



Civil
Society
Development
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Nongovernmental organisations' involvement in the accession and absorption of structural funds

*Report on the financial management of projects
financed through structural funds from
the perspective of nongovernmental organisations*



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Nongovernmental organisations' involvement in the accession and absorption of structural funds

Report on the financial management of projects financed through structural funds from the perspective of nongovernmental organizations

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1. Introduction

Starting with the second half of 2008, a relatively high number of nongovernmental organizations had the possibility to submit projects to be funded along with the launching of the first calls for proposals within the operational programs of the structural funds. The expectations concerning a high participation of the nongovernmental organizations (NGO) in the stage of submission of projects were largely confirmed only in the case of the Sector Operational Program – Human Resources Development (POSDRU), where in 2008 and in the first half of 2009 there were submitted 807 NGO projects with a total value of approximately 830 millions euro.

The causes of a relatively reduced NGO participation within the other operational programmes had been explained plainly in the “112 for Structural Funds” report that had been published by the NGO coalition for structural funds in November 2009, therefore it is not the central objective of the present report. Despite these difficulties derived mainly from the limitations imposed by the specific conditions of eligibility and from the measures included in the calls for proposals that often did not correspond with the NGO objectives and interests, as of the second half of 2010, the nongovernmental sector disposed of an approximately 400 projects, as beneficiary, contracted and under implementation.

Along with the beginning of the projects implementation, it stirred up the first signs of difficulties and obstacles of technical nature concerning the activity development but more important of financial nature, the identification of which represents actually the central objective of the present research report. Besides these, we aim to detect even the possible corrective measures at which the NGOs turned to during this process or at which they should turn to in order to ensure an efficient financial management.

Last but not the least, the analysis that we propose for the debate aimed to be a first structured effort to evaluate the nongovernmental organizations’ capacity to face the requests of the operational programs, seen from the perspective of modalities of responding to the external constraints but also as efforts to combat the possible internal deficiencies of the organizations; also, this analysis may bring an overall picture over the main challenges faced by the nongovernmental sector in accessing the European funds.

In this sense we looked for answers to the following specific research objectives:

- Evaluation of the nongovernmental organization participation to the structural funds programs from the applicant organizations point of view (intent of applying at the call for proposals) as well as from the organizations’ point of view that already contracted finance for their projects (number and volume of accessed funding by the nongovernmental sector and the percentage of this within the total volume of funding);
- Evaluation of the relation between the responsible institutions for the implementation of the operational programs and the beneficiary nongovernmental organization (quality

of communication, of the provided assistance, coherence and clarity of the instructions and the work procedures that govern the funding system, etc);

- Evaluation of the degree in which the organizations developed capacities in terms of human and financial resources capable to respond efficiently to the requests and potential obstacles met during the projects implementation;
- Identification of the main difficulties that influence the cash flow and the specific measures that must be adopted by the NGO in order to ensure the necessary supplementary funds to implement successful projects.

2. Methodological reference points

In order to achieve the specific objectives and a comprehensive understanding of the financial obstacles encountered by the organizations during the implementation of projects funded by structural funds, our approach was structured on four research levels:

Analysis of documents and secondary research data

The present analysis has focussed mainly on identification of eligible funding programs for NGO and determination of their degree of participation within these programs through investigating the information and the beneficiaries' lists provided openly by the contracting management authorities or information existing on their sites on 31st of August 2010¹. Within this research component we identified the number of beneficiaries, their types, the value of nongovernmental organization projects on each operational program and its percentage from the total number of beneficiaries.

The research approach also aimed the quantification of the number of the nongovernmental organizations partners within the projects funded through the structural funds² in order to provide a complete picture of participation of the nongovernmental sector within these programs but unfortunately this information were not provided by the responsible managing authorities addressed during the data collection period. The analysis of the secondary data of research was made during September – October 2010.

Personalized interviews

Within the research project we made 14 personalised interviews during October – November 2010 with the managers or financial responsables of the contracted. Within these semi-structured interviews we explored the main difficulties met by the organization on internal level (human resources, expertise level, organisation's capacity of supporting the projects financially) as well as on external level related mainly to the nature of relation with the responsible institutions to implement the funding programs. The interviews were sustained with nongovernmental organizations from Bucharest, Cluj, Timisoara and Iasi, 11 of them developed projects with POSDRU and one with PODCA (Operational program for development of the administrative capacity).

¹ Sector Operational Program Development of Human Resources, Regional Operational Program, National Program for Rural Development, Sector Operational Program Environment, Sector Operational Program for Economical Competitiveness Increase, Operational Program for Development of the Administrative Capacity.

² Requests for information based on the provisions of Law 544/2001 regarding free access to public interest information have been submitted to the following authorities: AM POSDRU, AM POR, AM PODCA, AM POSCCE si AM POS Mediu.

Quantitative research

The quantitative research was made through online administration of two questionnaires addressing the applicant organizations as well as the contracted organizations.

As for the applicant organizations, there were invited to answer all 2297 organizations subscribed in the Civil Society Catalogue, managed by CSDF and there were registered a total number of 405 questionnaires filled in during September-October 2010; in the second case, there invited a number of 340 organizations who contracted projects from structural funds and identified as nongovernmental organizations through checking the beneficiaries lists from the database of CSDF, with projects under implementation or finalized, and there were registered a number of 75 questionnaires in the end (filled in during November 2010) which means an answer rate of 22%. Comparing the distribution of NGO that completed the questionnaire after the main independent variables with that resulting from the Civil Society Catalogue, we reach a similitude between the two distributions, result that entitle us to generalise the answers provided within universe of the active nongovernmental organizations or at the universe of nongovernmental organizations contracted through structural funds.

The main results derived from the answers at the questions from the personalized interviews and questionnaires were debated and validated within a workshop organized at the offices of Civil Society Development Foundation at which a number of 8 persons participated (financial managers of the contracted organizations as well as representatives with financial responsibilities from CSDF).

Descriptive case studies

In the end, the research project aimed the completion of two case studies that had as objective the presentation synthetically as well as in detail of concrete situations in which the financial management had to answer efficiently to a set of major difficulties.

3. The current situation of accessing the structural funds by the nongovernmental organizations from Romania

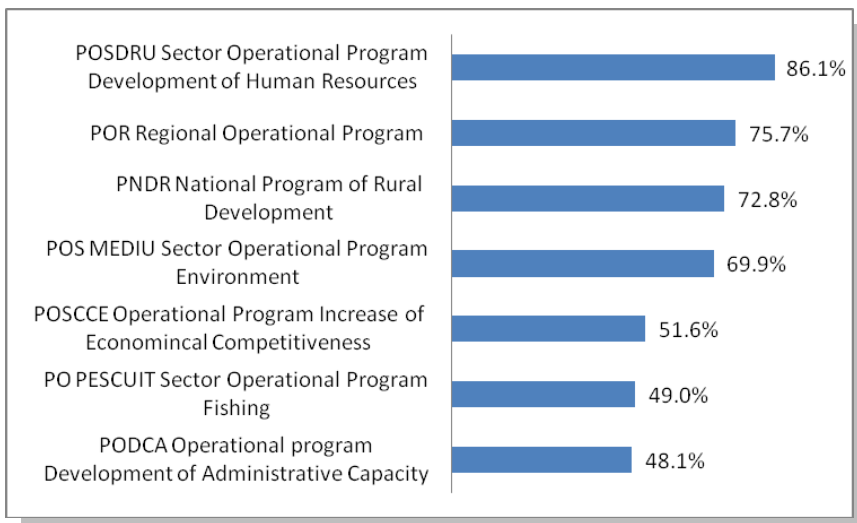
3.1. The situation of applicant NGOs

The funding programs from structural funds have a relatively high degree of recognition within the nongovernmental sector (NGO) from Romania. The Sector Operational Program – Development of Human Resource (POSDRU), Regional Operational Program (POR), National Program of Regional Development (PNDR) and Sector Operation Program of Environment (POSMEDIU) are gratified by greatest notoriety within the NGO sector, each of these programs being known by more than two thirds from the total of investigated NGOs.

