demand investments in quality of life and improved connectivity to surrounding areas, while lagging regions still need significant investments in basic institutions and infrastructure (schools, hospitals, etc.). But the current ROP does not allow for an adequate degree of customization to fit region-specific priorities (although the allocation of funding does vary by region, favoring the less developed ones) in that all beneficiaries across the country have the same axes. A more decentralized program would also mean that regional bodies have to take increased ownership over their actions, as there would no longer be an MA-type checkpoint in Bucharest to make sure they take the right steps. This greater degree of responsibility may well translate into fewer errors and improved efficiency.

59. **At the operational level, regional MAs would likely “shorten the distance” to beneficiaries, reducing delays and increasing EU funds absorption.** If the new system is properly implemented and regional MAs had sufficient capacity and expertise, beneficiaries would probably wait less for approvals and other procedural required steps. The MA-IB communication flows would likely be smoother and quicker, benefiting from shorter geographical distances as well as better, shared knowledge about regional-level priorities, issues, and potential solutions. The MA could also come closer to beneficiaries and reach out more proactively to understand their specific problems and identify solutions through joint consultations with IBs and beneficiaries, public and private alike. Equally important, regionalization would help redistribute some of the pressure on the capacity of the current system by, simply put, dividing up the work between eight regions as opposed to concentrating projects from around the country in a central agency. The perception that all power belongs to Bucharest, echoed in a substantial



number of interviews around the country, would hopefully be replaced with a sense of shared mission at the regional level and, in addition, a sense of healthy competition may develop among regions within Romania with respect to EU funds absorption and impactful investments. Last but not least, decentralization would build on accumulated experience at the regional level from both pre-accession and the 2007-2013 budgeting period, meaning that the need for centralized oversight is lower when RDAs and beneficiaries already have a deep knowledge of how the system should work.

60. **Perhaps most importantly, regionalization promises to deliver truly regional projects by ensuring proper coordination of the political and administrative levels.** Under the current centralized system, with no layer between the national government and the county level, it is very hard to design and implement integrated projects. In some instances, it is true that some partnerships among local authorities have indeed materialized (for instance, through the Intercommunity Development Associations (IDAs) and their purchasing of equipment for emergency interventions). In other instances, some level of coordination was achieved through the RCSEC, with some regions faring better than others in that respect. Even in such instances, projects were still fundamentally county or city-specific. Very few attempts were made to design complex projects between counties and across multiple ROP axes (let alone multiple operational programs) – in fact, some complex projects involving multiple counties took longer to draft and submit and ended up losing against simpler projects that took advantage of the first-in-first-out (FIFO) rule (e.g., projects for axis 2 – transport infrastructure). In the context of much greater EU focus on instruments like Integrated Territorial Investment (ITI), regionalization appears to be the optimal solution for facilitating thinking and acting at a regional scale.

61. **While most interviewees agree that regionalization is needed, in principle, they also caution that there are significant potential pitfalls related to the regionalization process.** The first deals with timing: many RDA representatives fear that a full overhaul of the system will undermine the preparation of the 2014-2020 programming period. These fears are aggravated by current delays at the EU level, as the final budget for the next programming cycle is yet to be voted by the European Parliament, as of April 2013. A related theme is that the current system has finally started functioning properly, with both beneficiaries and RDA representatives comfortable with current procedures. Any radical change risks undermining the accumulated institutional knowledge and generating further errors during the next programming period.

62. **At the same time, there is no obvious solution to the problem of limited human resources at the regional and local levels.** The basic question is: Who will be part of a regional MA and IB? One possibility is to transform RDAs into regional MAs, i.e. rely on the core group of RDA experts as the future staff of regional MAs. Most RDA representatives, with few exceptions, resist this idea because it involves becoming public servants, with the range of related constraints in terms of salaries, promotion opportunities, potentially higher political pressures, and more limited flexibility in managing their budget. As this report argues, the RDAs' non-profit status has been one of the key strengths of the current ROP, so departures from this model should be carefully planned and agreed with all parties. The greatest risk, of course, is that key RDA personnel leaves the agency for the private sector, joining one of the many consulting firms interested in hiring their services at a more competitive pay grade. The alternative is to find a legislative compromise whereby RDAs can maintain their non-profit, independent status and also be able to approve and make payments to beneficiaries (*"ordonatori de credite"*).

63. **In principle, it would be appropriate for a national-level body to focus on strategic issues that go across regions, while regional bodies would concentrate their efforts on local and regional aspects.** Whatever the chosen structure for the next ROP, the key elements represented in the figure below

should be kept in mind. Ideally, a central, national-level coordinator would handle strategic tasks like communication, integration of regional strategies, facilitation of knowledge sharing, provision of methodological support, etc. At the regional level, strategic tasks could fall under the RDC or the RDA, which already have experience with Regional Development Plans, while implementation tasks could be completed by a specialized body (e.g., the RDA). The point would be to move as much of the implementation as possible to the regional level, so that the national coordinating body is not distracted from the core strategic issues by the daily implementation tasks that tend to take up significant resources.

**Figure 10. Potential split of responsibilities across key stakeholders**

Optimal level of intervention	National	Core <u>MRDPA</u> responsibility	Non-core <u>MRDPA</u> responsibility <i>(minimize as much as possible)</i>
	Local/regional	Core <u>RDC/RDA</u> responsibility	Core <u>RDA</u> responsibility
		Strategic task	Implementation-focused task
<b>Type of task</b>			

64. **One possibility worth considering further, based on interview feedback, is a system adapted to different types of projects, depending on their magnitude.** Specifically, RDAs could become MAs in each region, but maintain their current legal status, and handle small and medium-sized regional and local-level projects. The current MA could capitalize on its accumulated experience by becoming the MA for the large strategic projects to be agreed upon by the local and national government authorities. Under this system, IBs may not be needed (and are not required by EU-level regulation), which promises to speed up the evaluation and implementation of projects by essentially bringing the MA directly next to beneficiaries. Such a framework promises to exploit the benefits of triage between various projects and build on the system’s experience at both regional and central levels.

65. **Of course, given the complexity of the issue, the optimal solution is far from clear and simple, but, all in all, arguments appear to weigh in favor of regionalization – even with a “lite” version at first.** The experience of other EU member states suggests that decentralized systems with regional-level legislative and executive bodies are better suited to drive a coherent regional convergence agenda and negotiate with the central government based on local priorities. The need for further decentralization appears to be an obvious solution to increasing the ROP’s efficiency and impact, but a full-swing regionalization process needs to carefully balance the costs and benefits of different setups. The devil is indeed in the details and critical factors like maintaining the current status of the RDAs will certainly influence final outcomes. “Regionalization-lite,” which would involve a more limited, defined set of responsibilities delegated to the regional level, can be a viable option in the short-to-medium term and



would ensure that Romania embarks on the new programming period with the right foot forward, avoiding the kind of radical changes that would upset the currently functioning mechanisms. Later on, based on continuous assessments of the system's needs and performance, the split of responsibilities among various administrative layers (national, regional, county, and local) can be adjusted to reach an optimal, efficient setup. Whatever the chosen path, it will be critical to ensure, as early as possible, full and open consultations with all key stakeholders, including MA and RDA staff and major ROP beneficiaries.

66. **Finally, it is worth highlighting the risk that the regionalization agenda could distract the MA and the broader ROP system from fulfilling its goals.** While the expected benefits appear promising, regionalization is no silver bullet. Put differently, merely creating a new administrative tier will not necessarily resolve the current issues deriving from the lack of collaboration between public authorities at various levels. Whether or not the regionalization agenda is implemented in practice, the MA should focus increasingly on its strategic mission, as noted earlier (e.g., vision-setting, coordination, communication, etc.), while delegating most operational tasks to regional IBs.

### Spotlight on the MA-IB Framework Agreement (FA)

67. **Regardless of the final institutional structure of the 2014-2020 ROP, there will still be a role to play for both the MA and the IBs and their relationship will remain fundamental for the program's success.** The core document governing the MA-IB relationship is the Framework Agreement (FA). The MA signs an FA with each RDA, containing the following general sections: terms and definitions; object and duration of the agreement; communication between the two parties; common commitments; delegated IB functions; MA rights and responsibilities; IB rights and responsibilities; and a range of articles pertaining to special circumstances, litigation, cancelation of the FA, etc. Importantly, the FA notes that FA modifications can be implicit (as a result of other legislative changes) and explicit (through a renewed agreement among the two parties). Since the initial endorsement of the FA, there have been several changes and additions to its terms, introduced through formal addenda that have also required both parties' agreement.

68. **Overall, in line with the existing national-level legal framework, the FA demonstrates a relatively high degree of centralization for the ROP's implementation.** The document is aligned with EU and national legislation and specifically warrants that the MA maintains overall responsibility over the ROP's implementation vis-à-vis the European Commission and the Romanian Government.<sup>18</sup> The MA is in charge of a long list of tasks, including: developing the ROP Communication Plan; defining eligibility and selection criteria; setting the timeline of ROP-related activities; developing applicant guides; ensuring the availability of external evaluators and monitoring their activity; issuing final decisions regarding the financing of specific projects; verifying financing contracts and requests; making financing corrections; conducting monitoring, reporting, and evaluation activities; and leading preparations for the 2014-2020 programming period. In effect, the MA maintains significant control over all phases of the process, either through direct implementation (e.g., deciding on the eligibility, evaluation, and selection criteria) or through approval and/or monitoring and verification of IB activities (e.g., the ROP regional communications plan; the project financing request; eligible expenditures; etc.).

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<sup>18</sup> Art. 17 of the Framework Agreement



69. **Through the Framework Agreement, the MA-ROP delegates a limited, defined set of responsibilities to each IB as the single provider of agreed services for a particular region.** When comparing the FA to Government Decision 457/2008, it is clear that the MA has indeed entrusted IBs with fulfilling a range of activities that fall under its mandate. The FA stipulates that IBs assist the MA-ROP primarily by undertaking basic administrative and financial eligibility checks, support activities for interested applicants, and capacity building for actual beneficiaries, once funds are granted. These bodies also make sure that data are collected properly for each project and entered into the Single Management Information System (SMIS) in a timely, reliable fashion. For its part, the MA-ROP maintains full ownership of program evaluations and relations with other key actors involved in the ROP's implementation, such as the EC, the Certification and Payment Authority (CPA), and the ROP Monitoring Committee (MC-ROP).

70. **The broad consensus from field interviews with RDA representatives is that the FA is a necessary and useful document that clearly lays out the formal rights and responsibilities of the MA and the IBs.** While the FA is required by applicable European and Romanian legislation, it is beyond doubt that this type of framework agreement is absolutely needed to ensure the proper functioning of any system involving a central managing authority and intermediate bodies. Most RDA representatives interviewed also noted that the current FA is comprehensive, clear, and generally fair in delineating the framework of the MA-IB relationship.

71. **In addition, the FA has a number of key strengths that should be maintained and nurtured going forward.** For one, most of the content was developed in consultation with IB representatives and it is the result of joint MA-IB inputs. This ensures mutual ownership and fosters a sense of responsibility in carrying out specified tasks. Second, the FA provides a stable and predictable framework for the MA-IB interaction, as it is valid for the entire duration of a programming period and for five years after the program's completion. Of course, this does not imply that specific adjustments are not allowed or possible; indeed, some degree of flexibility is desirable and achievable either through instructions from the MA or, in the case of more significant changes, through addenda on the FA. A specific example is the introduction in September 2008 of article 24' and 29', which stipulate the procedure for preparing the next programming period (2014-2020). Third, the FA is founded on a set of sound principles, including: transparency, partnership, and proper management, as well as constant communication through trimestral meetings "or meetings organized as necessary."<sup>19</sup>

72. **At the same time, feedback from interviews with RDA representatives suggests that there is still room for improvement in crafting the next set of FAs.** Interviewees pointed out several desirable changes to the current form FA:

- a. *Ensure more constant interactions and consultations with the MA by strengthening article 12 and adding specific timeframes for required meetings (e.g., monthly) to communicate emerging issues in various areas – programming, evaluation, implementation, and monitoring – and find solutions collectively.* This is particularly challenging in times when there is a large influx of documents to be verified and approved, but in the long term the benefits of constant consultation far outweigh the opportunity cost of time dedicated to such interactions. Currently, an important part of the MA-IB collaboration is accomplished on an ad-hoc basis. There are situations where this modus operandi works fine, as in the case of one RDA who suggested an improvement in internal procedures, which led to the prompt issuance of an instruction by the

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<sup>19</sup> Art. 12 of the Framework Agreement



MA. At the same time, there is great value in having a defined, predictable schedule with more frequent MA-IB interactions. As providers of the interface with program beneficiaries and located close to the on-the-ground work, the IBs believe that they should have constant access to channels for providing input into MA decisions.

- b. *Strengthen provisions mandating the MA to allow for adequate time for IB input into key decisions, particularly in the case of new instructions (art. 18, section 6).* There are reports of MA instructions that have been issued without a full, formal consultative process, which should be avoided unless a critical situation requires urgent action by the MA. The absence of adequate consultations undermines the trust-based relationship between the MA and the IB, as well as the IBs' sense of ownership over the MA's decisions and their implementation. Top-down decisions are also generally more prone to the risk of generating unintended consequences if they are not validated, ex-ante, by IBs and, whenever possible, by program beneficiaries as well. In some cases, consultations were mostly formal, with requests to provide input (e.g., via email) but insufficient time to absorb the proposed changes and react to them. Consultations should be meaningful and open, and whenever possible in person or via videoconference calls, and allow for sufficient time for IBs to form and express their own points of view.
- c. *Enhance IBs' role in the area of program monitoring and evaluation by referencing them under articles 25 and 26 (Chapter VIII: IB Rights and Responsibilities).* While EU-level regulations mandate that independent bodies, other than those involved in a program's implementation, should carry out program evaluations, there is still a role for IBs to play in M&E activities. In particular, the IBs would like to have more funding available for technical assistance activities in order to evaluate progress against the Regional Development Plan (RDP) goals/targets for their respective regions. Some RDAs have financed such activities from other sources and programs, but this is not always a sustainable, viable solution. If the implementation of the ROP is a shared responsibility, the same should go for the evaluation activities that have a bearing on the region's development. Indeed, the IBs are in a unique position to assess the ROP's implementation and figure out solutions for its constant improvement, and they should have the budget to fund regional-level activities that look into whether the program is achieving its goals, how it could do better, and how emerging problems could be resolved. These studies could then constitute inputs into the formal evaluations of the program, conducted by third parties, per current and proposed regulations.
- d. *Limit IB responsibilities to tasks that they can realistically carry out and protect them from unwarranted judicial actions, especially in the areas of expenditures verification and combating fraud.* Importantly, this is a caveat to the general principle – argued repeatedly throughout this report – that the MA should delegate increased responsibilities to IBs. This is generally true, as long as IBs have the necessary instruments to carry out the assigned tasks. For example, RDA representatives point to article 26 section 13, letter d, and article 26, section 16, which appear to impose on IBs obligations that they cannot fully honor and that fall under the mandate of other stakeholders.
  - o Article 26, section 13, letter d, mandates IBs to “certify the actuality, regularity, and legality of beneficiaries' expenditures from project implementation, as requested for reimbursement.” The current language suggests that this task is duplicative of activities that are normally carried out by the auditor of the project – each beneficiary is obligated to hire an external auditor – and, moreover, it begs the question of whether the RDA has the legal mandate to “certify expenditures.”



- Similarly, article 26, section 16, requires IBs to “take all necessary measures for the prevention and combat of irregularities/fraud.” This is also problematic given that RDAs do not have the capacity or the mandate to take fraud-prevention measures; this is rather under the mandate of public institutions like the National Anticorruption Department or the Department for Combating Fraud (DLAF).
  - Another delicate situation concerns verifications of potential conflicts of interest. MA Instruction 98 draws extensive IB obligations in this area, including the completion of a detailed list (annex IV). Leaving aside the fact that this is a very time-consuming activity, it is unclear if the RDAs can truly determine whether conflicts of interest exist and whether they could be held liable for failing at this task in the absence of a clear mandate and adequate capacity.
  - Some RDA representatives fear that, under the current FA, they could be held liable for failing at tasks that they cannot and should not fulfill, but rather support those actors who have these specific roles, according to current legislation. It is recommended that this language is revised to reflect the IBs’ actual mandate.
- e. *Provide adequate legal protection for potential judicial actions brought forth against IB staff.* One example concerns beneficiaries who turn against the IB in court, seeking remedy for corrections imposed on their contracts at the IB’s proposal. Given the unclear outcome of such procedures, with multiple cases already won by beneficiaries (though most definitive verdicts will only be issued by the High Court in late 2014), it would be beneficial to protect RDA employees through some insurance scheme and/or proper legal defense. Otherwise, there is a risk in propagating a culture of fear and passive inaction, and thereby diminish the effectiveness of RDA support for beneficiaries. Of course, if there are clear abuses or errors by the IBs that hurt applicants or beneficiaries, the staff should be fully accountable. The basic rule here is to enable the IBs to stay within the limits of their mandate and be protected against unjustified judicial actions (and related political pressures).

73. **One final observation regarding the current FA relates to the MA’s significant burden of responsibilities in implementing a complex program like the ROP.** The long list of activities that the MA needs to carry out – on its own, in consultation with the IBs, or through monitoring and verification of IB activities – suggests that ensuring adequate capacity at the MA level will remain a challenge under the current set-up. The chapter on the ROP’s operationalization looks at available resources in both the MA and the IBs, but the deeper question remains whether a truly decentralized system is better suited for the next programming period. Even under the status-quo institutional structure, some adjustments will be necessary at the procedural level to allow the MA to focus on the strategic tasks of program coordination, communication and M&E, leaving IBs truly in charge of day-to-day implementation tasks. With full ownership over its work, the IBs themselves would likely be even more careful in how they carry out their activities, knowing that there is no additional check at the MA level, except on some tasks and projects and through careful sampling based, for instance, on risk assessments by MA.

74. **Regarding the functions that *may* be legally delegated to the RDAs, as IBs, it is worth mentioning that Article 19 (3) of GEO No. 64/2009 expressly states the right of the MA-ROP to delegate the commitment and validation stages of the public expenditure for the projects financed through the ROP.** But, in practice, the Framework Agreement concluded between MA-ROP and the RDAs makes no reference to the delegation of such tasks. In this respect, according to the Framework



Agreement, the RDAs play a minor role in the validation phase of the public expenditure process; although the RDAs are not empowered to apply the “good for payment” (“bun de plată”) visa on the reimbursement requests (which is the center piece of the validation phase), they do apply a preliminary visa on the reimbursement requests (“aviz de rambursare/plată”), on the basis of which MA-ROP then makes the decision to apply the “good for payment” visa.

75. **At the same time, the delegation to RDAs of certain functions is limited, expressly or implicitly, by the current legal framework, mainly due to their legal status of non-governmental bodies.** An example, already mentioned, is Article 20 (4) of GEO 66/2011, which restricts the right of MAs working with European funds to delegate the operations of detecting irregularities and establishing entitlements to be recovered, only to those IBs that are part of a public body. Accordingly, the RDAs have not been delegated these kinds of tasks, but they are required to duly notify MA-ROP whenever irregularities or cases of fraud are identified/suspected [Article 26 (16) of the Framework Agreement]. The RDAs are also required to draft and forward to MA-ROP proposals for cancelling the financing contract or for applying financial corrections, in those cases where they identify breaches of the financing contract or of the relevant national or EU law [Article 26 (17) of the Framework Agreement]. Equally important, RDAs do not have the legal capacity to be involved in the authorization and/or the payment of public expenditures (legally, they could be delegated the tasks related to the commitment and validation of public expenditure, as explained above).

76. **While it is certain that the RDAs cannot and should not perform *all* functions that are currently under the MA’s mandate, the key question remains: can the current MA-IB division of tasks be rebalanced toward a more decentralized model?** Chapter V provides an affirmative answer to this important inquiry, going through the audit trails within various core procedure manuals and pointing out the junctures where the MA’s intervention is not needed. At the end of the day, the temptation to verify everything that IBs do will not disappear; that would be virtually impossible given that the MA is formally accountable to the Romanian Government and the EC for how the ROP performs in practice. But this provision is no different from that faced by any other Member State – Romania (and the ROP in particular) should learn from how older EU Member States (e.g., Spain) have shaped their institutional framework and, step by step, trust IBs with increased responsibilities. The good news is that this is a feasible task, even under the current legal constraints resulting from RDAs’ non-profit status. Chapter V provides a full analysis of the opportunities for enhanced delegation.

### Horizontal IB-IB Collaboration

77. **RDAs communicate on an ad-hoc basis, there is little systematic sharing of good practices, and rarely do they develop collective positions in their relationship with the MA, even when their interests fully converge.**<sup>20</sup> At a personal level, there are some interactions between staff in different IBs, and generally there are feelings of mutual respect and appreciation, also based on a long-standing history of working together in the area of structural funds. But more frequent, institutionalized interactions appear to be lacking. The association that is supposed to bring RDAs together (ROREG) is still inactive, even as the end of the 2007-2013 programming period draws near. The reasons for this are to be determined, although the most common explanation given in interviews is lack of time and the lack of institutionalized processes. In practice, these bodies often face similar programming and

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<sup>20</sup> Similar conclusions are echoed in the earlier study on “Applying the Partnership Principle in the ROP’s Implementation,” April 2010.



implementation challenges, so it is expected that improved collaboration among them would be highly beneficial for the ROP's efficiency as a whole.

78. **There are many best practices spread across RDAs, with substantial potential for knowledge sharing.** For instance, some RDAs have developed internal databases to complement SMIS; some run training programs for beneficiaries; some have launched liaison offices in Brussels; and some have tapped into less traditional sources of funding. Better coordination before MC-ROP and other key meetings would ensure stronger stands in relation to other stakeholders like MA-ROP, the EC, the AA, etc. It is highly recommended that IBs develop mechanisms for proactive knowledge sharing and coordination – at a minimum level, if face-to-face interactions are hard to coordinate across the country, there are a range of online communications solutions available at very low cost. It would also be beneficial to revive the RDA association based on clear rules and leadership by rotation among regional general directors.





#### IV. The ROP's Strategic Direction: MA and IB Roles and Collaboration

79. **This chapter assesses MA and IB roles and collaboration in setting the strategic directions of the ROP, over two distinct stages: planning and programming preparations; and monitoring and evaluation (M&E), once the program is under way.** The analysis will remain brief, as the next report on beneficiary support mechanisms will dedicate a special section to how the MA and the IB help beneficiaries prepare projects that are aligned with the ROP's goals. The program's strategic framework is also one of the focal points of a related World Bank project on ROP strategic selection models and criteria. For the purposes of the current work, the primary tasks at hand are to describe concisely how the MA and the IBs shape the ROP's direction and to recommend potential adjustments, if needed. To this end, this chapter describes the planning process for 2007-2013, as well as for 2014-2020, identifying strengths and weaknesses primarily based on field research and interviews with MA and RDA representatives. The final section provides a short review of available program-level M&E mechanisms.

80. **The ROP framework, including the program's design (axes, intervention areas, funding allocation by region, etc.), is a combination of top-down EC-level priorities and exchanges with the Romanian Government, and bottom-up feedback and consultations in each region.** Simply put, the MA plays a coordinating role for the development of the national regional development strategy for the 2014-2020 programming documents, while the IBs work in each region to identify specific needs and priorities. At the national level, the Ministry of European Funds (MEF) coordinates all structural programs and provides the main interface with the EC. In principle, this framework is reasonable and, if properly implemented, should result in a program that is aligned with both EU and national/regional-level priorities and development needs. In particular, the RDAs play a dual role: IBs for the current ROP and, more importantly in this context, key facilitators of regional planning. For this reason, the 2014-2020 ROP would benefit from their involvement in all planning stages.

