

A COMPARATIVE ANALYSIS OF THE CRITERIA FOR EVALUATING PROJECTS FUNDED FROM STRUCTURAL FUNDS FROM A RISK MANAGEMENT PERSPECTIVE

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Abstract

The evaluation of projects with non-reimbursable financing is an essential process for the efficiency of funds' use, regardless of the donor. Moreover, in the context of European Union funds management and the multitude of development needs to be covered, Romania needed to establish the most efficient evaluation systems and criteria, the application of which leads to the selection of projects with better economic and social impact.

This article outlines the results of a research approach that compared, from the perspective of the degree of subjectivity and their relevance to the selection of projects, the assessment criteria set by the managing authorities for several relevant programs funded from Structural Funds 2007-2013 and 2014-2020.

The research results allow answers to be defined to an important question for authorities and institutions that manage grants in Romania: *Is there a link between how to approach the project evaluation process and the manifestation of risks specific to the evaluation process?* Also, the results of the research allow a more detailed analysis of how an unitary risk management methodology for all non-reimbursable grants managed in Romania could be applied to the risks specific for the project evaluation process.

Keywords: risk, risk management, grants, projects, project evaluation

JEL classification: G32, H83

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Introduction

With more than 5 years passed from the start of the 2014-2020 funding period, Romania is still among the last EU member states in terms of absorption of the available funding, as shown in Figure 1 below.

According to the official data published on the website of the Ministry of European Funds on 1st of March 2019, Romania registered a 27.72% of amounts received from the European Commission from the Structural Funds and European Investment Funds (FESA), out of a total available of about 30.8 billion Euro. Detailed on types of funds, the European Commission transferred 47.84% of rural development funds to Romania, 22.29% of the fisheries funds and only 20.52% of the structural and cohesion funds for the 2014-2020 funding period.

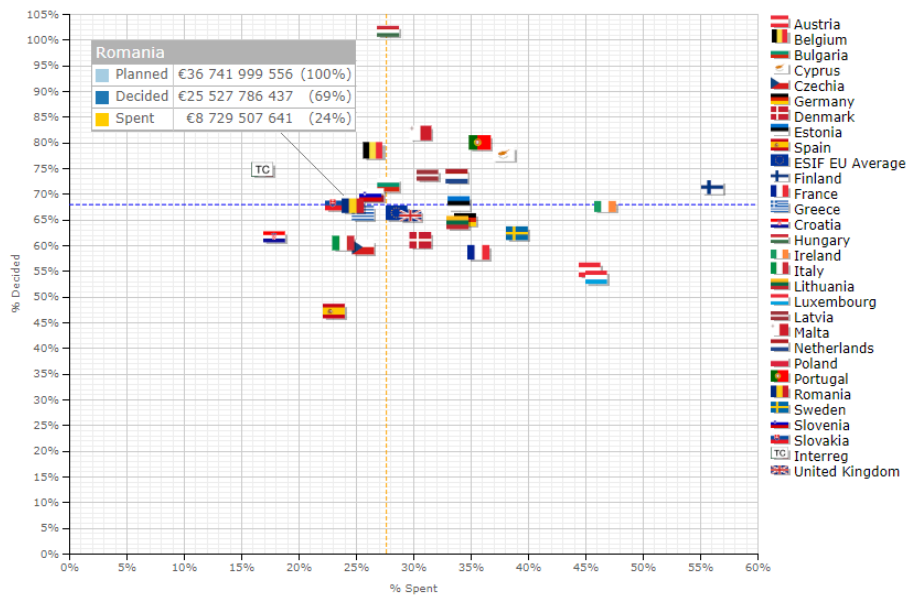


Figure no. 1 – Overview of FESI implementation at the end of 2018

Source: <https://cohesiondata.ec.europa.eu/overview>, April 2019

Of these, the amounts that may be taken into account for calculating the effective absorption rate (reimbursements) were 21,98% for all FESI and only 14,16% for the Structural and Cohesion Funds. The increase is very small compared to 30th of June 2018, when Romania had an effective absorption rate of only 11.81% of the structural and cohesion funds available during the 2014-2020 funding period.

A comparison with Bulgaria, Poland or Hungary, which the Romanian authorities use to conduct parallel analyzes, confirms this reality for the years 2014-2018.