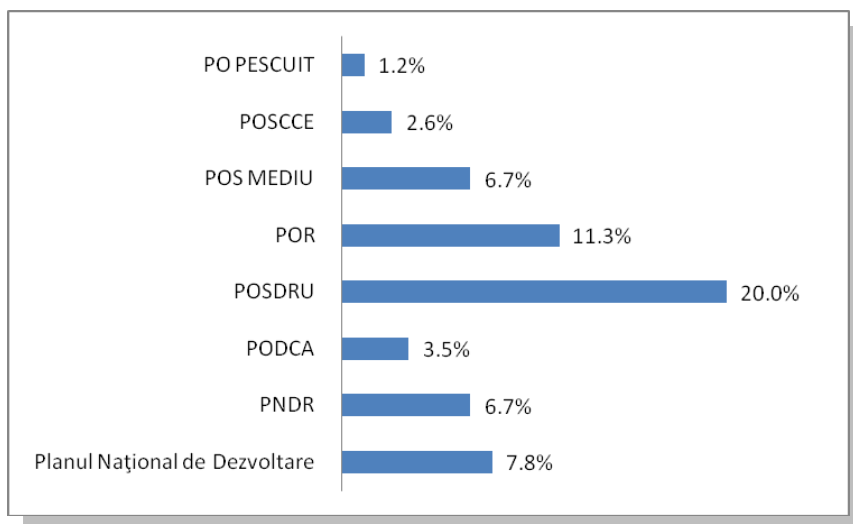
The most known programs are also the programs that registered the highest level of participation to the consultations in the programming phase from the NGO sector. Therefore, 20% of the total number of NGOs declared that participated to the consultations from the programming phase of POSDRU and 7,8% of these were involved in the elaboration of the National Plan of Development.

The less known operational programs are the Operational Program to Develop Administrative Capacity (PODCA), only 48% from organizations heard about this operational program, POPescuit (Operational Program for fishing) and Sector Operational Program for Economical Competitiveness Increase (POSCCE). The graphs below illustrate the notoriety of the operational programs within the nongovernmental sector and the degree of participation of these in the consultations concerning the programming phase.

Graph1: Have you heard of the following structural funding instruments that include funding schemes at which NGOs are eligible? (% from total of NGO)



Graph2: Have you ever participated to the consultations for the EU financial assistance during 2006-2007? (% from total of NGO)



Eligibility conditions for NGOs for the most relevant operational programs *

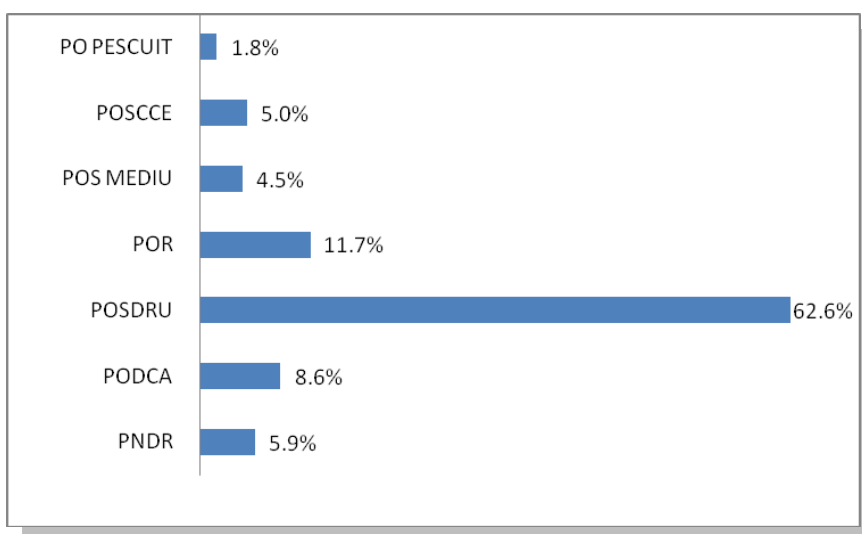
Program	NGO eligibility conditions
POSDRU	NGOs are eligible on the majority intervention domains
PODCA	NGOs are eligible beneficiaries on many of the major intervention domains of PODCA; in practice the access is limited due to the fact that this doesn't include sufficient measures that could cross with the NGOs interests or due to the obligation to associate with public authorities; recently (December 2010) there was opened a call for proposals that has as beneficiaries exclusively NGOs – <i>Increase of the capacity of nongovernmental organizations to collaborate with the public institutions from Romania.</i>
POSMEDIU	NGOs can be eligible applicants on Axis 4 „Implementation of adequate systems of management for nature protection”. Taking into consideration the specific conditions of eligibility that an applicant should cover, especially the obligation to be the administrator or the custodian of the natural area, very few NGOs can be in practice eligible applicant within this program.
POR	Due to the specificity of the Regional Operational Program and its objectives, NGOs cannot have a major contribution in the implementation of this program. The domains in which the NGOs may contribute though are at the level of two axes: Axis 3 „Improvement of the social infrastructure” and Axis 5 „Sustainable development and promotion of tourism”; in practice, few organizations submitted funding requests due the specific objectives of POR that aim investments in infrastructure (not typical interventions for NGOs until nowadays).
PNDR	NGOs are not attracted by the available funds through PNDR. One of the causes is the lack of clarity for NGOs related to the activities that they may develop in order to attract funding from FEADR. Another cause is that, during the programming period, there were not included many of the intervention domains in which the

nongovernmental organizations could have contributed. On the other hand, the axes that provide the most opportunities for NGOs within PNDR are: Axis III through measures dedicated to tourist development and Axis IV through LEADER Program – creation of groups of local action and elaboration of local development strategies.

*Source: NGO coalition for structural funds. “112 for structural funds” report, November 2009

Although NGOs are present through submission of funding requests within each operational program, POSDRU distances itself significantly from the other operational programs, registering during 2008-2010 the most funding requests from the nongovernmental organizations’ behalf. As a result, according with the results of the poll conducted by CSDF during September – October 2010, almost two thirds (62.6%) from the total of the funding requests of NGOs are included in this operational program. We have to underline that this situation is due to the fact that POSDRU provides the most opportunities of funding for NGOs, eligible on the majority of the intervention domains on these program.

Graph3: Over the period 2008-2010, did your organisation submit requests for funding within the following programs (% from total requests of NGOs)

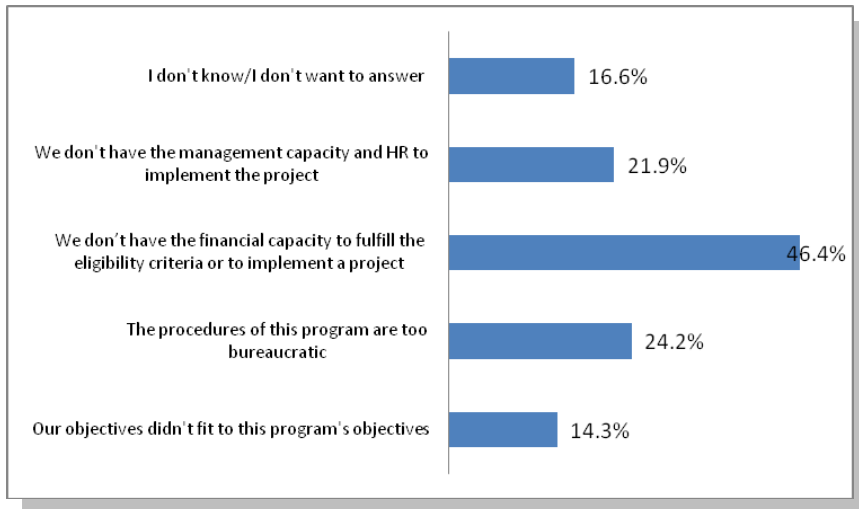


We also have to observe that the evolution in time of the funding requests submitted on POSDRU, as number of projects submitted for funding as well as the number of applicant organizations, points out a slight and constant increase during 2008-2010, approximately 15% from the total of active NGOs applying, on average every year, within this program. The same slight and constant increase requests tendency is registered in the case of POR as opposed to PODCA that presents a more descendent trend in 2010 comparing with the previous years.

The main reason that determines NGOs to fail submitting funding requests within POSDRU was the lack of financial capacity to implement a potential project or to fulfill the eligibility criteria, this reason being mentioned by 46.4% from the total number of non-applicant

organizations. Other constraints that impeded NGOs to submit funding requests refer to the fact that the POSDRU procedures are considered excessively bureaucratic or the lack of organizational capacity (human resources, expertise in project management) necessary to implement a potential project.