##### 2007-2013

81. **The framework governing the strategic direction for EU structural funds in Romania is based on a relatively complex of laws and procedures.** Government Decision 1115/2004 on the elaboration of the Plan for National Development (PND) sets "the institutional and partnership-based framework through which public and private institutions and bodies set the priority national objectives for [...] development."<sup>21</sup> As warranted by law, the PND is a strategic planning and financial programming document, approved by the Romanian Government, aimed at providing the main directions for Romania's development, in accordance with EU priorities (for example, from the Cohesion Policy, the Lisbon Agenda, the Gothenburg objectives, etc.). For 2007-2013, the PND set six major priorities: improving competitiveness and the knowledge-based economy; developing infrastructure; protecting and enhancing the environment; developing human resources, social inclusion, and administrative capacity; developing the rural economy; and, interestingly, reducing disparities between Romania's regions. While true in spirit to the principles of cohesion, this latter objective contradicts what typically happens in a growing economy – namely, growing internal divergence, but also increased external

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<sup>21</sup> See "Monitorul Oficial, Partea I, nr. 694 din 02/08/2004."



convergence. This is precisely what has happened in Romania since 2007, a trend that should be embraced as inherent to the process of economic growth.<sup>22</sup>

82. **The National Strategic Reference Framework (NSRF) was negotiated between Romania and the EC and is meant to ensure the correlation between the Member State's priorities as reflected in the NPD and EU-level objectives.** The NSRF was adopted by the EC on June 25, 2007. Its implementation is ensured through operational programs, each involving a range of institutions, as warranted by Government Decision 497/2004. Importantly, on the financing side, the Ministry of Economy and Finance (MEF) was designated to act as Certifying Authority for all operational programs. Beneficiaries of structural funds are paid either by the Certification and Payment Authority (CPA) under MEF, in the case of OP Environment and OP Transport, or by the respective Payment Units within the ministries that manage the other OPs, including the ROP.

83. **The ROP's strategic planning for 2007-2013 was initiated by the Ministry of European Integration (MEI) through the Directorate on Regional Policies (DRP), which had several key attributions in coordinating the process.**<sup>23</sup> Specifically, MEI developed the methodology for the Regional Development Plans (RDPs), coordinated the socio-economic analysis based on inputs from each region, and led the consultative process with interested stakeholders, particularly the Regional Development Agencies (RDAs) as the future IBs for the ROP. To this end, the MEI established the Working Group "Regional Development and Cross-Border Cooperation," tasked with elaborating the ROP and the PND 2007-2013. The WG partners included MEI, the then Ministry of Development, Public Works, and Housing (MDPWH) as the future MA-ROP, MAs of other operational programs, RDAs, and social and economic organizations.

84. **National-level consultations organized through the WG or other related events (e.g., consultative fora) played a vital role in the ROP's planning, coordinated by representatives of the MDPWH as the future MA-ROP.** In August and October 2004, the DRP organized two seminars with RDA representatives to discuss the design, methodology, and status of regional programming and implementation documents. As early as December 2004, the WG also discussed a preliminary separation between the ROP's priority axes and other structural programs, as a useful recognition of the fact that overlaps should be minimized. RDAs were specifically asked to discuss with regional partners and agree on key priorities for their region's development. Later on, RDAs completed standard templates summarizing regional areas of intervention, including their economic justification, types of projects and activities, and potential end beneficiaries. Notably, beneficiaries themselves were involved in these national-level conversations, particularly between August and September 2005. On the financing side, the Directorate for Analysis and Programming under MEF coordinated the regional allocation of funds, based on a proposal from MDPWH, which had previously consulted RDAs and the Regional Development Councils (RDCs) on the optimal regional split. Most stakeholders involved agreed to continue the policy applied for pre-accession instruments like PHARE, namely a financial allocation inversely correlated with the GDP/capita of each region.

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<sup>22</sup> The World Bank report on "Competitive Cities" (2013) makes this exact argument: Romania should embrace uneven growth to promote rapid convergence to EU standards of living. In simple terms, the objective is "to grow the pie" for the entire country, regardless of the spatial distribution of wealth, which in the long term is superior to policies that promote redistribution. Opposing market dynamics by promoting even growth essentially means taking resources away from the economy's engines (e.g., its large, booming cities) and creating more equal slices for regions to share, but from a smaller pie overall.

<sup>23</sup> See "ROP 2007-2013," June 2007, Annex 6.



85. **At the regional level, the RDCs were responsible for approving the Regional Development Plans (RDPs), developed by Regional Committees for Elaborating RDPs (RCRs) under the coordination of RDAs.** Essentially, multiple thematic working groups functioned under each RCR, each of them bringing together RDA representatives, as well as potential beneficiaries and socio-economic partners. RDAs played a fundamental role as the main coordinating body in the regional planning process. Their mandate included, among others, the following tasks: coordinate RCR activities and act as their secretariat; organize consultations and debates on the RDP; represent RCRs in the Interinstitutional Committee for Elaborating the PND (ICP), responsible for national-level priorities and the correlation of different programs; collaborate with MEI on budgeting and priorities to be reflected in the PND; and develop the draft RDP to be discussed with regional stakeholders.

86. **Based on national and regional-level consultations, the first draft for the ROP 2007-2013 was completed in October 2005 and continuously improved through subsequent meetings.** The feedback received was largely positive and the ROP was recognized from the start for its regional approach. Notably, in February 2006, a working session was held with representatives from all RDAs, who discussed each region's needs, priority axes, and activities eligible for financing. By April 2006, a final version of the document was discussed again with RDAs, RDCs, the National Regional Development Council (NRDC), and other AMs, and it was later submitted to the EC for approval.

87. **Based on the ROP, a follow-up document called the Framework Document for Implementation (FDI) was developed with the aim to provide further details on potential beneficiaries, eligible activities, eligibility criteria, size of financial allocations, the program's M&E system etc.** According to available interview data, the IBs were much less involved in developing the FDI compared to the ROP 2007-2013, possibly because of timing constraints. Nonetheless, going forward, it is important to keep reaching out to IBs, including for developing the FDI for 2014-2020. IBs are closer to beneficiaries and can provide valuable feedback on their needs, eligible activities, etc. In fact, the list of eligible and ineligible activities, based on the FDI, has created substantial frustration among beneficiaries and has generated sub-optimal situations. For example, consolidating a school building is financed by the ROP, including certain amenities like tables and blackboards, but chairs are considered ineligible expenses. Such situations are possibly explained by the need to monitor the project for 3-5 years after implementation; there is an interpretation that if, say, a few chairs are missing during monitoring visits, the entire financing could be reclaimed. Clear solutions should be developed to address such concerns and include all relevant components of a project as eligible expenditures. In any case, ensuring consistent IB/RDA input into all key program documents should be a top priority for the next programming period.

## 2014-2020

88. **At the European level, compared to the 2007-2013 cycle, a couple of new, critical developments have shaped the current thinking on structural funds and cohesion.** First and foremost, the Europe 2020 strategy established three priorities around smart, sustainable, and inclusive growth, each supported by several flagship initiatives (e.g., Youth on the move, European platform against poverty, etc.). Five fundamental objectives cover employment, research & development, climate change and energy efficiency, education, and poverty, backed by specific targets like 3% of GDP invested in R&D and at least 20 million people fewer in or at risk of poverty and social exclusion. Second, the legislative package adopted by the EC on October 6, 2011, established 11 thematic objectives, largely mirroring the main priorities of the Europe 2020 strategy. Drawing from all these, the EC presented the Common



Strategic Framework (CSF) on March 14, 2012, which is designed to enable more impactful spending of structural funds. As noted by the EC, “national and regional authorities will use this framework as the basis for drafting their 'Partnership Contracts' with the Commission, committing themselves to meeting Europe's growth and jobs targets for 2020.”<sup>24</sup> The next step in the process should be the drafting, evaluation, negotiation, and signing of the Partnership Agreement (PA) with each Member State, the key document that is meant to replace the NSRF 2007-2013 for the next programming period.

89. **In parallel, for the first time, the EC has compiled a list of ex-ante conditionalities that Member States need to fulfill by the time of submitting the PA to the EC or, at the latest, within two years of signing the PA.** This new model is meant to increase the readiness of Member States for absorbing EU funds and spending them wisely on impactful projects, as well as to move countries away from “a culture of entitlement.”<sup>25</sup> They are specific to each Member State. In Romania’s case, the list of ex-ante conditionalities spans multiple sectors and mostly calls for the development of national strategies on, for example, research and innovation, health, early school leaving, and aquaculture. Interestingly, improving the effectiveness of the public procurement system is mentioned as the first ex-ante conditionality, in recognition that several issues during 2007-2013 have stemmed from the design and implementation of public procurement legislation, as noted earlier in this report.

90. **Most importantly at this stage in the process, the EC has prepared position papers customized for each Member State, summarizing the Commission’s views on funding priorities, challenges, and recommendations for 2014-2020.** In the absence of definitive agreement on the EU budget, as of late April 2013, this document is still the best indication of what the EC expects from Romania in terms of how it will use available structural funds over the next seven years. Indeed, the position paper has been rightly cited by both MA and RDA representatives as the basis of current programming efforts. As it specifically notes in its introduction, “the purpose of [the] position paper is to set out the framework for dialogue between the Commission services and Romania on the preparation of the Partnership Agreement and Programmes.”<sup>26</sup> The paper goes on to say that “the Commission proposes to group and limit EU funding to key challenges outlined in [the] position paper.”

91. **Up to this point in the process, it is unclear to what extent key Romanian stakeholders have been involved in the development of these general frameworks and the position paper.** Ideally, both the MA and the RDAs would take advantage of all public consultation opportunities (e.g., the public consultation on the conclusions of the fifth report on economic and social cohesion) and provide their inputs into these documents, to the full extent possible. For example, none of the RDAs have mentioned taking an active role in such consultative processes, although a few of them have established a direct interface with Brussels. Importantly, this is not to say that Romanian stakeholders will have no say in the ROP’s design; on the contrary, as in the past, the EC has only drawn general directions and principles to be followed, which still leaves a lot for Romania to decide and negotiate on, based on the actual development needs.

92. **Partly as a result of internal political changes, partly due to delays in the adoption of the EU budget, Romania started the preparation for the 2014-2020 programming cycle relatively late.** In June 2012, the Government approved a “Memorandum on the Approval of Actions and Documents for the

<sup>24</sup> [http://ec.europa.eu/regional\\_policy/what/future/index\\_en.cfm#1](http://ec.europa.eu/regional_policy/what/future/index_en.cfm#1)

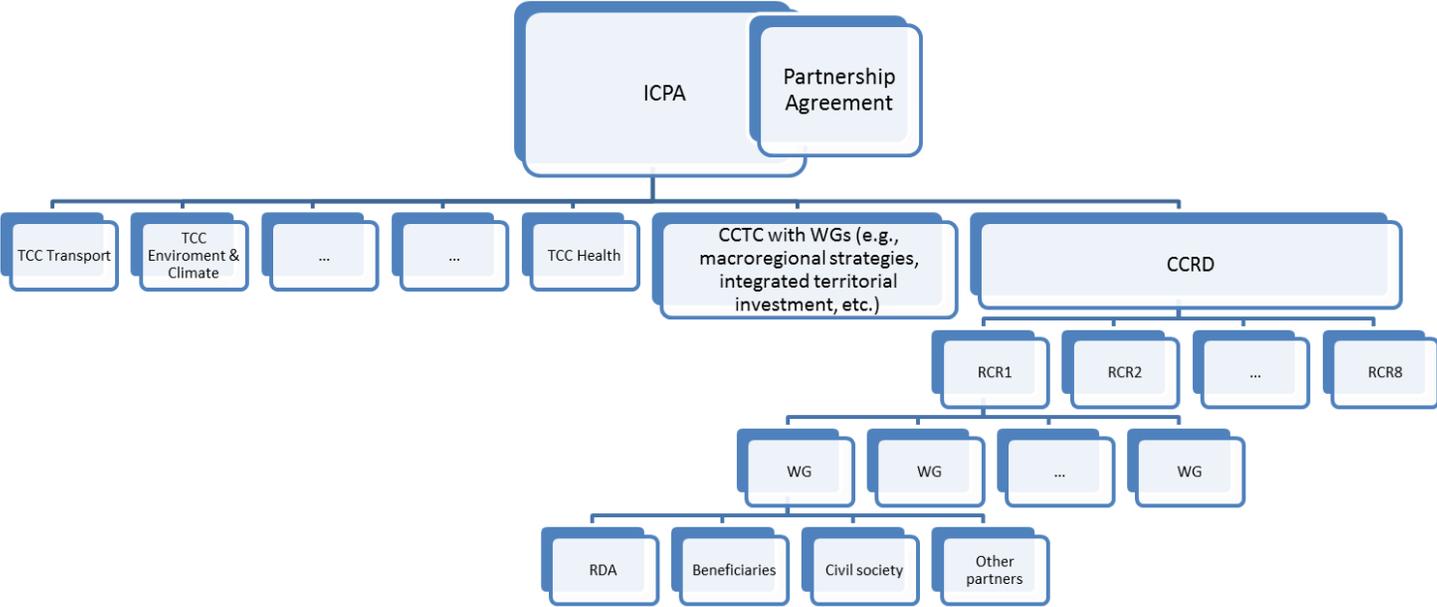
<sup>25</sup> “Position of the Commission Services on the development of Partnership Agreement and Programs in Romania for the period 2014-2020,” p. 3.

<sup>26</sup> Ibid.

Preparation of Accessing and Implementing European Funds in 2014-2020.” Based on this framework, the MEF created a set of methodologies that describe the main elements of programming documents, as well as the stages of the planning process, including methods for analyzing development needs, formulating strategies, and consulting stakeholders. Like the MEI in 2007-2013, the MEF is responsible for the overall coordination of the programming process, including related technical assistance projects and, additionally, is in charge of developing the draft Partnership Agreement. The Government has responded to EC requests in this area quite rapidly: for instance, four days after the EC presented its position paper, the Government adopted a note on fulfilling ex-ante conditionalities and, on January 31, 2013, it participated in a first discussion with the EC on the position paper and its implications.

93. **The overall consultative system for developing Romania’s priorities for 2014-2020 is similar to the previous programming period.**<sup>27</sup> At the national level, an Interinstitutional Committee for Elaborating the Partnership Agreement (ICPA) draws from the work of 12 sub-groups: 10 thematic consultative committees (TCCs), spanning topics like transport, environment, education, health, tourism, administration and good governance, etc.; and 2 committees on regional development (CCRD) and territorial cohesion (CCTC). Each committee is coordinated by central authorities (i.e., line Ministries). The CCRD is most directly tied to the future ROP, although some of the other sub-groups (e.g., education, health, tourism, territorial cohesion, etc.) may well influence the program’s priority axes and strategic directions. The CCRD is the main link between the national and the regional levels, and MA-ROP ensures its Secretariat. At the regional level, as for the preparation of the 2007-2013 programming period, there are eight Regional Committees for Elaborating the RDPs (RCRs). They maintain consultative roles and are coordinated by the region’s respective RDA, bringing together a wide range of stakeholders, including key future beneficiaries. As before, each RCR and RDP draws from the work of several working groups (WGs) at the level of each region. Based on interviews with RDA representatives, regions have generally followed EC-level priorities in defining the thematic focus of each WG, although the split by topic is not identical across regions.

Figure 11. The current structure for 2014-2020 programming of EU structural funds in Romania



<sup>27</sup> See Annex 2 of the “Memorandum on the Approval of Actions and Documents for the Preparation of Accessing and Implementing European Funds in 2014-2020.”



94. **The updated Framework Agreement between the MA and RDAs gives a better indication of their respective roles in the ROP programming.** The Addendum dated from September 2008 suggests that the MA was beginning to prepare for the 2014-2020 period well in advance. Specifically, articles 24' and 29' respectively define the MA's and the RDAs' responsibilities for preparing the ROP 2014-2020. The MA maintains a coordinating role among RDPs from the regions, undertakes socio-economic and SWOT analyses for the national regional development strategy, ensures the elaboration of studies at the regional and national level to identify development needs, and coordinates the WG responsible for the preparation of strategic documents for the next programming period. For their part, RDAs elaborate regional development plans and strategies, as well as regional socio-economic analyses and SWOT assessments, ensure the elaboration of studies to support the RDPs, and participate in the WG. The June 2012 Memorandum further refines this list of priorities and aligns them with the agreed institutional framework for partnership-based consultations. For instance, the document specifically defines RDA attributions in coordinating the RCRs, and encourages the MA-IB collaboration in elaborating multiannual budgets for reaching the objectives set by RDPs.

95. **In practice, the planning process for the ROP 2014-2020 has moved forward.** As of late April 2013, RDAs are organizing WG sessions in each region and have noted in interviews that they generally on track for delivering the RDPs by August 2013, as requested by the MA. Beyond the ROP, at a broader level, conversations between MEF and the EC are also progressing. Although the current timeline seems more delayed than in 2007-2013, when the ROP's final version was fully drafted and had gone through several iterations with more than a year left before its start date, key stakeholders are mostly optimistic that Romania's ROP will be ready for full-swing implementation by early 2014.

### Key Observations

96. **Regarding the 2007-2013 programming period, this brief summary suggests that the ROP planning process was largely well thought-out and based on real partnership between actors at all levels.** There were no major overlaps between MA and IB roles and the division of tasks appears natural and effective: while Ministry representatives played a coordination role at the national level, RDAs ensured the link to region-specific development needs. Indeed, the ROP was not drafted in a top-down fashion, but followed a logical progression from the identification of specific issues within each region to program-level priorities, allocations, and implementation design. Feedback from interviews with RDA representatives and beneficiaries confirm these observations. In particular, at the regional level, the RDAs considered that they had sufficient opportunities to bring forth needs and priorities specific to their region and ensure that the agreed ROP framework properly reflects these aspects. RDAs were also involved in certain key conversations with EC representatives since the planning phase, which was greatly appreciated as a useful opportunity to understand EC-level viewpoints and provide feedback in return. With respect to the timeline of the planning process, it ensured proper preparation for the 2007-2013 programming period, although the key documents (the ROP 2007-2013 and the Framework Document for Implementation) did go through some adjustments later on, for instance for financing of projects included in the Integrated Urban Development Plans (IUDPs). Overall, the high quality of the overall planning process is an important achievement considering that this was Romania's first ROP.

97. **As for 2014-2020, the planning process to date is reasonably functional, particularly given recent uncertainties.** Importantly, the June 2012 Government Memorandum specifically notes that



“until the establishment of new programs and the designation of new managing authorities, the preparation of future programming documents will be ensured by current managing authorities.”<sup>28</sup> This is particularly useful for ensuring some degree of predictability and ownership, particularly in the context of the evolving conversation on Romania’s regionalization, which has introduced additional variance into the system. Coupled with the lack of decisive agreement on the EU budget, such potentially sweeping changes could have given stakeholders reason to postpone proper preparation of the next period. In practice, at least in what concerns the ROP, things have moved forward, albeit at a slower pace than in 2007-2013.

98. **The MA-ROP has maintained the prominent role of coordinating the national-level thinking on regional development needs and priorities to be financed from the next ROP.** This makes sense given its unique positioning as the integrating factor for the current ROP system. In fact, regardless of the ROP’s future structure, the MA or an equivalent national body will have to continue ensuring the correlation of regional-level assessments and priorities – ideally, a national-level regional development strategy would be fully coordinate and would integrate a full list of priorities and projects, regardless of the envisioned source of financing (state budget, EU-level, PPPs, etc.). While the Framework Agreement does allow the MA to undertake regional studies, this was primarily left in the hands of RDAs, which makes sense given that IBs are much closer to end beneficiaries and the evolving needs of the region. It is recommended that the MA maintains its critical coordination role at the national level, taking care to both adequately bring forth regional-level needs, as shown in specific studies and the RDPs, and integrate them into a cohesive vision and implementation plan that is meant to deliver the most value-add for Romania as a whole.

99. **At the level of RDAs, the assessment is more nuanced and varies, to some extent, from one region to another.** For example, some RDA managers would like to be more involved in conversations with national stakeholders and the EC, not only dealing with the future ROP, but with the next programming period more generally, noting that in 2007-2013 RDAs were much more involved in higher level conversations. In other regions, some RDA managers appear content to focus strictly on the design and implementation of the ROP 2014-2020. The key is to recognize that RDAs are not just IBs for the ROP. In fact, as developers of the RDPs and coordinators of WGs with key beneficiaries and regional stakeholders, RDAs are currently the main driving force behind planning at the regional level and have arguably the most complete view on region-specific needs, priorities, and future strategic projects. From this viewpoint, their involvement in at least some higher level conversations with the EC, led by the MEF, would likely benefit Romania’s ability to negotiate an appropriate framework for 2014-2020.

100. **In any case, when RDAs are consulted through the currently available mechanisms, including the CCRD and the ICPA, they should be given sufficient time to provide inputs on draft materials.** It is a good practice to send any documents to be discussed during these meetings well in advance, so that national-level meetings can be as efficient and effective as possible. On a related note, the involvement of RDAs in the regionalization project is critical from an early stage. As of April 2013, RDA representatives have noted that the MRDPA has not requested their in-depth feedback on potential scenarios. Given these bodies’ extensive experience with pre and post-accession structural instruments, they should play a key role in advising the government on the optimal regional structure.

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<sup>28</sup> Government “Memorandum on the Approval of Actions and Documents for the Preparation of Accessing and Implementing European Funds in 2014-2020,” p. 3



101. **Last but not least, several interviewed RDA senior managers remain concerned that the timeline for developing the RDPs is has not been fully aligned with the schedule of negotiations between the EC and the central Romanian authorities.** Given that RDPs are to be finished by August 2013, the question of their potential impact on the Partnership Agreement (and, implicitly, the structure of the next ROP) remains relevant: Will these documents, in their final, refined form, still influence the program's design? Additionally, a few RDAs have noted that they had submitted documentation supporting the RDP since 2011, but there has not been in-depth feedback provided by MA-ROP, largely because of staff constraints and the predominant focus on daily implementation emergencies to the detriment of longer-term, strategic planning and communication.

### Program-Level Monitoring and Evaluation (M&E)

102. **The ROP's monitoring mechanisms are based on specific articles and provisions of EC Regulation 1083/2006.**<sup>29</sup> Chapter II under Title VI (Management, Monitoring, and Controls) is entirely dedicated to monitoring requirements for structural funds, in broad terms, mandating the establishment of a Monitoring Committee governed by its own rules of procedure and tasked with ensuring the effectiveness and quality of the program's implementation. For Romania's ROP, as noted earlier, the MC-ROP is presided by the Minister of Regional Development and Public Administration, and its members come in equal proportions from among: presidents of RDCs; central ministries with other MAs; and socio-economic partners (labor unions, private sector associations, academia, etc.). Importantly, an EC representative participates in a consultative capacity to all MC-ROP meetings. The main task of the MC-ROP is to monitor and report on progress toward set targets for each priority axis.

103. **MC-ROP meetings are appreciated by RDA representatives and involved beneficiaries as highly valuable for fine-tuning the program.** The MA has provided timely, complete, and very professional information on the program's status for each axis, which has allowed the Committee to reallocate funding and correct certain emerging problems. For example, when it became clear that the money allocated for intervention area 4.2 – brownfield redevelopment – would not be spent (primarily due to property rights issues concerning old industrial platforms), MC-ROP promptly moved part of the financing to other areas, where necessary. For instance, the West region's request to continue to fund projects under 4.2 was approved because property rights issues were less stringent there.

104. **Importantly, in line with EC 1083/2006, MC-ROP focuses a lot on tracking program-level targets, but has also dedicated important time to discussing specific implementation challenges (e.g., public procurement legislation, measure to accelerate absorption, etc.).**<sup>30</sup> RDA representatives routinely voice their concerns and describe actual obstacles faced by beneficiaries on the ground, albeit at a technical level that is appropriate for the format and time constraints of these meetings. Because more constant institutionalized mechanisms for feedback and program adaptation are not always present, MC-ROP has served the ROP system very well by bringing key stakeholders at the same table, twice every year. In general, RDAs and beneficiaries alike really appreciate the opportunity to participate in MC-ROP meetings and provide direct feedback. This has also become the key instrument for ensuring a direct communication channel from regions to the EC (and vice-versa) and should be maintained going forward, regardless of the program's future structure in the context of the regionalization proposal.

<sup>29</sup> Council Regulation (EC) No. 1083/2006 of 11 July 2006.

<sup>30</sup> See minutes of specific MC-ROP meetings. For instance, minutes of the May 24-25, 2012, MC-ROP meeting available at [http://www.fonduri-ue.ro/res/filepicker\\_users/cd25a597fd-62/Documente\\_Suport/Rapoarte/1\\_Rapoarte\\_POR/27.08.2012/3\\_PV%2024-25%20mai%202012.pdf](http://www.fonduri-ue.ro/res/filepicker_users/cd25a597fd-62/Documente_Suport/Rapoarte/1_Rapoarte_POR/27.08.2012/3_PV%2024-25%20mai%202012.pdf)



105. **A related recommendation is to facilitate more extensive IB inputs into the ROP's continuous monitoring.** This would require more user-friendly collaboration and knowledge exchange channels, as highlighted in a subsequent section on the SMIS platform. In practice, the IBs have the unique on-the-ground perspective, close to project beneficiaries, and they could provide highly critical inputs into the ROP's monitoring systems.

