



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
REGIONAL AND URBAN POLICY
Administrative Capacity Building and Programme Implementation II
The Director

Brussels,

TO THE MANAGING AUTHORITY

**ANNUAL IMPLEMENTATION REPORT - COMMISSION'S OBSERVATIONS ARTICLE 50(7)
AND (8)**

**Reference: Programme
CCI no. 2014RO16M1OP001 (Large Infrastructure Operational
Programme)
Annual Implementation Report 2018**

**Subject: Acceptance of the Annual Implementation Report 2018 with
observations, Article 50(7) and (8) of Regulation (EU) No 1303/2013**

Dear Mr Balan,

On 26 June 2019, the services of the European Commission received the Annual Implementation Report relating to the Large Infrastructure Operational Programme as approved by the Monitoring Committee.

On 1st July 2019, the services of the European Commission declared the Annual Implementation Report admissible.

In accordance with Article 50(7) of Regulation (EU) No 1303/2013, the services of the Commission wish to inform the Managing authority of their observations on the content of the Annual Implementation Report received.

We take note of the progress reported in 2018 compared to 2017. However, for half of the priority axes (PA)¹ the progress was not sufficient to reach the milestones set for the purpose of the performance reserve, which therefore may also affect the achievement of the end results. Moreover, in the underperforming PAs, the results as of 2018 are well below 65% of the established milestones in spite of the existing needs.

The report identifies several serious problems still affecting program performance, some of them recurrent, despite the technical assistance available and other actions taken to address them: delayed preparation of new projects, weak tender documentation, weak quality of project documentation delaying implementation on the ground, but also sudden

¹ Priority axes 4, 6, 7CF, and 8

Mr Catalin Balan, Director General
Managing Authority for the Large Infrastructure Operational Programme
Ministry of EU funds, Bucharest, Romania

legislative changes with impact on project management and costs, delays in obtaining permits, excessive bureaucracy, issues with state aids schemes, weak mobilization of constructors and lack of construction work force.

It is stated in the report that one of the causes for delays in the preparation of transport projects is the weak quality of tender documents for project preparation. **Please explain how the Managing Authority plans to address this weakness or how it has already done it.**

Also, the report identifies that insufficient time allowed for project preparation is a cause for delays in project implementation on the ground. Yet, preparation of new projects has taken, in general, longer than initially planned. **Please clarify this contradiction and how the Managing Authority plans to avoid this type of delays.**

The Commission is also concerned about the weak mobilization of constructors and lack of labour force for the construction sector, particularly in the context of possible overcontracting of the programme allocations, thus leading to opening of many more construction sites. **Please indicate how the Managing Authority has considered addressing this challenge.**

Capacity of beneficiaries continues to be a cause for delays in project preparation for all priority axes in spite of the technical assistance made available. In view of the upcoming programming period, the **Managing Authority is invited to analyse the adequacy and timeliness of the current technical assistance** with regard to beneficiaries' needs in order to identify those opportunities to improve delivery and quality of the technical assistance.

As regards Major Projects, we acknowledge the changes foreseen to update their list and also the dates of transmission to the Commission in Table 27. The Commission remains concerned by the continued delays in the preparation and submission of some of these projects, such as the Sibiu-Pitesti motorway and many water and wastewater infrastructures. In addition, the lack of stability of priorities is a disruptive element.

With regard to projects in the Energy area which are very much delayed, we note the statement made in section 3 of the report for PA 6 ("Promotion of clean energy and of energy efficiency in order to support low carbon economy") to highlight the causes of low performance. You mention the complexity of state aid rules and the low intervention rate for financing as well as the proposed remedies. In this respect, we note that, since March 2019, the Commission services (DG Competition) have been cooperating closely with the Romanian authorities on the state aid aspects of several projects of district heating. Furthermore, the Commission services are envisaging cooperating upon request from the Romanian authorities to develop a scheme at national level on cogeneration. Whereas normally DG Competition does not provide counselling to Member States on the application of EU rules outside the established channels (State aid wiki platform, etc.), it is exceptionally deploying resources to help the Romanian authorities in this direction, given the problems encountered due to the delays in submitting structural funds requests. In this context, the Romanian authorities are invited to address structural issues and ensure adequate State aid counselling at national level. In addition, the Romanian authorities are strongly encouraged to contribute to the revision process of EEAG rules just started by DG Competition.

