

## MEANS OF IMPROVING THE PUBLIC MANAGEMENT OF THE EU STRUCTURAL AND INVESTMENT FUNDS

**Ștefan-Florin CORCODEL**

*Bucharest University of Economic Studies*

*6 Piața Romană, Bucharest, RO*

*stefan.florin.corcodel@gmail.com*

**Abstract.** *The current research paper aims to highlight a series of measures proposed by the author, measures that will contribute to the development of an effective and efficient mechanism dedicated to using European structural and investment funds, in the field of human resource development measures and strategic actions. The most significant problems in using EU funds in Romania, since the adherence to this structure in 2007, have been met within the programs that are dedicated to the development of the human resources, namely within the Sectorial Operational Program Human Resource Development 2007-2013 (SOP HRD) and the Operational Program Human Capital 2014-2020 (OP HC). Both programs aim to develop the abilities and competencies of Romanian human resources through professional training and associated support services, entrepreneurial training, financial support for the development of start-ups, internships for students, doctoral scholarships and other similar activities. The current paper looked to identify the major weaknesses of how both programs are implemented, from the perspective of actual beneficiaries, and to elaborate a series of practical measures that will contribute to a more efficient management of these funds from the public institutions that are responsible. The analysis will refer to all of the relevant processes associated with the relationship within the Management Authority of the programs and the organizations that act as beneficiaries. The research is based on the results gathered through the questionnaire method, applied to a relevant sample of experts that have worked on human resource development projects.*

**Keywords:** *cohesion policy; European funds; program management; public management; public institutions.*

### Introduction

The research presented within this article aims to highlight the perspective of beneficiaries that were involved in human resource development projects on the public management system of these projects. The reasoning behind this analysis resides in the ability to present a series of improvement measures in the parts of the management system that have presented the most significant weaknesses.

The relatively low rate of absorption in the 2007-2013 programming period is possibly the best indicator one can evaluate in order to assess how the management system of European funds functioned over the nine years in which projects could be implemented (2007-2015). By the 31<sup>st</sup> of March 2017, Romanian authorities have sent statements for payments to the European Commission for only 89.08% of the total budget that was allocated for Romania in the programming period, on different programs (Romanian Government, Ministry of Regional Development, Public

Administration and European Funds, 2017). This level is the maximum effective absorption rate that can be achieved due to the fact that no payment statements could be sent to the European Commission after that date. For the Sectorial Operational Program Human Resource Development 2007-2013 (SOP HRD), the absorption rate stands at 90.81%. By comparison, according to the website of the European Commission (2017, I), the EU-28 average for the absorption rate associated with the European Social Fund (the fund out of which SOP HRD and OP HC are financed) is 94.57%, with most EU member states having an absorption rate of over 95% since the end of 2016. In terms of overall absorption (regardless of the general financing fund) the EU-28 average stands at 94.45%, while Greece is the only EU member state that has a full absorption over the 2007-2013 period. These differences have frequently attracted critics from different stakeholders, from the general media and from multiple European institutions involved in this system.

Out of all of the stakeholders involved in this system, we have decided to analyze the perspectives of experts that have actually been involved in drafting a project proposal and implementing a project with financing from the two human resources development programs - Sectorial Operational Program Human Resource Development 2007-2013 (SOP HRD) and the Operational Program Human Capital 2014-2020 (OP HC). Their role within the programs is clearly decisive and, thus, their feedback and perspective on the subject at hand are invaluable for elaborating improvement measures and increasing the absorption rate for these programs.

### **Current state of knowledge**

The Romanian experience in terms of European non-refundable funds began before the actual adherence to the European Union and implied the usage of multiple pre-adhesion funds (PHARE, SAPARD, and ISPA), with significant results in terms of the absorption rate. After the official adherence to the EU, on the 1<sup>st</sup> of January 2007, Romania would benefit from approximately 19 billion Euro in the 2007-2013 programming period that effectively ended in 2015 (Romanian Government, Ministry of Regional Development, Public Administration and European Funds, 2017). This sum was associated directly with the major European funds - the Cohesion Fund, the European Social Fund and the European Regional Development Funds.