Graph4: If you didn't submit a funding request for projects (for POSDRU), which is the reason for which you didn't submit (% from the total of NGOs that didn't apply on POSDRU)

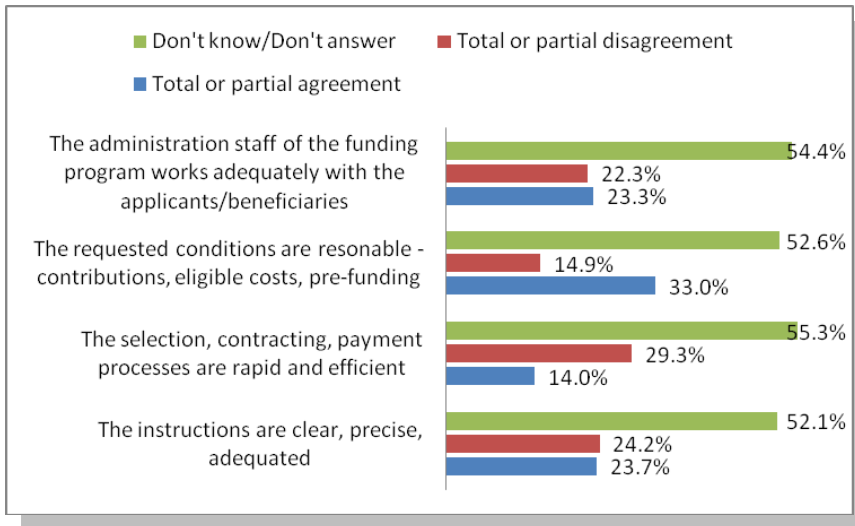


As for the organizations who submitted requests for proposals on POSDRU, they consider the program requests (the level of own contribution and pre-financing, types of eligible expenditures) as rather reasonable (33% from NGOs consider the conditions as being rather reasonable as opposed to only 15% that sustain the contrary).

On the other hand, the selection, contracting and disbursement process is perceived as slow and inefficient by 29.3% of the organizations and only 14% expressed a contrary opinion. As for the clarity of instructions included in the applicant guide, the opinions are equally divided, 24.2% from the organizations consider the instructions as being relatively clear and precise as opposed to 23.7% that sustain rather the contrary.

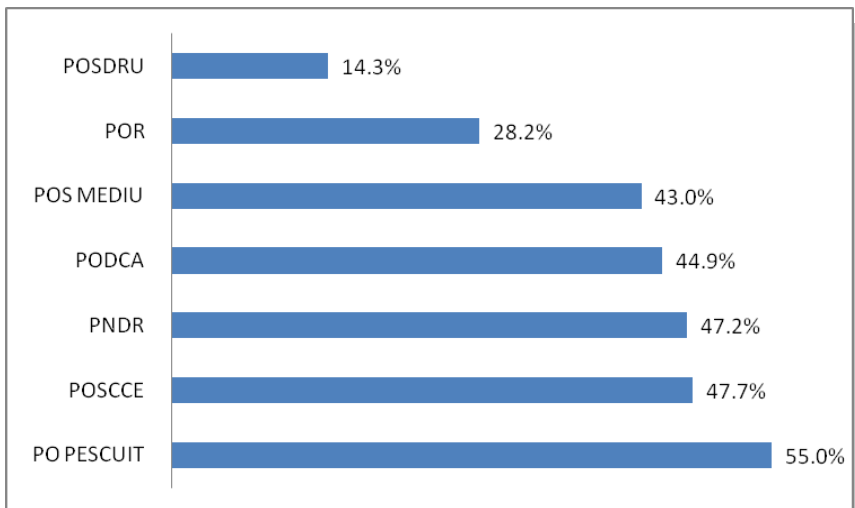
The below graph illustrates the applicant NGOs perception concerning a series of constitutive elements of the funding system of POSDRU:

Graph5: If you submitted funding requests at POSDRU, how do you appreciate the following aspects of the funding process (% from the total applicant NGOs)

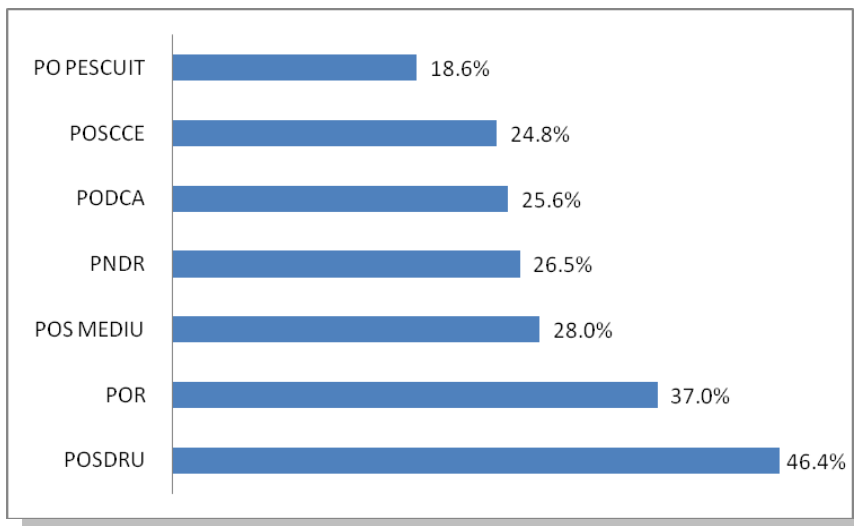


The main reasons that determine NGOs to choose not to apply within the other operational programs are the discordance between the programs' objectives and those followed at organisational level by the potential applicant organization - over 40% from the total of NGOs evoking this reason for POPescuit, POSCCE, PNDR, PODCA and POSMediu and to a less extent as concerns POR – and the lack of financial capacity to fulfill the eligibility criteria (more evident in case of POR).

Graph 6: If you didn't submit funding requests for projects, which is the reason for not doing this? Our objectives didn't fit to those of this program (% from the total of nonapplicant NGOs)

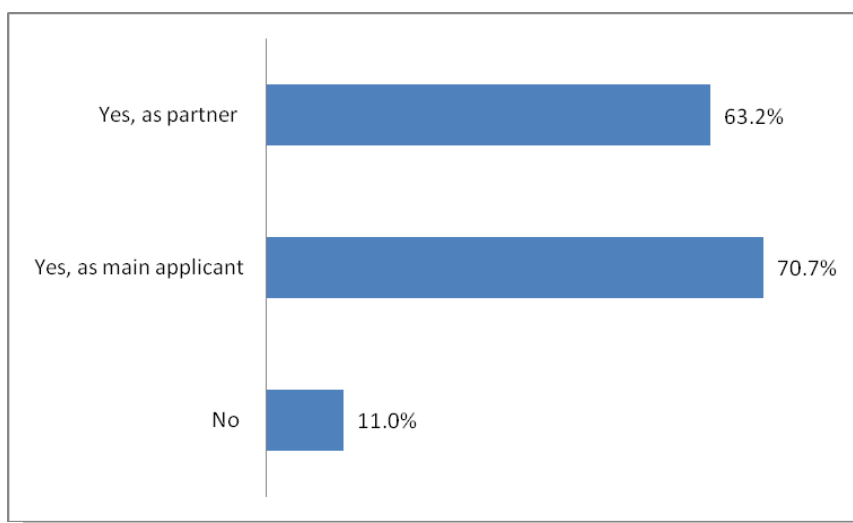


Graph 7: We don't have the financial capacity to cover the criteria of financial eligibility or for the implementation of a project (% from the total of nonapplicant NGOs)



Despite these constraints signaled by a significant number of organizations, only 11% from the total number of investigated NGOs expressed their intention to not apply in the future for these funding programs, a fact that proves that the funding from the structural funds seems to become a major component of fundraising strategy within the nongovernmental sector from Romania. A consistent majority of NGOs intends to submit funding projects in the future either as main applicant (70.7%) or as partner (63.2%).

Graph8: Do you intent to apply in the future on one of these programs? (PNDR, PODCA, POSDRU, POR, POS MEDIU, POSCCE PO PESCUIT) (% from the total of organizations)



3.2. Situation of contracted NGOs to the funding

The main operational programs with relatively significant presence on contracted projects and developed by the nongovernmental organizations are: POSDRU, followed at great distance by POSMEDIU, PODCA, POSCCE si POR.

On August 31, 2010, from the total of 3429 projects developed within these programs, only 398 projects were identified as belonging to NGOs and this indicated a contracting rate of the nongovernmental sector of only 11.6%, reported to the total number of funded projects withing these programs and 8.64% (2,785 billions RON or 696.2 millions Euro, calculated at the average value of 1E=4ron) reported to the total budgeted value.