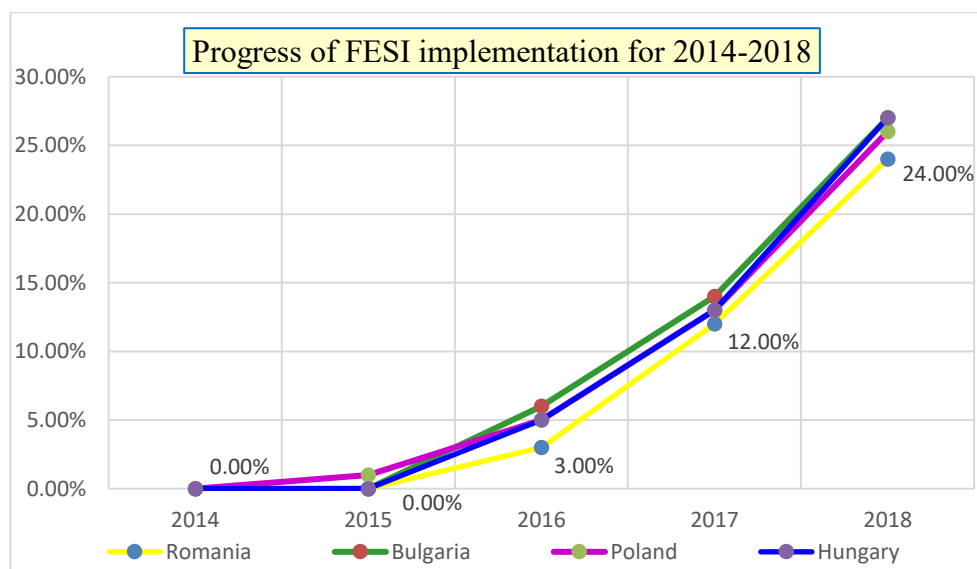


Figure no. 2 – Comparative situation of the use of the Structural and Cohesion Funds in the period 2014-2018

Source: own processing of data available at <https://cohesiondata.ec.europa.eu>, April 2019

As I stated in a previous article (Nicholas, 2018), the bad management of risks, carried out by the Romanian public authorities and institutions, is a major cause of the low absorption rate of funds from the European Union. Qualitative risk analyzes identified by authorities and institutions responsible for managing grants (Nicolae, 2015) highlighted the links of risk management with all phases of the project cycle, defined by the European Commission (Project Cycle Management Guide, 2004). One of the most important phases - the formulation of individual, concrete projects - includes a mandatory step for all EU funding: project evaluation.

This stage has been the subject of an analysis carried out for nearly three years, being one of the important elements of the research conducted by the author during the doctoral studies followed at the Academy of Economic Studies in Bucharest during 2014-2018. The research related to the evaluation of the projects has manifested itself on several levels, starting from the concrete experience of the author in accessing the European and national non-reimbursable funds, respectively granted by other international donors. The research methodology aimed at exploring as many as possible aspects of the project evaluation process, all affecting or being affected by risk management. We have analyzed information available from multiple sources: questionnaires completed by specialists in the field, financing guides, risk registers, various documents obtained through freedom of information law request, literature.

The research had two key premises, namely:

- 1) in a complex system of grants management, the risks are inherent, and their elimination is totally impossible; however, the objective of the responsible authorities and institutions must always be to constantly address risks, in particular by preventing their occurrence;
- 2) the 2007-13 funding period represented a good opportunity for Romanian authorities to actively learn and improve the funding management process for 2014-2020.

This paper is structured in six chapters plus conclusions, the first chapter summarizing the recent literature on the evaluation of projects with non-reimbursable financing. The second chapter presents the results of the application of a questionnaire to which responded professionals that evaluated projects for the funding programs available during the 2007-2013 period, while Chapter Three summarizes an exhaustive check of the project evaluation grids the funding guidelines used during the 2007-2013 and 2014-2020 funding periods.

Chapters four and five make a review of the risks included in the risk registries of the authorities responsible for Structural Funds management for the 2007-2013 and 2014-2020 funding periods, i.e. they present the effects of the specific risk of the evaluation process at program level funding from the Structural and Cohesion Funds 2007-2013. The sixth chapter presents how a unitary risk management methodology for all non-reimbursable grants available in Romania could be applied to the risks specific to the project evaluation process.

The paper ends with the author's conclusions regarding the stage where the project evaluation phase is approached by the authorities and institutions responsible for the management of the grants, respectively with the proposals for improving the evaluation process of the non-reimbursable funds funded projects.

1. Recent scientific literature on the criteria for evaluating non-reimbursable funded projects

It must be emphasized that the scientific literature has not, so far, covered the subject of this article, which is to analyze the project evaluation criteria in terms of correlation with risk management. Also, there are no papers presenting the results of exhaustive analyzes of the evaluation criteria used by Romanian authorities for non-reimbursable funded projects.

The scientific literature analyses various aspects of the project evaluation process, such as assessment methods, the importance of evaluation, or the influence of the evaluation process on project preparation. Papers from the past two years address assessment methods or ways of using them as key to different areas of projects. Thus, some authors (Rouhani, O.M., 2019) are trying to demonstrate that, for transport projects, key valuation methods are financial analysis, cost-benefit analysis, multi-criteria analysis, or risk analysis (Monte Carlo simulation). Other authors (Woolcock, 2019) present a number of considerations for using the mix of evaluation methods for complex projects. They assert that the mix of methods should be carefully used, but that it is particularly important "for discerning the conditions under which 'successful' projects of all kinds might be expanded or adopted elsewhere".

Other works focus on identifying assessment models for cross-border cooperation activities (De Luca, IA, Iofrida N., Strano, A., Gulisano, G., 2018), stating that "evaluation is a necessary tool to measure the success of cooperation and to help actors address their strategies for the future". In this case, the evaluation is in fact the measurement of the results of the projects and not the one covered by this research, i.e. the evaluation for the acceptance or not of projects' financing.