106. **As for the ROP's evaluations, these are highly centralized and mostly handled by MA-ROP, through delegation to third parties.** Chapter I under Title IV (Effectiveness) includes article 48, which clearly mandates Member States to “provide the resources necessary to carry out evaluations, organize the production and gathering of necessary data, and use the various types of information provided by the monitoring system.”<sup>31</sup> Several types of evaluations include ex-ante (performed by an external consultant for the ROP), continuous, and ex-post (performed by the Commission). Per the ROP 2007-2013 (June 2007 version), an Evaluation Unit functions within MA-ROP from the beginning of the program and is responsible for drafting the Evaluation Plan and for leading the continuous evaluations (permanent, intermediary, and ad-hoc). There is also a Central Evaluation Unit (CEU) under the Authority for the Coordination of Structural Instruments (ACSI). The CEU ensures the development of administrative capacity for the AM-ROP's evaluation unit, as well as specific horizontal evaluations that cover several or all OPs in Romania. Finally, MC-ROP approves the program's evaluation plan for each year and reports on its progress and key findings.

107. **IBs have had a limited role in evaluating the ROP's performance, but this can be expanded going forward, even under proposed regulations that require program evaluations to be performed by independent third parties.** This makes sense as a way to mitigate potential conflicts of interest but, beyond such formal evaluations, IBs could have a dedicated budget for assessing the implementation of the program on a more continuous basis. IBs have accumulated significant experience and, moreover, are closely in touch with how the program is performing on the ground. They may also require some quick feedback to region-specific issues and should not need to wait for centralized evaluations, which have proven to take quite some time (for instance, the contracting of the intermediary evaluation has faced significant delays due to the large sum involved and specific validation procedures by the National Authority for Monitoring and Regulating Public Procurement). For such reasons, for 2014-2020, it is recommended that some evaluations also be performed by the regions, with sufficient budget allocated for such activities.

108. **One related note concerns the implementation of RDPs, an integral part to ROP programming and design.** Currently, while each RDA is responsible for drafting the RDP, there is no viable mechanism for holding stakeholders accountable for the progress toward the implementation of these plans, which is indeed an additional argument for the creation of a regional administrative layer. With dedicated budgets for M&E activities, RDAs could, at a minimum, document how the RDPs are implemented, whether they are reaching their objectives, and what improvements are needed for the future programming period.

109. **All in all, the ROP has derived significant value from having some institutionalized M&E mechanisms from the very beginning.** There are many investments and foreign aid programs that still get launched without proper consideration for the importance of M&E in understanding, at all times, what is going well, where adjustments are needed, and what impact is generated. The ROP is a best

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<sup>31</sup> Council Regulation (EC) No. 1083/2006 of 11 July 2006.



practice example in this sense. Going forward, building on the accumulated experience in the system, the ROP has the opportunity to further strengthen M&E mechanisms along with moving from a predominant focus on output-type indicators (e.g., absorption targets) to a more refined outcome-based indicators that makes refined judgments on the level of impact generated by ROP-financed projects on the ground. A final observation worth highlighting is that the analysis above focuses only on program-level M&E (e.g., program design, targets, etc.). There is also an important M&E component tied to the ROP's actual implementation, and this is covered by the next chapter under the "learning and adaptation" sub-section.



## V. The ROP's Operationalization: MA-IB Collaboration for Successful Implementation

110. **The third and arguably most important area for the current analysis focuses specifically on the MA-IB collaboration as reflected in the day-to-day operationalization of the ROP.** In simple terms, this section looks at the internal mechanisms that should ensure the program's smooth and efficient operation, which relies on several elements at two critical levels. First, the *informal* level, though often overlooked, is fundamental because the MA-IB collaboration and interactions are ultimately governed by norms and organizational culture. Second, at the *formal* level, the ROP's implementation depends on: available human resources; budgeting and financial resources; processes and procedures; critical infrastructure and information management systems; and mechanisms for continuous learning and adaptation. Notably, the analyses for both the formal and informal levels have a key common premise – the recognition that the ROP is ultimately the sum of its people. Procedures, systems, and other mechanisms are designed and implemented by people. The same goes for the MA-IB collaboration, which is fundamentally between people in these organizations, and not between impersonal institutions, underscoring the importance of established norms and inter and intra-organizational culture. While the bulk of the following analysis and recommendations relates to specific processes and procedures, people remain the most critical resource for the ROP's success.

### Culture and Interaction Norms

111. **At a *de jure* level, the MA enjoys some degree of leverage over IBs, but there is still a strong sense of partnership.** On the one hand, under the ROP's current framework, RDAs are providers of services to the MA, which is in turn responsible for monitoring and verifying their performance. As noted below, the financing contract between the two entities includes a number of “carrots and sticks,” essentially rewards and penalties that the MA awards IBs on the basis of their performance (e.g., number of documents/forms returned by the MA to IBs due to incomplete/incorrect information; total absorption targets; data entry into SMIS). Through the contract signed with the MA, the IBs derive a substantial proportion of their revenues. On the other hand, the IBs enjoy significant autonomy and can act as partners to the MA, primarily due to the fact that they have maintained non-governmental status. Essentially, there is no bureaucratic hierarchy to impose a top-down chain of command from the MA to the IBs.

112. **In this context, the MA-IB relationship is generally characterized as positive and collaborative.** The 2010 Evaluation of the Partnership Principle mentions that 67% of interviewed respondents in IBs consider their relation with MA-ROP as “good” and involving their active participation in analysis, working, and coordination groups.<sup>32</sup> An even higher proportion of 78% of respondents believed that MA-ROP takes into account their input, albeit not always and sometimes only partially. The same study found that MA-ROP staff also see their relationship with IBs as “very good and efficient, and with a positive impact on the ROP's contracting and implementation.”<sup>33</sup> Input to this current research from various RDA representatives confirms earlier findings: people noted time and time again that they work jointly with the MA team and any issues that may arise are simply due to the high burden of tasks that each party faces. Of course, it helps that there is still a sense of shared purpose in terms of catalyzing

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<sup>32</sup> “Applying the Partnership Principle in the ROP's Implementation,” April 2010.

<sup>33</sup> Ibid.



Romania's development through the efficient absorption of EU funding, and there is also a common understanding that neither body can succeed on its own and, moreover, that the ROP can succeed only if the MA and the IBs collaborate closely together. Developing such strong relationships takes time, so the ROP is fortunate to rely on largely the same core group of people: at least at the top and senior management level, turnover has been very low. The capital of trust that now exists between MA and IB teams is a most precious feature of the current ROP and one that should be maintained and nurtured at all cost.

113. **In short, in terms of the organizational culture that characterizes the MA-IB relationship, it provides a solid foundation on which operational aspects can be continuously improved.** In the words of one interviewee: *“RDAs have been a tough cookie for the MA. It helps that we are NGOs. We don't answer directly to political pressures and we are treated as equals on any issues. We consider the MA team to be our colleagues. And, frankly, we keep each other in check. The ROP's success to date owes a great deal to this mixed structure, with a clear, performance-based contract between a public institution and non-profit ones.”*<sup>34</sup>

## Human Resources

114. **The most widely recognized factor that contributed to the ROP's success to date is the experienced key staff in the MA and the IBs.** In over 150 interviews with beneficiaries, the one common theme that nearly everyone pointed out, and testified to, was that MA and IB employees demonstrate exceptional professionalism, dedication, and competence. Many beneficiaries had similar appreciation for MA staff, with the caveat that MA-beneficiary interactions are much less frequent, as is to be expected under the program's current structure, with RDAs acting as the interface for beneficiaries' questions, concerns, and project-specific procedures. Indeed, the ROP has built on the experience accumulated through managing pre-accession programs like PHARE and has relied on a strong, experienced team of experts. While parts of the formal institutional structure changed after Romania's accession – notably, the MA-ROP's is under the MRDPA after the restructuring of the Ministry for European Integration – the core team of staff stayed roughly the same throughout the years. Many staff members of MA-ROP and across the eight RDAs learned from their twelve-year experience with pre-accession instruments and continuously improved their processes and practices, also benefitting from significant accumulated institutional knowledge.

115. **So far, both the MA and the IBs have recognized the importance of ensuring high staff satisfaction by nurturing proper, motivating working conditions.** Indeed, high staff turnover would be a very unfortunate scenario, for all the reasons mentioned earlier: MA and IB staff has the critical experience on which the 2014-2020 ROP can build from the get-go, without needing to recruit and train people from outside the system. Thankfully, such a scenario is unlikely, if nothing radical changes. In general, employees of both bodies are highly motivated to do a good job and work in a fast-paced environment, with concrete and visible benefits for the country's development. Studies have shown that this type of motivation, i.e., inspired by a sense of purpose, is much stronger than financial incentives, although salaries do need to ensure decent livelihoods. From this point of view, MA and IB employees generally enjoy superior salary levels when compared to average workers in central and local public institutions in Romania. Based on field interviews, RDAs are particularly recognized as dynamic, fast-paced environments with significant promotion opportunities and more autonomy for employees at

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<sup>34</sup> Interview with RDA manager



every level. It is harder for the MA to create similar conditions in terms of people's upward and downward mobility within the organization, largely because the MA remains a public institution governed by strict laws and regulations, whereas the IBs have much more flexibility in human capital management policies.

116. **At the IB level, RDAs should be awarded full ownership over the management of their human capital.** There are still tendencies to superimpose certain staff allocations centrally, undercutting one of the core comparative advantages of RDAs – i.e., their flexibility in implementing HR policies. IBs note that it is not always easy to reassign staff from one area (e.g., evaluation) to another area (e.g., monitoring), as they have been requested in the past to have staffers for every area of activity: for example, RDAs report that they had to have a person responsible for project monitoring even in the beginning of the program when no projects were under implementation. It is recommended that RDAs be given full ownership over how they organize and assign their internal staff, as long as: they abide by the Framework Agreement and specific (current and future) recommendations by the EC, the AA, or other legally mandated bodies; and adequately complete their required tasks and hit the agreed outcome targets.

117. **With the exception of the București-Ilfov (BI) region,<sup>35</sup> RDAs generally appear to be well-staffed, but the burden is expected to increase substantially in future years, so careful projections of capacity needs are recommended.** In large part due to their proven effectiveness, RDAs have been allocated increased responsibilities and their scope of work may well continue to expand for the next programming period. Specifically, the Minister of Economy Order no. 89/2013 mandated RDAs to become IBs for the SME axis under OP Competitiveness. Moreover, the October 2013 draft of the Partnership Agreement also suggested that RDAs could act as IBs for the National Rural Development Programme (rural infrastructure). These examples suggest that great care should be exercised by RDA management to prevent “overstretch” of their limited resources. If their mandate is to grow, RDAs must also be endowed with proportional resources to be able to accommodate increased demand for their services.

118. **As for the MA's capacity, the central authority should benefit from sufficient staff to properly handle peak demand, even under a more decentralized system.** Romania's public sector is quite rigid when it comes to hiring/laying off staff, which is in line with general practices in other countries. On the hiring side, the Romanian government imposed a freeze in 2009, allowing for only one hire for every seven people retiring from a particular public institution. In the meantime, there have been exceptions to this rule allowed on a case-by-case basis. As a general rule, policies of this sort should never reduce the absorption of structural funds, prioritizing all staffing needs connected to the implementation of the ROP and other EU-funded programs. Regardless of recent initiatives to unfreeze hiring in parts of the public sector, the framework has remained relatively rigid, making it difficult for the MA to adapt to variations in work volume. These variations are mainly generated by so-called day-to-day tasks related to reacting to the workflow coming from RDAs (e.g., approving a contract, approving a reimbursement request, etc.). There are two complementary solutions to accommodate peak demand, both requiring some legislative adjustments: (a) make hiring/firing more flexible and allow temporary contracts or

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<sup>35</sup> Because RDA budgets are not aligned to differences in cost across regions (but rather proportional to the overall ROP allocation per region), RDA-BI has experienced difficulties in hiring enough staff at salary levels reflective of the Bucharest market. Due to insufficient personnel, this IB was still experiencing delays in processing reimbursement requests, as recently as mid-2013.



reallocation of existing capacity, in order to quickly deal with past backlogs and prevent new delays; (b) decentralize further tasks to the IB level and only verify completion based on sampling.

119. **A full review of personnel requirements is recommended at the MA level to make sure that staff can properly fulfill all assigned tasks and responsibilities, as well as consistently deliver on vital tasks in the areas of programming, M&E, and communication.** If the current situation persists, staff shortages will aggravate the public pressure of quick and effective absorption of EU funds, as noted in an earlier section. Human errors are much more likely when the pressure is high and time constraints are stringent. More mistakes only add to the workload of current staff, further worsening the problem. Such vicious cycles should be prevented from developing and, if they arise, management needs to break them as soon as possible through a rapid influx of resources (e.g., additional hired/transferred staff) and also an analysis of the root causes of these situations, along with durable solutions for their future prevention. A related consequence of always operating in “crisis mode” is the distraction from critical, but seemingly less urgent tasks (e.g., coordination, feedback loops for continuous improvement of procedures, etc.). This is part of the reason why recently, for instance, the MA has not been able to organize meetings with IBs as frequently as in the past, despite the fact that close coordination would benefit the entire system and prevent new backlogs from appearing in the first place.

### Budgeting and Financial Resources

120. **A fundamental component of the MA-IB relationship relates to the financial aspects and the Financing Contract (FC) between the two parties.** The IBs, though formally registered as non-profits, require significant revenues for carrying out their specific activities. Generally, IB revenue sources are three fold: (a) from the Technical Assistance Axis 6 under the ROP, which IBs apply for as a beneficiary and cover around 70-75% of their budget; (b) from county budgets within their respective regions, covering around 20-25% of their needs; and (c) other sources, including funding directly from the EC through different available programs (e.g., the Leonardo da Vinci program). This latter source is in no way guaranteed and depends on each RDA’s availability and ability to apply for such funding.

121. **Ideally, RDAs should remain completely independent of any political interference, covering their needs entirely from EU technical assistance funding.** It is true, however, that RDAs carry out important activities outside the scope of the ROP, strictly speaking, so it would be difficult to consider their entire budgets as eligible for EU support and, moreover, a diversification in the sources of capital is generally a positive thing. Money from local budgets also comes with more flexible requirements, so managers can reallocate it to areas where needs are higher. That said, the current set-up can generate delicate situations, particularly when RDAs are in a position to interact with local authorities as both funders and beneficiaries, and even more so when they have to propose potential financial corrections to be applied to a county council that is also financing part of the RDA’s budget. An alternative is to channel funds straight from the national budget to cover RDA expenditures that do not qualify for EU funding. Still, it is important to note that none of the interviewed RDA representatives suggested that county authorities ever sought to exert leverage on them through budgetary pressures and no evidence of playing favorites was found. If the status quo is acceptable to IBs and has not yet generated potential conflicts of interests, devising alternative budgetary arrangements is not an immediate priority.



## Spotlight on the Financing Contract (FC)

122. **The key issues concerning the MA-IB Financing Contract (FC) include: inadequate consultations; financing terms and delays; and bureaucratic procedures.** The points listed below refer to all three areas of potential improvement, and it is important to note that observations are based on direct feedback gathered through interviews with RDA representatives (where available, their budget director):

- a. *The FC is developed without proper consultations among the parties.* RDA representatives do not have the opportunity to provide input on a draft FC and some interviewees felt “captive” to MA demands and requirements. RDAs do not really have the leverage to refuse signing the contract, as it provides for the main source of their revenues, including for personnel salaries. In any case, a contract that is the result of better, more open consultations with RDAs will be, almost by definition, a better agreement, as IB inputs may point out certain aspects that are not immediately obvious to the MA. For example, the draft for the new contract to be signed in 2013 includes a complex methodology for calculating error rates and corresponding penalties for IBs. Consultations would be helpful in two ways: first, to improve or at least explain the current methodology and how it will apply; and second, to ensure RDA ownership over the proposed penalty mechanism. Generally, it is recommended that the drafting of the contract, as well as any addenda initiated by the MA, be completed according to a clear, predictable, and timely calendar, with the involvement of RDA representatives at multiple levels (e.g., general manager, budget director, etc.).
- b. *There have been delays in signing contracts with the MA and the procedure remains complicated.* FCs must be renewed every two years and, to date, the MA has insisted on signing new contracts and not just addenda to the old contracts. This is partly why each time a contract needed renewal, this happened only after the expiration of previous contracts – often delayed by several months – so IBs had to figure out ways to provide buffer financing until the next agreement. This has led to a few delicate situations where funds for salaries of RDA personnel were not readily available. It is recommended that the MA explore ways to simplify procedures for resigning contracts, as is the practice of other operational programs (e.g., OP Technical Assistance, via the Ministry of European Funds).
- c. *Prefinancing is de facto unavailable for many IBs because of limitations in the application of Government Decision 218/2012.*<sup>36</sup> The current law stipulates that beneficiaries who seek to receive prefinancing must submit proof of expenditures totaling at least 5% of the total value of the contract. While this may work for other projects with significant bulk expenses (e.g., large constructions, etc.), RDAs cannot expense all these funds up-front, but rather need to carefully manage the budget over the period of the contract and gradually disburse funds. The largest budget line is often salaries of RDA employees, which only accumulate over time. Hence, some RDAs have not been able to access prefinancing, which would help cover expenses particularly in the beginning of the contractual period with the MA. It is recommended that the 5% limitation be adjusted downward or removed only for IBs, so that all of them can take full advantage of the prefinancing option.
- d. *Expenditures are ineligible if they are not captured in the “project’s budget” (annex I to the FC).* Additional research is needed to clarify how the project’s budget can evolve over the two-year period and how difficult it would be to make changes to its initial form. As a general rule, as

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<sup>36</sup> See “Monitorul Oficial, Partea I nr. 193 din 23.03.2012”



noted earlier, there should be significant flexibility for RDA management to adjust and reallocate expenditures among different budget lines, as long as they abide by basic principles of sound financial management and by the principles agreed upon in the FA, and as long as they deliver against the agreed outcome targets.

- e. *Last but not least, procedures associated with reimbursements of expenditures are complex and time-consuming for the IB to submit and the MA to verify.* While the need to ensure sound accounting and financial management is understandable, there is substantial paperwork involved in all reimbursement requests, including for potentially minor things like field visits (e.g., gas, per diem, etc.). There should be a review of these procedures, along with measures dedicated to simplify documentation whenever possible. These are the sort of tasks that take significant time away from more critical items on the to-do lists of RDA and MA staff.

## Processes and Procedures

123. **While people are the most critical resource, their performance will inevitably depend on the available processes and procedures.** The framework governing ROP implementation processes is very complex, including at least 15 Procedure Manuals with defined steps, forms, and templates. This section first provides a set of guiding principles for process improvements (based largely on the widely acclaimed “Extreme Government Makeover” by Ken Miller) and further captures input from field research regarding aspects that could be improved.<sup>37</sup> Observations range from general to specific, covering key stages of the ROP’s operationalization: evaluation and selection; contracting; monitoring; and verification.

### *Principles of Process Improvement*

124. **At a fundamental level, reviewing MA-IB processes is about understanding the system’s inputs and outputs.** The former include everything coming up the pipeline from applicants/beneficiaries (“customers”) through the IBs and MA. Examples include financing applications and reimbursement requests. On the output side, the IBs process the inputs and, whether or not they send them back to customers for any adjustment, they eventually pass them on to the MA, which further processes them and issues decisions that then return through the chain back to potential and actual beneficiaries. Of course, this is an oversimplified view of a system that often involves numerous iterations as well as a range of other actors mentioned earlier in the report (e.g., auditors, consultants, managers, engineers, etc.). The more complicated a project is, the more complex the procedure for getting it through the system (evaluated, contracted, implemented, and monitored). Before delving into the specifics of current MA-IB procedures, it is useful to establish a set of principles for process improvement.

125. **In his book on increasing the government’s capacity to respond to citizen needs, “Extreme Government Makeover,” Ken Miller uses the metaphor of an old house with a rusted, twisted, leaky system of pipes.** The “house” is a generic government agency, with a “plumbing system” that may have once been functional but now can no longer properly circulate incoming water (people’s requests for different services). The more twisted the pipes, the longer the water has to flow through them, the more people have to wait for government services, as opposed to submitting their request through a simple, straight-shooting pipe. As Miller puts it, pipes get kinked up by multiple rounds of specialization,

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<sup>37</sup> See Ken Miller, “Extreme Government Makeover: Increasing Our Capacity to Do More Good,” Governing Management Series, Governing Books, Washington, D.C.



reorganizations, cost-cutting, outsourcing, and the general fear of responsibility – “and now they’re so twisted and slow, it makes a silly straw look efficient.”<sup>38</sup> He also makes the argument that while people’s demand for government services has gone up significantly, the system’s capacity (in terms of available human and financial resources, i.e. the width of the pipes) has not grown proportionately, if at all. At the end of the day, a government agency should to be as responsive as possible to the needs of its “customers.” The solution is neither blocking the water from entering the pipes, nor having people wait for “deliverables” longer and longer. The solution is to straighten the pipes so that more water flows through as quickly and efficiently as possible.

126. **To be sure, the analogy of the house with a broken plumbing system applies only partially to the ROP implementation system, which is an above-average performer compared to other structural programs in Romania.** All its strong points, noted throughout this report, hold: experienced, driven, and competent people; collaborative, trust-based relationships; relatively high customer satisfaction and absorption rates, etc. But it still it helps to visualize the ROP through Miller’s model, for multiple reasons. First, the fundamental premise of Ken Miller’s model is very solid: at the absolute core of the entire system are the customers or, in the ROP’s case, the applicants/beneficiaries. They are the ones that the MA and the IBs are supposed to serve through quick, transparent, and effective delivery of services. Second, there is still room for improvement when comparing the ROP to successful programs in other countries. Third, it may help correct current and prevent future “twisting” of the pipes: the ROP is a relatively young system, but as time goes by bureaucracies tend to add layer upon layer of unnecessary processes. There are some signs, discussed below, that the Romanian ROP is already experiencing some of these tendencies, and corrective actions will be far less costly now than further down the line.

127. **The root cause of “pipe-tweaking” is nearly universal, and the ROP makes no exception: more complex processes are bureaucracies’ default response to something going wrong along the way.** As Miller rightly notes, that is when “the big boss comes along and says, [...] *never let it happen again.*” People (and institutions) that get blamed naturally react by creating additional checks, tracking systems, verifications, penalties, reporting, and the whole range of instruments that will keep twisting the pipes, blocking or delaying those critical services from reaching customers in time. The other by-product of this cycle is fear of responsibility: nobody wants to take the blame when something goes wrong and, with more layers of complicated processes, nobody *needs* to take the blame because (a) it is hard to identify exactly who is responsible; and (b) it is much easier to find fault with the system, which leads to even more controls, processes, and bureaucracy. This downward spiral can have devastating circumstances in terms of chronic lack of responsibility and ownership, along with very long delays in delivering services, as people become increasingly fearful and distracted by non-vital tasks (e.g., excessive reporting). In short, systems will generate errors at one point or another, but the key is to not kink the pipes but rather straighten them, trust the people to do a good job, and invest in further developing their skills and capacity.

128. **There is a range of strategies for straightening the pipes and increasing individual productivity by improving processes and procedures.** The following is a list of potential solutions, as presented by Miller’s model, including examples of potential applications to the ROP’s implementation. Importantly, this is not to say that the ROP system completely lacks these types of solutions. Still, there is room for improvement and the same principles should guide future solutions. The next sub-section expands on aspects specific to the ROP, going from general to specific observations.