We also took note of the negative impact of legislative changes included in OUG 75/2018, which stalled implementation of projects under PA 4, and in OUG 114/2018,

which led to increased costs of projects and additional delays in the public procurement process. The Commission already communicated to the Romanian authorities its concerns regarding these changes which were introduced without proper consultations and impact assessment, and which have negatively affected the implementation of the EU funded projects.

As regards Table 5, “Information on the milestones and targets defined in the performance framework”, we noticed that, for the output indicators, the 2018 cumulative value reported is that for selected operations (S) and not for implementation, completed (F) as it should have been the case, unless the indicators specifically refer to contracted or selected operations. While this error does not affect the decision on the allocation of the performance reserves and the data is already included in tables 3A, **we ask the Managing Authority to correct this type of error with the next reporting.**

Also, **the Managing Authority should consider re-assessing 2023 targets** in cases where the selected operations’ expected results are well beyond the current target (i.e. indicator CO20, “Population benefiting from flood prevention measures”, or CO19, “Population served by improved wastewater treatment”).

As regards Table 7, the inconsistencies were found which are presented in the annex to this letter. These should be corrected or explained, as appropriate, with the next relevant reporting. Please note that the programme authorities can edit the financial data (Table 7) at any time by creating a new version of Art 112 report 201901.

We note that the report includes in section 4 conclusion of 2018 fraud risk evaluation and only a general statement on fraud prevention measures. The Managing Authority should provide in the future more details on the types of the anti-fraud measures put in place.

While **the Annual Implementation Report 2018 is hereby accepted**, in line with article 50(8) of Regulation (EU) No 1303/2013, we kindly ask you to provide through SFC2014 to the Commission services, within three months of receipt of this letter, the additional information requested.

Yours sincerely,

(e-signed)

Vittoria

ALLIATA-DI VILLAFRANCA

cc.: *Permanent Representation of Romania to the European Union,
Units E1; 03 from the Directorate General for Regional and Urban Policy*

Annex – Errors to be corrected in Table 7 of 2018 AIR

1. Use of codes 01 (PA4) and 06 (PA 1) for territorial delivery mechanism is not supported by the report narrative. Please correct.
2. For PA 4, the total number of operations by priority axis (58) is lower than the total number of operations by category (59)
- 3.

Fund	Category of Region	TO Cd	Intervention Field	Form of Finance	Territorial Dimension	Territorial Delivery Mechanism	Thematic Objective	ESF Secondary Theme	Economic Dimension	Location Dimension	Total Eligible Cost of selected proj. (f)	Total Expenditure Declared (g)	Absolute difference	Percent difference
ERDF	Less Developed	07	025	01	07	07	07		08	RO124	6.346.322,47	12.342.167,42	5.995.844,95	94,48%
ERDF	Less Developed	07	025	01	07	07	07		08	RO215	659.349,09	3.596.970,14	2.937.621,05	445,53%

4.

Pax descr	Fund	Category of Region	TO Cd	Intervention Field	Form of Finance	Territorial Dimension	Territorial Delivery Mechanism	Thematic Objective	ESF Secondary Theme	Economic Dimension	Location Dimension	Total Expenditure Declared (g)	Nbr of operations
Dezvoltarea unui sistem de transport multimodal, de calitate, durabil și eficient	ERDF	Less Developed	07	025	01	07	07	07		08	RO215	3.596.970,14	0
Protecția mediului prin măsuri de conservare a biodiversității, monitorizarea calității aerului și decontaminare a siturilor poluate istoric	ERDF	Less Developed	06	086	01	07	01	06		22	RO125	470.856,50	0

5.

MS	CCI	CCI Title (English)	Pax Cd	Pax descr	Fund	Nbr of operations - Current Year	Nbr of operations - Previous Year	Nbr of operations - Difference
RO	2014RO16M10P001	Large Infrastructure Programme - RO - ERDF/CF	AP3	Dezvoltarea infrastructurii de mediu în condiții de management eficient al resurselor	CF	92,00	129,00	-37,00

6. No amounts planned

MS	CCI	CCI Title (English)	PAX Cd	PAX Name	TO Cd	Field of Intervention
RO	2014RO16M10P001	Large Infrastructure Programme - RO - ERDF/CF	PA AP1	Îmbunătățirea mobilității prin dezvoltarea rețelei TEN-T și a metroului	07	029
RO	2014RO16M10P001	Large Infrastructure Programme - RO - ERDF/CF	PA AP3	Dezvoltarea infrastructurii de mediu în condiții de management eficient al resurselor	06	020