The below tables evidence the rate of NGO presence – beneficiaries of the contracted projects within the operational programs of structural funds, related to the number of contracted projects and the budgeted value of these (the tables don't include the PNDR and POPescuit programs due to the insignificant presence of NGO within these two programs).

It ought to be noticed the fact that the degree of participation of NGOs within the operational programs is significantly high taking into consideration the number NGOs that are partners in the contracted projects. Unfortunately, these data were not provided by the responsabile managing authorities within the period of our research.

Table1: Distribution of contracted projects of the NGOs – beneficiaries within the main operational program on 31st of August 2010*

Operational Program	NGO projects	Total of projects	% of NGO projects
POSDRU	341	1139	29.9%
POS MEDIU	9	118	7,6%
PODCA	12	201	6.0%
POSCCE	30	1252	2.4%
POR	6	719	0.8%
Total	398	3429	11.6%

*Source: List of beneficiaries posted on the website of management authorities on 31st of August 2010; NGO projects were identified by confronting the database of NGO of CSDF

Table2: Distribution of the value* of projects contracted by the NGOs-beneficiaries within the main operational programs on 31st of August 2010

Thou RON	Value of NGO projects RON	Total value of projects	% value of NGO projects
POSDRU	2,750,000	8,500,000	32.35%
PODCA	13,500	265,000	5.09%

POS MEDIU	11,800	9,700,000	0.12%
POR	9,900	9,230,000	0.1%
POSCCE	2,136	4,544,000	0,05%
Total	2,787,336	32,239,000	8,64%

*Rounded values, the data was built from the import of information available on pdf files, posted on management authorities websites.

Herein, we underline the NGO presence within the main operational programs taking into consideration the number and the value of the projects funded until 31st of August 2010. We re-estate that the nongovernmental organizations were identified by confronting the list of beneficiaries published on the management authorities websites with the NGO database of CSDF completed in 2009 and by associating the organization's name with the nongovernmental sector. In the final list of beneficiaries – nongovernmental organizations – we included besides the associations, foundations, commerce chambers, patronate organizations, etc also the federations of nongovernmental organizations and the trade unions.

POSDRU

On 31st of August 2010 there were 1139 projects contracted within POSDRU with a total value of approx 8.5 billion RON, from which 29.9% projects belonged to nongovernmental organizations, a total of 32.3 % from the total value of the contracted projects. From 341 NGO contracted projects, 236 were of strategic type³ (69.2%) as opposed to 105 (30.8%) of grant type, the average value of strategic projects is of 11.05 million RON (2.76 million Euro, calculated at the average value of 1E = 4 RON), as opposed to the average value of grant projects of 1.285 millions RON (321 thousand Euro).

According with the data provided by the Management Authority of POSDRU (AMPOSDRU), the total value of the payments made until 31st of October 2010 was of 1.566 billion RON (18.4% from the total budgeted value of the projects), from which: Pre-financing: 1.356 billion RON; Disbursement of eligible expenditures: 210 millions RON and disbursement of VAT related to the eligible expenditures: 2.11 million RON.

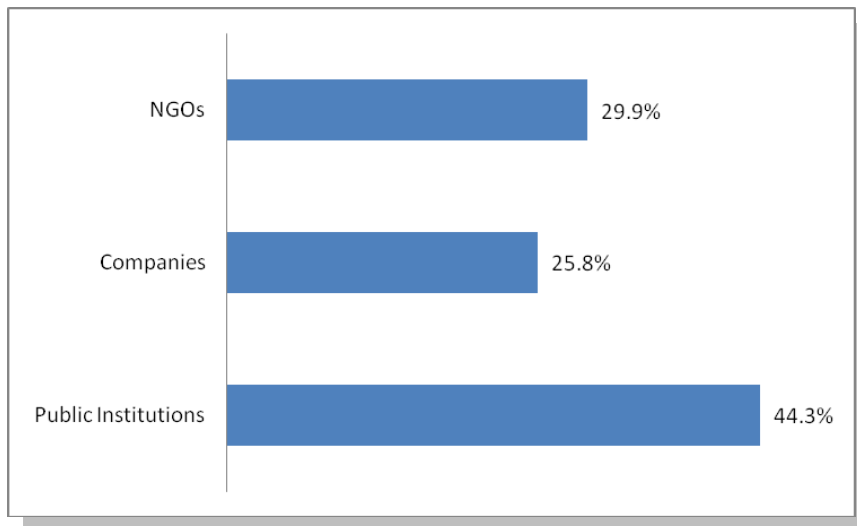
The below graph illustrates the fact that the majority of the funded projects by PODRU are developed by the public institutions (44.3% from the total of projects), NGOs (29.9%), followed at small distance by companies (25.8%). From the public institutions, we should

³ Within POSDRU two categories of projects can be funded:

- The **strategic projects** are the ones implemented at national or multi-regional level; the period of implementation of a project is minimum 6(six) months and maximum 3(three) years and the total eligible value of the projects can be included in the minimum equivalent in RON of 500,000 euro and the maximum equivalent in RON of 5 million euro.
- The **grant projects** are the ones implemented at local or regional level within the region that the request is submitted; the duration of the project is of minimum 6 (six) months and maximum 2 (two) years and the total eligible value of the projects is included in the minimum equivalent in RON of 50,000 euro and maximum equivalent in RON of 499,999 euro.

remark the fact that almost two thirds are education institutions; local public administration institutions are weakly represented within this program.

Graph9: Distribution of contracted projects on POSDRU evidenced on type of organization (% from total of contracted projects)



Most projects contracted by NGOs are within the Priority Axis 3 *Increasing adaptability of workers and enterprises* (111 projects) and Priority Axis 2: *Linking life long learning and labour market* (83 projects), followed by Priority Axis 5 *Promoting active employment measures* (74 projects) and Priority Axis 6 *Promoting social inclusion* (62 projects).

As concerns the main domains of intervention, the most projects implemented by NGOs belong to DMI 5.2. *Promotion of long-term sustainability of rural areas related to development of human resources and employment of the labor force* and DMI 3.3. *Partnership development and encouragement of initiatives between social partners and civil society*:

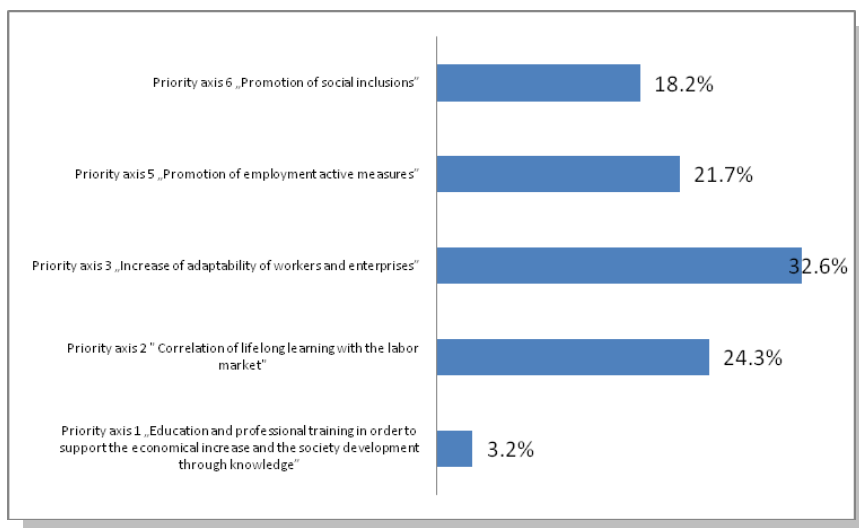
Table3: Distribution of contracted projects of NGOs on Priority Axis/ POSDRU main domains of interventions

POSDRU: Priority axis/ DMI	No. of contracted projects	% from the total contracted NGO projects
AP1/ DMI 1.1. Access to education and initial quality professional training	4	1.2%
AP1/ DMI 1.3. Development of human resources through education and professional training	1	0.3%
AP1/ DMI 1.4. Quality in lifelong professional training	6	1.8%
Total AP1 Education and training in support for growth and development of a knowledge based society	11	3.3%
AP2/ DMI 2.1. Transition from school to active life	19	5.6%
AP2/ DMI 2.2. Prevention and correlation of early school abandon	26	7.6%
AP2/ DMI 2.3. Access and participation at lifelong learning	38	11.1%