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<sup>38</sup> Ken Miller, “Extreme Government Makeover,” p. 17



- a) *Triage (1): provide different types of projects with customized pathways.* Not all service requests should travel through the same pipes or, put another way, customers have different needs based on the complexity of their project, their previous knowledge of the system, and their capacity to design and implement the investment. Indeed, the ROP includes a very diverse portfolio of projects: some are very complex and include large infrastructure works, others involve acquiring equipment. In particular, the system based on the first-in-first-out (FIFO) rule tends to channel projects through one-size-fits-all pipes (albeit under different axes), creating unnecessary delays. Simpler, lower-value projects should be able to go through lighter procedures (shorter, straighter pipes) all along the chain (from evaluation through implementation).
- b) *Triage (2): separate critical from non-critical tasks, letting staff focus efforts and attention on the former.* For example, when customers repeatedly call MA/IB employees to inquire about the status of their requests, it distracts attention from the actual work that needs to get done in order for efficient processing. Calls are widely known to drain resources, but so do emails and any beneficiary requests that could theoretically be handled without taking up staff time. This was part of the reasoning for opening up help desks in the IBs and the MA to handle the large volume of applicant questions. In field interviews, operational staff greatly appreciated the extra time this measure allowed them, while administrative personnel in the call center could answer such requests in better, clearer terms. Still, the helpdesk is primarily for applicants. Once the contracts go through, beneficiaries are assigned specific officers within the IB and continue to call them – and their superiors – for the latest updates on, say, reimbursement requests. One solution to these issues, explored in depth in the report on beneficiary support mechanisms, is an online tracking system where customers could directly access relevant information about the progress of their request, expected timeline, potential issues, responsible counterparties, etc.
- c) *Simultaneous processing: move different sections of the same project forward, in parallel.* One example that applies more to how beneficiaries implement ROP projects concerns the public procurement procedures. Currently, most beneficiaries start such processes only after their project is fully approved and contracted; because they are highly complex and involve a number of challenges and legal disputes, proceedings can take up to several years. . The same goes for the preparation of technical documentation. In principle, beneficiaries could explore ways for public tenders with contractual clauses that stipulate that actual work begins only after the project is approved and contracted. Whether this is viable under Romania’s current legislation remains to be determined On the MA-IB end, there may be particular evaluation/contracting/implementation processes that can be run in parallel, although further review is needed for specific recommendations.
- d) *Bust the bottleneck: figure out the slowest-moving part of the system and design solutions to reduce response times.* A system is only as fast as its slowest process. A quick review based on hard quantitative data will point to the bottlenecks. Once identified, these weak links can be addressed by either: increasing capacity (e.g., hiring more people or better trained/more specialized staff) or bypassing the bottleneck (i.e., eliminating a certain procedure if the cost it generates surpasses the benefits). In the past, the lack of ROP evaluators has created serious delays. Similarly, the “four-eyes” principle, for instance, can be a prime candidate for elimination on certain types of procedures that do not require so many verification filters (e.g., reimbursement requests for projects that do not have a public works component).



- e) *Quit batching: stop processing things in bulk and start handling them as they come.* Batches are very hard to manage and tend to pile up work for later. As more urgent things come up, batches increase more and more, while each component of a batch is delayed in its processing; what would usually take a few days for one project takes several months to process as a batch. The serious delays related to processing applications for ROP Axis 1 (Urban Centers) were a direct result of inefficient batching.
- f) *Eliminate backlog as rapidly as possible and never get behind again.* Backlogs generate additional pressure and make people more prone to errors, and are especially common in systems that face demand variability. The ROP is precisely such a system: applications tend to come before the deadline; projects with public works (and reimbursement requests) tend to be more active in the spring-summer-fall months; corrective actions lead to pre-suspension, then suddenly the program is rebooted, etc. Moreover, once a backlog forms, it travels all the way down through the pipes, causing delays at every step. If there is a shortage of evaluators, applications will pile up before that stage, then pile up again in RDAs as evaluators push them through, and so on. Several elements are critical to prevent and remedy backlogs, both at MA and IB levels: predictability, to the degree possible, to allow managers to anticipate peak demand and plan accordingly; flexibility in assigning resources; and cross-specialization to enable rapid reallocation of critical capacity.
- g) *Design “mistake-proof” processes and procedures, minimizing the risk of human error.* Mistake-proof instruments are meant to prevent users from entering incorrect information. One common example are electronic forms with a defined set of answers for particular response fields; if an applicant tries entering the wrong information, the form will simply not allow her to do so. This principle could be applied to the front-end, in relation to beneficiaries (something the Component II on beneficiary support mechanisms touches on), or to the back-end, i.e. in the MA-IB interactions, where already a number of exchanges are based on e-forms (within the SMIS platform) that could likely be improved based on the above-mentioned principle. But applications of this principle are not limited to electronic exchanges. For example, applicant guides and other supporting documents could be redesigned to set the ground for error-free applications and requests (for instance, by adding pictures of what a correctly filled-out form looks like). It is critical to note that helping beneficiaries up front has a direct positive impact on MA and IB processes through this simple logic: if customers understand what they need to do and how to do it from the beginning, they will generate less corrective work for MA/IB staff down the line. If, for example, public procurement assistance had been more effective for ROP beneficiaries, the entire system would now face a much lighter burden in the absence of additional verifications, corrections, arbitration proceedings, court trials, etc.

129. **The principles above are meant as general guidelines for improving the ROP’s operationalization.** They can act as a reference point for future process reviews and adjustments, as well as a quick gut check of whether proposals made to correct future mistakes are sound or whether they actually increase the risk of failure. As noted earlier, no system is error-free. But when mistakes happen, it is important to acknowledge the tendency of bureaucratic systems to add layers of complexity without a complete understanding of the unintended consequences. Essentially, the goal should always be to keep the pipes as straight as possible. The next section summarizes observations from field and desk research on potential process simplifications for the ROP, at key stages of the MA-IB collaboration. The main sources used to date are interviews with RDA stakeholders and beneficiaries, as well as the ROP Procedures Manuals, as needed.



### ***Evaluation and Selection***

130. **In the past, there have been delays in nominating evaluators for projects, particularly at the MA level, but the system has become more flexible recently.** Because the MA itself has to organize public tenders for contracting evaluation firms for fairly large sums at once, the risk of legal disputes by losing bidders is very high. More recently, the system has proved to adapt to such challenges: when faced with delays (largely on account of strict procedural requirements by the National Authority for Monitoring and Regulating Public Procurement), the MA allowed IBs to contract evaluators directly. This practice could be carried forward, pending a review of the efficiency and effectiveness of evaluators selected regionally. The downside to the current solution is that there are potential conflicts of interest by hiring evaluators from the same region as the project beneficiaries and RDA staff. But there is also a counterargument to that: (a) local evaluators know the region the best and can more easily decide on whether a project is relevant and needed; and (b) all evaluators sign a declaration whereby there are no potential conflicts of interest and any breaches of such clauses are sanctioned by current legislation. At the end of the day, weighing the costs and benefits of the two options, it would be ideal to contract evaluators at the national level and avoid any potential conflicts of interest and local pressures, unless this option takes too long or becomes otherwise unfeasible. The essential goal is to always have sufficient evaluators selected – whether by the MA or by the RDAs – and ready to process projects in order to avoid delays on the whole system.

131. **That said, few mechanisms are available for penalizing evaluators' mistakes or superficial reviews.** Feedback from interviews with RDA representatives suggests that some evaluators lack the required technical knowledge and make clear mistakes in their technical and financial assessments. Further down the road, when the project gets to the implementation stage, discrepancies between the technical documentation and the reality on the ground lead to ineligible expenses that need to be covered from local budgets. In other cases, projects that are not “bankable” receive financing and their beneficiaries later turn out to be unable to bear the cost of implementation. Furthermore, in a few instances, evaluators did not properly assess the cost-benefit analysis provided by the beneficiary, approving projects that only had a negligible impact in the long term.

132. **Such situations can be avoided through, for example, improving the quality of evaluators by including proper selection criteria in the public tender documentation.** Indeed, the evaluators' technical expertise and minimum experience should be firmly in line with what is required by the projects in the pipeline that are to be assessed. In the past, the National Authority for Regulating Public Procurement (NARPP) has opposed introducing such criteria on the basis that they are “restrictive.” This rigid approach needs to adjust in recognition of the fact that selecting evaluators based on the lowest price criterion significantly increases the risk of poor-quality evaluations, with high costs on the entire system (e.g., projects that are not very impactful may make it through evaluation or projects with errors may be validated and cause problems during implementation or monitoring). The MA and the NARPP should agree, ex-ante, on a proper list of criteria that will ensure the selection of competent, professional evaluators.

133. **A complementary solution for improving the quality of evaluations by holding evaluators accountable for their work requires stronger contracts with proper incentives.** For instance, some part of the payment could depend on whether the project is successfully implemented and delivers the promised impact. Unfortunately, there has not been a thorough, systematic analysis on the causes of why ROP projects fail during implementation. Such a study would hopefully generate a set of clear



standards for evaluators, pointing to specific issues and flagging problematic areas. It would also enable an informal appraisal of different evaluators, allowing the MA and the IBs to request with priority those who have already demonstrated their competence. A useful add-on to this recommendation would be to require all firms providing evaluators to have professional insurance so that any mistakes resulting from evaluation can be properly sanctioned and a sense of accountability can be fostered among all evaluators of ROP projects.

134. **Additionally, a review of evaluation grids is recommended to ensure that evaluators do a thorough job.** Specifically, some grids (e.g., for 4.3) allow evaluators to simply run a conformity check, without delving deeply into the assumptions behind certain indicators or assessments. This observation holds, for instance, when checking the feasibility study. The grid does not ask evaluators to verify that, for instance, a building's foundation is properly projected and will hold the required weight. Similarly, the cost-benefit analysis (CBA), which – if properly implemented – can be a powerful tool to determine impactful, viable projects. The problem is that evaluators are not required or incentivized to engage with the CBA calculations and ground them in hard facts. Of course, a related issue specific to the CBAs is that needed data do not always exist or are inaccessible to both beneficiaries and evaluators. But even in such cases competent evaluators can uncover analyses that are based on faulty or even shaky assumptions and they can request clarifications or adjustments.

135. **Three additional recommendations concern the technical and financial evaluation: making the technical project submission and assessment stage optional, depending on the type of contract chosen by the beneficiary; adding a field visit to the evaluation process; and limiting the number of situations that require clarifications from the IBs to the MA.** On the first suggestion, many beneficiaries prefer the design and build form of contract, which allows them to nominate a construction company that takes full ownership over the technical project (TP). This would largely solve the problem of unpredictable expenses; if any discrepancies arise between the TP and the execution stage, it is the contracted company's responsibility to cover them. This could be backed up by the adoption of a stronger, standardized contract like the yellow FIDIC. Of course, design and build is not possible under the current ROP structure, which requires technical projects to be submitted for evaluation. In practice, requesting this documentation during evaluation may push beneficiaries to move on a faster timeline, but the technical project is not really evaluated on content; rather, it is more of a check-list-type of verification to ensure all required documents are included. For this reason, for certain types of projects, the ROP should allow beneficiaries to resort to "design and build" yellow FIDIC (as OP Transport and OP Environment, axis 1, currently do).

136. **Second, a field visit included in the evaluation stage would help correct major technical errors early on for all ROP projects that require some construction components and corresponding technical documentation.** It could take place in the presence of the evaluator, the beneficiary, an RDA representative, and possibly an MA expert (if there is capacity and the sum of the project is particularly large). During the visit, the evaluator would compare the feasibility study (required for evaluation, even when "design and build" is chosen) against the situation in the field. The evaluator would be able to recommend corrections, and beneficiaries would have a defined period of time to make the adjustments and resubmit the feasibility study. This practice is currently implemented for axis 1 (with the exception of the urban centers intervention area), but it would benefit the ROP system to expand it to all projects that rely on technical documentation (feasibility study, technical project).



137. **Also, the MA should ask for clarifications on the technical and financial evaluation only if there are solid grounds to believe that the evaluators' decision needs to be overturned.** If independent evaluators and the evaluation commission are entrusted with the responsibility to recommend projects for approval, the MA should consider requesting clarifications only under special circumstances – i.e., glaring errors in evaluation, contradictory reports, etc. Otherwise, delays can result from repeated clarification requests exchanged between the MA and the IBs.

138. **Last but not least, in line with the “quit the batching” principle described above, bulk processing of financing requests should be avoided.** This is precisely what happened for projects submitted under Integrated Urban Development Plans for Urban Centers: the IBs centralized evaluations for all IUDPs within 90 working days and then sent a global report to the MA, which then had only 60 days to issue the list of approved projects. Because of the large number of IUDPs submitted, IBs and especially MA staff were overburdened, causing delays of between 6 to 9 months. Simultaneous processing is strongly recommended to avoid future backlogs.

### ***Contracting***

139. **Delays at the MA level have been noted also in the contracting stage, i.e., after a project is evaluated and approved.** Based on the Procedures Manual, contracting should take a maximum of 27 working days, which are required for collecting all necessary approvals at the MRDPA level. An issue that affects the efficiency of both evaluation and contracting stages relates to the fact that the MA maintains the responsibility of approving reports at every step, but only sees the complete project right before the contract is due to be signed. As such, the MA routinely has a range of questions at the contracting phase that have been addressed, in one way or another, by the RDA and the evaluation commission during the evaluation phase. This procedure creates delays and should be optimized by either having an MA representative look over the complete file from the completion of the administrative and eligibility check through the contracting phase, or trusting the IBs to have properly handled each request. While having the MA approve every step in the process may make sense for high-value, strategic projects, or for some other projects flagged as particularly risky, better triage is recommended for less complex financing proposals, with the delegation of as much authority as possible to the regional level.

140. **A complementary solution that would help reduce delays would be rely on scanned documents and send them electronically between the IB and the MA.** EC Regulation 1083/2006 specifically allows for the storing of documentation as electronic versions (art. 90). The IB could therefore scan all supporting documents for contracts and send them along to the MA, ensuring that nothing gets lost in the process and keeping original versions with the beneficiary, along with his/her obligation to report any changes immediately and reflect them in the digital system.

### ***Implementation***

141. **The implementation stage comes with a whole set of challenges that the MA and the IBs need to handle as efficiently as possible in order to keep absorption rates going.** A substantial number of problems derive from the evaluation stage, from poor quality technical documentation and/or superficial evaluations that resulted in the approval of unviable projects. Solutions for improving the quality of technical documentation are provided in the report on beneficiary assistance. For the purpose of the current analysis, taking the status quo as given, it is worth noting that many RDA representatives point to the complex procedures involved in modifying certain aspects of the initial financial proposal through addenda or notifications. The former require more steps and complicated processes, while the



latter are easier to obtain but only apply to a limited number of situations. Ideally, addenda should only be required for major changes to the financial proposal. Notifications should apply to most requests (e.g., including changes in the timeline of project activities) and be handled entirely by the IBs, without going through the MA for formal approvals. This has the potential to substantially increase efficiency and should be doubled by a clear distinction between cases that require approvals vs. situations that can be solved through simpler notifications.

142. **On monitoring, interviewed RDA representatives as well as beneficiaries call attention to the fact that there is a procedural void when it comes to assessing indicators and imposing potential penalties for failing to meet initial targets from the Financing Request (section 2.6).** In some cases, there are good reasons for why beneficiaries cannot reach the set indicators (for instance, if they cannot hire additional staff as a local public authority). In other situations, beneficiaries chose indicators that have little to do with the ROP's goals. For such reasons, IB staff interviewed recommended that only program indicators be considered when evaluating a project's implementation. To the extent that these key indicators are not met, financial penalties should be proportional to the existing gap between the achieved and the target value.

143. **RDAs also recommended changes to the procedure involving the application of financial corrections.** Specifically, IBs are now supposed to propose penalties and specific penalty levels (e.g., 5, 10, 25%, etc.) to be applied to different contracts. A possible solution would be for the RDA to report on all irregularities (and/or fraud suspicions), leaving the actual penalty level to be decided by the MA and/or the AA.

144. **In monitoring, like in contracting, the introduction of e-documentation would be relatively straightforward and permitted by EC regulations.** Per EC 1083/2006, documents may be sent in electronic form and it is up to national authorities to determine the procedure for establishing the conformity between digital copies and originals. A procedure that is as simple as possible is strongly recommended.

145. **A complementary solution that applies to all stages of the process, from evaluation through contracting, implementation, and post-implementation, involves closer MA-IB communication and collaboration.** It is recommended to have institutionalized mechanisms ensuring that these critical stakeholders get together routinely to discuss emerging issues and potential solutions, ideally in person and at the very least through video conferencing. Another idea suggested in the past by both MA and IB representatives involves experience sharing assignments (e.g., of 1-2 weeks), particularly focused on solving implementation issues and improving knowledge sharing and communication flows.<sup>39</sup>

### Spotlight on the ROP Procedures Manuals: Opportunities for Enhanced MA-IB Delegation

146. **Two major approaches can address the current inefficiencies and delays resulting from the centralized ROP, with a view to facilitating enhanced delegation at the regional level.** The first relates to the earlier discussion on regionalization and involves a substantial increase of the regions' role, with all implications deriving from that. The second approach is aimed at streamlining the current system, which is a much more feasible task in the short-to-medium term. This section focuses, therefore, on the latter option, starting with the premise that there is room to improve the efficiency of the current

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<sup>39</sup> "Applying the Partnership Principle in the ROP's Implementation," April 2010.



management and control system established at the ROP level by enhancing the MA-IB division of tasks under a more decentralized model. This analysis seeks to identify and highlight those instances where a superior delegation of tasks from MA-ROP to regional IBs can be feasible, along with a reduction of MA controls' frequency, without jeopardizing the correctness, effectiveness, and efficiency of the management of ROP funds allocated.

147. **The analysis of the ROP Procedure Manuals applicable has revealed the need to operate a distinction among various levels of delegation.** Specifically, there are: (a) stages/activities that should remain only within MA-ROP competencies; (b) stages/activities for which a superior delegation to the IB level is feasible and desirable; and (c) stages/activities that should be delegated entirely to the IB level. The proposals made take into consideration the flow of a financing application from the moment it is submitted until the last ex-post verification, according to the audit trails included in the MA-ROP Procedure Manuals. The following recommendations can apply to the 2014 – 2020 ROP management, in case the current institutional management system is maintained, and also to the current programming period (2007-2013).

148. **Applicable procedures for ROP management have a high level of specificity, which entails both benefits and drawbacks.** On the one hand, this means that procedures cover a large range of situations that may arise in different stages by clearly establishing the responsible bodies for each action. On the other hand, this also implies a more rigid framework in applying the procedures, not allowing a flexible approach to some particular situations, on a case-by-case basis. The current system seems to be closer to the approach of *“what is not explicitly specified, is not possible”* rather than *“what is not forbidden, is permitted.”*

149. **The following sections focus primarily on two areas: evaluation, selection, and contracting; and project monitoring.** The choice of these key stages is based on an assessment of opportunities to increase the efficiency of the current system. In short, the status quo MA/IB task division in the areas of programming and payments appear reasonable – the former, because of the need to ensure some standardization across all regions (e.g., the same selection criteria for the same types of projects); the latter, because of national-level legislation that imposes strict constraints on the financial operations allowed at the level of RDAs (as non-profit bodies), as noted in an earlier section. In this context, the most promising opportunities for increased delegation lie in the two areas mentioned above.

150. **As a final caveat before presenting the full list of recommendations, this report calls for an in-depth analysis of the IBs' performance against set indicators.** While these data were not available at this time, they would permit the MA to test whether a particular check, otherwise considered duplicative, may be needed because of the potentially poor quality filtering at the IB level. This method can also be applied in future pilots for decentralizing MA tasks. If the initial results are good, the solutions recommended by this report can be scaled up to cover the entire batches of projects.

#### ***Evaluation, selection, and contracting***<sup>40</sup>

151. **The MA verifies 100% of the applications during technical-financial evaluation, the technical design verification, and the contracting phases.** It verifies both process-related aspects and substantial elements of the application (e.g., whether the final grid has been correctly filled in). Also, MA-ROP verifies the way that responsibilities delegated to the IB are carried out for this stage of the program

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<sup>40</sup> Note that this analysis has been conducted based on the procedures and the audit trail for the general procedure, which appears to be the most complete in the available Procedures Manuals.



implementation, based on the relevant procedure. As for the administrative compliance and eligibility check, the MA verifies the procedural due dates based on weekly and monthly progress reports (sent by IBs).

**152. In order to increase the degree of delegation from the MA-ROP to the IB level and to reduce the operational workload faced by MA staff, the following recommendations should be considered, in the following logical order:**

- Elaborate the procedure manual at the MA-ROP level following the same approach used in the present programming period by including the responsibilities of MA-ROP and IBs, respectively.
- Develop the audit trails corresponding to the stages that take place at the IB by the IBs, based on the procedure created by the MA, and endorse these tracks at the MA level.
- Appoint a team composed of three independent evaluators to perform the technical and financial evaluation, supported from an administrative point of view by an IB representative. For projects with a construction works component, this stage should include a site visit by the team of evaluators. The IB representative will ensure that evaluators' clarifying requests and applicants' answers flow smoothly between the two parties, and will accompany the team of evaluators on the site visit. The evaluators will have as a responsibility the assessment of the financing application based on the electronic or hard copy documentation submitted and the site visit. The ROP's electronization will permit the desk evaluation to be carried out remotely, further speeding up the process. Evaluators will fill out and sign the evaluation grids and the evaluation report, and will send them through to the IB representative. The evaluation report will comprise the recommendation of granting/rejecting the financing, according to the procedure established by the MA-ROP. The procedure proposed by section C.3 *Exceptions to the financial and technical evaluation procedure, applicable DMI 5.2 (appeal 3 of projects for the Center and South-West Oltenia Regions), from PO/III/AMOI/1A Procedure for the evaluation, selection* will be taken into consideration, but without the involvement of IB experts in the elaboration of documents during the evaluation or the site visit, except for the transmission of the clarification letters to the applicants. Under an electronic ROP, even this step could be automated.
- For the projects financed under the *minims* aid without a construction works component, given the low level of complexity involved, the elimination the site visit may be considered. Such approach will simplify the evaluation procedure for these "soft" investments.
- Ensure the quality of the technical and financial evaluation, including by testing the evaluators before their approval (an online testing system can be considered).
- The verification of the process would have to be done, for each financing application, at the IB level, by a different person than the one who supports the team of evaluators to avoid any potential conflicts of interest. Two staff with verification roles can be appointed: one for the technical-administrative verification and one for the financial aspects. The verification could be done based on a grid similar to the one used currently by the MA ROP for the verification of the technical and financial evaluation report. An alternative model is the verification grid for the evaluation reports filled in by the independent evaluators under other operational programmes, such as OP Development of Administrative Capacity. The persons within the IB who perform the verification can request clarifications from the evaluators only once after which, if the evaluation grids and report are not properly filled in (with the justification of the score awarded, precise financial data, etc.), they can decide to reject the evaluation report. Further, they would



notify the MA-ROP of the need to have another team of evaluators appointed to reevaluate the project. Performance indicators for evaluators can be further defined, establishing a maximum number of “rejections” for an evaluator. Reaching this ceiling will lead to the elimination of that particular evaluator from the pool of experts able to participate in the ROP evaluation process. For example, a maximum number of three rejections can be set as the cap, regardless of the region in which the rejection took place.

- At the MA level, the verification of the technical-financial evaluation process and of the site visit results can take place in two stages – the first initial phase would still require some MA interventions at the project level (as explained below) but, if the system performs as expected, the second phase can be activated.
  - The first phase would include an MA verification at the technical and financial evaluation stage, on three levels:
    - Level 1: financing applications under a minimum set ceiling (for example, the value of the projects submitted within the *de minimis* aid cap) – no MA verification. These requests are included only in the verification sample based on the *Operational procedure for verification of the responsibilities delegated to IB*.
    - Level 2: financing applications of average value, for which the MA verification will be done on a sample basis.
    - Level 3: financing application of high value, for which individual verifications will be conducted by the MA.
  - The thresholds for each level, as well as the manner of sample selection, would have to make the object of the risk management procedure. For example, the minimum ceiling can be set at the value of the projects submitted within the *de minimis* aid (e.g., the contracts signed at present under the key areas of intervention 4.3 and 5.3).
  - The verification of the process at the MA-ROP level for the sample based verification can be performed quarterly (except for the quarters in which a verification on site of the delegated responsibilities is scheduled) and should not take more than three weeks, so that delays to the contracting process of the projects included in the sample are kept to a minimum.
  - The MA can decide to go to phase 2 if the irregularities identified during a particular time period (e.g., one or multiple years) in the evaluation process affect less than 5% of the total value of the financing applications included in the sample.
  - The second phase would involve only the verification of the process of the technical and financial evaluation stage at MA ROP level, based on *The Operational procedure for verification of the responsibilities delegated to the IB*.
- IBs will also update the MA on the status of the technical and financial process through weekly and monthly progress reports.
- The financing contract would be signed after the stage of technical and financial evaluation, which would both generate time savings and also allow beneficiaries to choose the design and build option (yellow FIDIC) for their projects. Naturally, some constraints can be imposed through the financing contract so that beneficiaries are still required to go through the next stages of the process (e.g., the completion of the detailed technical design) in a reasonable



amount of time. Otherwise, there is a risk that once a contract is signed the beneficiary will delay its execution.