An interesting analysis focuses on how the preparation of projects is influenced by the evaluation process (Boleslavskyy, R., Carlinz, B.I., Cottonx, C.S., 2019). The authors' conclusions are that: an increase in availability of funding tends to diminish the quality of projects, the organizations that prepare them invest less in their preparation; project promoters are trying to find funding where the initial assessments are less rigorous, although donors want to have evaluations that lead to the best possible quality of funded projects; the existence and quality of information available about the evaluation process does not increase the number of high-value projects that are funded.

However, the link between the competition for project funding and the quality of projects only covers a small part of the possible risks in the field of project evaluation, the main issues being raised by the structure and quality of the evaluation criteria. Given that the latter are predominantly subjective, potential applicants for funding are more discouraged from preparing projects than when the competition is high. In fact, the results of evaluations based on predominantly subjective criteria are likely to be interpreted as a vicious competition by those who do not receive funding.

For the present research it was important to first define what "evaluation" is. For reasons of coherence of the approach, the author chose the official definitions of the donors.

Firstly, we consider the correct and relevant definition to be the one of the European Commission (Project Cycle Management Guidelines, 2004), which uses the term "appraisal" to designate the "analysis of a proposed project to determine its merit and acceptability in accordance with established quality criteria". Secondly, the definitions in the funding applicants' guidelines used by public authorities and institutions in Romania for non-reimbursable financing converge to the definition in the European Commission's Guidelines. For example, in the Applicant's Guide - General Terms and Conditions for Accessing Funds for the 2014-2020 Regional Operational Program, it is stated that "the technical and financial evaluation will allow assessment of the degree to which the project meets the objectives of the priority axis / investment priority / operation, the clarity of the proposed methodology, feasibility and financial efficiency, sustainability and sustainability of the project, etc."

Also, in the Methodology for verification, evaluation and selection of projects under the Human Capital Operational Program 2014-2020 it is specified that the technical and financial evaluation process involves the analysis of the project and its marking in terms of some criteria and sub criteria included in the Technical and Financial Assessment Grid. Such an approach is seen in almost all the funding guidelines used for the period 2007-2013 and 2014-2020, although they do not contain definitions of the term "evaluation". Summing up the provisions of all the funding guidelines analyzed, we can conclude that the evaluation process as a whole is carried out in three successive stages: (1) verification of administrative compliance; (2) verification of the eligibility of funding applicants and projects; and (3) technical and financial evaluation of the projects.

It should be noted that this research only focused on the technical and financial evaluation of the projects.

2. Project assessors' perspective on risks specific to the project evaluation process

In the above-mentioned doctoral research, in the year 2016 the author elaborated and applied an online questionnaire, which he invited to complete the professionals who evaluated projects submitted for funding from structural funds, rural development funds and European territorial cooperation funds, for the financial period 2007-2013. The purpose of the questionnaire was to get the opinions of some well-trained people on a number of issues relevant to the technical and financial evaluation stage of the projects.

In total 37 people responded the questionnaire, who rated projects under at least one of the funding schemes outlined in the figure below, which graphically represents the answers to the question "For which of the following funding programs for the 2007-2013 financial period have you rated projects?"

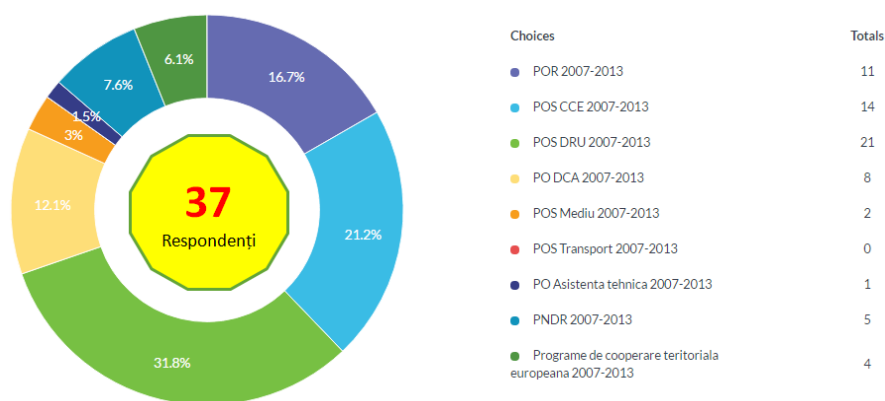


Figure no. 3 – The evaluation experience of the persons who participated in the completion of the project evaluation questionnaire

Source: own research

As shown in the above figure, for three of the 10 listed evaluation programs, at least 25% of all respondents to the questionnaire (minimum 11 persons) evaluated projects: ROP¹, SOPIEC² and SOPHRD³. Therefore, the author has decided that the responses to these

¹ Regional Operational Program 2007-2013

² Sector Operational Program Increase of Economic Competitiveness 2007-2013

³ Sector Operational Program Human Resources Development 2007-2013

funding programs are to be considered valid, with the prerequisites for reaching a sufficiently high degree of relevance.

It is also very important that some people have evaluated projects under two or more funding programs, giving them a better insight into the evaluation process, making comparisons of their experiences.

