

ANALYSIS OF THE CONTRIBUTION OF  
THE MANAGEMENT AND CONTROL  
SYSTEM OF THE SECTORIAL  
OPERATIONAL PROGRAMME INCREASE  
OF ECONOMIC COMPETITIVENESS TO THE  
TECHNOLOGICAL DEVELOPMENT OF  
SMALL AND MEDIUM ENTERPRISES  
DURING 2007 -2013

**Abstract**

Starting from the financial difficulties of the small and medium enterprises in Romania in the recovery of the significant differences from the European Union level, the present paper proposes an analysis of the results of the implementation of Axis I of the SOP IEC. Examining the data from the final implementation report as well as the audit activity of the system deployed on the program for 8 years allowed me to formulate some conclusions on the contribution made by the SOP IEC management and control system during the programming period 2007 -2013 on the technological development of SMEs.

**Keywords:** access to finance; sustainable development; economic competitiveness; management and control system, small and medium enterprises

**JEL CODES:** R 11

**ANALIZA CONTRIBUȚIEI  
SISTEMULUI DE  
MANAGEMENT ȘI CONTROL  
AL PROGRAMULUI  
OPERAȚIONAL SECTORIAL  
CREȘTEREA  
COMPETITIVITĂȚII  
ECONOMICE LA  
DEZVOLTAREA  
TEHNOLOGICĂ A  
ÎNTRINDERILOR MICI  
ȘI MIJLOCII ÎN PERIOADA  
2007 - 2013**

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**Rezumat**

Pornind de la dificultățile financiare ale întreprinderilor mici și mijlocii din România în recuperarea decalajelor semnificative față de nivelul Uniunii Europene lucrarea de față își propune o incursiune în rezultatele implementării Axei I a POS CCE. Examinarea datelor din raportul final de implementare cât și activitatea de audit de sistem desfășurată asupra programului timp de 8 ani mi-a permis să formulez câteva concluzii asupra contribuției aduse de sistemul de management și control al POS CCE în perioada de programare în 2007 -2013 asupra dezvoltării tehnologice a IMM-urilor.

**Cuvinte cheie:** acces la finanțare; dezvoltare durabilă; competitivitate economică; sistem de management și control, întreprinderi mici și mijlocii.



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## 1.INTRODUCTION

The financial difficulties, the significant technological gap and the lack of know-how in business development have made it difficult for the SMEs to adapt to the requirements of the internal market after Romania's accession to the European Union, such conditions requiring finding solutions to support Small and Medium Enterprises market by means of productive investments, adequate funding instruments and qualified services for businesses.

In this context, Romania, through the Reference Document for Structural Funds Programming - National Strategic Reference Framework, took over and synthesized the main elements included in the National Development Plan 2007 - 2013, reorganizing them on three important thematic priorities.

For the implementation of the NSRF's second thematic priority, "long-term economic competitiveness growth", the main used instrument is the Sectoral Operational Programme Increase of Economic Competitiveness (SOP IEC), a program whose general objective is increase the productivity of Romanian enterprises, by complying with the principles of sustainable development and thus reducing the gap between the level of Romanian productivity and that of the European Union. Therefore, Romania aims to reach 55% of the European average productivity.

In this context, five priority axes were defined in order to achieve the proposed objective within the SOP IEC:

Priority Axis 1: An innovative and eco-efficient productive system;

Priority Axis 2: Research, Technological Development and Innovation for Competitiveness;

Priority Axis 3: Information and communication technology for private and public sectors;

Priority Axis 4: Increasing energy efficiency and security of supply, in the context of combating climate change;

Priority Axis 5: Technical Assistance.

The axis comprise a total of 14 key areas of intervention and 34 operations.

This paper aims at presenting an overview of the results of the implementation of the programme's Priority Axis 1 "An innovative and eco-efficient production system", taking into account the contribution made by the SOP IEC's management and control system during the 2007 - 2013 programming period to technologically develop the SMEs and of the significant encountered issues.

