

THE MAIN DEFICIENCIES IN THE IMPLEMENTATION OF THE SECTORAL OPERATIONAL PROGRAMME HUMAN RESOURCES DEVELOPMENT

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Abstract: *The absorption of EU funds for Romania is a necessity in the nowadays context. The slow pace of absorption of these structural funds earmarked for Romania as EU member state is a deficiency with negative effects on the economic and social development of our country. Their low absorption shows deficiencies in their coordination and implementation at central level and also at the level of beneficiaries. Their coordinative authorities, in particular the Managing Authority of Structural Instruments, together with its subordinated institutions presents deficiencies in their coordination and implementation as having negative effects on their absorption. The main weaknesses identified on national level mainly consist in the lack of specialized personnel, in excessive bureaucracy and a mismatch of national legislation with the European one. The lack of transparency and change is specific to these structural funds, representing deficiencies that lead to beneficiaries' discouragement to implement projects financed from structural funds. In the Sectoral Operational Programme, the Human Resources Development Program is a leader in the rate of absorption but it also has the largest number of problems and deficiencies in implementation. Due to the deficiencies identified by the auditing European Commission of the Sectoral Operational Programme Human Resources Development, payments were suspended for a period of four months. Following this situation, it was necessary to implement the necessary corrective measures at the level of POSDRU, leading to its release. Taking action and removing the deficiencies at the POSDRU level, and also at the level of other operational programs, it is a necessity and a priority to increase the absorption of these funds. The main measures that need to be taken mainly consist of training the personnel involved in the management of these funds, reimbursements release funds to the final beneficiaries, creating a more transparent system of evaluation of proposals and a better correlation of national legislation with the European one. The challenge is to implement measures identified and increase the absorption of structural funds until the end of their deployment.*

Keywords: *absorption of structural and cohesion funds, deficiencies in the implementation of structural and cohesion funds, measures to improve the management of structural instruments.*

JEL classification: *R11, R58*

Introduction

Romania currently receives grants allocated by the European Union through the Structural Instruments, namely the Structural and Cohesion Funds.

Although the present economic situation in Romania is poor, being in a continuous economic crisis and these funds represent an opportunity for growth and survival

and survival for the organizations regardless of their form and type, the absorption level of these grants is quite a low one, of 13.05% at 31 March 2013.

The low level of absorption of these funds indicates their ineffective implementation at the national level. This implementation is inefficient due to the lack of experience of Romania in their implementation which causes problems in their implementation both at the national level and at the level of final beneficiaries.

The identification of key issues and adoption of measures for their removal is an essential condition for attracting these grants with positive effects on the national economy.

Given the fact that nowadays we are at the end of the implementation of these structural and cohesion funds, the overall rate of absorption is very low, we were supposed to have had the absorption rate around 60% interim payments from the European Union.

In order to determine the main issues that led to this low absorption rate, an overall and specific analysis is required for each program. Because the Sectoral Operational Programme Human Resources Development is one of the programs with an average absorption rate, an analysis identified the main difficulties in implementing this program at the macro - management authority level, which cause deficiencies and at micro level - final beneficiaries, is appropriate and necessary. According to the "State absorption of Structural and Cohesion Funds, on 31 March 2013, Operational Programme ", POSDRU has a 37.10% share of domestic payments to beneficiaries and 13.08% interim payments from the European Union to Romania from the initial allocated budget.

Content

In order to determine the main weaknesses which led to such a low absorption rate, allocated grants by the POSDRU, an analysis is required at the level of direct beneficiaries of these projects and reports on their implementation and co-ordination is issued by the competent authorities at the EU.

The low degree of absorption is the main indicator that signals the existence of problems in the implementation of grant programs. The degree of absorption is determined by the capacity of absorption on both macro and micro level. The absorption capacity is given by the authority of a member state to spend financial resources from the structural funds in an effective way, targeting three areas:

- Macroeconomic absorption capacity, defined and measured in terms of GDP (limited to 4%);
- Financial absorption capacity, defined as the ability of co-financing programs and projects supported by the EU, to plan and guarantee these contributions in their multi-annual national budget and collect contributions from partners involved in various programs and projects;
- Administrative capacity, which is the ability and competence of central and local authorities to prepare adequate programs and projects in a timely manner, as well as ensuring the coordination with the partners involved, compliance with administrative and reporting requirements, funding and monitoring the implementation of programs and projects and also, avoidance of irregularities.

Given the definition of absorption capacity specified above, we can assume that it is mainly influenced by managerial and administrative capacities of co-financing. The relationship between the absorption capacity of structural funds and regional economic situation is at least a paradoxical practice demonstrating that the most

disadvantaged regions facing the greatest difficulties in absorbing these funds, although the need for financial support for the restructuring of the economy is paramount in these regions. The main explanation for this phenomenon is given by two factors: on the one hand, the difficulties faced by regional authorities due to lack of experience and skill, followed by slow bureaucratic procedures and the nature of EU decision-making procedures in circumstances where sequential programming central and regional level in particular are not quite clear. Thus, issues of absorptive capacity factors depend heavily on EU institutional structures and national markets. To reflect the main deficiencies encountered by beneficiaries of grant projects allocated within the Sectoral Operational Programme it was monitored the implementation of a number of 70 projects under various types of organizations, public institutions of education and higher education, companies as Ltd and Plc, as well as NGOs.