The financial aid was implemented through seven major operational programs, the most significant programs in terms of EU funds allocation being: Sectorial Operational Program for Environment (4.4 billion Euro), Sectorial Operational Program for Transport (4.2 billion Euro), the Regional Operational Program (3.9 billion Euro) and the Sectorial Operational Program Human Resource Development (with an initial allocation of 3.4 billion Euro, lowered in 2015 to 3.2 billion Euro). The final payment statements for all seven operational programs were sent to the European Commission at the end of March 2017 with only three programs having declared payments of 100.00% of their allocation. Only one of these programs had an allocation of over one billion Euro - the Sectorial Operational Program for Increasing Economic Competitiveness.

The final effective absorption rate for the 2007-2013 period will be determined after the end of administrative and technical evaluation for each payment statement

currently under evaluation at the European Commission. Thus, the final effective absorption rate will increase from the current confirmed level for this rate of 79.23% to an estimated level of 88-89% for all programs.

The focus of this research paper, the Sectorial Operational Program Human Resource Development 2007-2013, can be characterized by the most significant increase of the absorption rates (current and effective) in the final period of the programming period. At the end of 2015, this program had an effective rate of absorption of only 49.26%, while the average value for all programs stood at 58.86%. By the end of 2016, the Human Resource Development program reached an effective absorption rate of 73.37%, while the average value for all programs was of almost 80%. After the final payment statements were sent to the European Commission, as mentioned before, the program overpassed the most important program in terms of allocation (Environment and Transport) and reached a declared rate of 90.81%, pending the evaluation process from the European institutions responsible for these actions.

In the period between 2014 and 2020, even though the performance registered in the previous period was considered relatively low, the budget allocation is significantly higher, rising to over 30 billion Euro (Romanian Government, Ministry of European Funds, 2014, I), excluding the national contribution, ranking Romania in the first quartile among European states from this perspective (European Commission, 2017, II).

The allocation for the 2014-2020 period from the European Social Fund reaches a level of 4.6 billion Euro with the Human Capital Operational Program 2014-2020 receiving most of the allocation. This program has a total allocation (from the European Social Fund and from complementary European Funds) of 4.326 billion Euro (Romanian Government, Ministry of European Funds, 2014, II).

In terms of previous research in this field of study, one study (Zai, 2015) highlights the fact that a special attention needs to be given to resolving fundamental problems regarding the modernization and development of the system. In this respect, the author states that the acceleration of the public administration reform process is essential. This reform can be carried out by creating a core of competent, specialized and politically independent civil servants, as opposed to the current defective system operating in Romania, a system which is largely a result of corruption, nepotism and/or political involvement. In addition to this, the cited research states that all decision-making factors must be aware that both programming periods (2007-2013 and 2014-2020) can achieve significant performances only by setting the foundations of an effective management system, by adopting measures for simplifying the accessing and management process.

Another study on the barriers in terms of accessing EU Funds in Romania (Corcodel et al., 2016) highlighted a series of relevant conclusions. Bureaucracy and the lack of stability in terms of regulations have had over the 2012-2016 period an alarming rise in terms of their importance and were the most significant barrier seen by Romanian entrepreneurs in accessing EU funds. Another interesting conclusion of the cited study saw the confirmation of a significant decrease of interest in accessing EU funds over the period of analysis (2012-2016), as an aggregate indicator of the state of the EU Funds system in Romania. However, this study does not focus on human capital

development programs – thus, the results cannot be considered as valid for these programs and research must be continued.

One reason for the lower level of interest in accessing this type of financing scheme might reside in the low level of information available to the general public in regards to these financing opportunities, as highlighted in the 2016 White Charter of Romanian SMEs (National Council of Small and Medium Sized Private Enterprises from Romania, 2016) – a main obstacle for beneficiaries is the low level of information publically available about these financing opportunities, as 44.25% of questioned entrepreneurs highlighted this obstacle.

Finally, the second intermediary evaluation of the Sectorial Operational Program Human Resource Development 2007-2013 (Archidata, 2014) presented a series of decisive issues that influenced the implementation of the program and the associated measures for overpassing them. The decisive issues highlighted in this evaluation were: assuring a proper structure of the human resources within the managing authority and the intermediary organizations that are involved in managing and controlling project, both through their active structures and by using external experts; carrying out an analysis, with aid from the Audit Authority, on the regulations related to the implementation of the program; setting up a proper methodology for reporting program indicators; implementing a continuous submission system for project proposals, alongside fixed-term calls for projects (based on identified needs).