- The MA-ROP verifies the entire verification, evaluation, and contracting process, checking the manner in which the IB carries out the delegated procedures. The MA should pay increased attention to this control mechanism, which will turn into the main verification instrument of the manner of implementation of the program at regional level, under the decentralized model proposed above.
- The MA will have to concentrate especially on the operational procedure of risk management that will allow early identification of risks within the system and set the criteria for establishing the verification samples for the different stages of program management.

153. **Implementing the proposed changes on the evaluation, selection, and contracting of the projects would help achieve a substantial reduction in the duration of the application process, from the time of the financing application’s submission to the signing of the contract.** Specifically, under the updated framework, the duration of the evaluation, selection and contracting process should be between 62 and 87 days for level 1 projects and between 94 and 208 days for level 2 and 3 applications. This compares very favorably to the current duration of between 167 and 635 days, as noted in the Annex III.1.A.11 of the Manual III / AMOI / Evaluation, selection, and contracting. The above-mentioned durations could be even more reduced in the case of projects not requiring construction works by removing or shortening the on-site visit phase. **Annex C provides a detailed explanation of where the time savings can come from, at each step of a typical audit trail.**

Figure 12. Minimum and maximum duration of total process (from first check through contracting)

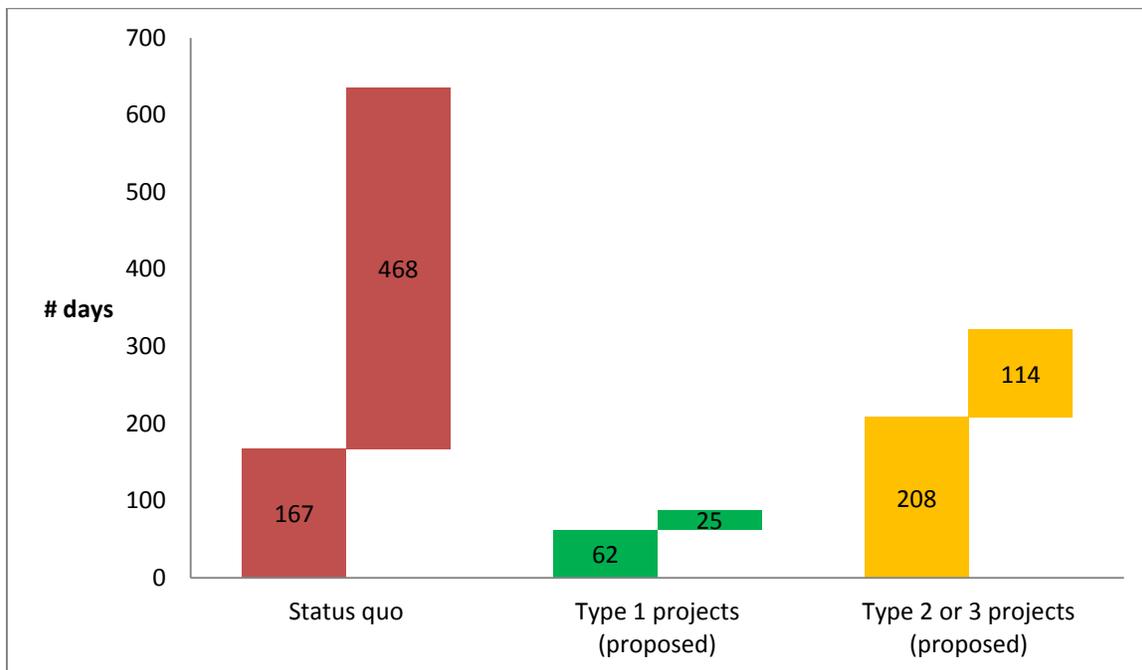
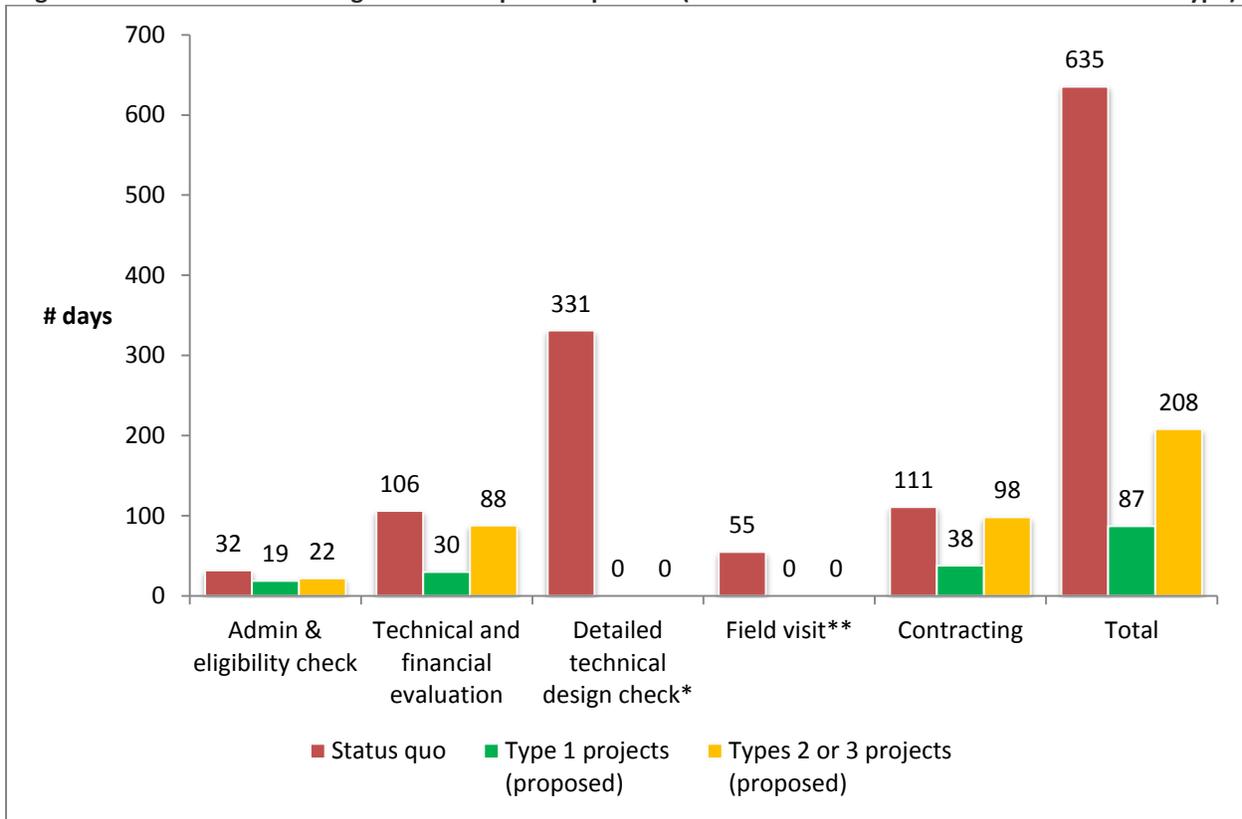




Figure 13. Potential time savings at each step of the process (for scenario of maximum durations for each type)



\* Detailed technical design would no longer be required under the proposed system

\*\* The field visit is included earlier in the process (during the technical and financial evaluation phase)

154. **As for resolving potential challenges by applicants, this report recommends maintaining the current system at the MA-ROP level, albeit under a simplified form.** Specifically, for all stages of the process (verification of administrative compliance, verification of eligibility, technical and financial evaluation), assessments of challenges can be performed by independent evaluators, from the pool contracted by MA-ROP, and not by a committee created at the MA level, as currently (PO/III/AMOI/4). In the case of the technical and financial evaluation, the settlement of the appeal would be performed by a committee different from the one that conducted the financing application evaluation in the first stage, for obvious reasons.

155. **The contracting phase is closely related to the responsibilities associated to commitment of expenses, as a stage of the budgetary execution process.** In other words, the financing contract must also be signed by the credit release authority that has the competence to commit the amounts provisioned in the financing contract (based on Law no. 500/2002). At present, the commitment of expenditure is the exclusive prerogative of the MRDPA (and the MAP-ROP) as the main credit release authority capacity, and so the signature of the contract cannot be performed without its involvement.

156. **A compromise could be the amendment of the contracting procedure to eliminate the MA-ROP obligation to verify the contracting documentation for level-1 projects by fully delegating the elaboration and verification of this paperwork to the IBs.** Even under these conditions, the MRDPA (MA-ROP) would need to remain part in the financing contract and would continue to be responsible for all phases of the budgetary execution process. As such, a procedure should be in place for situations



whereby, during the course of the verification of the responsibilities delegated to the RDAs, the MA-ROP should detect deficiencies, which might make the cancellation of particular contracts a necessity. One possible solution could be including in the contract some specific provisions regarding the MA-ROP's right to cancel the agreement under a particular set of circumstances. It is useful to mention that, according to EU jurisprudence, the principle of "protecting the legal confidence" (in this case, the beneficiary of the financing could argue that the cancellation of the contract was not determined by his own fault and that he legally expected that the funder thoroughly verified the documentation) cannot be appealed to when special articles of the EU law have not been respected. Indeed, the national authority empowered to apply the EU law, who, in its turn, would fail to respect this law (in this case, the MA-ROP's action of signing the financing contract), cannot be considered to generate a legal expectation.<sup>41</sup>

157. **As a general rule, the MAs can delegate the engagement (and/or closeout) of the expenditures performed at operational programmes' level to the *credit release authorities that have the role of intermediate bodies*** [art. 19 (1) from GEO 64/2009]. Depending on the delegation degree – partial or total – of the operations specific to the expenditure commitment phase, IBs compile the list of selected projects and either:

- Send the list to the MA to determine the amount to be engaged, up to the available engagement credit limit [art. 22 letters a) and b) of GD no. 218/2012];
- Determine the amount proposed to be engaged up to the limit communicated by the MA [art. 23 letters a) and b) of GD no. 218/2012].

The delegation of expenditure commitment also means that the IB signs the financing contracts/decisions/orders which have previously been subject to its own preventive financial control advice [art. 22 letter c) and art. 23 letter c) of GD no. 218/2012].

158. **In the specific case of the ROP, the MRDPA can delegate the expenditure commitment<sup>42</sup> for the projects financed by the program to the Regional Development Agencies, in their capacity of intermediate bodies.** This would be based on the agreement signed with each RDA, in line with EU regulations. If these legal dispositions would be in effect and the partial or total delegation of the expenditure commitment performed at the ROP level would be included in the Framework Agreements, the financing contracts could be signed by the RDAs, on behalf and for the MA-ROP (at least in the case of the financing contracts that fall into the level-1 category). Delegating the expenditure commitment may meet some resistance at the RDAs' level, because it would mean assuming additional responsibility, as well as at the MA-ROP level, considering that the MRDPA is not exonerated of responsibility for the expenditures' engagement phase, even in the case of delegation.

159. **Taking these aspects into account, it is advisable to maintain the verification of contracting documentation at the MA level, at least for contracts larger than the maximum value set up for the *de minimis* aid – i.e., level 2 and level 3 contracts, according to the proposed classification.**

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<sup>41</sup> Court Decision from March 16th, 2006 pronounced in case file C-94/05 – Emsland-Stärke GmbH/ Landwirtschaftskammer Hannover.

<sup>42</sup> Art. 19 (3) from GEO no. 64/2009 stipulates the right of MRDPA to delegate to the Regional Development Agencies, in their intermediate bodies capacity, the validation of the expenditure for the projects financed within the program.



### **Monitoring**

160. **The monitoring procedure for ROP projects comprises the steps carried out by the IBs and the MA for monitoring project implementation, and also presents the stages, roles, and responsibilities of the two parties in the process of signing potential addenda to the contracts.** The procedure does not include an audit trail specific to the project monitoring process, like the one for evaluation, selection, and contracting. The body of the procedure includes sections that represent simplified audit tracks for the reports' verification, site visit, ex-post monitoring stages, and, as an annex to the procedure, an audit trail for the internal approval of the addenda at the MA-ROP level.

161. **It is important to distinguish between the monitoring of the program and the monitoring of projects within the program.** The former – as long as the ROP remains a national program – is the responsibility of the MA, while the project implementation monitoring can be mainly performed at IBs' level, followed by an integrated approach of the MA based on risk management, through site visits and documents' verification. The following recommendations point to the need to adapt the MA-ROP's activity to its primary role of coordination and synthesis. Practically, the IB's responsibilities remain the same. What changes is the reporting to the MA-ROP on the project implementation status at each region's level.

162. **As per the above, the following approach for monitoring ROP-financed projects is recommended:**

- Gather information on project implementation from SMIS, at the MA-ROP level. If SMIS does not allow for all the data to be obtained (including the reports sent to IBs and the IBs' conclusions on these, site visits performed by the IBs and their conclusions, site visits performed by the MA and their conclusions), a system similar to the one presented below can be pursued.
- Based on quarterly/monthly progress reports (for the growth poles), filled out by beneficiaries, and based on site visit reports filled out by the IBs – for both the implementation and the post-implementation stages – the IB fills in and sends to the MA-ROP a weekly report regarding the implementation status of projects. This would have to be drafted on the model in *OP XVI for monitoring the projects financed within the Regional Operational Programme (Annexes 1-5), 3rd edition, for The Global Monitoring Report (Annex 6)*. For each financed project, the report will include aspects regarding: addenda signed and their content, notifications to the financing contract, progress reports sent by the beneficiary (date of transmission, timeline of the IB's analysis, IB's conclusions on the report for each chapter), site visits performed by the IB, conclusions on the visits, recommendations made, manner of implementing the recommendations, aspects related to the state aid, aspects related to revenues generated, etc. The report will include information gathered during the project's implementation, as well as upon completion of the investment. These reports will be sent by IBs to the MA in electronic format.
- The MA-ROP experts will fill in their own report with the data obtained from the site visits performed (where needed), therefore having a clearer image of each ROP project implementation status. As such, the MA-ROP will not draft the Global monitoring report starting from scratch, but by filling in the report received from the IBs. To facilitate this activity, the experts responsible to monitor the projects' implementation at the MA-ROP level can be grouped by regions.
- If needed, the IB will inform the MA of any particular elements observed in the process of monitoring the implementation of the projects financed within the program and for which



clarifications from the MA-ROP are necessary, both through the weekly reports and through special electronic communications. It is advisable to maintain the present approach regarding the transmission to the MA-ROP of the recommendations proposed by IBs to beneficiaries (as a result of the site visits), in case particular situations are identified and a common approach is needed at the program level.

- The MA-ROP will not receive and will no longer analyze the progress reports drafted by beneficiaries, this responsibility falling exclusively under the IBs' mandate.
- The MA-ROP will only analyze the reports received from the IB on a weekly basis. It is important that these reports reflect as precisely as possible the status of projects implementation, highlighting the difficulties met, the delays, aspects that raise issues and may impact the future implementation (through delays, corrections, etc.).
- Based on the reports received weekly from the regional level, the MA-ROP will be able to create a synthesis regarding the implementation of the projects at the national ROP level.
- IBs can continue to send Quarterly progress reports to the MA-ROP (Annex 16 from *OP XVI for monitoring the projects financed within the Regional Operational Programme (Annexes 1-5), 3rd edition*, as a synthesis of the projects implementation status at the regional level. The MA-ROP will analyze these reports by comparison to its own analysis performed based on the weekly progress reports. As these are documents that reflect the program implementation status at a certain moment in time, this report does not consider that the MA needs to formally approve them.
- The MA-ROP can request additional information, can add to the sample of site visits, or can decide to perform ad-hoc visits to those projects that face special difficulties or delays.
- Regarding site visits, it is advisable to maintain the approach set by *OP XVI for monitoring the projects financed within the Regional Operational Programme (Annexes 1-5), 3rd edition*, which ensures an adequate verification of the status and manner of project implementation. The MA-ROP should perform site visits on a sample basis, but not before the signing of addenda to the contracts. For that stage, visits should be performed exclusively by the IB to enhance the system's efficiency.
- It is important to clearly define how to identify the projects from DMI 4.3 and 5.3 (or similar to those) for which the MA-ROP should perform site visits. Considering the reduced values of these investments, the fact that only few of them involve performing construction works, and their quick implementation timeline, it is recommended that site visits for these projects are performed only at the IB level.

163. **The actions recommended above do not imply changes to the legal framework or to the MA-IB Framework Agreements.** To implement them, it suffices to properly update the internal procedures applicable at the MA-ROP and IB levels.

164. **As for those situations that require changes to the financing contract, they typically require some action on behalf of parties involved in the agreement (i.e., including the MA).** Considering the principle of legal act equability, the addenda must be assumed and signed by the same parties of the initial financing contract. Consequently, depending on the solution adopted in the case of signing the contracts, the addenda will need to be signed either by the MA-ROP and IBs (as currently), or only by the

IBs (if they are delegated responsibilities regarding the public expenditure commitment), as potentially for level-1 contracts.

165. **An additional solution involves limiting the number of instances that require formal addenda and expanding the use of notifications, as requested by the beneficiary.** The table below proposes a new split among issues that would require a simple notification, an addendum, or that could not be changed throughout the contract.

**Figure 14. Various types of situations requiring different procedures for contract amendments**

Notification only	Addendum required	No change allowed
<ul style="list-style-type: none"> <li>• Change of applicant’s registered address</li> <li>• Change of treasury/bank account</li> <li>• Change of project implementation location</li> <li>• Change of applicant’s legal representative – and presenting documents demonstrating of his/her quality</li> <li>• Change of financial representative</li> <li>• Change of contact person</li> <li>• Change of indicators (other than program indicators)</li> <li>• Change of partners’ contact data</li> <li>• Change of partners’ legal representative – and presenting documents demonstrating his/her quality</li> <li>• Changes to the schedule of activities without exceeding the total duration/project implementation period</li> <li>• Changes to the schedule for filing reimbursement requests</li> <li>• Change of timeline/period of information and publicity activities</li> </ul>	<ul style="list-style-type: none"> <li>• Changes to the value of the project by raising the value of non-eligible expenditures, while abiding by the maximum limit set as eligibility criteria</li> <li>• Changes to the value of the grant awarded (reducing it)</li> <li>• Changes to the contract duration/ implementation period</li> <li>• Change of aspects specific to revenue generating projects – (e.g., estimated value of the net revenues generated, as long as evaluation criteria are still fulfilled)</li> <li>• Partial change to the objectives from the financing application, as a consequence of a concealed defect/ force majeure that impacts the project</li> </ul>	<ul style="list-style-type: none"> <li>• The activities of the project</li> <li>• The anticipated results</li> <li>• The program indicators</li> <li>• Changes of the financing value (increasing it)</li> <li>• Information and publicity activities</li> <li>• Aspects related to equality of opportunity, sustainable development, and information technology</li> <li>• Aspects related to the object, the value, and the type of the procurement procedure</li> <li>• Aspects related to project sustainability</li> <li>• Partnership agreement</li> </ul>



<ul style="list-style-type: none"> <li>• Change of start date/ end date of the procurement procedures</li> <li>• Changes to the implementation team</li> <li>• Changes to the budget by transfers between the lines within the same chapter of eligible public expenditure, if these do not impact the main purpose of the project and without changing the total eligible value of the project. Such reallocation can be done only within a 10% limit of the amount initially registered (or approved after an addendum) within the budget line from which the reallocation is done.</li> <li>• Changes to the technical design, if it is an annex to the contract</li> </ul>		
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166. In the case of notifications for budget changes within the 10% limit of the amount initially registered, by transfers between the lines of the same budgetary chapter of eligible expenditure, the notification will produce effects only after it is favorably endorsed by the IB. This body will make a decision within 10 days from the submission of the notification. In the other cases, the notifications will produce effects from the expiry date of a predefined period (e.g., 10 days), to give the IBs enough time to request potential clarifications and proceed to the necessary verifications. In all situations, the IBs will have the obligation to communicate the notifications sent by the beneficiaries to the MA-ROP and to keep very precise track of the changes brought to the financing contracts. Through an approach similar to the one on evaluations of the applications, this report further recommends that the MA does not verify the addenda for contracts less than the *de minimis* aid cap (i.e., level-1 contracts).

#### **Verification of delegated responsibilities**

167. The MA-ROP verifies how the IBs carry out the responsibilities delegated to them, based on *the Operational Procedure for Responsibilities Delegated to IBs -PO/I/AM/2, 3rd edition*. According to this document, the verification of delegated responsibilities is performed as follows: (1) verification of the delegated responsibilities based on the documents sent by IBs, according to MA-ROP and IB working procedures, during the entire ROP implementation duration; and (2) verification of the delegated responsibilities on site, at least once per year, for each IB. Through the simplifications proposed above, the verification of responsibilities delegated to IBs will become the central element of the MA's set of control instruments. It is necessary to further develop this mechanism, along with a risk management procedure at a program level that will support it.

168. In what follows, this report highlights a set of recommendations to strengthen the verification of delegated responsibilities in the context of the new MA-IB task division proposed. Some of these suggestions maintain aspects of the status quo, others go beyond the current framework, and some underscore arguments made elsewhere in this report:



- Develop criteria for the verification and assessment of financing applications at the level of MA-ROP level and approve them within the MC-ROP.
- Develop procedures manuals at the MA-ROP level for all the stages of the management process of the programme. To better reflect the internal structure of the IBs and to simplify this activity at MA-ROP level, it is recommended to develop audit trails differently:
  - The MA should develop the audit trails related to the phases of the program management in which it is involved;
  - Based on the procedures agreed to by the MA, the IBs should develop audit trails related to the phases of program implementation that take place at the IB level. The MA would then approve these proposed trails.
- Establish a mechanism to ensure the quality of the technical and financial evaluation by testing evaluators prior to their approval, as well as by revoking evaluators – who make repeated, significant errors (e.g., on three separate projects) – from the pool of eligible experts.
- Develop the delegated responsibilities verification system, as an essential mechanism to ensure the fulfillment of the responsibilities incumbent on the IBs, based on the MA-IB delegation agreements.
- Develop a risk management procedure at the program level to support the verification of the responsibilities delegated to IBs.
- Establishing a monthly meeting system among MA and IB staff, for each of the implementation stages of the program.