Total AP2 Linking life long learning and labour market	83	24.3%
AP3/ DMI 3.1. Promotion of enterprise culture	24	7.0%
AP3/ DMI 3.2. Training and support for enterprises and employees for promoting the adaptability	39	11.4%
AP3/ DMI 3.3. Development of partnerships and encouraging the initiatives for social partners and civil society	48	14.1%
Total AP3 Increasing adaptability of workers and enterprises	111	32.6%
AP5/ DMI 5.1. Development and implementation of employment active measures	25	7.3%
AP5/ DMI 5.2. Promotion of long term sustainability of rural areas as concerns the human resources development and employment of labor force	49	14.4%
Total AP5 Promoting active employment measures	74	21.7%
AP6/ DMI 6.1. Development of social economy	33	9.7%
AP6/ DMI 6.2. Improvement of access and participation of vulnerable groups on labor market	12	3.5%
AP6/ DMI 6.3. Promotion of equal opportunities on labor market	14	4.1%
AP6/ DMI 6.4. Transnational initiatives on inclusive labor market	3	0.9%
Total AP6 Promoting social inclusion	62	18.2%

*Source: list of beneficiaries posted on management authority website on 31st of August 2010

Graph10: Distribution of NGO projects on POSDRU priority axes (% from total of contracted projects)



POSMEDIU

Within POSMEDIU, the public institutions contracted 78% from the total of those 118 projects developed within this program – an approximate total of 9.7 billion RON, the NGOs summed up only a number of 10 funding contracts (8.4% from the total, with a total budget of only 11.8 millions RON), from which one was resiliated by the end of the collection of data.

All the NGO projects are contracted on the fourth priority axis/ DMI 1: *Development of infrastructure and management plans in order to protect the biodiversity and Nature 2000.*

According with the data provided by the Management Authority of the program (AMPOSMEDIU), the total value of the payments made until 31st of August 2010 within the contracts in which the beneficiaries are NGOs is of 1,298,696 RON, from which: Pre-financing: 993,996 RON; Disbursement of eligible expenditures: 253,188 RON and disbursement of VAT related to the eligible expenditures: 51,512 RON.

PODCA

As in case of POSMEDIU, from the total of 201 projects funded through PODCA, in total value of 265 millions RON, the majority is contracted by the municipalities and public institutions (94%), as opposed to NGOs that implement only 12 projects (5.9% from the total), all of these belonging to the first priority axis / DMI 1.1.: *Improvement of the decision taking process at the political and administrative level* and DMI 1.3.: *Increasing the organizational efficiency.*

POR

Within POR, from the total of 719 contracted projects until 31st of August 2010, in total value of 9.23 billion RON, 55% are implemented by public institutions and 44.3% by the companies. All projects implemented by NGOs (6 projects) are contracted within the third priority axis 3/ DMI 3.2. *Rehabilitation, modernization, development and endowment of social services infrastructure* and summes up a budgeted value of 9.9 millions RON.

According with the Management Authority of the program (AMPOR), the total value of the payments made within the contracts with NGOs as beneficiaries summed up at 104.47 million RON, from which pre-financing of 42.67 millions RON, disbursement of eligible expenditure of 58.74 and VAT disbursement of 3.06 million RON. The discordance between the data is due to the fact that AMPOR includes the Associations of Intercommunity Development within the nongovernmental sector and these are in fact cooperation structures, of private type, founded by the administrative-territorial units for development of common development projects of area or regional interest or providing commonly of public services and we don't aim these in the present research.

POSCE

As concerns POSCCE, from the total of 1252 contracted projects, with the approximate value of 4.5 billion RON, the majority belongs to the companies (82.3%), and the NGOs implement only 30 projects (2.4% from the total), all being contracted within the third priority axis / DMI 3.1: *Supporting the use of informational technology and supporting the Internet access and related services.*

Table 4. Main domains of intervention with significant presence of NGOs (except POSDRU)

Operational Program	Priority Axis/Key Domain of Intervention
POSMEDIU	Priority Axis 4/ DMI 1: Development of infrastructure and management plans in order to protect the biodiversity and Nature 2000
PODCA	Priority Axis 1/ DMI 1.1.: Improvement of the decision taking process at the political and administrative level
POSCCE	Priority Axis 3/ DMI 3.1: Supporting the use of informational technology and supporting the Internet access and related services
POR	Priority Axis 3/ DMI 3.2 Rehabilitation, modernization, development and endowment of social services infrastructure.

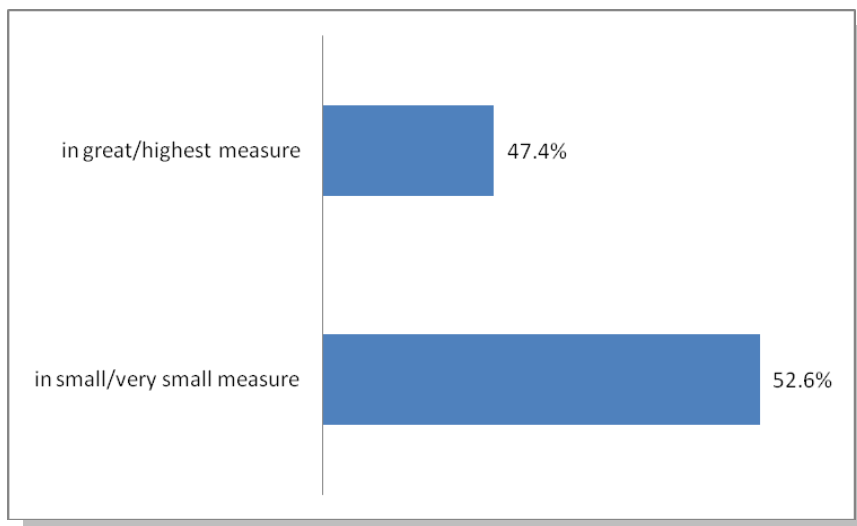
4. Main financial difficulties encountered by the contracted NGOs

Our research had as central objective the identification of the main constraints that influence the financial decision within the projects implemented through the operational programs of the structural funds, having as empirical support the results derived from the administration of a series of personalized interviews and of a questionnaire applied for the financial responsible persons of the nongovernmental organizations included in the beneficiaries list published on the management authorities websites. Since more than 85% of the projects contracted by NGOs are registered within POSDRU, the analysis shall focus primarily on the main difficulties of financial nature faced by the NGOs within this operational program.

As you can notice in the below graph, the opinions concerning the perception of the difficulty degree involved by the projects financial management is divided approximately equally. If less than half of the interviewed financial managers (47.4%) consider that they faced difficulties, in great/highest measure, in the project management (the average of the difficulty degree was of 5.6 on a scale of 1 to 10 where 1 = they didn't face difficulties at all and 10 = they faced great difficulties), the other half (52.6%) considers that the financial management of the projects didn't involve special difficulties.

We have to notice that the perceived difficulty degree is significantly higher in the organizations that contracted the first projects (the end of 2008 and the beginning of 2009) as well as in the organizations that implement strategic projects with a high budget value.

Graph11: What is the degree of difficulties you consider that you faced / face related with the financial management of the project?

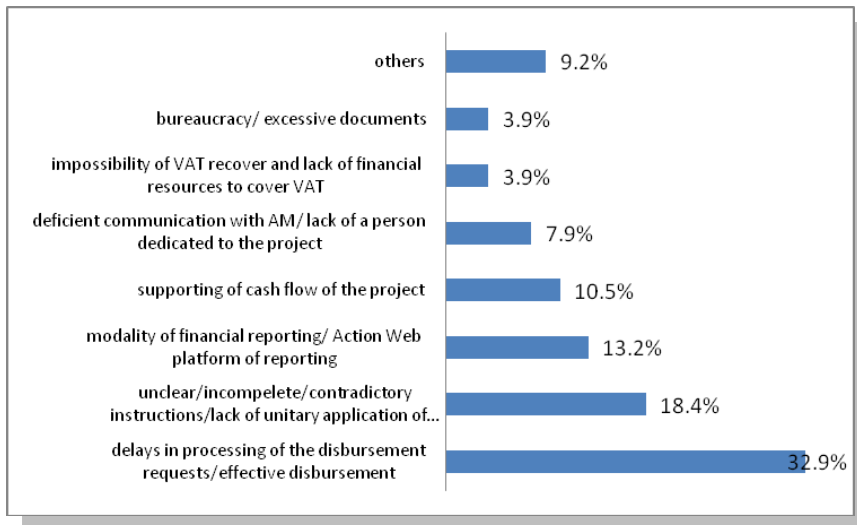


In order to represent in detail the objective of the research, we have included in the elaboration of the questionnaire open questions as well as questions with pre-defined answers.