All of the highlighted issues within this chapter represent the base for this research paper, as there is a clear need for measures to improve the public management system of EU Funds in the field of human resource development. All of the proposed measures will be defined by taking into account the perspective of experts that were involved in drafting project proposals and implementing the successful ones within human resource development programs in Romania.

### **Research methodology**

The scope of this research was to illustrate the main perspectives and opinions of Romanian beneficiaries in regards to the management system associated with the two human capital development programs from the 2007-2013 and 2014-2020 programming periods. The end result of the research is related to proposing a series of improvement measures to be implemented by public institutions in Romania in order to increase the effectiveness of funds used to develop the human resource and the general absorption rate for this type of program.

The research, as mentioned before, analyzed the most significant processes related to the project that was and can be financed by the described programs. Thus, for each area of analysis, we have set a research hypothesis, as presented in the following paragraph.

The first hypothesis refers to the evaluation process of project proposals submitted within the two human capital development programs: we suppose that, even though the duration of the evaluation process is lengthy, its quality is appreciated as being over the average by beneficiaries that have been involved in such projects. The second

hypothesis of the research refers to the implementation phase of the selected projects: the changes made by public authorities in terms of regulations have had a negative effect on the implementation phase, due to a lack of proper prior public consultation of the beneficiaries. The third hypothesis refers to a certain extent to all processes related to projects financed from the two ESF programs: beneficiaries have had a better relationship with intermediary organizations than with the management authority of the program they have obtained financing from. The fourth and final hypothesis of the research looks into the most negative element related to the analyzed projects: we suppose the fact that beneficiaries consider the high volume of work related to reporting activities to be the most negative element associated with projects dedicated to human capital development in Romania.

The methodology of the research involved a primary research, based on the questionnaire technique, disseminated electronically to the experts that have worked on human resource development projects, in the first months of 2017 (January – May 2017). The questionnaire contains 25 questions out of which only a part was used in the current research – the questionnaire is available at <http://bit.ly/2sCQyGn>. The sample for this research was formed out of 184 experts, with a heterogonous distribution in terms of certain characteristics (age, education, work experience, type of institution represented, number of projects in which they were involved, average budget of the projects). These experts were contacted within the professional network of the author of the paper – the response rate is over 90%, a value that is justified by the approach used for including the sample in the research (direct contact).

The total number of experts that have worked on projects of this type has not been officially confirmed by the Romanian Government – thus, the research population and sample cannot be correctly determined. However, an estimation can be realized by analyzing the number of financing agreements signed within the two programs.

For the Sectorial Operational Program Human Resource Development 2007-2013, according to the final implementation report (Romanian Government, Romanian Government, Ministry of Regional Development, Public Administration and European Funds, 2017, II), within 195 project calls, the management authority signed 4.102 financing agreements with public and private beneficiaries, out of which 307 agreements were terminated within the implementation phase. Based on the fact that a person could have worked within multiple projects over the 9-year period of this programs' implementation we can estimate the fact that the total number of experts that have worked in the management or implementation teams is situated between 25 and 30 thousand. In terms of the 2014-2020 period program, by the end of May 2017, no relevant financing agreements were signed with a public or private organization, with the exception of a small number of technical assistance projects. Public data about these financing agreements were not available in due to time to be included in this research. Thus, taking into account the sample involved in the research and the estimated research population, the research has a significant relevance for the areas it analyses.

## Research results

The first hypothesis of the current research refers to the evaluation process of project proposals submitted to the two human capital development programs. We supposed that, even though the duration of the evaluation process is lengthy, its quality is appreciated as being over the average by beneficiaries that have been involved in such projects. The collected results highlight the fact that no questioned expert considered the duration of the evaluation to be very short, only 3.3% considered it to be short and 12% appreciated the duration as being only decent. 54.3% of the answers highlighted a long duration of the evaluation process, from the perspective of the beneficiaries, while 30.4% stated that the evaluation process had a very long duration, confirming the first part of the hypothesis.

In terms of the quality of the evaluation process, the gathered results highlight the fact that no expert considered this characteristic to be at a very high level. Exactly 25% of responders stated that the quality of evaluation was high, 50% considered it to be of a decent level, 18.5% appreciated the quality of evaluation to be reduced. Finally, only 6.5% of the questioned experts considered the quality of the process to be very low. Taking into account the average evaluation of this characteristic, the first hypothesis is infirmed – the quality of the evaluation process of project proposals within the human resource development programs is below the average on the used scale.