Figure 15. Summary proposals for simplification and greater delegation of ROP operational procedures

No.	Stage/provisions in line with the operational procedures in force in November 2013	Simplification proposals
<b>Evaluation, selection, and contracting</b>		
1.	<p>At IB level, an evaluation commission is established; the IB provides the President and Secretary of the commission.</p> <p>The evaluators elaborate individual evaluation grids and a centralized evaluation grid.</p> <p>The President, the Secretary, and the members of the evaluation commission (independent evaluators) sign the evaluation report</p> <p><i>(PO/III/AMOI/1A Evaluation, selection procedure, second edition, revision 9, section C.2. Technical and financial evaluation process and the Audit Trail - Annex III/AMOI/1.A.10: I. Process within the IB - steps II.2. – II.13)</i></p>	<p>Three independent evaluators will perform the technical and financial evaluation, for each project. An IB representative will support from an administrative point of view the evaluators.</p> <p>The independent evaluators elaborate individual evaluation grids and the evaluation report.</p> <p>During the technical and financial evaluation stage of the financial application, a site visit will be also performed. Thereby, the evaluation report will include aspects related to the site visit.</p> <p>The verification of the process would have to be done, for each financing application,</p>



		<p>at the IB level, by a different person than the one who supported, from an administrative point of view, the team of evaluators (two persons with verification roles can be appointed – one with the role of technical-administrative verification and one with the role of financial aspects verification). The verification can be done based on a grid similar to the one used at present by the MA ROP for the verification of the technical and financial evaluation report or of the verification grids for the evaluation reports filled in by the independent evaluators used within for Operational Programmes, for example the OP Development of Administrative Capacity.</p>
2.	<p>Verification 100% of the technical and financial evaluation reports by the MA (PO/III/AMOI/1A <i>Evaluation, selection procedure, second edition, revision 9, - section Analysis of the technical and financial evaluation report by the MA and the Audit Trail - Annex III/AMOI/1.A.10:</i></p> <ul style="list-style-type: none"><li>I. <i>The process at IB level – steps II.14, II.20</i></li><li>II. <i>The process at MA level – steps II.1 – II.6)</i></li></ul>	<p>Verification of the technical-financial evaluation process and of the site visit by the MA, in two stages (the first stage would be a pilot testing phase, and the second would involve a more permanent delegation of tasks to IBs in the long term, if the system proves to be performing as expected):</p> <ul style="list-style-type: none"><li>I. Three levels for the MA's involvement:<ul style="list-style-type: none"><li>○ Level 1: financing applications under a minimum set ceiling (for example, the value of the projects submitted within the <i>de minimis</i> aid cap) – no verification at this point. These requests are included only in the verification sample based on the <i>Operational procedure for verification of the responsibilities delegated to IB.</i></li><li>○ Level 2: financing applications of average value, for which the verification will be done on a sample basis.</li><li>○ Level 3: financing</li></ul></li></ul>



		<p>application of high value, for which individual verifications will be conducted by the MA.</p> <p>II. The verification of the technical and financial evaluation stage at MA-ROP level, <i>only</i> based on the <i>Operational procedure for verification of the responsibilities delegated to IB.</i></p>
3.	<p>IB verifies the conformity of the technical design</p> <p>MA verifies the application of the procedure concerning the conformity of the technical design</p> <p>MA approves/rejects the technical design conformity report</p> <p><i>(PO/III/AMOI/2. Verification of the TD conformity procedure – edition 2, revision 9 and Audit trail - Annex III/AMOI/1.A.10:</i></p> <ul style="list-style-type: none"> <li>- <i>I. The process at IB level - steps III.1 – III.IV and IV. 1 – IV.21</i></li> <li>- <i>II. The process at MA level – steps III.1 – III.3 and IV.1 – IV.4)</i></li> </ul>	<p>1<sup>st</sup> option: The financing contract will be signed after the technical – financial evaluation stage that includes the site visit. IBs do not verify the technical design (technical design is optional, allowing design and build contracts, if so desired by beneficiaries).</p> <p>2<sup>nd</sup> option: Approval / rejection of the financing application after the technical – financial stage that includes a site visit. There is an administrative check of the technical design by the IB. The MA does not verify the report concerning the conclusions of the check performed by the IB, and signs the contract based on a positive report submitted by the IB. MA ROP does not verify the design per se, but the process of the technical design verification at the IB level, on the basis of the <i>Operational procedure for verification of the responsibilities delegated to IB.</i> Sampling-based checks of technical designs can also be implemented, particularly for larger, more complex projects.</p>
4.	<p>100% verification of reports on the site visits performed before contracting at the MA level</p> <p>100 % verification of the financing contracts for the financing application at the MA level</p> <p><i>(PO/III/AMOI/3 Contracting procedure and Audit trail - Annex III/AMOI/1.A.10 :</i></p> <ul style="list-style-type: none"> <li>o <i>I. The process</i></li> </ul>	<p>The financing contracts for the financing application for level-1 projects would not be verified by the MA, but the MA remains a party in all financing contracts concluded for grant funding within the ROP.</p>



	<p>al IB level: steps V.1. – V.9</p> <p>○ II. The process at MA level – steps V.1 – V.4 and VI.1 –VI.10 )</p>	
5.	<p>Solving the appeals at MA level through the setting up of an evaluation commission, based on the opinion issued by the MA expert and on the evaluators’ opinion (for the appeals at the technical and financial stage)</p> <p>(PO/III/AMOI/4. Solving appeals procedure, edition 2, version 9 and <i>Audit trail - Annex III/AMOI/1.A.10 : II. Process at MA level – steps VII.2 – VII.6</i>)</p>	<p>Solving the appeals at MA level by appointment of the independent evaluators for all stages of the verification and evaluation of the financing application.</p>
<b>Monitoring</b>		
1.	<p>MA receives and analyzes the quarterly (monthly – in the case of growth poles) reports issued by financing beneficiaries</p> <p>MA approves quarterly progress Report issued by the IB</p> <p>MA elaborates the global progress Report for each financing contract</p> <p>MA performs site visits on a sample basis and before of any addenda to the contracts</p> <p>(<i>PO XVI. Procedure on the Monitoring the projects financed through the ROP (Annexes 1-5), edition 3 and simplified Audit trails enclosed within the procedure</i>)</p>	<p>MA gathers the information regarding project implementation from SMIS.</p> <p>The IB fills in a weekly report regarding the project implementation status, using detailed information, underlying the difficulties arising – Global Monitoring Report.</p> <p>MA fills in the report with the data obtained from the site visits performed (visits based on the sample basis, in accordance with the procedures in force).</p> <p>The MA-ROP will not receive and will not analyze the progress reports drafted by the beneficiaries, this responsibility falling exclusively under the IB.</p> <p>Based on the reports received weekly from the regional level, the MA-ROP will be able to create a synthesis regarding the implementation of the projects at program level.</p> <p>The MA-ROP performs site visits on a sample basis, but not before the signature of potential addenda for contract changes.</p>



		The MA does not perform site visits to the contracts concluded within the DMI 4.3 and 5.3.
2.	MA verifies all addenda elaborated by the IB <i>(PO XVI. Procedure on the Monitoring the projects financed through the ROP (Annexes 1-5), edition 3 and Annex 30 – Audit trail: internal advise of the addenda)</i>	Restricting the situations in which changes to the financing contract require an addendum.  The approach is similar to that on signing the financing contracts.

### IT Infrastructure and Systems

169. **Technology is a double-edged sword: when it is well developed and implemented, it can be tremendously helpful and reduce staff workload; when it is outdated and poorly maintained, it will only add to people’s responsibilities and distract from their critical work.** There are two key components, namely hardware (the actual hard infrastructure, i.e., computers, servers, etc.) and software (the computer programs used in the ROP’s implementation). On the hardware side, RDAs appear to be properly equipped, with recent technologies. As the system hopefully moves closer to 100% e-documentation, a basic review of technological needs may be required to ensure that there are sufficient double-sided scanners, printers, and other needed equipment, at both AM-IB levels, as well as at the level of beneficiaries. On the software side, interviews with RDA representatives (both senior management and IT specialists) pointed out several areas of concern, as well as potential solutions to address current challenges.

170. **The Single Management Information System (SMIS) provides a single, web-based information platform for “Romanian organizations implementing the National Strategic Reference Framework and Operational Programmes...at all management levels...and through all stages of the program cycle.”**<sup>43</sup> The development of SMIS was led by the Authority for the Coordination of Structural Instruments (ACSI) and it is meant to act both as an information database and as a tool for monitoring progress. On the ROP, the MA, the IBs (RDAs), the Internal Audit Unit, and the Certification and Payment Authority (CPA) all use this system, inputting and updating information, generating reports, analyzing trends, etc. SMIS includes a set of six subsystems: programming (information of NSRF); project management (main data on projects, including contracts); monitoring (progress against targets); audit and control (main audit findings and reports); and funds flow management (payment forecast, project revenues, etc.). ACSI has led several efforts to improve SMIS since its launch. Some of them, like the enhancement of the payment tracking functions and the ART4SMIS add-on for easier reporting, are welcomed by users as generally valuable. Others, like the introduction of mySMIS as an interface for beneficiaries, for which a contract was reportedly signed with a developer in 2011, have not yet come to fruition.

171. **As a concept, SMIS has significant strengths, particularly if linked securely to an ROP system based partially or entirely on e-forms and e-signatures.** The idea to connect all operational programs is powerful, in principle, as it allows for quick comparisons and assessments, along with interventions to correct problematic areas (e.g., programs/axes with particularly slow absorption, higher relative level of financial penalties etc.). In simple terms, without clear data, accurate and timely evaluations are virtually

<sup>43</sup> “The Regional Operational Programme,” Final Version (2007), p. 184



impossible. At the same time, the risk to be avoided is creating unnecessary additional work for critical MA and IB staff. In that sense, e-documents that would automatically link into the system would reduce the need for manual intervention by users (sitting at any level in the ROP implementation chain) and also diminish the risk of errors. Whatever beneficiaries submit in their forms would get translated into the system, and any corrections later made on those same forms would also get reflected in SMIS.

**172. In practice, despite efforts aimed at improving the platform, SMIS still suffers from several shortcomings that undermine its usefulness as a tool for staff in the MA, the IBs, and elsewhere (e.g., the ACSI).** First and foremost, SMIS does not benefit from continuous updating and assistance from its initial software developer. This poses a risk to the entire network, as the Java platform on which SMIS runs does not allow for updates and required security patches. While confidentiality of gathered information is of paramount concern (and one of the key principles that SMIS nominally adheres to), the current set-up calls into question the system's ability to defend against potential cyber threats. At the same time, after SMIS was developed, it became clear that certain features needed to be added on to the existing platform. Examples include: ex-post monitoring data (i.e., the ability to note indicators fulfilled by beneficiaries in the post-implementation period of their project), technical project (TP) evaluation data (this stage was not initially programmed), and multiple other useful pieces of information that are challenging to integrate in the current software. For future iterations/updates on this platform, it is highly recommended that users (e.g., IT specialists in the MAs and the IBs) have a specific period of time to test SMIS and provide detailed feedback on any bugs as well as recommendations for additional features. In addition to aforementioned issues, the lack of proper service and assistance has also translated into substantial time spent by users trying to figure out how to best work with the platform, instead of focusing on more critical tasks.

**173. An additional major shortcoming is that SMIS capabilities are not fully correlated with MA reporting requirements.** According to their formal obligations, IBs need to provide the MA with a series of progress reports, which should easily be generated from the SMIS, at the click of a button. However, the current SMIS version – including a separate add-on that was later developed and should help with reports generation – does not have the capability to automatically generate the reports that the MA needs. In fact, in a well-integrated system, the MA would be able to directly generate the needed reports, without a separate request to the IBs. The consequences of these limitations are very real: some RDAs continue to spend time on manual data entry to put together reports requested by the MA; other RDAs have developed their own internal database to help generate the needed information. On the MA's end, it is unclear how much time is devoted to standardizing the reports received from all eight RDAs. This example is, in any case, very telling: poor technology runs the risk of creating unnecessary work for the critical people who already face a high burden of urgent tasks and responsibilities.

**174. The other important improvement area concerns the beneficiary interface of the current system.** Given that the SMIS database is so critical to back-end work between the MA, IB, and other stakeholders, it would be significantly better if it also played a front-end role. Specifically, two additions would be extremely beneficial: (1) allowing beneficiaries to submit e-forms, with information directly channeled into the system, which would speed up processing times and reduce the need for as much additional manual data entry by MA/IB staff; (2) communicating back to beneficiaries the status of their application, various requests, reimbursements, etc. In particular, this latter dimension is further explored in the Component II report on beneficiary support mechanisms, but for now it suffices to observe that a beneficiary interface would likely take a significant burden off MA and IB staff. Specifically, key personnel would be able to refer people to a more reliable, transparent online tracking



system, and gradually the call volume that they currently face would dial down, allowing them to focus on other, more critical tasks.

175. **In deciding between creating a separate platform and implementing add-ons to SMIS, one important factor is the desirability to keep SMIS as a simple reporting tool in the Government's relation with the EC.** Indeed, the primary aim of SMIS is to ensure a reliable channel for quick data sharing between Romania and the Commission. For instance, it is reasonable to believe that EC officials may not require access to all supporting documentation for a particular request, but rather prefer a relatively basic SMIS. Feedback from interviews suggests that even currently the Romanian SMIS is much more complex than IT reporting systems in other countries (e.g., Spain). This remains to be confirmed but, in any case, the general principle remains valid: there needs to be a careful analysis of costs and benefits of upgrading SMIS to a complex, all-inclusive platform versus establishing a separate, but connect database. This latter solution can also prove superior in terms of ensuring that SMIS remains secure even if a beneficiary interface to the separate database is made available.

### ROP Implementation: Learning and Adaptation

176. **The ROP implementation framework has adjusted over time in response to new situations, requests from the EC, or other factors.** Specific examples prove that the ROP system has the capacity to learn and adapt, although underlying mechanisms for accumulating knowledge and reviewing processes are not always institutionalized. The MA's primary tool for responding to emerging needs is through the issuing of instructions, which are mandatory for IBs to implement. Since the beginning of the ROP, there have been over 100 instructions issued, with some RDAs pointing out that not all of them have been useful and, moreover, that they are not always consulted before a new instruction is put forth.

177. **Based on field interviews, learning and adaption are centered on ad-hoc feedback exchanges between MA and IB staff.** There have been quite a few instances where one stakeholder in the system notices a potential issue and calls the attention of other actors involved. For instance, in the early days of the ROP, someone noticed that a beneficiary had a strict interpretation of an advertising clause: specifically, the technical project stipulated two advertising panels for each rehabilitated street, leading to a huge number of panels throughout the city. The MA quickly reacted to this feedback and clarified the advertising requirements as formulated by the EC. More recently, instruction no. 102 – referring to conditions under which projects that were previously in the “back-up” list would not need to undergo another round of simplified technical evaluation – was reportedly issued after an RDA's direct feedback to the MA in the form of a written notification. The consequences of such measures are directly related to smoother processing requirements and increased absorption of EU funds, so such initiatives from RDAs and other stakeholders involved in the system (auditors, evaluators, etc.) are strongly encouraged.

178. **While encouraging, such instances of learning and adaption appear to be more the result of ad-hoc, proactive outreach from the bottom-up than the outcome of an institutionalized feedback process.** Interviewed RDA representatives did note that regular meetings with MA experts, on specific topics (e.g., evaluation, implementation, verification, etc.) are extremely useful, but do not always happen according to a predictable schedule. This is not because stakeholders do not consider them valuable, but rather because both MA and IB staff come under very high time pressures. Again, this points to the need of decongesting them of non-critical tasks.



179. **Related to the earlier section on IT infrastructure, one key component of learning and adaptation is the ability to share knowledge quickly and effectively.** Again, if properly implemented, the solution can be technology, whether in the form of a new product or as an add-on to the SMIS. There are a range of knowledge-sharing ICT tools, ranging from forums to social platforms and instant messaging programs. An optimal solution would need to be customized to the specific needs of MA and IB staff. The basic fact remains that currently there is no internal knowledge platform where the personnel in these organizations can interact and share issues, ideas, and potential solutions.

180. **One final point concerns the need to collect better data on implementation processes.** A well-known quote says that managers cannot manage what they cannot measure. There is very little systematic information on the efficiency of ROP processes and procedures. Ideally, the MA should have updated, easily accessible data on the duration of each stage in the process for every project going through the pipes. This would enable easier identification of bottlenecks and other capacity constraints.





## VI. Spotlight on ROP Axis 5.3 and the MA-IB-Tourism Relationship

181. **While most of the observations above apply to the MA-RDA relationship, it is well worth assessing the MA-IB-Tourism collaboration separately, due to its specific characteristics.** This section is dedicated to this purpose and will describe briefly only those elements that add to the earlier findings and lessons applicable for the 2014-2020 budgeting cycle. As noted earlier, for funds available through ROP axis 5.3 – “promoting the tourism potential and setting up the needed infrastructure in order to increase Romania’s attractiveness as a tourism destination” – the Intermediate Body is under the National Authority for Tourism (NAT). IB-Tourism used to be under the coordination of the former MRDT and, starting in January 2013, it was assigned to the NAT, subordinated to the Ministry of Economy and under the coordination of the Minister Delegate for SMEs, Business Environment, and Tourism. Like the eight RDAs, IB-Tourism works with MA-ROP in implementing the ROP, but focuses only on axis 5.3 and is headquartered in Bucharest as a national-level Intermediate Body.

182. **ROP axis 5.3 benefited from a relatively small allocation of roughly 150.3 million Euros, which is equal to approximately 21% of ROP funds for the entire axis 5 and 3.3% of the entire ROP.** During negotiations with the EC, Romania initially proposed tourism-related projects under three instruments: the ROP, OP Competitiveness, and the Rural Development Programme (RDP, axis 3). It was eventually agreed to concentrate these activities only under the RDP and the ROP to facilitate a more standardized approach. The ROP axis 5.3 includes three priority areas: creating a positive image for Romania through the design and promotion of a national tourism brand; consolidating internal tourism through the promotion of specific products; and creating the National Centers for Tourism Information and Promotion. As noted in interviews with senior management, the switch from OP Competitiveness to ROP generated important from the beginning of the programming period, as IB-Tourism had to readapt processes and procedures “almost from scratch.” While other ROP axes were fully ready by June 2007, IB-Tourism was just beginning to draw up ROP-appropriate mechanisms, so the first call for proposals only went out in September 2008.

183. **IB-Tourism is a useful example of how a fully centralized MA-IB model works in practice for ROP-financed projects.** In several ways, a centralized approach made sense for axis 5.3, particularly for the development of an integrated national brand for the country, a priority area which was allocated roughly half of the total funds available through axis 5.3 and for which the only eligible beneficiary was a national-level Ministry (at the time, the Ministry for SMEs, Commerce, Tourism, and Liberal Professions and later the Ministry of Regional Development and Tourism). There were also good reasons for centralizing the development of national centers for tourism. This included in the second call, for instance, standardized documentation for the construction of these centers (i.e., a common design to be easily recognizable across the country), and could also facilitate a common approach and coordinated infrastructure for promoting Romanian tourism. Perhaps most importantly, the thinking behind the centralized approach was that promoting tourism needs to happen beyond a particular region and sometimes beyond the national borders. As such, a national-level IB-Tourism was believed to have a better reach to promote tourism across Romania’s regions, as well as tourism from abroad.

184. **At the same time, centralization at both MA and IB level for axis 5.3 has caused less efficient, slower implementation, in many instances.** For example, the ROP Implementation Report for 2011 notes that over 300 projects were under implementation for axis 5.3, with only four people ensuring their monitoring at the national level, “making it difficult to communicate with beneficiaries, follow



projects, and flag potential issues early on.”<sup>44</sup> Similarly, the three teams in charge with checking reimbursement requests became overburdened as the number of projects under implementation increased, which generated delays in reimbursing beneficiaries on time. As of April 2013, there were five people in the unit for verifying public procurement and five teams in charge of processing and checking reimbursement requests (with two people or “four eyes” assigned to each team), but the number of ongoing projects has exceeded 400. This means that, for instance, ten people are in charge of processing and verifying reimbursement requests from over 400 projects. To make matters worse, such requests remain long and bureaucratic, with hundreds of pages justifying each reimbursement. The checklist that IB staff must follow is considered excessive, despite the fact that the vast majority of contracts – with the exception of those involving the seven National Centers for Tourism Information and Promotion, currently under implementation – do not involve construction work. In other words, these are reimbursements for relatively straightforward expenses (promotional ads, brochures, outdoor advertising, etc.). Ideally, such simpler requests should also benefit from a simplified checklist, in the spirit of the principle of “triage” for faster processing, as mentioned in a previous section.

185. **It is important to note that the situation described above is not unique to IB-Tourism.** In fact, it is relatively common for centralized systems, including the AM-ROP, to experience high pressures on their capacity to process and complete tasks, for the simple reason that they receive requests from eligible beneficiaries across the country and not just from a single region, as is the case with RDAs. As capacity is limited, requests eventually pile up, along with all the problems that result from batching, as described earlier in this report: longer processing times, increased likelihood of error, distraction from critical tasks to “put out fires,” etc.

186. **This is precisely what has happened with IB-Tourism: as the number of projects increases, fewer resources are available to focus on the tasks that are seen as less urgent – for example, organizing workshops with beneficiaries upon signing the contract.** This is a best practice that remains valid at the level of regional IBs (the RDAs), which have adequate capacity to handle requests and can continue to organize these training sessions. As long as the number of projects was manageable, IB-Tourism was also able to sit down with each new beneficiary and explain processes, procedures, templates, etc. More recently, however, as IB-Tourism staff has become overburdened with implementation issues, there is simply no capacity to keep organizing the seminars. As a result, the quality of documents sent by beneficiaries has gone down: “there are situations where one of our beneficiaries makes the same mistake for the sixth reimbursement request in a row,” as noted in one interview. This, in turn, leads to even more work for IB-Tourism staff, which needs to ask beneficiaries to correct mistakes and, hence, has even less time to deliver quality outputs and complete other critical tasks (e.g., programming, interfacing with beneficiaries on the ground, liaising with the MA to discuss emerging issues, etc.). Further down the road, the issues of the current system may also generate more work for MA staff, as requests move in the pipeline from IB-Tourism to the MA.

187. **Another consequence of the centralized MA-IB system is that IB-Tourism was not able to contract evaluators on its own, while the RDAs did.** When the MA faced significant delays in contracting independent evaluators – delays due, as explained earlier, to the challenges of agreeing with the National Authority for Regulating and Monitoring Public Procurement (NARMPP) on acceptable public procurement documentation – IB-Tourism could not hire independent evaluators separately from the MA because they were part of the same institution, i.e., the Ministry of Regional Development and Tourism (MRDT) at that time. It is true that this situation can be avoided under the current structure

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<sup>44</sup> ROP Implementation Report 2011, p. 68



with IB-Tourism under a separate ministry from MA-ROP, but the example described above remains relevant for understanding some of the effects of centralization.

188. **Another aspect particular to IB-Tourism, when compared to the RDAs, is that it is a public institution that must abide by all laws, regulations, and procedures applicable to such bodies.** Most notably, IB-Tourism is much more limited in its ability to manage human capital resources assigned to it. The overall system is rigid, from salary levels to promotion opportunities and the possibility of sanctioning underperforming employees. Despite repeated requests from management to increasing the staff of IB-Tourism to reflect the high number of contracts under implementation, no optimal solution has been found to date. When a few people were finally relocated to IB-Tourism, they were not necessarily the right fit for those areas experiencing the highest demands and pressures (i.e., processing of reimbursement requests). In practice, the applicable restrictions on hiring additional public servants (the “1 to 7” rule – 1 new hire for every 7 public employees leaving a certain public institution), still standing as of April 2013, are hard to get around, even though there seems to be a consensus among decision-makers that when it comes to facilitating the absorption of EU funds hiring restrictions should be made more flexible. The examples of IB-Tourism and RDAs make the case that there are significant benefits to keeping some or all parts of the system beyond the restrictions and constraints that come with public sector organizations. Naturally, this does not mean that there should be no link to public institutions or representative bodies, but rather that implementation-focused tasks for the ROP would likely be performed faster by organizations in the non-profit and private sectors.

189. **The current MA-IB-Tourism relationship is described as generally positive and collaborative.** The communication channels are shorter, geographically speaking, than MA-RDA ones, but in practice there are no substantial data to show that because both the MA and IB-Tourism are based in Bucharest they are more efficient in moving requests through the system. At the same time, there is a Framework Document governing the MA-IB-Tourism relationship, with a defined set of delegated tasks, similar to the one applicable to RDAs. One notable difference is that IB-Tourism was not delegated any communication activities. As for financing, it covers basic equipment, IT needs, office supplies, etc., but does not include any salaries (unlike RDAs’ staff, which are paid largely through technical assistance funding – ROP axis 6). As such, there are no financial reward/penalties specified between the MA and IB-Tourism, which is another key variance from the financing contract valid between the MA and RDAs. As public servants, IB-Tourism staff cannot be penalized for, say, possible mistakes in processing requests from beneficiaries. This is not to say that the current situation warrants the introduction of penalties, even if the law would allow it. Still, it is useful to note that, once again, the non-profit status of RDAs has allowed them more flexibility, including through the introduction of “pay for performance” mechanisms.

190. **On beneficiaries’ end, the large majority describe their collaboration with IB-Tourism as good and very good, in a recent survey.** This is an important accomplishment for this IB and it is notable that, despite its staff shortages and high centralization, the team was still able to provide reasonable support to beneficiaries across the country. Even so, as expected, the capacity constraints at the level of IB-Tourism have generated delays in processing requests from beneficiaries, as reflected in numerous qualitative responses to a question on suggestions for improvement.

191. **The report on beneficiary support mechanisms will look at the proposed solutions for IB-Tourism in more depth.** For now, it suffices to note that beneficiaries ask for clarity and predictability with respect to the rules, procedures, and timeline of project implementation. As one respondent noted in the survey implemented by IB-Tourism, “lack of predictability regarding the deadlines for responding to our [reimbursement] requests creates very delicate situations in terms of not being able to pay our



suppliers on time.” In addition, delays in processing one request “allow” beneficiaries to make the same mistake on the next request, for instance in including certain expenditures as eligible. If IB-Tourism could process the first request on time, beneficiaries would know if they can consider a certain expense as eligible for future reimbursements. Interestingly, a few responses also called specifically for the organization of training seminars with beneficiaries, of the type that IB-Tourism used to do until mid-to-late 2012, when it no longer had the capacity to do this. Another suggestion is to organize regular field visits with beneficiaries to identify emerging issues and solutions, at least for the more complex projects such as those involving construction works. This is hard to do for a centralized IB and practically impossible when a lot of the available capacity needs to be dedicated to processing beneficiary requests.