From the perspective of answers at the first set of questions, summarized on the below graph, the main difficulties which the financial responsables of the projects confronted with were generated by the significant delays in the disbursement of the eligible expenditures of the project (32.9% from the total number of the financial managers indicating that as being the main difficulty they were confronted with) and also by the unclearness of the instructions, procedures and types of eligible costs, issued by the different institutions with responsibilities within the funding system (18.4% from the total).

Other types of difficulties mentioned by the financial responsible persons of the projects referred to: the system of financial reporting (including the online reporting platform called ActionWeb), considered as the main difficulty by 13.2 % from the total, ensuring the necessary cash flow, deficitary communication with the responsible institutions (7.9%) and the high degree of bureaucracy/excessive documents determined by different requests and conditions of the funding programs.

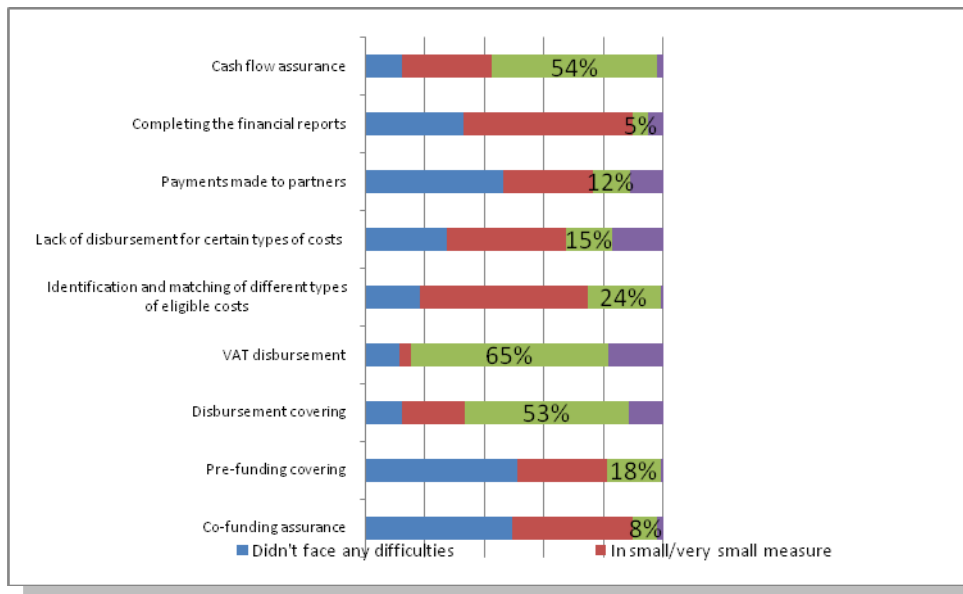
Graph12: Which is your opinion about the main difficulty concerning the financial management of the project implemented by your organization (% from the total of NGOs) – open question



As we mentioned above, the identification of the major difficulties that influenced the financial decisions was based also on the answers triggered by a set of questions with predefined answers. From this perspective, the financial responsible persons of the NGOs met with significant difficulties concerning the disbursement of the VAT corresponding to the eligible costs (65% from total), sustenance in general of the cash flow (54%) and delays in disbursement of the eligible expenditures within the project (53%).

Connecting the answers from the two sets of questions, we can assert that the main challenge of the NGOs that implement projects funded by operational programs of the structural funds consists in the cash flow sustenance necessary for the implementation of the projects in the conditions of registration of significant delays in the disbursement of eligible expenditures or disbursement of VAT and of lack of supplementary funds necessary to cover those delays.

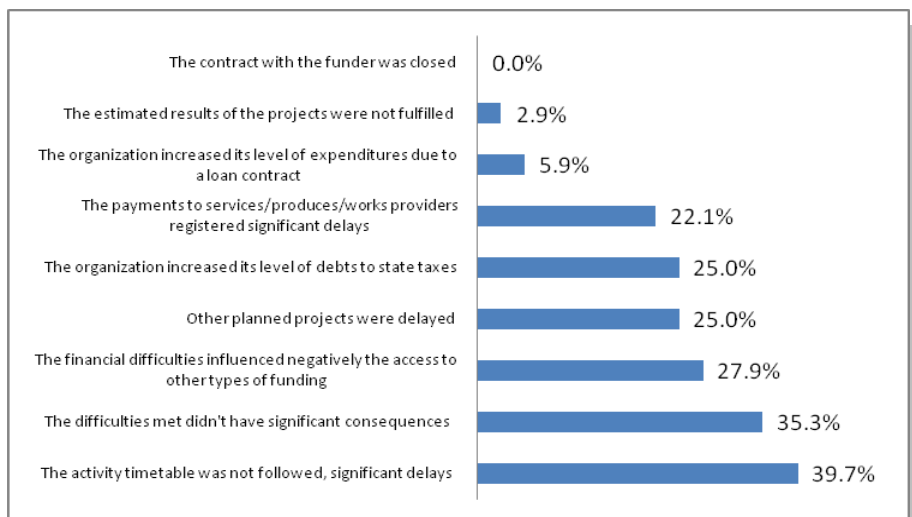
Graph13: In what degree you faced difficulties concerning the following elements of Financial management of the projects implemented by your organization:



Fortunately, the obstacles mentioned above generated insignificant consequences in the fulfillment of the activities included in the project or over the organization in general for more than one third of the investigated organization (35.3% from the total of NGOs).

On the other hand, the other sample organizations reported significant delays in the timetable of the project activities (39.7% from total), difficulties in accessing other types of funding or postponing of implementing other projects of the organization. Therefore, one quarter of the organizations registered an increase in the level of debts for taxes and the payments to the services providers registering significant delays for 22.1% from the organizations.

Graph14: Taking into the consideration the different financial difficulties that you faced, please indicate the consequences that these had at the implementation of the project or general level in your organization (% from the total of organizations – multiple answer)



Furthermore, we will detail, in the order of signaled importance, the main difficulties faced by the nongovernmental organization from the financial project management perspective, the way these responded to the difficulties and the possible measures shown by the financial responsible persons in order to overcome the obstacles.

The delays in project expenditure disbursement and VAT represent the main difficulty for 36.8% from the total of NGOs.

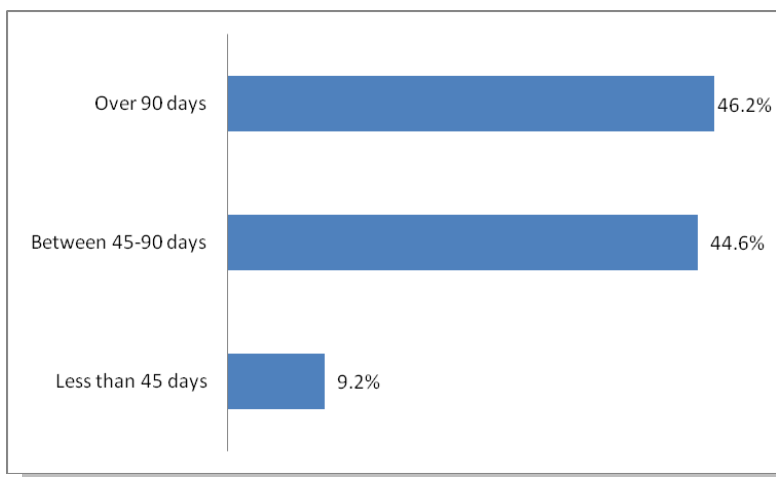
Although the contractual clauses of the projects stipulate, in most cases, the obligation of expenditures disbursement within no more the 45 days from the registration of disbursement request, only 9.2% from the total of contracted organizations have actually received the payments corresponding to the disbursements in less that 45 days, the majority benefited of disbursements either over 90 days from the registration of request (46.2% from total), or within a period from 45 to 90 days (44.6%).

The situation of disbursement is critical in case of VAT disbursement corresponding the eligible expenditures of the projects, more than three quarters (82.4%) of the organizations declared that they didn't benefit of VAT disbursement until the final date of collection of research data (19th of November 2010), and from those to which the VAT was disbursed, the majority received it at more than 90 days from the registration of the disbursement request.