To the question *"Taking into account your experience as assessor, how do you assess the degree of SUBJECTIVITY⁴ of the evaluation criteria of the following funding programs"*, the assessors considered that the three mentioned programs are subjective in the following proportions:

- 34,00% - ROP 2007-2013;
- 43,13% - SOPIEC 2007-2013;
- 49,57% - SOPHRD 2007-2013.

At another important point of the questionnaire, the evaluators were asked to mark *"Which of the following risks do you consider to be due to the use of SUBJECTIVE CRITERIA in the evaluation grids?"* the assessors' responses, in order of the cumulative probability of the risks, were:

- 70.27% - The risk of selecting projects that are less timely and / or relevant to the company and / or the sponsor's strategy;
- 51.35% - Risk of arbitrary and / or biased selection of projects by evaluators;
- 48.65% - Risk of unintentional selection of poor quality projects by the evaluators;
- 37.84% - The risk of formulating a large number of contestations regarding the evaluation;
- 13.51% - Other risks.

Two respondents (5.42%) checked *"There is no risk. It is good as it is"*. The category "Other risks" proposed by the respondents included:

- The risk of selecting a project with undefined deliverables;
- The risk of delaying the evaluation process due to the initiation of the consultation procedure between the assessors and especially due to the third assessor's entry into the evaluation process;
- The risk of non-fulfilment the specific indicators at the level of the Operational Programs, on certain Priority Axes and some Major Areas of Intervention;
- The risk that the Member State of Romania will lose money that it would otherwise have used;
- The risk that a re-evaluation of a grant application following a challenge, this is selected for financing.

An opinion in favour of the subjective criteria was also recorded, namely: "The use of non-subjective criteria (mechanical evaluation) has the risk of selecting seemingly qualitative but not implementable projects; there are situations in which the subjective criteria stimulates less qualitative projects (especially for major projects)".

⁴ See explanations related to subjective criteria vs. the objective criteria in Figure no. 4, below.

3. The subjectivity degree of the evaluation grids for projects specific for the financing periods 2007-2013 and 2014-2020

Starting from the results of the questionnaire presented above, for 3 of the 10 funding programs - ROP, SOPIEC and SOPHRD - an analysis of the evaluation grids used for calls for projects from the 2007-2013 financing period was carried out. This was also extended to the 2014-2020 funding period for ROP⁵, COP⁶ and HCOP⁷ programs, which are largely equivalent to ROP, SOPIEC and SOPHRD from the previous period.

It should be underlined that these programs are those in which most of the projects were funded and that most of the competitors from the programs financed by the structural and cohesion funds in Romania were registered in both mentioned financing periods. The assumption from which the analysis started was that project evaluation grids submitted for funding during the 2007-2013 and 2014-2020 periods are predominantly subjective and this fact determines specific risks related to the opportunity and effectiveness of non-reimbursable funding.

For the clarity of the approach, a distinction was made between the terms "subjective criterion" and "objective criterion", which is graphically represented in figure no. 4, below.

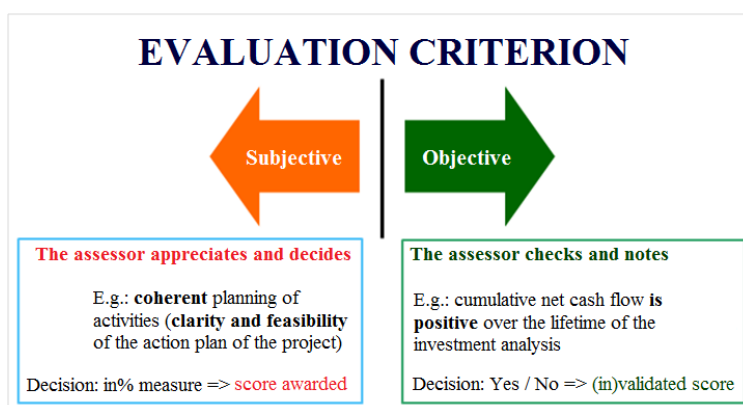


Figure no. 4 – Differentiation between the "subjective" criterion and the "objective" assessment criterion

Source: own research

The analysis therefore started from the premise that the assessor appreciates himself / herself and decides for the subjective criteria / sub criteria (e.g.: "Coherent planning of activities (clarity and feasibility of the action plan of the project).") Per a contrario, the objective criteria / sub criteria were designated those in which the assessor can only verify and observe the

⁵ Regional Operational Program 2014-2020

⁶ Competitiveness Operational Program 2014-2020

⁷ Human Capital Operational Program 2014-2020

fulfilment of an assessment criterion / sub-criterion (e.g. "The cumulative net cash flow is positive over the lifetime of the investment analysis"). In other words, for the subjective criteria / sub criteria the assessor decides the measure (%) in which a criterion / sub criterion is met / respected and awards a score reflecting this (calculated, for example, as a percentage of the maximum possible score for that criterion / sub criterion). On the other hand, in case of objective criteria, the assessor determines whether YES / NO criterion / sub criterion is met / respected and gives the score (the maximum possible points to that criterion / sub criterion) or does not grant it (0 points).