## 2. STRUCTURE OF THE MANAGEMENT AND CONTROL SYSTEM PROBLEMS ENCOUNTERED DURING IMPLEMENTATION, REMEDIAL MEASURES.

According to art 59 of (EC) Council Regulation No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, the Member State shall designate for each operational programme, a management authority in charge of the management and the implementation of the operational programme in accordance with the principle of the sound financial management, having the attributions stipulated in art 60 of the Regulation no 1083/2006.

The Managing Authority for SOP IEC has delegated the implementation priority axes / key areas of intervention to Intermediate Bodies (as foreseen in Article 2.6 of Council Regulation (EC) No 1083/2006), within SOP IEC.

During the implementation of the programme, the management and control system underwent several changes bearing impact on the implementation process, as it follows:

- due to the low quality of the management checks carried out by the SMEs Intermediate Body in 2010, the MA has temporarily withdrew the SMEs IB's delegation for the verification of the payment applications, which has been extended until 30 June 2011.
- in 2011, the SOP IEC has temporarily withdrawn the Information Society Promotion IB's delegation regarding the function of checking the public procurement of PSI IB.
- starting with the 1-st of March 2014, the SOP IEC was taken over by the Ministry of European Funds, according to the provisions of EGO no 9/2014 for the approval of measures streamlining the structural instruments' management system.
- between March and April 2014, the Regional Development Agencies took over the tasks delegated by the SOP IEC MA for the Priority Axis 3 - Information and Communication Technology for the private and public sectors, Operation 3.1.1 Supporting access to broadband and related services.

The management and control system for SOP IEC consists of:

- 1) Managing Authority (MA): Ministry of European Funds;
- 2) Intermediate Bodies:
  - Regional Development Agencies (except RDA Bucharest Ilfov) for:

- Priority Axis 1 - An innovative and eco-efficient production system, as follows:
  - Operation 1.1.1 Support for strengthening and upgrading the productive sector by tangible and intangible investments
  - Operation 1.1.2 Support for the implementation of international standards;
  - Operation 1.1.3 Support to access to new markets and internationalization;
  - Operation 1.3.2 Consultancy support for SMEs
    - Priority Axis 3 - ICT for private and public sectors:
      - Operation 3.1.1 Support access to broadband and related services;
      - Ministry of Research and Innovation - ANCSI – Intermediate Body for Research - Priority Axis 2;
      - Ministry of Information Society - Intermediate Body for Promoting Information Society - Priority Axis 3;
      - Ministry of Energy - Intermediate Body for Energy - Priority Axis 4.
- 3) Ministry of Public Finance - Certifying and Paying Authority
- 4) Audit Authority - Romanian Court of Accounts

The tools used by the management and control body in order to carry out its activities were the following: working procedures, beneficiaries' guidelines, Single Management Information System (SMIS).

Due to the large number of projects submitted at the Priority Axis no 1 level, to staff's shortage and fluctuation, significant delays occurred both in the evaluation and selection process, as well as in the contracting and payment process. These issues led to system bottlenecks and suspensions of payments during the implementation period, requests from the beneficiary to modify its work schedule, delays in project's implementation and even cancellation thereof.

The economic crisis brought issues concerning in particular the inability of the companies to obtain co-financing, leading to the cancellation or waive of the financing contract.

Significant problems encountered and measures undertaken during the implementation process:

- The authorities responsible for the implementation lacked an information system for monitoring and the follow-up of the project from the contracting phase until the final payment;

- Poor correlation of SOP IEC operations with other operational programmes;
- Lack of a State Aid tracking database in order to prevent double funding;
- Lack of beneficiary guidance concerning the implementation process;
- Rules' changing during project implementation affecting the implementation process.

Program's authorities have taken some measures to support beneficiaries in the implementation process, mainly consisting of the following:

- speeding the evaluation and selection process (the administrative and eligibility verification of the project was carried out in one step versus 2 steps at the beginning of the period);
- the introduction of the payment request mechanism,
- speeding up the procedures for the introduction of financial instruments (JEREMIE);
- outsourcing the evaluation and selection services, on the spot verification of reimbursement and control requests;
- strict supervision of the implementation stage of the projects;
- delegating certain functions to RDAs and guidance supplied to the beneficiaries.