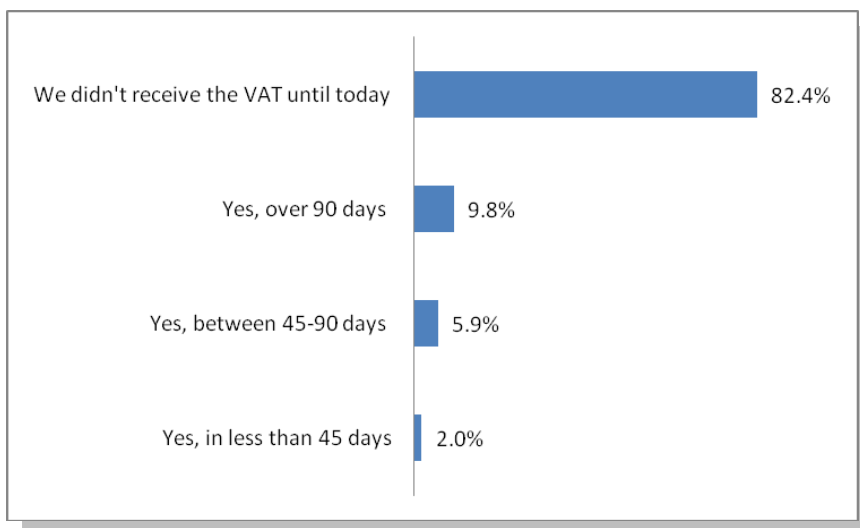
The non-disbursement of VAT is due, in great measure, to the delay in elaboration of legislative frame (applying norms and instructions were issued only in the 2010 spring, whilst a great number of projects were contracted at the end of 2008 and in 2009). Altogether, the majority of NGOs considers the situation unjustified and this is also because the covering of VAT expenditures is considered the most difficult to support due to the necessity of mobilization of consistent financial resources.

The lack of disbursement in time of the expenditures and of VAT makes difficult the sustainance of cash flow and in general the activity of realistic financial forecast, signaled by the majority of interviewed organizations.

Graph15: Taking into consideration the entire process of project implementation, on average, how long from the submission of request did you benefit of expenditure reimbursement? (% from the total of NGOs)

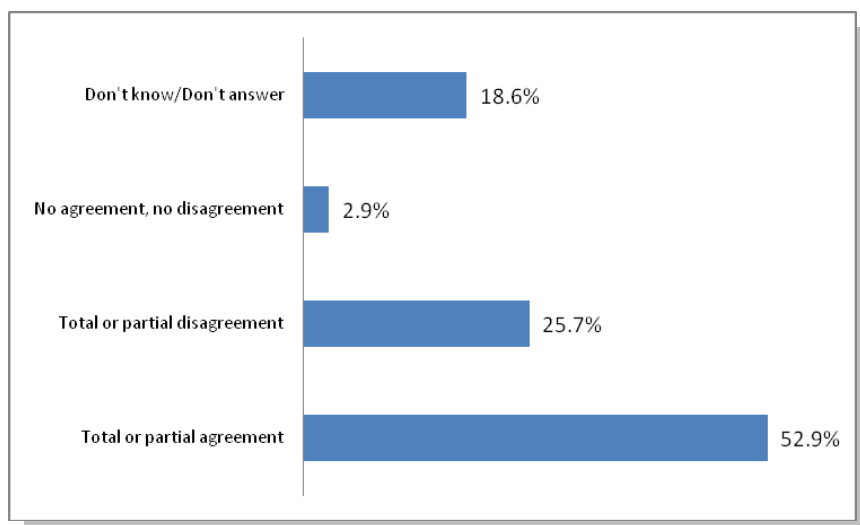


Graph16: Has your organization been reimbursed with the VAT corresponding to goods and services purchased in the project?
(% from the total of NGOs)



According with the financial responsible persons of NGOs, the main cause of delays in disbursement is due to the reduced capacity of the responsible institutions (Management authorities and Intermediary organisms) in checking the technical and financial reports correspondent to the disbursement requests, the low capacity generated by insufficient personnel or the rather low presence of motivation degree and level of competencies.

Graph17: The management authorities (AM)/intermediary organisms (OI) have low capacity of verification of technical and financial reports (% from the total of NGOs)



To these deficiencies we may add the lack of a person/team designated to each contracted project during the implementation lifecycle, a practice met by the organizations in the administration of pre-accessing funds Phare in the form of permanent monitors with consulting and personalized assistance tasks as well (as also resulted from the individual interviews, the designation of a permanent monitor is found within the management authority of PODCA, as a result an already existent practice should only be generalized).

“ Quite often, the answer to clarifications doesn't reach the same monitor that asked for those but to another that has its own request of clarifications with or without connection with the first ones or may differently interpret the reporting procedures, as a result the circle remains open generating a very long period of financial reports verification”.

“It is necessary to be designated a unitary experts team from both organisms (AM and OIR) that would verify a project on its entire period of implementation”.

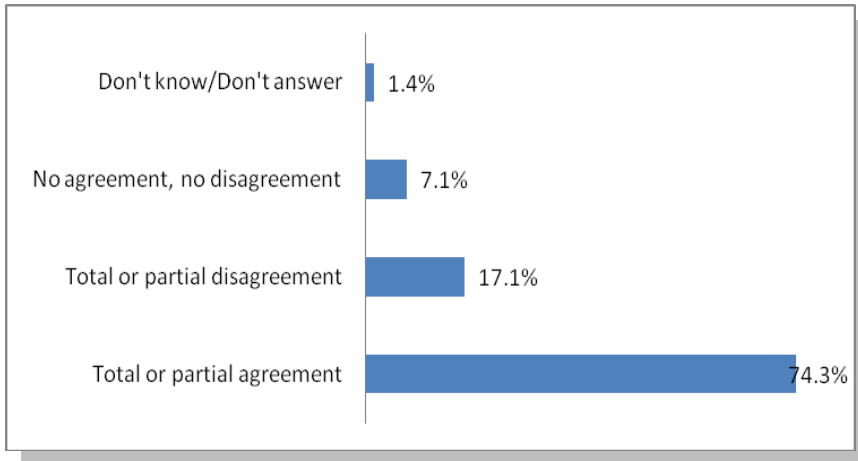
Solving out the problems of personnel of the responsible institutions (in the sense of increasing the personnel, the degree of motivation and expertise), along with the generalization of the practice of designating a person (team) to be responsible for the project represent the main correction measures shown by the financial responsible persons of the contracted projects in order to accelerate the process of verification of technical and financial reports (or of the period from the winning project notification to the actual signing of the funding contract) and implicitly maintenance of the realistic terms of financial forecasts necessary to implement the project.

Unclearness of instructions and procedures along with the inexistence of unitary interpretation of these by the beneficiaries and responsible institutions generates major difficulties for 18.4% from the contracted organizations.

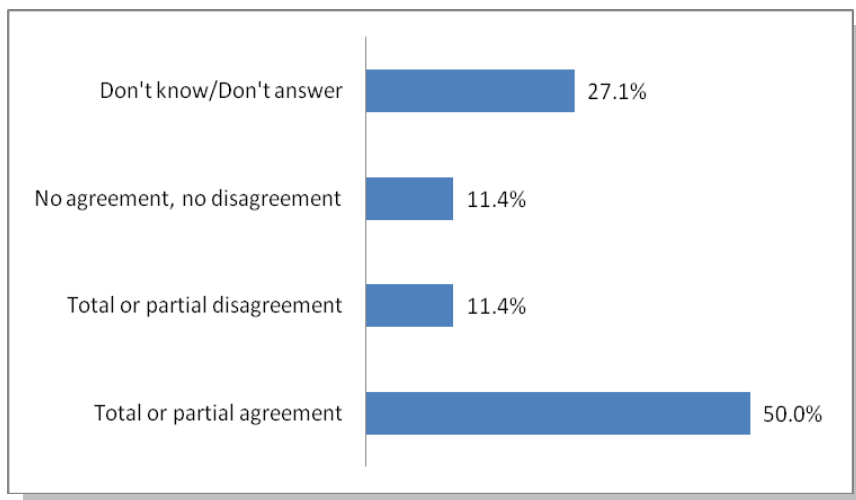
The lack of clarity of instructions and procedures issued by the management authorities or of those included in the *eligible costs orders* represents the main difficulty for almost 20% of the questioned organizations included in the poll organized by CSDF in November 2010. This is also confirmed by the fact that almost two thirds from the total number of financial managers consider that the financial instructions are often unclear and unpredictable, 74.3% from the total expressed their total or partial agreement on this statement.