The results of the analysis were as follows:

❖ ROP 2007-2013 and ROP 2014-2020

In the case of ROP 2007-2013, the technical and financial evaluation grids used for 13 of the 15 major intervention areas (KIAs) were analyzed, and the guidelines for the technical assistance axis were not included in the analysis.

It should be noted that for two KIAs (1.2 and 3.3), the technical and financial evaluation provided by the applicant's guides did not imply awarding points but only validation of the grant conditions by Yes / No.

Examples of subjective criteria (criteria that imply the assessor's judgment and decision):

- *There is a well-defined need in the target area for the proposed activity to take place in the completed / renovated building or, as the case may be, for the investment to be carried out on the landscaped / rehabilitated land. The facilities and / or services provided correspond to / are appropriate to the needs of the identified target group. Accessibility: location of the investment allows easy access, fully appropriate to the objective of that investment;*

- *Market analysis demonstrates the existence of a clear demand for the services offered within the structure. Competition analysis identifies competitors, their strengths and weaknesses, the competitive advantage of the applicant (in technical, marketing, operational and organizational terms). The marketing and promotion / employment strategy of the business support structure identifies appropriate and efficient tools and realistic costs, in close correlation with the structure's specificity. The structure management strategy is correlated with the specific structure and services offered and appropriate to it. The management company has sufficient capacity to ensure the functioning of the structure and delivery of specific services (e.g. sufficient staff, adequate expertise, clearly defined activities and tasks). Risks and appropriate risk management mechanisms are identified in the management of the structure.*

Examples of objective criteria (criteria involving the assessor's checking and scoring):

- *The project foresees the creation of new jobs (permanent or temporary):*
 - *The project provides for the creation of new permanent jobs - 6 points;*
 - *The project provides the creation of new temporary jobs - 3 points;*
 - *The project only provides for the maintenance of existing jobs - 0 points.*
- *Importance of the project for the region>*

- $IRET^8 \geq 5.5\%$, $B/C^9 \geq 1$, $NEUV^{10} > 0$ - 6 points;
- $IRET < 5.5\%$, $B/C < 1$ - 0 points.

For the eleven KIAs considered, 18 grids of technical and financial assessment were analyzed, as several Grids were used for more KIAs, depending on the applicants or the funding objectives.

The statistical situation of the provisions of the 18 evaluation grids is the following:

- ✓ 18,18% objective criteria (subjectively awarded points): 1 evaluation grid (5,55% of the total evaluation grids);
- ✓ 20,00% objective criteria: 1 evaluation grid (5,55%);
- ✓ 25,00% objective criteria: 2 evaluation grids (11,11%);
- ✓ 26,67% objective criteria: 1 evaluation grid (5,55%);
- ✓ 28,57% objective criteria: 4 evaluation grids (22,22%);
- ✓ 29,41% objective criteria: 1 evaluation grid (5,55%);
- ✓ 31,25% objective criteria: 2 evaluation grids (11,11%);
- ✓ 35,71% objective criteria: 1 evaluation grid (5,55%);
- ✓ 36,84% objective criteria: 2 evaluation grids (11,11%);
- ✓ 37,50% objective criteria: 1 evaluation grid (5,55%);
- ✓ 38,46% objective criteria: 1 evaluation grid (5,55%);
- ✓ 46,15% objective criteria: 1 evaluation grid (5,55%).

As can be seen, each evaluation grid has a minimum of 18% points awarded on objective evaluation criteria. The most "objective" evaluation grid had 46.15% points awarded according to criteria / subjective criteria. Therefore, the conclusion is that the ROP 2007-2013 was a financing program with predominantly subjective evaluation criteria, with a relatively medium potential to show the risk of selection and financing of lower quality projects.

Regarding the ROP 2014-2020 there were analyzed the technical and financial evaluation grids used in the 57 calls for projects, which were used by the authorities up to the level of March 2019. The statistical situation of calls is as follows:

- ✓ there are no 100% subjective calls;
- ▼ between 80% and 89% subjective criteria (subjectively awarded points): 3 calls (5,26%);
- ▼ between 70% and 79% subjective criteria (subjectively awarded points): 3 calls (5,26%);
- ▼ between 60% and 69% subjective criteria (subjectively awarded points): 4 calls (7,02%);
- ▼ between 50% and 59% subjective criteria (subjectively awarded points): 8 calls (14,04%);
- ✓ between 40% and 49% subjective criteria (subjectively awarded points): 11 calls (19,30%);
- ✓ between 30% and 39% subjective criteria (subjectively awarded points): 18 calls (31,58%);

⁸ Internal Rate of Economic Return

⁹ Benefits/Costs

¹⁰ Net Economically Updated Value

✓ between 20% and 29% subjective criteria (subjectively awarded points): 10 calls (17,54%)

Therefore, we can conclude that ROP 2014-2020 has become a financing program with predominantly objective criteria (the average for all the analyzed guidelines is 56.40% objective criteria).

❖ SOPIEC 2007-2013 and COP 2014-2020

In the case of SOPIEC 2007-2013 there were analyzed the technical and financial evaluation grids used in 72 calls for projects.