### 3. SOP IEC - INDICATIVE ALLOCATION AND IMPLEMENTATION OF RESULTS. EMPHASIS ON PRIORITY AXIS 1 "AN INNOVATIVE AND ECO-EFFICIENT PRODUCTION SYSTEM"

The implementation of the SOP IEC program, approved by the European Commission Decision C (2007) 3472 of 12.07.2007, was initially supported by a total budget of approx. € 3,011 billion allocated for the entire programming period, out of which the European Union's contribution was approximately 84.83% (€ 2.554 billion), the remainder being co-financing from the national budget.

The situation of the initial allocation of resources on the SOP IEC in the period 2007 - 2013 is presented in the table below:

TABLE 1 - SITUATION OF THE INITIAL ALLOCATION OF RESOURCES ON SOP IEC DURING 2007 – 2013 EURO

Priority axis	Community funding	National contribution	Total funding	Co-financing rate (%)
1.	928.651.290	151.175.785	1.079.827.075	86
2.	536.395.116	109.864.060	646.259.176	83
3.	383.170.104	86.265.570	469.435.674	81.62

4.	638.475.370	87.064.824	725.540.194	88
5.	67.530.229	22.510.078	90.040.307	82,72
<b>Total</b>	<b>2.554.222.109</b>	<b>456.880.317</b>	<b>3.011.102.426</b>	<b>82,72</b>

Source: author's processing by Audit System Report 2009

Decision C (2007) 3472 was amended to include the top-up mechanism by Commission Decision C (2012) 2080 of 27.03.2012 and subsequently for the approval of reallocations and the decommitment of EUR 17.5 million for the year 2012, by Commission Decision C (2013) 1389 of 14.03.2013 and European Commission Decision C (2014) 363 dated 24.01.2014. Hence, the amount of funding after approval of the decision is presented in the following table:

TABLE 2 - FUNDING VALUE ON AXES AFTER TOP-UP

Euro	
Priority axis	Total funding
1.	1.075.739.625
2.	711.830.737
3.	459.074.840
4.	672.290.916
5.	6.353.358
<b>Total</b>	<b>2.984.289.475</b>

Source: author's processing by Annual Report implementation year 2015

Other amendments to the Programme were approved by Decision C (2016) 4790 final as of 19-th of July 2016 amending Decision C (2007) adopting the Operational Programme Increase of Economic Competitiveness and correlate the indicators with the budget reallocation.

Therefore, after all the approved changes, the final value of the Community funds (ERDF) allocated to the SOP IEC for the period 2007-2013, according to the last decision in force, is Euro 2,536,646,054. The table below shows the final allocation of Community funds and the amount of the expenditure certified and sent to the European Commission, the final statement of expenditure not included though.

TABLE 3 - TOTAL ELIGIBLE EXPENDITURE INCURRED FOR THE PERIOD 2007-2015 COMPARED TO THOSE ALLOCATED, WITHOUT THE FINAL DECLARATION SENT TO THE EUROPEAN COMMISSION.

Euro

Priority axis	Total funding of the program (ERDF and national contribution)	Total funding ERDF	National contribution	Total amount of eligible expenditure paid by beneficiaries	Appropriate public contribution	Co-financing rate %
1	<b>1.258.808.555</b>	1.080.744.669	178.063.886	1.864.460.098,51	<b>1.177.280.200,71</b>	93,52
2.	<b>840.392.047</b>	716.184.000	124.208.047	972.761.015,62	<b>885.056,934,44</b>	105,31
3.	<b>409.723.976</b>	337.706.659	72.017.281	429.429.462,95	<b>392.976.788,23</b>	95,91
4.	<b>423.230.310</b>	364.231.663	58.998.647	363.547.099,38	<b>336.430.475,19</b>	79,49

5.	52.134.587	37.779.063	14.355.524	31.540.992,98	31.540.992,98	60,49
<b>Total</b>	<b>2.984.289.475</b>	<b>2.536.646.054</b>	<b>447.643.421</b>	<b>3.911.738.669,44</b>	<b>2.823.285.391,55</b>	<b>94,60</b>

Source: author's processing by Final Report implementation and Annual reports implementation 2015 using System for Found Management in the European Union (SFC 2007)