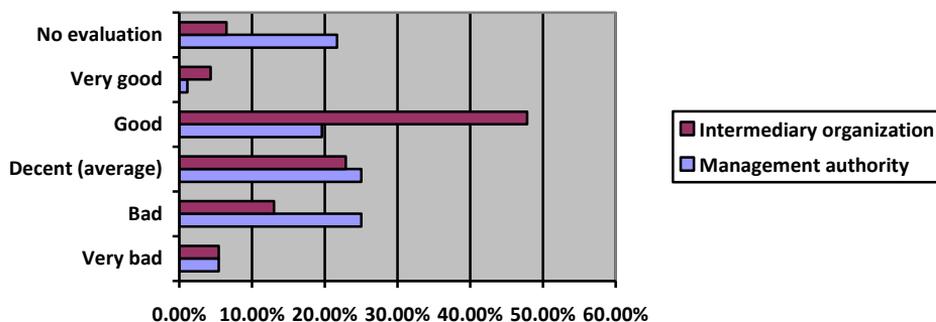
The second hypothesis of the current research refers to the implementation phase of the selected projects. We supposed that the impact of changes made by public authorities in terms of regulations has had a negative effect on the implementation phase, due to a lack of proper prior public consultation of the beneficiaries. Gathered results highlight the following: no expert considered that changes made by public authorities as very good or useful for the efficiency of the implementation process, 26.1% considered these changes to be good (positive), 29.3% considered that the changes did not have any effects, 35.9% stated that these changes had a negative effect on their projects, while 8.7% declared that changes made by public authorities have had a very negative effect on the activities carried out within EU-funded projects. Thus, the overall impact of the framework changes made by public institutions can be appreciated as a negative one – the hypothesis is confirmed.

The third hypothesis refers to a certain extent to all processes related to projects financed from the two ESF programs and is related to the public institutions that have the most significant impact on projects financed from these programs. We supposed that beneficiaries have had a better relationship with intermediary organizations than with the management authority of the program they have obtained financing from, as intermediary organizations were more close to the needs and activities of beneficiaries and their own activity was, sometimes, negatively influenced by decisions taken by the managing authority.

In terms of the relationship within intermediary organizations, the following results were obtained: 4.3% of experts stated that the relationship with IOs was very good; 47.8% of experts stated that the relationship with IOs was good; 22.9% of experts stated that the relationship with IOs was decent (of an average quality); 13% of experts stated that the relationship with IOs was bad; 5.4% of experts stated that the

relationship with IOs was very bad; 6.5% of experts could not evaluate this relationship.

In terms of the relationship between the management authority, the following results were obtained: 1.1% of experts stated that the relationship with this authority was very good; 19.6% of experts stated that the relationship with this authority was good; 25% of experts stated that the relationship with this authority was decent; 25% of experts stated that the relationship with this authority was bad; 5.4% of experts stated that the relationship with this authority was very bad; 21.7% of experts could not evaluate this relationship.

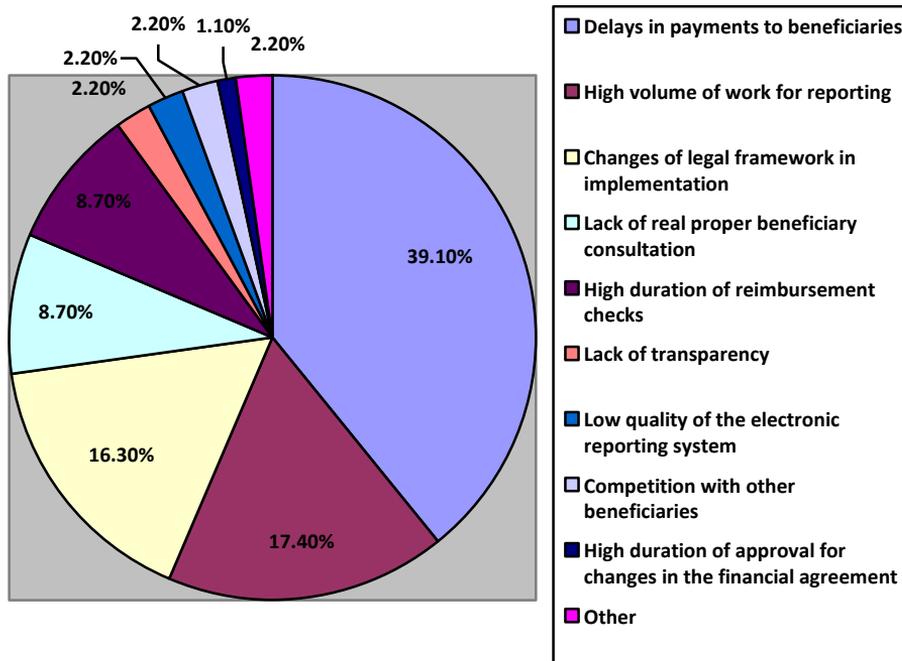


**Figure 1. Quality of the relationship between beneficiaries and the public institutions involved in managing EU-funded projects, from the perspective of the beneficiaries (author's research)**