Examples of subjective criteria (criteria that imply the assessor's judgment and decision):

- *the quality of the proposal (clarity, coherence, project realism in relation to activities, implementation chart and project budget);*
- *description of the project objectives and activities:*
 - *are partially identified and detailed;*
 - *are clear, detailed and achievable.*

Examples of objective criteria (criteria involving the assessor's checking and scoring):

- *the availability of the technical solution and the connection schemes as of the date of signing the financing contract:*
 - *>6 months;*
 - *(0 ÷ 6) months;*
 - *available.*
- *the applicant is:*
 - *microenterprise - 5 points;*
 - *small enterprise - 5 points;*
 - *medium enterprise - 2 points.*

The statistical situation of calls is as follows:

- ▼ 100% subjective criteria (subjectively awarded points): 11 calls (15,49% din total calls);
- ▼ between 4% and 10% objective criteria (objectively awarded points): 7 calls (9,72%);
- ▼ between 11% and 20% objective criteria: 15 calls (20,83%);
- ▼ between 21% and 30% objective criteria: 12 calls (16,66%);
- ▼ between 31% and 50% objective criteria: 7 calls (9,72%);
- ✓ between 51% and 60% objective criteria: 6 calls (8,33%);
- ✓ between 61% and 70% objective criteria: 8 calls (11,11%);
- ✓ between 71% and 76,67% objective criteria: 5 calls (6,94%).

It should be noted that the SOPIEC had a special situation, each priority axis among the first 4 being managed by another ministry. This has contributed to tackle projects in a different way, as reflected in the evaluation grids. Thus, all 11 subjective evaluation grids belong to the R&D priority guidelines, together with a guide for which the degree of objectivity of the evaluation grids was 7.41% and two of 13.00%. For the priority energy

axis, the degree of objectivity was between 45% and 68%; for SMEs development between 6.00% and 76.67%; and for the IC&T axis between 4.00% and 29.00%.

Therefore, the conclusion is that the SOPIEC 2007-2013 was a financing program with a relatively high potential for risk selection and financing of lower quality projects, for priority R&D and IC&T axes. For the other priority axes, SOPIEC 2007-2013 was a financing program with predominantly objective evaluation criteria.

For the COP 2014-2020, there were analyzed the technical and financial evaluation grids used in the 27 calls for projects, which were carried out by the authorities up to the level of March 2019. The statistical situation of calls is as follows:

- ▼ 100% subjective criteria (subjectively awarded points): 18 calls (66,67% din total calls);
- ▼ between 90% and 99% subjective criteria (subjectively awarded points): 8 calls (29,63%);
- ✓ between 50 and 60% objective criteria: 1 call (3,70%).

Therefore, we can conclude that COP 2014-2020 has become a funded program with predominantly subjective evaluation criteria. It should be noted, however, that this program includes, during the 2014-2020 funding period, the priority axis R&D and IC&T, axis present in the former SOPIEC 2007-2013, a number of priority axes being currently managed under the ROP 2014-2020.

❖ SOPHRD 2007-2013 and HCOP 2014-2020

In the case of SOP HRD 2007-2013, there were analyzed the technical and financial evaluation grids used in 188 calls for proposals.

Examples of subjective criteria (criteria that imply the assessor's judgment and decision):

- *The target group (s) are clearly defined and quantified;*
- *Project coherence, clear and complete exposure;*
- *The project contains elements of "added value" (e.g.: the project contributes to increasing the level of qualification, the degree of employment, etc.).*

Examples of objective criteria (criteria involving the assessor's checking and scoring):

- *Project contribution to increasing the employment rate (the project involves hiring a certain number or percentage of the target group until the end of the project):*
 - *occupancy rate between 2% - 3% - 1 pct.*
 - *occupancy rate between 3% - 4% - 2 pct.*
 - *occupancy rate between 4% - 5% - 3 pct.*
 - *occupancy rate between 5% - 4 pct.*
- *The project management costs respect the maximum of 5% of the value of the scholarships - 2 points.*

The statistical situation of calls is as follows:

- ▼ 100% subjective criteria (subjectively awarded points): 123 calls (65,42% din total);

- ▼ 98% subjective criteria: 9 calls (4,78%);
- ▼ 97% subjective criteria: 3 calls (1,59%);
- ▼ 96% subjective criteria: 9 calls (4,78%);
- ✓ 19% objective criteria (objectively awarded points): 1 call;
- ✓ 15% objective criteria: 1 call;
- ✓ 13% objective criteria: 2 calls;
- ✓ 10% objective criteria: 2 calls;
- ✓ 9% objective criteria: 11 calls;
- ✓ 8% objective criteria: 18 calls;
- ✓ 7% objective criteria: 1 call;
- ✓ 6% objective criteria: 8 calls.

As can be seen, 65.42% of the evaluation grids were entirely (100%) subjective, i.e. it didn't include any "objective" assessment criteria. The most "objective" evaluation grid had only 19% points awarded according to objective criteria / sub criteria. Therefore, the conclusion is that the SOPHRD 2007-2013 was a financing program with a higher potential to manifest the risk of selecting and financing lower quality projects.