On 28.02.2017, according to the final payment application no 37 (certificate statement of expenditure and application for final payment), the whole amount of certified eligible expenditures for the period 2007-2015 compared to those allocated is EURO 4 101,137,687.86 and the table below shows the situation on priority axes:

TABLE 4 - TOTAL ELIGIBLE EXPENDITURE INCURRED FOR 2007-2015 COMPARED TO THE LAST FINAL EXPENDITURE DECLARATION SENT TO THE EUROPEAN COMMISSION

Euro

Priority axis	Total funding of the programme (ERDF and national contribution)	Total funding ERDF	Total expenses Total amount of eligible expenditure incurred by beneficiaries	Appropriate public contribution	Execution rate (%)
1.	1.258.808.555	1.080.744.669	1.909.286.279,62	1.202.902.430,73	95,55
2.	840.392.047	716.184.000	1.001.653.196,53	909.991.420,19	108,2
3.	409.723.976	337.706.659	474.599.258,58	437.462.613,18	106,7
4.	423.230.310	364.231.663	679.043.151,35	375.667.683,19	88,76
5.	52.134.587	37.779.063	36.555.801,78	36.555.801,78	70
<b>Total</b>	<b>2.984.289.475</b>	<b>2.536.646.054</b>	<b>4.101.137.687,86</b>	<b>2.962.579.949,07</b>	<b>99,27</b>

Source: Authors's processing data from Financial Control System (SFC 2007), Payment Application submitted to the European Commission on 27.03.2017.

Against the data presented in the above tables, it is important to know that, that at the programme level, the total amount of EC's reimbursements (cumulated at the end of 2016) was EURO 2.409 billion, including advances, representing an absorption rate of 95% compared to the respective allocation of Euro billion 2.179,93 cumulative sums over the period 2007 -2016, plus advances of Euro million 229,98.

At the programme's level, between 2007 and 2015, 7317 contracts were signed, out of which 1732 contracts were cancelled, with 5585 contracts ongoing implementation. The total cancellation rate is 23.7%. The situation of the contracts signed during 2007 - 2015 on priority axis is presented in the following table:

TABLE 5 - NUMBER OF CONTRACTS SIGNED BETWEEN 2007 AND 2015 ON PRIORITY AXIS

Priority axis	2007 - 2013			
	Contracts signed	From which: cancelled contracts	Cancelation Rate	Contracts completed
1.	4052	1169	28,84	2883
2.	678	120	17,69	558
3.	2302	394	17	1908



4.	173	46	26,58	127
5.	112	3	0,02	109
<b>Total</b>	<b>7317</b>	<b>1732</b>	<b>23,67</b>	<b>5585</b>

Source: Authors's processing data from Sistem for Found Management in the European Union (SFC 2007)

According to the analysed data, the Priority Axis 1 registered a good evolution despite the problems encountered during its implementation (delays in project evaluation, financial crisis, withdrawal of verification tasks for 6 months, suspension of payments under Priority Axis 1 due to suspicions of fraud, lack of staff, etc.).

The analysis of the annual implementation reports shows that 9548 projects were submitted at the axis level, out of which 4052 projects were contracted and 2883 were completed. The status of the submission of projects for each operation over the period 2007-2015, as well as the situation of the contract and completed projects is presented in the following table:

TABLE 6 - AXIS 1 PROJECTS SUBMITTED, CONTRACTED, FINALIZED IN THE PERIOD 2007 - 2015 BROKEN DOWN BY OPERATIONS

Operations	2007-2015		
	Number of projects submitted	Number of contracted projects	Number of completed projects
1.1.1.a (a1+a2)	6524	2982	2204
1.1.1.b	482	156	124
1.1.2	769	295	177
1.1.3	281	72	55
1.2.1	1	1	1
1.3.1	312	50	43
1.3.2	1144	469	254
1.3.3	35	27	25
<b>Total</b>	<b>9548</b>	<b>4052</b>	<b>2883</b>

Source: Data from the Final Implementation Report of the SOP IEC extracted from System for Found Management in the European Union (SFC 2007).

Under Priority Axis 1 "An Innovative and Eco-efficient Production System", the distribution of projects completed by development regions according to the information available in Annex 3 - List of contracted projects - SOP IEC, updated in October 2016, is presented below.