192. **Going forward, the challenge is to accommodate national-level needs in the tourism sector, while ensuring an effective regional/local beneficiary interface.** In the short term, it is recommended to develop a quick assessment of available resources at the IB-Tourism level and determine solutions for rapidly eliminating backlog and resuming critical functions, including trainings with new beneficiaries (quite a few contracts are still to be signed in 2013) and preparations for 2014-2020. For the next programming period, the truly national-level interventions can be maintained under a central MA, while the projects involving regional and local authorities should be managed at the appropriate level to optimize the “distance” between the MA/IB, on one side, and beneficiaries, on the other. It is worth exploring how RDAs can play bigger roles in the types of projects financed under axis 5.3, building on their strong local relations with beneficiaries and their accumulated capacity and experience. Whatever the set-up, the vertical and horizontal collaboration among MAs and IBs respectively should be improved compared to the current collaboration that takes place mostly on an ad-hoc basis.



## VII. Roadmap of Priority Recommendations

### MA- IB COLLABORATION AND COMMUNICATION FOR THE REGIONAL OPERATIONAL PROGRAMME 2014-2020

Legend								
<i>Timeline</i>	Short term (0-3 Months)		<i>Difficulty</i>	Low		<i>Resources</i>	Low	\$\$
	Medium term (3-12 Months)			Medium			Medium	\$\$\$
	Long term (>12 Months)			High			Significant	\$\$\$\$

Note! All recommendations marked with (\*) can be implemented starting with the current programming period. Put differently, recommendations lacking the (\*) symbol apply exclusively to the ROP 2014-2020.

Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/Risks	Deadline	Estimated resources
<b>External factors influencing the MA-IB relationship</b>							
<b>1. Minimize the need to make repeated changes to the legislative framework<sup>45</sup> and manage the introduction of new legislative acts</b>	1.1 Perform a thorough analysis of the legislative shortcomings and, based also on the lesson learned from the current programming period, identify issues to be addressed before the	Enabler		<ul style="list-style-type: none"> <li>Report on legislative bottlenecks to be discussed with all involved stakeholders</li> <li>Calendar for</li> </ul>	<ul style="list-style-type: none"> <li>Lack of political decision</li> <li>Time constrains</li> <li>Lack of support from NARMPP/ CUVPP</li> </ul>		\$\$

<sup>45</sup> For example, three legislative changes to Government Emergency Ordinance 34/2006 only in 2013 (Law 193/2013, GEO 31/2013, GEO 35/2013)



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
<b>during the ROP implementation</b> <sup>46</sup>	ROP 2014-2020 launch. 1.2 Discuss the findings of the analysis with the other MA(s)/IB(s) and the Ministry of European Funds and implement recommended legislative changes			further amendments to the law(s) • Clear and stable procedures during the ROP's cycle			
<b>2. Decentralization</b>	2.1 Elaborate a strategy and action plan for gradual transfer of central level responsibilities of ROP to local level (IBs), in full accordance with EU regulations and without harming the management and control system design for the new programming period 2014-2020	Initiator		<ul style="list-style-type: none"> <li>• Transition strategy</li> <li>• Action Plan</li> <li>• Flexible implementation arrangements for ROP</li> </ul>	<ul style="list-style-type: none"> <li>• Late approval of EU legislative framework</li> <li>• New responsibilities for IBs (not existing in current programming period) and lack of experience might generate further errors/ low absorption for 2014-20</li> </ul>		\$\$\$
	2.2 Adjust MA-IB Framework Agreement, Financing Contract, and Procedure Manuals to	Initiator		<ul style="list-style-type: none"> <li>• New FA agreed by parties</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of proper consultation between parties</li> </ul>		\$\$

<sup>46</sup> For example, GEO 66/2011 regarding the prevention, finding, and sanctioning of the irregularities in utilizing EU or public funds (also modified by GEO 75 in 2012 and by Law 196 in 2013)



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
	properly reflect newly agreed MA/IBs responsibilities, with the MA focusing on the very critical tasks of program coordination and M&E and IBs truly in charge of day-to-day implementation tasks						
	2.3 Perform an in-depth analysis of the legislative and administrative aspects of regionalization and their impact on ROP implementation (pending progress on the regionalization agenda at the national level)	Enabler		<ul style="list-style-type: none"> <li>• SWOT analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of political decision</li> <li>• Time constrains</li> </ul>		\$\$\$
<b>Internal factors influencing MA-IBs relationship</b>							
3. <b>At the MA level: Evaluate staff workload and performance</b> <sup>47</sup>	3.1 Elaborate an appropriate workload and performance analysis system for staff in MA, considering the	Initiator		<ul style="list-style-type: none"> <li>• Workload analysis report</li> <li>• Action Plan approved</li> </ul>	<ul style="list-style-type: none"> <li>• Unavailability of internal staff for elaborating the analysis</li> <li>• Lack of</li> </ul>		\$\$

<sup>47</sup> Could be performed by internal staff (HR departments) or outsourced (financed under priority axis 6 of ROP)



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
	pressure for absorption of the EU funds for the current programming period, but also the challenges of the new programming period 2014-2020 (coordinate findings with WB technical assistance project for Min. of European Funds)				coordination between MA/IBs		
	3.2 Elaborate a plan for recruitment and hiring of new staff <sup>48</sup> and/or relocation of existing staff within the MA and/or outsourcing (through technical assistance) of some activities <sup>49</sup>	Enabler/ Initiator		<ul style="list-style-type: none"> <li>• Government Memorandum approved to fill vacancies</li> <li>• Amendments to GEO 34/2009 to allow hiring of new staff where needed</li> <li>• Action plan to transfer staff between departments</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient financial resources</li> <li>• Lack of political support for amending the law</li> <li>• Staff reluctance for transfer</li> </ul>		\$\$\$\$
	3.3 Elaborate and implement a training plan for new hires	Initiator		<ul style="list-style-type: none"> <li>• Training plan</li> <li>• Number of staff trained</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of financial resources</li> <li>• Unavailability</li> </ul>		\$\$\$

<sup>48</sup> Significant financial effort, depending on the no of necessary jobs at MA level; risk of budgetary constraints due to the FMI memorandum/conditions

<sup>49</sup> Routine, time consuming activities or very specialized activities which require specific skills/competences



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
	(formal training and in-house training <sup>50</sup> ) at MA level			<ul style="list-style-type: none"> <li>Number of training sessions</li> </ul>	of key staff to provide in-house training for newcomers		
<b>4. At the IB level: Maintain RDAs' flexibility in managing their human capital and allocate sufficient resources to expand IB capacity in line with increased responsibilities (more delegation, several operational programmes, etc.)</b>	4.1 Elaborate an appropriate workload and performance analysis for the staff in IBs, considering the pressure for absorption of the EU funds <sup>51</sup> for the current programming period, the challenges of the new programming period 2014-2020 (taking into account the increased attributions to be transferred to RDAs), and the new attributions of RDAs as IBs for SOP Competitiveness and possibly for the National	Enabler (IBs to lead the process)		<ul style="list-style-type: none"> <li>Workload analysis report</li> <li>Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>Unavailability of staff for elaborating the analysis</li> <li>Lack of coordination between MA/IBs</li> </ul>		\$\$

<sup>50</sup> To be performed by the practitioners /experienced staff within MA

<sup>51</sup> Regional Development Committee of the European Parliament voted on Tuesday, 24 September, the proposal for extending "n +3" rule for Romania and Slovakia (thus, Romania will be able to spend EU funds allocated for year 2011 up to 31 December 2014 and those allocated for the year 2012 up to 31 December 2015)



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
	Rural Development Program <sup>52</sup>						
	4.2 Support each RDA in developing a plan for recruitment and hiring of new staff and/or externalizing (through technical assistance) some activities, if necessary	Enabler		<ul style="list-style-type: none"> <li>• Decision of Regional Development Councils</li> <li>• Training plan</li> <li>• Number of staff trained</li> <li>• Number of training sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of political support for increasing the RDAs' budget</li> <li>• Lack of financial resources</li> </ul>		\$\$\$\$
<b>5. Ensure adequate consultation for the preparation of the financing contract (FC) between MA and IBs, including simplified procedures to reduce the burden on the IB staff</b>	5.1 Based on lesson learned from current programming period, elaborate a long-term financing contract, based on a multiannual work plan (related to the ROP) <sup>53</sup> for the next programming period	Initiator		<ul style="list-style-type: none"> <li>• Financing Contract (FC) agreed in advance</li> </ul>	<ul style="list-style-type: none"> <li>• Differences among regions as regards the level of salaries</li> <li>• Inappropriate multiannual work plan of MA</li> </ul>		\$\$\$
	5.2 Organize proper consultations among MA-IBs to negotiate terms and conditions of	Initiator		<ul style="list-style-type: none"> <li>• FC signed</li> <li>• Number of consultations</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of time for decision making level at MA/IBs</li> </ul>		\$\$

<sup>52</sup> See the Minister of Economy Order no. 89/2013, which mandates that the activity of the IB for SMEs (under the Competitiveness Operational Programme) is taken over by the Managing Authority of SOP Competitiveness and some attributions are delegated to RDAs. Also see the October 2013 draft of the Partnership Agreement.

<sup>53</sup> It is recommended that the finance contract covers the entire period of ROP implementation with annual budget estimation that might be reviewed every year in accordance with MA work plan.



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
	FC			<ul style="list-style-type: none"> <li>Satisfaction level among MA/IB staff</li> </ul>	<ul style="list-style-type: none"> <li>level to properly discuss/ negotiate the FC</li> <li>Unclear delegation of responsibilities to IBs</li> <li>Lack of simplified procedures for reimbursement</li> </ul>		
	5.3 Identify alternative solutions for financing the ex-post monitoring activities of IBs for the current programming period <sup>54</sup> (e.g., the Ministry's budget). Similarly, identify appropriate sources to finance ex-post monitoring activities for 2014-2020*	Initiator		<ul style="list-style-type: none"> <li>Solution(s) identified and agreed</li> </ul>	<ul style="list-style-type: none"> <li>Lack of resources</li> <li>Insufficient political will</li> </ul>		\$\$\$

<sup>54</sup> See the Art 67, Art.55, Art 89 of the EC Regulation 1083/2006



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
	5.4 Organize quarterly meetings MA-IBs to discuss problems arising from FC implementation and decide on necessary*	Initiator		<ul style="list-style-type: none"> <li>• Number of meetings</li> <li>• Number of common decisions/</li> <li>• Low number of amendments to the FC</li> </ul>	<ul style="list-style-type: none"> <li>• Unavailability of staff to participate to these meetings (level of decision-makers)</li> </ul>		\$\$
<b>6. Need for improvement/ simplification of the procedures in all stages of the programme</b>	6.1 Simplify the internal procedures (including audit trail) for the current programming period through the evaluation/assessment of the existing manuals (see Chapter V for detailed recommendations)*	Enabler/ Initiator		<ul style="list-style-type: none"> <li>• Simple, easy to use procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Need to become familiar with the simplified procedures</li> </ul>		\$\$\$\$
	6.2 After testing the simplified internal procedures, tailor them for the next programming period, entrusting more responsibilities to IBs (decentralization). It is recommended for the next programming period that the MA establish the guidelines for ROP implementation	Initiator		<ul style="list-style-type: none"> <li>• Simple, easy to use procedures</li> </ul>			\$\$



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
	and IBs elaborate in common the operational procedures to be then endorsed by MA						
	6.3 Entrust clear responsibilities at individual level <sup>55</sup> throughout the entire operational flux of the program (especially at MA level). Findings to be coordinated with WB technical assistance project for the Ministry of European Funds*	Initiator		<ul style="list-style-type: none"> <li>• Clear job description</li> <li>• Smaller number of additional requests/work for MA/IB staff</li> </ul>	<ul style="list-style-type: none"> <li>• HR policy at organizational level</li> </ul>		0
	6.4 Reduce bureaucracy through intensive use of IT tools (between MA-IBs) *	Initiator		<ul style="list-style-type: none"> <li>• IT tool developed, tested, launched (see <i>Electronization</i> under beneficiary support mechanisms report)</li> </ul>	<ul style="list-style-type: none"> <li>• Time constrains regarding the elaboration of IT application (including testing) versus ROP 2014-2020 launch</li> </ul>		\$\$\$\$

<sup>55</sup> Staff should concentrate on their responsibilities and not to respond to “urgent” requests or focus on non-critical tasks



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
	6.5 Ensure qualified evaluators on a long term basis, using a framework contract <sup>56</sup> with a sufficient number of preselected Consulting Companies to ensure continuous presence of evaluators upon the ROP's launch	Initiator		<ul style="list-style-type: none"> <li>• Database with experts</li> <li>• Reduced number of complains following selection stage</li> <li>• Quality projects</li> </ul>	<ul style="list-style-type: none"> <li>• The procedure must be initiated in the early stage of ROP</li> <li>• Lack of capacity of consulting market to provide a sufficient number of qualified evaluators</li> <li>• Insufficient financial resources</li> </ul>		\$\$\$
	6.6 Introduce ROP-specific electronic data exchange system to reduce bureaucracy in MA-IB interactions across all stages of the program (selection, contracting, reimbursement, etc.) *	Initiator		<ul style="list-style-type: none"> <li>• Electronic system in place</li> <li>• Number of days for each procedural step</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient financial resources</li> <li>• Possible overlaps with MFE system</li> </ul>		\$\$\$\$
<b>7. Lack of institutionalized interaction/ communication</b>	7.1 IBs develop appropriate mechanism for knowledge sharing and coordination. A solution	Initiator		<ul style="list-style-type: none"> <li>• Functional knowledge exchange program (e.g.,</li> </ul>	<ul style="list-style-type: none"> <li>• Low level of interest</li> <li>• IT solution expensive</li> </ul>		\$\$

<sup>56</sup> 4 years or more (see art.144 of GEO 34/2006)



Main area	Recommendations	MA-ROP role	Difficulty of implementation	Output indicator	Challenges/ Risks	Deadline	Estimated resources
<b>between IBs (IB-IB)</b>	can be a knowledge exchange program organized by the IB(s) implementing innovative idea(s) related to ROP management*			practical training of staff across IBs)	<ul style="list-style-type: none"> <li>Lack of financial resources for ROREG</li> </ul>		
	7.2 Revamp RDAs association (ROREG) and organize a periodic forum*	Enabler		<ul style="list-style-type: none"> <li>Functional association (own budget, events, etc.)</li> <li>Forum</li> </ul>	<ul style="list-style-type: none"> <li>Main initiative needs to come from IBs</li> </ul>		0
<b>8. Institutionalization of MA-IBs interaction</b>	8.1 Develop appropriate mechanisms for proactive knowledge sharing and coordination with IBs, at all stages in the process (from programming through implementation and monitoring)*	Initiator		<ul style="list-style-type: none"> <li>Frequency of meetings</li> <li>Intranet developed</li> </ul>	<ul style="list-style-type: none"> <li>Unavailability of staff</li> <li>Turnover of staff</li> </ul>		\$\$
	8.2 Evaluate the IT equipment (e.g., PCs, software, servers, etc.) used at MA/IBs level and identify the technological needs for developing appropriate tools for MA-IBs interaction*	Initiator		<ul style="list-style-type: none"> <li>Evaluation report</li> <li>Intranet/ discussion/ videoconferenc e platform</li> </ul>	<ul style="list-style-type: none"> <li>Unavailability of staff for the evaluation</li> <li>Lack of financing in the short term</li> </ul>		\$\$





## Annex A: Interview Guide MA-IB Relationship

*Assessment of communication and cooperation between the Managing Authority and the Intermediate Bodies of the Regional Operational Program (ROP) and facilitation of direct and proactive support to beneficiaries*

### INTERVIEW GUIDE – RDA REPRESENTATIVES

#### 1. INTRODUCTION

- WB team presentation
- Project presentation: objectives, implementation schedule, results
- Project objectives:
  - The RDA-MAROP relationship (2007-2013; prospects for 2014-2020; decentralization/regionalization)
  - Support mechanisms for beneficiaries (potential and actual)

#### 2. The RDA-MAROP collaboration

- **General questions**
  - How would you describe the collaboration and communication with MAROP during the course of time?
    - Frequency
    - Formal vs. ad-hoc
    - Type of relationship
  - Which are the 3-5 main positive aspects regarding the collaboration with MAROP?
    - Which are the main factors that explain the superior performance of the ROP in comparison with other similar programs in Romania?
    - What are the elements that should be preserved for the 2014-2020 cycle?
  - What are, at a general level, the 3-5 most important aspects that need to be improved regarding the RDA-MAROP collaboration?
- **The institutional structure of the ROP**
  - Statutory level: What is the impact of the current Framework Agreement regarding the collaboration between RDAs and MAROP? What are the noteworthy positive aspects that should be maintained? What are the most important provisions that should suffer modifications in order to improve the collaboration with MAROP?
  - Financial level: What is the impact of the current Financial Contract regarding the collaboration between RDAs and MAROP? What are the noteworthy positive aspects that should be maintained? What are the most important provisions that should suffer modifications in order to improve the collaboration with MAROP?
  - Procedural level: How would you describe the current procedures that characterize the RDA-MAROP relationship (positive aspects, procedures that require improvement in the next period, etc.)?



- How would you describe the current institutional framework (i.e., institutional entities involved directly or indirectly)? What changes would be necessary, if any, especially for the 2014-2020 programming period?
  - Which other entities should be involved and to what extent?
  - How would you characterize the role played by the RDAs? How about the role played by MAROP?
  - In the case of approved changes to the role of RDAs (for example, increasing the importance of RDAs throughout the evaluation process), what would be required to provide the necessary capacity? What else would be necessary?
- What role do the RDAs play now and what role would they play if there were changes to the legislative/institutional framework?
- **The strategic framework or the ROP**
  - What is the role of RDAs in drafting the strategic guidelines of the program (at national and/or regional level)? How does an RDA collaborate with MAROP in order to define the vision and the objectives of the ROP at a regional level? [1-2 concrete examples of collaboration, mutual support, etc.]
  - What are the mechanisms by means of which, at the current time, the priorities of the local communities are reflected in the implementation of the ROP?
    - How do RDAs survey the local needs and how do they communicate these needs to the central authorities? What answers do they receive?
    - How are the strategic priorities of the ROP adjusted, if necessary, based on the observations in the field?
  - What role should the RDAs play in establishing the strategic framework for national development? What would be the necessary capacity in order to fulfill this role? What legitimacy would the RDA have with regard to regional stakeholders/beneficiaries/central authorities?
  - How do RDAs and MAROP interact with regard to the monitoring and evaluation mechanisms of the program? What are the tools used to ensure the dissemination of good practices and the adjustment of strategic directions?
- **The implementation of the ROP**
  - **Procedures and mechanisms:**
    - What are the phases of implementation, within the cycle of a project, that are characterized by a high level of efficiency (quick reactions, no delays, etc.)?
      - Phases: Application – assessment – contracting – implementation – post-implementation
      - Which are the phases that have the highest delays? Why are these delays occurring?
      - What data are available regarding the duration of the process, for each phase?
    - If you had the necessary tools, what measures would you adopt in order to improve the current situation?
      - What are the measures that were taken in the past? What were the results of these measures?
      - What measures are still at a proposal stage? What are the reasons for not adopting these measures?



- How closely do RDAs and MAROP collaborate in order to improve implementation? Is this a systematic or an ad-hoc process? What efforts have been made and how would you appreciate their efficiency?
- **Human capital:**
  - What is the organizational structure of the RDA? Does this structure respond to current needs? Does it respond to anticipated needs?
  - What is the role of human resources in fulfilling the RDA's attributes and ensuring an efficient collaboration between RDAs and MAROP? What are the positive aspects? How about the negative ones? (*wages, training, incentives, promotion opportunities, etc.*)
- **Infrastructure:**
  - What are the main needs related to infrastructure (e.g., IT systems) that have not been satisfied yet? What are these needs dependent on?
  - Would it be viable to introduce an online management system for tracking applications? What would be the requirements of such a system?
- **Good practice and horizontal collaboration**
  - What mechanisms exist at RDA level in order to understand and communicate the good practices resulting from implementing successful projects?
  - How do RDAs and MAROP collaborate in this direction?
  - How would you characterize the relationship between RDAs? What needs to happen in order to ensure a closer and more systematic collaboration (formal or informal)?
- **Organizational culture:**
  - How would you characterize the decision power of RDA, in comparison to that of MAROP?
  - Who should play a more active/less active role in order to increase the efficiency of implementation?
- **ROP 2014-2020: regional perspectives**
  - How do you evaluate the possibility of adopting a new model for ROP management and implementation, based on a regional administrative level?
  - What current problems would be solved by this change? What new problems might occur?
  - Under what circumstances would this model be successful? Under what circumstances would it fail?
  - What role should RDAs play in this new structure? If there would be the need for changes with regard to the current role, what would be needed to provide the conditions necessary for the success of the ROP (human resources, infrastructure, etc.)?
  - What positive/negative effects would be produced in the MA-IB relationship by adopting the new structure?

### 3. THE RELATIONSHIP WITH THE BENEFICIARIES OF THE ROP

- What are the major obstacles that most beneficiaries report, depending on each stage (pre-application, application, implementation and post-implementation)?



- What are the main support mechanisms that potential and actual beneficiaries use most often, at the level of the RDA?
- What are the main 3-5 measures that you would take to improve the relationship with beneficiaries (potential and actual)?
- **Pre-application:**
  - How would you characterize the awareness level of potential beneficiaries in the pre-application phase? What are the main measures that could lead to better awareness?
  - What are the RDA activities designed to support potential beneficiaries to develop quality projects? How could the project pipeline be improved for the 2014-2020 cycle?
  - How do RDAs and MAROP collaborate in order to achieve a coherent communication of application procedures, selection criteria, etc.?
- **Application:**
  - How do RDAs collaborate with beneficiaries in order to draft quality applications?
  - What data exist about the usage level of existing support mechanisms (helpdesks)? What kind of problems do potential applicants face?
  - How would you characterize the level of transparency of the application process?
    - The status of the application
    - The persons in charge
    - Necessary clarifications/further steps
  - How can the number of errors be reduced when completing the application?
  - How do RDAs support those potential beneficiaries who initially had their projects rejected? Are there informal or formal mechanisms for linking beneficiaries to RDAs, to evaluators, and to MAROP?
- **Implementation:**
  - What are the main problems encountered and what could be done by RDAs/MAROP, individually and especially together, to solve these problems quickly?
  - What are the main support mechanisms in the implementation phase?
  - How closely do the RDAs communicate with the beneficiaries? How often do recipients require the support of RDAs/MAROP to overcome the obstacles (for example, for public procurement procedures, for amending the technical documentation etc.)?
  - How do RDAs collaborate with audit and control structures, especially in view of applying uniform standards?
- **Post-implementation:**
  - What methods are used to keep in touch with “former” beneficiaries?
  - After completing a project, what mechanisms are available for extracting best practices, lessons etc. for better implementation in the future?
  - What opportunities exist for beneficiaries to communicate more effectively with each other and to support each other?



## Annex B: European and National-Level Legislation on MAs and IBs

### EU-Level Legislation

**Council Regulation (EC) No 1083/2006 defines the three authorities that every Member State must designate for each operational programme: a managing authority, a certifying authority, and an audit authority [Article 59 (1)].** From an institutional point of view, the main difference between the three is that while a public authority or a public or private body may be designated as a managing authority, only a public authority or body may serve as a certifying authority or audit authority. If the managing authority is responsible for managing and implementing the operational programme in accordance with the principle of sound financial management (Article 60), the certifying authority has a more focused mandate – mainly drawing up and submitting to the Commission certified statements of expenditure and applications for payments [Article 61 (a)]. For the purposes of certification, the certifying authority must ensure that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenses included in statements of expenditure [Article 61 (c)] and must take into consideration the results of all audits carried out by or under the responsibility of the audit authority [Article 61 (d)].

**The EU legislation acknowledges the right of Member States to establish a multi-tiered institutional framework for the management and control of an operational programme.** Council Regulation (EC) No 1083/2006 states, to this end, Member States may make use of *intermediate bodies*, acting under the responsibility of a managing or certifying authority, or carrying out duties on behalf of such an authority vis-à-vis beneficiaries implementing operations [Article 2 (6)]. Regarding the legal nature of the intermediate body, the EU legislation allows for both public and private bodies or services to be designated as such, leaving the actual decision to Member States.

**Council Regulation (EC) No. 1083/2006, Article 59 (3), sets out the legal basis for the designation, by Member States, of one or more intermediate bodies to carry out some or all of the tasks of the managing or certifying authority, under the responsibility of that authority.** The aforementioned article provides the legal grounds for delegating to intermediate bodies virtually any and all of the tasks associated with the functions of the managing authority, stipulated by Article 60 of EC Regulation No. 1083/2006. This flexibility of the institutional framework, necessary for managing and implementing an operational programme, allows Member States to develop the structures best suited for their specific needs and constraints. As required by Article 12 of Commission Regulation (EC) No. 1828/2006, when delegating tasks to intermediate bodies, the managing or certifying authority must formally put in writing the relevant arrangements.