For the HCOP 2014-2020, there were analyzed the technical and financial evaluation grids used in the 67 calls for projects, which were carried out by the authorities up to the level of March 2019. The statistical situation of calls is as follows:

- ▼ 100% subjective criteria (subjectively awarded points): 9 calls (13,43% din total calls);
- ▼ between 90% and 99% subjective criteria (subjectively awarded points): 28 calls (41,79%);
- ▼ between 80% and 89% subjective criteria (subjectively awarded points): 26 calls (38,81%);
- ▼ between 70% and 79% subjective criteria (subjectively awarded points): 3 calls (4,48%);
- ▼ between 60% and 69% subjective criteria (subjectively awarded points): 1 call (1,49%).

Consequently, we can conclude that the HCOP 2014-2020 maintains the tendency to use subjective evaluation criteria, with a greater potential for risk selection and funding of lower quality projects.

4. The risks included in the specific methodologies / procedures of the managing authorities of the Structural and Cohesion Funds 2007-2013 and 2014-2020

The next step of the analysis was to verify the methodologies / procedures used by the public authorities and institutions that managed the Structural and Cohesion funding programs 2007-2013 and 2014-2020 to determine whether it contain specific risks for the projects' assessment process. In this respect, there were analyzed the risk registers received for ROP, SOPIEC and SOPHRD 2007-2013, following a freedom of information law request from 2015. There were also analysed the documents received for ROP, COP and HCUP 2014-2020, following a freedom of information law request from 2018.

The following risks specific for the evaluation process were identified in the risk registers related to ROP 2007-2013:

- *delaying the process of evaluation, selection and contracting of projects due to the occurrence of agglomeration situations or because the technical and financial evaluation does not start at the expected date;*
- *the impossibility of carrying out the technical and financial evaluation stage for the financing applications that have reached this stage due to the fact that the Managing Authority ROP is unable to designate independent evaluators;*
- *increase of the number of errors in the evaluation.*

Within the risk registers related to SOPIEC 2007-2013 no specific risks were identified in relation to the projects evaluation process.

The following risks specific for the evaluation process were identified in the risk registers related to SOPHRD 2007-2013:

- *exceeding procedural deadlines. The impossibility of setting up evaluation committees;*
- *the risk of insufficient checking of programming documents - evaluation - selection - contracting by not applying the "4 eyes" principle.*

It should be underlined that none of the risks identified in the three above mentioned funding programs make reference to the subjectivity / objectivity of the evaluation criteria.

In the ROP 2014-2020 risk register, valid for the second semester of 2018, the following risks related to the evaluation process were identified:

- *large number of rejected applications for non-compliance, etc.,*
- *failure to comply the evaluation procedure and, implicitly, failure to achieve results and absorption of funds;*
- *issuing a large number of instructions and carrying out the assessment based on them, not on the basis of the specific evaluation, selection and contracting procedure in place;*
- *the possibility of errors in the evaluation, selection and contracting process, due to the issuance of a large number of instructions and inconsistencies between the specific guidelines, procedures and instructions.*

Concerning the COP and HCOP 2014-2020, the Ministry of European Funds (MFE) did not submit the requested risk registries, specifying, within the response to the request for public information, that it was due to be drawn up by the end of 2018. MFE did not further respond to the subsequent returns of the author.

5. The impact of the risks specific to the evaluation process at the level of Structural and Cohesion Funds 2007-2013 programs

The last important element of the analysis was to investigate to what extent a correlation can be established between the emergence of risks specific to the project evaluation process and the major effects at the level of funding programs. Thus, for the three Structural and Cohesion Funds 2007-2013 programs (ROP, SOPIEC and SOPHRD), it was checked whether some of the reasons for the financial corrections established by the European Commission are related to the projects evaluation process.

Thus, the responses received in June 2017 to a freedom of information law request from the Ministry of Regional Development, Public Administration and European Funds were as follows:

- for the ROP 2007-2013, the European Commission (EC) has made financial corrections for one of the 52 reimbursement requests, amounting 8,257,231.92 Euro (approximately 0.22% on the total amount requested for reimbursement). The reasons invoked by the EC were the weaknesses of the management and control system in relation to public procurement carried out by the beneficiaries;
- for SOPIEC 2007-2013, the EC has established financial corrections of 42,740,025 Euro (almost 1,60% in relation to the total amount requested for reimbursement). The EC's motivation was the not-harmonization of the national legislation with European directives (public procurement, SMEs eligibility, etc.) and their non-uniform interpretation;
- in the case of SOPHRD 2007-2013, the EC has established financial corrections for not less than 41 of the 49 requests for reimbursement submitted by Romania, amounting 466,527,300.88 Euro (about 19.10 % of the total requested refund); the reasons invoked by the EC were related to: evaluation and selection (in the case of 35 requests); management checks (38 requests); sound financial management (4 requests); excessively large salaries (5 requests).

Therefore, the European Commission has motivated financial corrections applied to the evaluation and selection of projects only in the case of SOPHRD 2007-2013.

Regarding the three operational programs for the 2014-2020 funding period - ROP, COP and HCOP - a similar analysis can be made in the years 2023-2024 at the end of the actual use of the funds, as currently the fund management process benefits from a series of financing rules that allow postponing for some periods of time the use of the available funds (e.g.: "n + 3 rule", which provides that the resources allocated for the year "n" can be used in the year "n" and in the next 3 calendar years).