The data analysed from the number of total projects finalized by regions shows the current situation in the figure below:



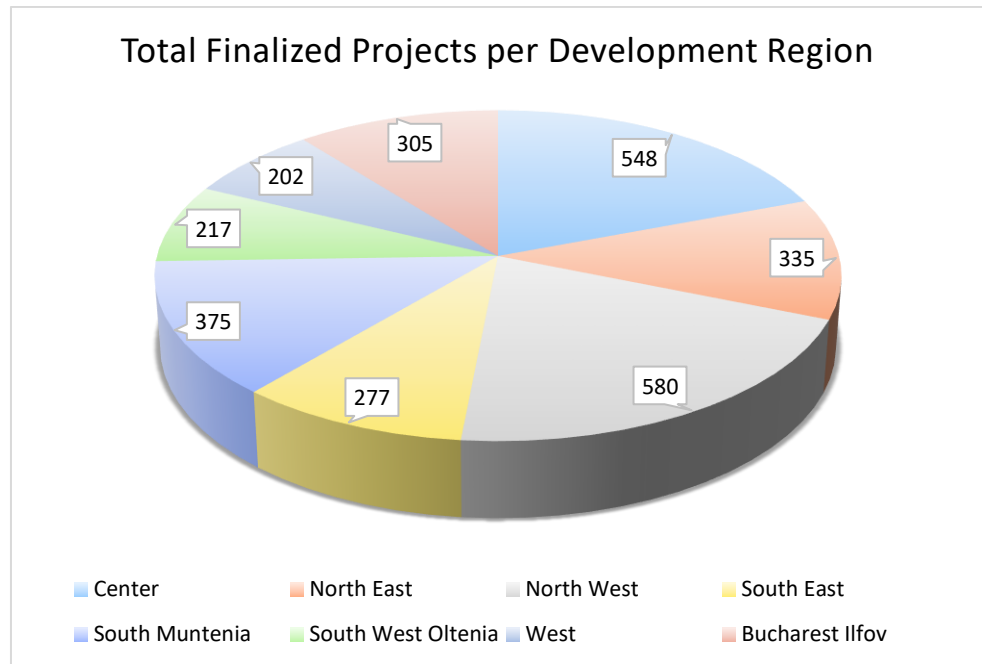


FIGURE 1 - TOTAL PROJECTS COMPLETED BY REGIONS.

Source: Data processed from Annex 3 to the final SOP IEC implementation report

Priority Axis 1 monitoring was based on a set of 13 indicators: 8 output indicators and 5 result indicators. Analyzing the final values of the indicators in the final implementation report with the planned targets, I noticed that among the result indicators an important indicator was not reached, namely the indicator "new jobs created in SMEs" (14 394 jobs were occupied against the proposed target of 23 000) and the indicator "Newly created jobs-large enterprise productive investments" reached the target (9837 jobs were occupied compared to the proposed target of 500).

Out of the eight indicators, the "Large Assisted Financial Enterprises" indicator exceeded almost three times the target value (180 companies were assisted compared to the proposed target of 50). This indicator demonstrates the companies' interest in financing in order to cope with a competitive market. Also, among these indicators we noticed the target achieved by the SME investment support indicator (2205 enterprises were assisted compared to the proposed target of 2000).

The "job created" result indicator reflects the added value of the program at the macroeconomic level along with the level of turnover and labor productivity.

#### 4. CONCLUSION

As I have underlined during this presentation, the process of implementing SOP IEC was not an easy one. The delays in implementing the programme and the problems it faced during its implementation led

to the automatic decommitment by the EC of the 2012 allocated resources, thus interrupting the conditions for paying the reimbursements for AP1, AP3 and AP4. However, the implementation of the programme shows positive impact achievements.

The absorption rate of the financial resources is approaching 99.27% and the progress of indicators is physically significant, but a relevant conclusion can be drawn at the completion of the entire closure process.

## 5. RECOMMENDATION

The Competent Authorities should take note of the mistakes recorded in the previous programming period and, for the 2014-2020 programming period, make every effort to develop clear guidelines for beneficiaries in relation to the working procedures.

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