In this approach were performed interviews with project managers and legal representatives of the organizations. The interviews were aimed at highlighting the difficulties they faced in specific stages of project management method. For these specific steps were identified the main weaknesses: identification and project submission, project implementation and their evaluation stage.

Regarding the identification and submission Phase of a POSDRU project, beneficiaries consider this step as a cumbersome and a difficult one. Aspects specified by beneficiaries behind this assertion are held by many changes of the Guide for Applicants - General and Specific Conditions based on the Corrigendum modifying the initial conditions and triggering a restructuring and in some cases abandonment of the project idea. Most common changes in a request for proposals are usually on issues such as delaying the deadline for submission of applications, changing the types of indicators, of eligibility of activities, and even the applicant's eligibility. The best example is the request for proposals for projects 89 and 88, in 2009, when submitting projects were brought forward by extending according to Corrigendum 6 and the project application no. 109 in 2010, when in a press release dated 25.09.2010 (Friday) at 16:00 the call announced the closure on 27.09.2010. All these changes lead to de-motivation potential beneficiaries and low absorption of these grants, denoting a poorly coordinating management of the institutions.

Another negative aspect mentioned by beneficiaries for the accessing process is the evaluation of applications, namely the lack of transparency in AMPOSDRU, and the lengthy process of evaluation of projects, sometimes for over a year until the contract date deposit. A very eloquent situation regarding the lack of transparency in project proposals assessment is the sending of the assessment documents a year and a half after the start of the project with specific modifications of project activities thus jeopardizing the project. Communication with beneficiaries and respect of the principle of transparency in managing and use of public funds imposed by the European Union is violated from the beginning of the process of allocating until the final beneficiaries.

If accessing and contracting these grant projects through the Structural Instruments is a cumbersome process that denotes lack of experience of the staff involved in their programming and evaluation of project applications, which is a percentage of about 20% of the method of Project Management implementation, then the phase of implementing and reporting / evaluation of these projects cannot be a better one. The implementation of projects financed by the Structural Instruments requires rigorous and thorough enforcement of legislation. Thus these types of projects are

subject to national legislation and especially the legislation imposed by the EU in this area. One of the impediments in the implementation of such projects is the lack of legislative reform and regulatory changes especially in the financial and procurement area. An example of legislative amendments in the financial area is considered to be the Order of Eligible Expenditures related to the Sectoral Operational Programme Human Resources Development that was modified in the process of project implementation the last version was published in August 2010. Under this Order, each beneficiary of grant project funded through this program was forced to revise and re-plan the project budget. The emergence of new instructions through the projects with different requirements and new regulations do nothing to hinder the implementation of projects and adverse effects. The most obvious and recent example is the changing of format of HR Activity Report through Instruction 62, which originally required the restoration of retroactive human resources activity reports, i.e. forcing the beneficiaries of projects to substituted documents, but due to the reactions of the beneficiaries, this instruction has been revised. Retroactivity principle of law, especially the administrative nature of the documents, that is the instructions in this programme, is violated by the Management Authority that has issued an Instruction that applies retroactively. This instruction was applied by the Management Authority and caused significant ineligible costs for the final beneficiaries of projects financed by POSDRU. Therefore, the main problem faced by beneficiaries in this stage is not failing of project activities, but coping with the changes imposed by the Management Authority and to predict the occurrence of possible administrative regulations of the program due to national legislation instability.

Excessive bureaucracy imposed by the Management Authorities, constantly issuing of administrative normative documents with administrative character, determines the beneficiaries to depart from the actual implementation of their project objectives and focus especially on the administrative side of it, in order to recover costs for carrying forward the project.

Another barrier in the implementation of projects financed by POSDRU is to ensure financial liquidity to implement projects due to delays in the payment of pre-financing and reimbursement requests on projects. Thus for some projects, beneficiaries had to wait up to 6 months to start the pre-financing payment for project activities and in some cases a period of one year until the transfer of the amount of the refund request, although the contract stipulates funding for a period of up to 45 days. These delays in the payment of pre-financing and reimbursement requests lead to the dissolution of the financing contract due to the inability of beneficiaries to advance the amounts of money for the activities covered in the applications. The dissolution of contracts of funding has an effect on the absorption of structural funds.

In many cases the beneficiaries of these projects, as due to delays in payment of claims for reimbursement, reached to the case of them being unable to conduct project activities and even basic activities of beneficiaries due to lack of liquidity and the allotment of own revenues in POSDRU project implementation without it being recovered in due time estimated by the beneficiaries. Based on an analysis of annual accounts of the beneficiaries monitored, it could be seen that these balances for 2010, 2011 and 2012 were in the red, the main reason being that of leading amounts in implementation of POSDRU projects, and their impossibility of being taken back from the Management Authority. Some beneficiaries of these projects went for bank loans for the implementation of POSDRU projects, to which are

charged and paid interest, at the very best, many beneficiaries being in the impossibility of paying the financial loan payment. Small size beneficiaries are in even in bankruptcy.