6. Application of a unitary risk management methodology to the project evaluation process

As shown above, the result of the research was that the authorities and institutions responsible for the management of non-reimbursable financing only included sporadically in the risk registers the specific situations of the project evaluation process. Moreover, both the analysis of the evaluation criteria from the grids used in the ROP, SOPIEC and SOPHRD 2007-2013 programs, respectively ROP, COP and HCOP 2014-2020, as well as the answers of the 37 assessors to the abovementioned questionnaire, it appears that they are relatively subjective in terms of project evaluation, which raises questions about the quality of funding.

In this context, the question arises as to how a single risk management methodology could be used for all non-reimbursable financing in Romania, to support the improvement of the risk management process. The methodology has been documented by the author in previous works (Nicholas, C., 2018).

In order to exemplify its use, the information from the previous points was taken into account, namely:

- only ROP, SOPIEC and SPOHRD 2007-2013 programs were considered;
- it was considered that the risk database includes those used or obtained by applying the questionnaire presented above.

The risk management methodology for the authorities responsible for managing non-reimbursable funding would involve the following steps:

STEP 1 aims to establish / update objectives and activities related to the management of non-reimbursable financing. Thus, the following risk objectives, activities and risks (with related causes and effects) can be identified in the risk database in relation to the project evaluation process:

- Objective: To fund the most relevant projects for society as a whole
 - Activity: Evaluation and selection of projects by independent evaluators
 - Risk 1: arbitrary and / or biased selection of projects by assessors
 - cause 1: assessors are not trained in conflict of interest issues;
 - cause 2: recruiters who have been involved in the preparation of projects submitted under the same call for proposals are recruited;
 - effect: financial corrections applied in connection with the evaluation and selection process.
 - Risk 2: unintentional selection of poorly qualified projects by evaluators
 - cause 1: assessors are not trained in relation to the objectives of the evaluation process, respectively the regulatory and strategic restrictions in the field of assessment;
 - effect: the selected projects contribute to a lesser extent to the achievement of the indicators of the financing program, which only reach 90%.
 - Risk 3: receipt of a large number of appellations of evaluation:
 - cause 1: the scores awarded by evaluators are insufficiently justified within the evaluation grids;
 - effect: delay of the evaluation process, respectively the contracting of the projects; which leads to the disengagement of funds.

STEP 2 refers to the creation / development / updating of the risk database specific to the grant management process. In connection with this, it was considered that at the time of the analysis there were no new risks with which the extensive database to be updated.

STEP 3 involves completing risk information by operators from responsible management authorities. Thus, they will fill in the database with information on the risks mentioned above. The centralized situation of these cases for the year "n", respectively the risk of unintentional selection of poorly qualitative projects by the evaluators and the risk of a large number of contestations regarding the evaluation, is the following (hypothetical data):

Table no. 1 – Information on the risks identified in the analysis

Risk name	Cause name	Total possible situations	Total situations in which the cause occurred	Quantifiable effects	Exposure to risk
the risk of unintentional selection of poorly qualitative projects by the assessors	evaluators are not trained in the objectives of the evaluation process, respectively with the regulatory and strategic restrictions in the field of assessment	1.500	50	10.000.000	333.333
the risk of a large number of complaints regarding evaluation	the scores awarded by the assessors are insufficiently substantiated within the evaluation grids	1.500	280	2.000.000	373.333

Source: own research

STEP 4 involves the establishment of the hierarchy of risks in the database. Assuming that the two risks mentioned above are the only ones in the database at the time of analysis, they can be ranked by comparing exposure to risk, the first to be addressed with the highest exposure.

As a risk response strategy, responsible management authorities will use risk prevention by ensuring:

- training the evaluators, at the start of each evaluation process, in relation to the objectives of the evaluation process, respectively with the regulatory and strategic restrictions in the field of the evaluation;
- instructing evaluators at the beginning of each evaluation process on how to correctly justify each point in the evaluation grid.

Conclusions

Follow-up of our research a first conclusion to be made is that the authorities responsible for the management of the non-reimbursable financing continue, during the period 2014-2020, to superficially treat the issue of the risks in general and of the evaluation process specific risks in particular. Thus, they either have identified only specific risks, such as the Ministry of Regional Development and Public Administration - the authority that manages the ROP 2014-2020, or did not have a risk register at all 5 years after the start of the funding period, the case of the Ministry of European Funds - the authority managing, inter alia, the COP 2014-2020 and the HCOP 2014-2020.

A second conclusion, which is natural and complementary to the previous one, is that only the Ministry of Regional Development and Public Administration has improved project evaluation systems by using more objective criteria. On the other hand, the Ministry of European Funds seems to have learned from the mistakes previously made, continuing the trend of using predominantly subjective evaluation criteria.

A third conclusion is that the authorities and public institutions responsible for managing the funding, but also the applicants and the beneficiaries of financing, need to implement a unique risk management methodology for all Romanian funding, which would also involve qualitative changes systems and project evaluation criteria. It is obvious that there is a link between how to approach the project evaluation process and the manifestation of specific risks of the evaluation process.

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