**Council Regulation (EC) No. 1083/2006 also regulates the right of the Member State or the managing authority to entrust the management and implementation of a part of an operational programme to one or more intermediate bodies, under the mechanism of global grants [Article 42 (1)].** Even though, in this case, the financial responsibility, stemming from the principle of sound financial management, still resides with the managing authority and the Member States, the intermediate body responsible for managing the global grant has to provide, according to Article 42 (2), guarantees of its solvency and competence in the domain concerned as well as in administrative and financial management. When setting up a global grant, the Member State or the managing authority must conclude with the intermediate body an agreement covering the main implementing rules, as detailed by Article 43 of the Council Regulation (EC) No 1083/2006.



The future EU legal framework in the field of operational programmes, as set out in the amended proposal,<sup>57</sup> will preserve the present institutional framework for the management and control of an operational programme, composed of a managing authority, a certifying authority and an audit authority. An important limitation will be introduced regarding the managing authority, since the amended proposal for the Common Provisions Regulation provides that only a public authority or body may be designated as such. If the functions of the managing authority reflect, albeit in a more detailed approach, the ones set out by Council Regulation (EC) No 1083/2006, in the case of the certifying authority there are new provisions regarding the drawing up of the annual accounts (a requirement introduced by proposal for the Common Provisions Regulation) and also regarding the certification of the *completeness*, *accuracy*, and *veracity* of the annual accounts (adding completeness and veracity to the obligation set in Council Regulation (EC) No 1083/2006, regarding the accuracy of the statement of expenditures).

The amended proposal for the Common Provisions Regulation will still acknowledge the right of Member States to designate one or more intermediate bodies to carry out certain tasks of the managing or the certifying authority, under the responsibility of that authority [Article 113 (6)]. The definition given to the term *intermediate body* by the amended proposal for the Common Provisions Regulation is more limited than the one set out by Council Regulation (EC) No 1083/2006: it provides that only a public or private body may be designated intermediate body, eliminating, thus, the possibility for a public or private service to be named as intermediate body. In a more logical approach, the provisions regarding the global grant will be incorporated, in a succinct form, under paragraph (7) of Article 113 – Designation of authorities. It is noteworthy that the proposal for the Common Provisions Regulation does not include, in the case of the intermediate bodies entrusted through a global grant with the management of part of an operational programme, the reference to the underlying financial responsibility of the managing authority and of the Member States. Additionally, the proposal for the Common Provisions Regulation provides for a third type of intermediate bodies, which may be designated to carry out the management and implementation of an integrated territorial investment (ITI) [Article 99 (3)].

### National-Level Legislation

At the national level, Government Decision No. 457/2008 defines the main responsibilities of any managing authority (MA), drawing heavily from the functions mentioned in Council Regulation (EC) No 1083/2006, but also adding some responsibilities specific to the Romanian institutional framework in the field of structural funds. The thorough enumeration of the managing authorities' responsibilities is in stark contrast to the very succinct reference regarding the intermediate bodies (IBs). Article 31 of Government Decision No. 457/2008 only points out the fact that IBs have their responsibilities delegated by MAs, on the basis of an agreement and promptly underlines that the final responsibility for due completion of the tasks delegated to IBs lies with the MAs.

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<sup>57</sup> Amended proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006 [COM(2013) 246 final] (the Common Provisions Regulation)



Although the generic nature of Article 31 of Government Decision No. 457/2008 does not limit *per se* the tasks that MAs may delegate to IBs, there are some inherent restrictions, deriving from the Romanian legal framework, especially regarding the approval and making of payments. Law no. 500/2002 regarding public finances defines three types of credit release authorities (“*ordonatori de credite*”): primary, secondary and tertiary, but the common point of these authorities is the fact that they are the people heading various *public bodies*. Thus, according to the current legal framework, only the persons heading (certain) public bodies may act as credit release authorities – all private bodies or services are excluded from playing a similar role. The four stages of the public expenditure process are: commitment (“*angajare*”), validation (“*lichidare*”), authorization (“*ordonanță*”) and payment (“*plată*”) (Article 52 of Law no. 500/2002). The actions related to the first three stages are the responsibility of the persons acting as credit release authorities, while the payment stage is run by the persons in charge of the accounting and financial department of the public institution in question.

The distinction between the different stages of the public expenditure process is relevant to the field of structural funds because, according to Article 19 (1) of Government Emergency Ordinance No. 64/2009, the principal credit release authorities, acting as MAs, may delegate to IBs the tasks linked to commitment and validation of public expenditures regarding operational programmes. As with any delegation of the functions of the MAs, the principal credit release authority is still held accountable for the way these functions are performed. It is important to notice that, in any case, the operations associated with the authorization and payment stages may *not* be the object of delegation, the MAs being legally bound to complete those operations themselves. Another limitation on the delegation of certain tasks to the private bodies acting as IBs is imposed through Government Emergency Ordinance No. 66/2011. According to Article 20 (4), MAs working with European funds may delegate the operations of detecting irregularities and establishing entitlements to be recovered to those IBs which are part of a public body. As a consequence, the IBs that are private bodies or services are excluded from being delegated such tasks.

Since Government Decision No. 457/2008 relies on Council Regulation (EC) No 1083/2006 for the actual definition of the MAs and IBs, both positions may be filled by either a public or private body or service. In practice, all the MAs designated through Government Decision No. 457/2008 are public bodies, specifically line Ministries. According to Government Decision No. 1/2013, the present MA for ROP (MA-ROP) is the Ministry of Regional Development and Public Administration, while the IBs for ROP are, according to Government Decision No. 457/2008, the 8 Regional Development Agencies (RDAs) and the IB-Tourism (the Directorate for Managing Community Funds for Tourism).

**RDAs are non-governmental and non-profit bodies of public utility, with formal legal status and operating in the field of regional development.** The RDAs were first established through Law No. 151/1998, under the coordination of their respective Regional Development Council (RDC), and are now regulated by Law No. 315/2004. As non-governmental and non-profit bodies, the RDAs are also subject to Government Ordinance No. 26/2000 regarding associations and foundations, and are registered in the Registry for Associations and Foundations and the National Registry for Non-profit Legal Persons. The main activities and responsibilities of each RDA are set in the statute approved by the corresponding RDC, which is a regional deliberative body, with no legal personality, comprised of representatives of the local public administration from that region.

**The Framework Agreements are based on Article 31 (3) of Government Decision No. 457/2008, which mirrors the provisions of Article 12 of Commission Regulation (EC) No 1828/2006.** The tasks delegated to the RDAs are related to a number of MA functions, as set out in Article 60 of Council Regulation (EC)



No. 1083/2006. In the following list, for every main task delegated to the RDAs the report indicates the corresponding relevant letter of Article 60:

- ensuring compliance, at the regional level, with the information and publicity requirements [Article 60 (j)];
- ensuring, at the regional level, that operations are selected for funding in accordance with the criteria applicable to the ROP [Article 60 (a)];
- ensuring, at the regional level, that operations comply with applicable Community and national rules for their entire implementation period [Article 60 (a)];
- verifying, for all the projects financed through the ROP and implemented in their respective regions, that co-financed works/supplies/services have actually been executed/delivered/rendered, and that the expenditure declared by beneficiaries for operations has actually been incurred and complies with national rules, especially the legislation regarding public procurement, and with Community rules [Article 60 (b)];
- ensuring that the data necessary for financial management, monitoring, verifications, audits, and evaluations are properly collected for each project implemented, and that that data is introduced, in due time, into the Single Management Information System (SMIS) [Article 60 (c)];
- ensuring that beneficiaries maintain an adequate accounting code for all transactions relating to the project, in accordance with the national accounting legislation [Article 60 (d)]; and
- ensuring that all documents regarding expenditure and audits required for an adequate audit trail, for each project implemented, are kept for a period of five years after the closure or the partial closure of the ROP, in accordance with Article 90 of Council Regulation (EC) No. 1083/2006 [Article 60 (f)].

**The remaining functions of the managing authority, as set out by Article 60 (e), (g), (h), (i) and (k) of Council Regulation (EC) No 1083/2006, are the responsibility of MA-ROP, and are not subject to delegation to RDAs.** The functions reserved to MA-ROP are entail contact with the Certification and Payment Authority (CPA), the Monitoring Committee for the ROP (MC-ROP), and with the European Commission, and also those referring to the evaluation linked to the monitoring of the ROP, which has to be carried out during the programming period, according to Article 48 (3) of Council Regulation (EC) No 1083/2006. The Framework Agreement states that the final responsibility for the proper fulfillment of all the functions mentioned at Article 60 of Council Regulation (EC) No 1083/2006 lies with MA-ROP, both in relation to the European Commission and the Romanian Government. This means that, even though the RDAs are liable to the MA-ROP for any failure to fulfill their obligations, MA-ROP is held accountable for the way tasks delegated to the RDAs are completed.



## Annex C: Proposed audit trail with expected time savings

IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
	ADMINISTRATIVE CHECK AND ELIGIBILITY CHECK FOR THE FINANCING APPLICATIONS					
IB/MA						
STAGE 1						
First check expert	Checking, including requiring clarifications		4	4	4	
Applicant	Response to clarification requirement		3	3	3	
First check expert	Analyze of the applicant response and a new clarification letter, if the case		3	2	2	For the electronic submitted applications a number of predefined fields will be provided. Each of those fields has to be filled in in order to pass to the next one. Accordingly, the grid for checking of the administrative conformity will be simplified. Thereby it is considered that the stage could be performed in 2 working days.
Applicant	Response to clarification requirement		3	3	3	
First check expert	Check and finalization of the grid		2	2	2	
Total for the first check expert - minimum			4	4	4	
Total for the first check expert i - maximum			15	14	14	
STAGE 2 (double check)						
Double check expert	Double check, including clarification required/ finalization of the grid		3	3	3	



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
Applicant	Response to the clarifications		3	0	0	The double check of the conformity and eligibility of the application will be performed on the basis of existing documents and of the responses received during the first stage check. A new clarification will not be required.
Double check expert	Analyze of the applicant response and finalization of the grid		2	0	0	
Total duration, including double check expert - minimum			7	7	7	
Total duration, including double check expert - maximum			23	17	17	
STAGE 3 (Conformity and eligibility check mediation)						
Superiors			1	1	1	
Total duration, including mediation - minimum			8	8	8	
Total duration, including mediation - maximum			24	18	18	
STAGE 4 (process verification)						
Superiors	Verification of the process		1	0	0	The verification of the process will be performed through the audit trail (electronically generated) and by the sample verifications of the fulfillment of the delegated attributions, performed by the MA
Total duration, including verification of the process - minimum			9	8	8	
Total duration, including verification of the process - maximum			25	18	18	
STAGE 5 (requirement of the MA ROP advice)						



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
MAROP	Advice		5	0	3	The MA advice is not considered necessary for the level 1 applications. Even if an MA advice could appear necessary during the IB checking, it could be requested within the established deadlines. Three working days are considered sufficient for obtaining the MA advice in the case of level 2 (included or not within the MA sample check) and level 3 projects.
Total duration, including MA advice - minimum			14	8	11	
Total duration, including MA duration - maximum			30	18	21	
STAGE 6 (communication of the result on the conformity and eligibility check to the applicant)						
IB			2	1	1	An automatic notice will be provided for the electronic applications. One working day is considered a reasonable to communicate the result in case the application is not submitted electronically.
Total duration, including the communication of the result to the applicant - minimum			16	9	12	
Total duration, including the communication of the result to the applicant - maximum			32	19	22	
Total duration for the Conformity and Eligibility Check - minimum			16	9	12	
Total duration for the Conformity and Eligibility Check - maximum			32	19	22	
IB/ MA	Stage		Duration (working days)			
	Technical and financial evaluation					
IB						



IB/MA	Stage	Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
IB	Independent evaluators request submission	2	1	1	An automatic request for evaluators will be submitted in the case of electronic submission and evaluation of the applications. One day is considered a reasonable duration for submission of the evaluators request. The evaluators provided by the MA within a service/framework contract are at disposal of the IB during the entire process.
Evaluation Committee	Start of the technical and financial evaluation - minimum	7	4	4	Four working days are considered sufficient for the mobilization of a commission, the evaluators being at IB disposal within a services/framework contract concluded by the MA
Evaluation Committee	Start of the technical and financial evaluation - maximum	15			Not the case
Total process, including the creation of the Technical and Financial Evaluation Committee - minimum		25	14	17	
Total process, including the creation of the Technical and Financial Evaluation Committee - maximum		49	24	27	
Evaluation Committee	TF Evaluation 1	3	3	3	
Secretary of the Committee ***	Notice on the site visit	0			
Secretary of the Committee ***	Organizing of the site visit - minimum	3	3	3	In accordance with the proposal to include the site visit within the technical and financial evaluation and to sign the contract after this stage. For the level 1 application that not include works the site visit could be potentially eliminated (and should certainly remain only at the IB level)
Secretary of the Committee ***	Organizing of the site visit - maximum	5	5	5	



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
Secretary of the Committee/ Evaluators and the Secretary of the Committee	Elaboration of the clarification request (evaluators) and transmission of the clarification request (secretary of the committee)		1	1	1	
Applicant	Response to the clarifications		5	5	10	For level 2 applications (included or not within the MA sample) and level 3 projects, a longer deadline for the applicant's response is proposed in order to have a more rigorous response, fulfilling the requirement of the Evaluation Committee
Evaluation Committee	Analysis of the applicant response, including a new clarification request, if the case		2	2	4	For the level 2 and 3 financing applications a longer duration of the TF evaluation after the submission of the responses to the clarifications is proposed, in order to ensure sufficient time to prepare and assess the documents. In order to avoid a nonrealistic delay of the process, the payment for evaluated applications could be established instead of fee based contracts.
Applicant	Response to the clarifications		5	5	10	For the level 2 applications (included or not within the MA sample) and 3, a longer deadline for the applicant response is proposed in order to have a more rigorous response, fulfilling the requirement of the Evaluation Committee
Evaluation Committee	Analyze of the response to the clarification, fulfillment of the evaluation grids and elaboration of the report		2	2	2	
Evaluation Committee, President, Secretary of the Committee/ Evaluation Committee, Secretary of the Committee	Debate on the awarded score, fulfillment of the final grids and elaboration of the TF Report		1	0	0	This stage is no longer necessary. The IB representative has only a support role for the Evaluation Committee; the Evaluation Committee is fully accountable for the evaluation



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
IB Experts, other than Secretary of the Evaluation Committee	Verification of the process at IB level			2	2	It is necessary that the IB verifies the evaluation process, the correctness of the grids and report completion. In the case of (repeated) errors in grids or report completion, the exclusion of the evaluator from the TF evaluation process could be decided.
Secretary of the Committee	Transmission of the Report to the MA - minimum		1	0	1	For the level 1 and level 2 applications not included in the sample, the TF report is not transmitted to the MA.
Secretary of the Committee	Transmission of the Report to the MA - maximum		2	0	0	
Total process, including ETF minimum			33	24	28	
Total process including ETF maximum			75	49	65	
Secretary of the Commission	Request for an evaluator for particular cases		1	0	1	
Particular cases evaluator	Start of the particular cases evaluation - minimum		3	0	3	
Particular cases evaluator	Start of the particular cases evaluation - maximum, if the MA does not request clarifications on TF report		8	0	0	No need to prologue the start of evaluation. The report - if needed - will be submitted to the MA after the finalization of the entire TF evaluation process
Particular cases evaluator	Particular cases evaluation, including request of clarification		3	0	3	
Secretary if the Committee	Transmission of the request for clarification		1	0	1	
Applicant	Response to the clarifications		5	0	5	
Particular cases evaluator	Evaluation of the application after receiving the response to the clarification, including the elaboration of the report		2	0	2	



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
Secretary of the Committee	TF Report for particular cases evaluation		1	0	0	The Report is elaborated by the evaluator, at the same time as the evaluation grid
Secretary of the Committee	Transmission of the TF Report to the MA - minimum		1	0	0	The Report is transmitted to the MA only one time after the completion of the evaluation. The day of transmission was counted for the typical TF evaluation.
Secretary of the Committee	Transmission of the TF Report to the MA - maximum		2	0	0	A maximum deadline for the transmission of the report to the MA is not necessary. The transmission of the report occurs the day after the completion of the evaluation (verification of the evaluation process)
Total duration, including particular cases evaluation - minimum			39		35	
Total duration, including particular cases evaluation - maximum			98		80	
MA ROP					15	The MA will have 15 total days to verify a TF report, including clarification requests and their analysis. For the level 1 application and level 2 applications not included in the sample this stage is not needed.
First check - Manager for priority axis	Report analysis (memoranda, letters)		4	0		
Second check - Manager for priority axis	Report analysis (memoranda, letters)		3	0		
MA ROP	Advise of document and transmission of the clarification letter to the IB		3	0		
IB, independent evaluators	Response to the clarification letter		5	0		
First check - Manager for priority axis	Analysis of the response (memoranda, letters)		4	0		



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
Second check - Manager for priority axis	Analysis of the response (memoranda, letters)		3	0		
MA ROP	Advice of documents for report analysis, including transmission of letter to the IB		3	0		
Evaluators	Application reevaluation		15	0	15	
Total duration, including the MA ROP verification on the TF report - minimum			49	24	50	
Total duration, including the MA ROP verification on the TF report - maximum			138	49	110	
IB/MA	Stage		Duration (working days)			
	ANALYSIS OF THE TECHNICAL DESIGN CONFORMITY					
IB						In accordance with the proposal made during the present report, a verification of the technical design before the contract signature will not be performed. It is up to the beneficiary and the selected service providers to ensure the quality of the technical design and a smooth implementation.
Applicant	TD Submission - minimum		10	0	0	
applicant	TD submission -maximum****		129	0	0	
The chief of the IB	Expert for TD verification nomination		2	0	0	
First check expert	TD verification		5	0	0	
First check expert	Clarification request		2	0	0	
Applicant	Response to the clarification		5	0	0	
First check expert	analysis of the response and grid elaboration		2	0	0	
Second check expert	TD verification, without		5	0	0	



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
	clarification					
Second check expert	TD verification, including the clarification request*		8	0	0	
IB	request for application review		0	0	0	
Applicant	Submission of the revised application - minimum		10	0	0	
Applicant	Submission of the revised application - maximum***		86	0	0	
IB	Analysis of the revised application - minimum		10	0	0	
IB	Analysis of the revised application, including request for clarification - maximum		20	0	0	
IB	Request for independent technical expert		3	0	0	
MA ROP	Assignment of independent technical expert - minimum		3	0	0	
AMPOR	Assignment of independent technical expert-maximum		10	0	0	
Independent technical expert	Analysis of the TD**		15	0	0	
*) In the case of clarification request at second check expert level, the entire stage is 8 days						
**) In the case to designate an independent technical expert the all process duration will increase with 15 working days						
***) In the case of simplified TF evaluation, the applicant could submit the application within 4 month maximum from IB notification						
****) maximum duration, including the revision of TD cases						
IB	Request of simplified TF evaluation		0	0	0	
MA ROP	Ensuring the independent evaluators - minimum		3	0	0	



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
MA ROP	Ensuring the independent evaluators - maximum		10	0	0	
IB	Simplified TF evaluation - minimum		3	0	0	
IB	Simplified TF evaluation - maximum		18	0	0	
Secretary of the Committee	Transmission of the simplified TF evaluation report to the MA - minimum		1	0	0	
Secretary of the Committee	Transmission of the simplified TF evaluation report to the MA - maximum		2	0	0	
Total duration, including verification of TD conformity by the IB -minimum			91	24	50	
Total duration, including verification of TD conformity by the IB -maximum			455	49	110	
MA ROP						
MA ROP	TD report analysis, including request of clarification		5	0	0	
IB	response to clarification		3	0	0	
MA ROP	Analysis of clarification, advise on TD report		5	0	0	
MA ROP	Notification of the IB on the result of verification of the TD report		1	0	0	
Total duration, including MA verification on TD report - minimum			97	24	50	
Total duration, including MA verification on TD report- maximum			469	49	110	
IB						



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
IB	Applicant notification		2	2	2	
Total duration, including the notification of the applicant on the result of TD verification - minimum			99	26	52	
Total duration, including the notification of the applicant on the result of TD verification - maximum			471	51	112	
IB/ MA	Stage		Duration (working days)			
	Site visit					Site visit stage will be performed as part of the technical and financial evaluation by the independent evaluators.
OI						
IB	Applicant notification on the site visit		1	0	0	
Applicant	Days from notification of the applicant to the site visit - minimum*****		8	0	0	
Applicant	Days from notification of the applicant to the site visit - maximum		43		0	
IB, applicant, MA observer	Site visit -minimum		1			
IB, applicant, MA observer	Site visit-maximum		2			
IB	Transmission of the site visit report and of the contract documents to the MA-minimum*****		10			
IB	Transmission of the site visit without contracting documents to the MA		5			



IB/MA	Stage	Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
IB	Transmission of the completions to the site visit report to the MA	2			
Total duration, including the site visit - minimum		119	26	52	
Total duration, including the site visit-maximum		524	51	112	
MA ROP					
First check Manager for priority axis	First check of the site visit report	2	0	0	This stage is included in the TF report verification performed by the MA for the 3 level application and for 2 level applications included in the MA sample
Second check Manager for priority axis	Second check of the site visit report	2	0	0	
MA ROP	Documents advice, approval, including clarification request	1	0	0	
MA ROP	Transmission of the clarification to the IB/ MA observer	1	0	0	
IB/ DMP observer	Response to the clarification	2	0	0	
First check Manager for priority axis	Analysis of the clarification and documents elaboration	2	0	0	
Second check Manager for priority axis	Analysis of the clarification and documents elaboration	2	0	0	
MA ROP	advice, approval of the documents concerning the site visit	1	0	0	
MA ROP	Transmission of the letter on site visit report verification result	1			
<i>*****) duration includes clarifications and submission of documents for site visit</i>					
<i>*****) the deadline for transmission of the MA observer report on site visit is 2 days from the site visit</i>					
Total duration, including the approval of the site visit report - minimum		125	26	52	



IB/MA	Stage		Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
Total duration, including the approval of the site visit report - maximum			538	51	112	
IB						
IB	Notification on the result of verification of the site visit report		5	0	0	
Total duration, including the notification of the applicant on the result of the site visit -minimum			130	26	52	
duration, including the notification of the applicant on the result of the site visit -minimum-maximum			543	51	112	
IB/MA	Stage		Duration (working days)			
CONTRACTING						
IB						
IB	Elaboration of the financing contract and transmission to the MA, including internal procedure at IB level on contract check			10	10	It is necessary to ensure the quality of the contract documents. 10 days are considered to be a reasonable timeline for this step.
MA ROP						
MA ROP	Registration and distribution of the financing contract		1	1	1	
First check manager for priority axis	Verification of the contract documentation, including the request for clarification		3	0	3	For a level 1 application, a verification of the contract documents at the MA level will not be performed. These applications will be submitted to the internal process in accordance with the MRDPA rules.
Second check manager for priority axis	Verification of the contract documentation, including the request for clarification		3	0	3	



IB/MA	Stage	Current duration of process (work days)	Duration for level 1 projects and level 2 not included in MA sample *)	Duration for level 2 in MA sample and level 3 applications	Justification
MA ROP	Advise and approval of clarification letter	2	0	2	
IB	response to clarification	3	0	3	
IB/ applicant	Suspension of the process for maximum 2 months	43	0	43	
First check manager for priority axis	Verification of the response	3	0	3	
Second check manager for priority axis	Verification of the response	3	0	3	
MDRAP	advise of the contract including budgetary commitment elaboration	16	16	16	
Main credit release authority	Signature of financing contract	3	3	3	
MA ROP	Transmission of the contract to the IB in order to be sign	1	1	1	
IB, applicant, MA observer	Signature of the contract and transmission to the MA	10	5	5	5 days are considered reasonable for signature of the contract by IB and the applicant
<b>Total duration, including the signature of the contract - minimum</b>		<b>167</b>	<b>62</b>	<b>94</b>	
<b>Total duration, including the signature of the contract - maximum</b>		<b>635</b>	<b>87</b>	<b>208</b>	

Note: In case there is a challenge to the decision and the challenge is accepted, the process can be longer by 30 calendar days (21/22 work days)

\*\*\* Applies only for KIA 5.2, call no. 3 for Center and SW regions

\*) For level-2 projects that are not included in the MA sample, the estimated duration at the IB level is the same as for the ones included in the MA sample.