Thus, the third hypothesis is confirmed – the relationship of beneficiaries with the intermediary organizations that directly managed and verified their project activity was better than the one with the management authority, on average, within the research sample. If a quantitative scale of 1-to-5 is associated with the used qualitative scale (1 with a very bad evaluation of the institution, 5 with a very good evaluation), the weighted average for intermediary organizations stands at 3.13, while for the management authority it stands at only 2.14. The difference is, from my perspective, a significant and alarming one.

This confirms a state that I have personally met within the implementation phase of projects in which I, as an expert, was involved. Decisions of the managing authority have had a significant impact on the work processes within intermediary organizations and, on certain occasions, these decisions were not properly understood by intermediary organizations. Needless to say, this occurrence has also had a profound negative effect on the project beneficiaries and their stakeholders.

The fourth and final hypothesis of the research looked into the most negative element related to the analyzed projects - we supposed that beneficiaries considered the high volume of work related to reporting activities within their projects to be the most negative aspect associated with their activities. The results gathered on this issue are the ones presented in the figure below.



*Figure 2. Negative aspects (author's research)*

The final hypothesis is only partially confirmed as the high volume of work related to preparing reporting documents was selected as the second-most frequent option (by 17.4% of questioned experts). The most important negative aspect related to this type of projects, according to the perspective of beneficiaries, is the fact that the managing authority has had significant delays in the payments it was and is obliged to do in favor of the project beneficiaries.

## Conclusions and recommendations

The current research paper highlighted a series of weaknesses related to the activity of public authorities that are responsible for implementing human capital development programs funded through EU Funds in Romania.

The first weakness highlighted is related to the evaluation process of project proposals – research results showed that the duration of this process is very long and the quality of the evaluation results is considered to be under the average. A solution to this problem can be the usage of external assistance just for the evaluation process, through the technical assistance axis that each operational program currently includes.

A disadvantage of this method resides in the relatively long process needed in order to sign the contracts for these external services, as the Romanian public procurement laws have significant flaws and the implementation of contracts is usually delayed by appeals to the initial decisions. Another solution would be to use more internal resources for evaluation, but a balance must be assured as this staff will not be able to evaluate the same projects in their implementation phase.

The second element confirmed by the current research is the fact that changes made within the implementation of the program have had a generally negative effect on the efficiency and effectiveness of financed projects. The lack of proper public consultation is the main cause for this situation and, thus, the solution for this weakness is relatively simple – the managing authority should correctly consult all stakeholders involved in the program they manage, including actual and potential beneficiaries. By applying this, potential changes to technical or financial aspects related to program implementation would be better adapted to the needs of the beneficiaries and their motivation in proposing and implementing projects would be higher.

The difference between the qualities of the relationships with the most important public authorities involved in implementing ESF-funded has been determined to be significant, in favor of the intermediary organizations. Even though this difference is significant, the overall level of appreciation from beneficiaries for both types of institutions is relatively low and must be improved by better services – the most important actions should target a higher level of support in terms of technical and financial implementation and a faster and better evaluation of project proposals and of reimbursement requests from beneficiaries.

The research carried out in order to evaluate the fourth hypothesis highlighted the fact that the most important negative influence on project implementation is associated with the delays in payments from the management authority to beneficiaries. Two interconnected measures can be taken in order to improve the speed of payments within the 2014-2020 period program: financial resources must be permanently assured (the first), by using professional planning tools for payments (the second measure). The most facile way of assuring financial resources is by taking our loans from the State Treasury and returning these sums when reimbursements from the European Commission are made.

The perspectives in terms of continuing this line of research are related to evaluating other processes associated with implementing the ESF-funded project in Romania. Some interesting areas of research are related to evaluating the sustainability of these projects and other ex-post actions.

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