The evaluation - reporting phase of projects at the level of beneficiaries and their transmission to the bodies facilitated to assess, represents a difficult step due to their failure in assessment. Whatever the type of beneficiary and the type of reporting, either final or intermediary, this process is one of the poorest and most problematic. The main failure of this stage encountered by final beneficiaries is the volume of documents submitted and the changes imposed by the standard document Management Authority.

Therefore, the problems identified at the level of beneficiaries are mainly caused by the Managing Authority of the program. These problems are mainly caused by lack of experience in implementing these programmes and the inability of forecasting and planning of programmes according to the method of project management.

Even the EU, after an audit, identified many legal issues improperly implemented and many unapplied principles applicable to these grants resulted in blocking these programme regarding payments by the European Commission to Romania for 6 months in 2012.

The main problems identified by the EU representatives in implementation Reports, Priority Action Plan and the Report of the Audit Commission were mainly regarding delays in the launch stages required for proposals and terms of submitting too short, lack of transparency in formulating guidelines and guides applicant unclear, too much time in evaluation, submission and evaluation of reimbursement claims, deficiencies in respect to specific enforcement of the law, as well as projects control and monitoring. The most important and most significant part is, I think, that caused the previous problems and observed by the staff of the EU Commission is the staff training in these bodies and its deficiency in this structure.

Problems identified among beneficiaries of POSDRU projects by their monitoring in these projects are the exact identified issues by representatives of the European Union.

Previous deficiencies are largely caused by the institutional system also. Constant changes in the institutional system due to constant changes of these leaders have caused imbalances and slowing the implementation of POSDRU. Adopting a model of institutional organization practiced by countries with experience in implementing this type of program was necessary.

The implementation of POSDRU projects created the need for organizational structures to change the beneficiaries in order to achieve an efficient and effective implementation. The beneficiaries of significant size were established specific departments to manage and monitor the implementation of these projects and reducing the risk of irregularities, while providing support to project managers regarding their main difficulties that had to face in implementing these projects.

The lack of experience in Projects Management in Romania in institutions is a weak negative effect. This lack of experience and knowledge of project management principles can be seen on the staff involved in the coordination, implementation and monitoring of grant financing instruments.

Poor planning of the Structural Funds has negative effects, continuous re-planning and continuous changes lead to an inefficient control. Most of the problems identified in accessing, monitoring, control and reporting related to project planning. Legislative and political changes in the country have negative effects, political

changes and replacing leaders of the Management Authorities, Intermediate bodies, and lead to changes in the implementation of projects that are not good for the beneficiaries of such projects among them creating the confusion..

In conclusion

In order to improve project implementation as the main beneficiaries may be adopted and whose effects are immediate and consist of monitoring visits on the spot and making recommendations based on achieving a correlation between all project specific documents.

To avoid irregularities in the following requests for proposals and consider their implementation efficiency necessary for the Management Authority of the programme, to make training sessions for project managers within the beneficiary institutions. Providing beneficiaries with information packages and information on final instructions applicable to this program is the essential condition.

An effective measure to streamline the process of evaluating applications for reimbursement and the creation of a more effective control of ongoing projects is the assignation of a monitor and evaluator for a project from its inception to its end. The number of projects a person can achieve to be made according to that person's competences, skills and ability. Implementation of this measure found to be absolutely necessary because it would avoid the existing times now due to constant changes in reimbursement claims assessors for a single project. The advantages of this measure are that the project is much better known by the monitors, the answers given by these beneficiaries are more grounded and clear, there is a better correlation between the indicators and results achieved target group expenses. By adopting this measure, I consider that the time of evaluation of requests for reimbursement and their payments would be significantly reduced thus removing major failures by the lack of liquidity for the project to the beneficiaries.

Failures shown represent the most significant aspects which decrease the level absorption. In addition to these disturbances there are external factors affecting the implementation of these programs and attracting grants from the European Union under the Operational Programme Human Resources Development.

Therefore, Romania's inability to adapt to EU requirements, the proper organization of a project grants implementation, especially regarding the Human Resources Development Operational Programme, by establishing clear, simple rules, and in line with the EU's, lead to the de-motivation of beneficiaries to access such projects, in some cases even lead to bankruptcy of beneficiaries of such projects.

A correlation of the legal system, its strict application and specialization of human resources within the Management Authority of POSDRU, is a strict and essential condition to use the opportunity of economic development of our country by financial support allocated by the European Union.

The need for an appropriate project management is revealed from all the issues raised in view of the economic and social development of the opportunities offered by the European Union.

Identification of examples of good practice in accessing and implementing Structural Instruments from other European Union countries is an opportunity to increase the absorption of Structural Instruments.

The effectiveness and efficiency of this programme can be captured only by the making of a study on the correlation between the effects post-implementation and the implementation of this program at the macroeconomic level.

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