Although they admit the existence of a certain degree of inherent interpretation of any type of instruction or procedure, half of the total number of investigated financial responsible persons considers that there is not an unitary system of verification of expenditure at the level and inside of the responsible institutions and this fact influences in a negative way the process of verification of the financial reports. On the other hand, the financial managers indicated the fact that the answers to the situations connected to the project often come with delay or at all and they have a general character, maintaining the same high degree of unclearness and interpretation.

Graph18: The financial instructions issued by the Management authorities are often unclear
(% from the total of NGOs)



Graph19: There is no unitary system of verification of expenditures at and between the responsible institutions (AM and OI)
(% from the total of NGOs)



Forewith we propose to detail a series of unclear aspects through the examples provided by the financial managers within the individual interviews or from the answers at the open questions included in the questionnaires (the examples are not in the order of their importance but described rather in the order of their pinpointing).

We must mention that a great part of the perceived unclearnesses was due, as mentioned by a significant part of the financial managers, to the high degree of interpretation of instructions and lack of expertise from the NGOs and they are not on the issuing authorities

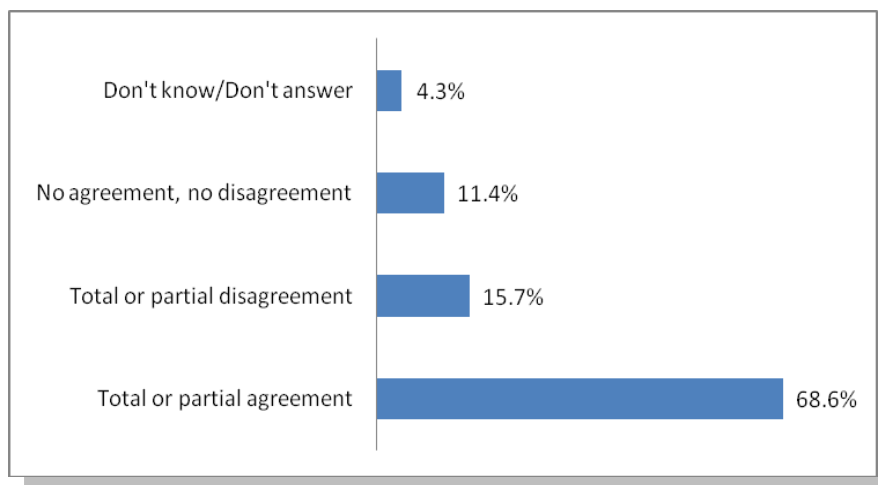
blame. Moreover, even if a series of unclearnesses were fixed, we considered necessary to mention them in order to draw a detailed picture concerning the difficulties met by NGOs during the projects implementation.

- The beneficiaries and the management authorities interpret usually differently the legislation (Government ordinance 64) that stipulates the obligation of opening three accounts for the project that is an account for pre-financing, one for disbursement and one for partnership. The beneficiaries consider to be functional either opening only one account (the project account) or no more than 2 accounts (the project account and the pre-financing account);
- Fitting the salary of the juridical counselor and financial manager of the project into the administrative costs and not on those of human resources; this changed according with the ordinance 1527/ 3.11, that stipulates that those salaries would fit into the human resources costs of the project;
- Unclearness concerning the obligation to employ an expert accountant member of CECCAR in the conditions of which the nongovernmental organization had employed a person with high education in the field on the position of chief accountant. In this sense, the beneficiaries recommend to align the instructions with the accounting law that stipulates the existence of either an expert accountant, or a department leaded by a person with high education in the economical field.
- The interpretation of the 7% or 15% of the administrative costs (understood either as a fixed percentage or as a maximum percentage). The interpretation reached in the end is that of maximum percentage but the misunderstanding persisted long time within the financial responsables of the projects;
- Unclearness concerning the lumpsum character of the administrative costs and exclusion of the justification notes for this type of costs;
- The visual identity manual specifies that on certain documents, the beneficiary must consult the management authority or the intermediary organism without specifying clearly the nature of this consultation;
- The unclearness and the heavy character of the procedures governing the public procurement, either following the provisions of Instruction 26 of management authority or of the Ordinance 34/2006 for contracting authorities;
- The impossibility of applying the Instruction 35 that stipulates the registration of the target group and through which it is requested to add support documents that would certify the belonging of the respective persons to the target group, the declaration of self responsibility is not sufficient even if signed; the majority of financial managers support the elimination of this instruction.

The explanation and registration of the types of eligible and ineligible costs, as they are included in the successive orders issued by the Finance Ministry and other connected

ministries, are considered unclear and with a high degree of interpretation by over two thirds of the questioned financial responsables (68.6%). This fact is also due to the frequent changes of the eligible costs order during the project implementation and the fact that these are not aligned with the present accounting legislation.

Graph20: Types of eligible costs are often unclear (% from the total of NGOs)



The examples of difficulties generated by the unclerness or the high degree of interpretation of eligible and ineligible types of costs refer mainly to:

- Expenditure related to the days off (vacations)
- Commission due to ITM (Labor Territory Inspectorate)
- Expenditure related to the copyrights contracts
- Expenditure related to transport and gas
- Unclear registration of the inventory objects of small value
- In general, unclear defining of the indirect costs
- Unclear term of sub-contracting, recently introduced through the common order from August 2010 and which introduces a certain degree of confusion between activities from projects and the auxiliary services (eg: events organization)
- Expenditure related with leisure time activities for children, considered ineligible costs in a project that has as target groups children from disfavored areas

The main recommendation concerning the reduction of the impact of this type of difficulties over the process of financial administration of the projects envisages the uniforming of the interpretation of rules between beneficiaries and responsible institutions (AM/OIR) through integrating all the guides, manuals, instructions, orders and even situations of financial

nature into a single, unitary and comprehensive pack of requests, that may apply at the entire priority axis no matter the major intervention domain or number of call for proposals.

In this matter, our research recommends the construction and approval of a Financial Good Practices Guide accessible as far as possible to all the contracted organizations from a priority axis and that will contain updated, complete, factual information along with a summary of frequent mistakes of beneficiaries (documents that are missing oftenly or interpretation, misfitting mistakes) in order to reduce as far as possible the differences of interpretation between beneficiaries, AM and OIR.

We also consider useful the creation of an online platform/forum of information and consultation on financial problems at which the beneficiaries and representatives of the responsible institutions should have access, those should have real experience in project monitoring (in this online debate platform it was suggested to be useful the publishing of the minutes and relevant documents of the work groups within the monitoring committees).

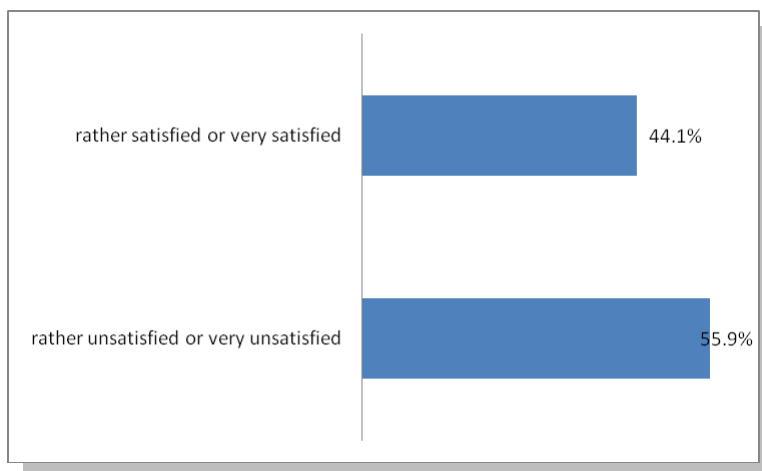
In that same matter, we recommend the dissemination of the main conclusions of the work groups organized with the participation of the financial managers and the representatives of the responsible institutions, towards all the contracted organizations, alongside with the AM taking on responsibility related to these, with a view to develop a centralized form of responding to the needs of clarification over the instructions and financial procedures that would lead to finding concrete, pragmatic and immediately ready to implement solutions.

Last but not the least, we believe that designation of an unitary team of monitors for each project during the implementation of this, responsible for the verification in an unitary way of the clarification requests would contribute significantly to the reducing of unpredictability and unclarity involved in the verification process of the financial reports.

Frequent changes of the financial reporting methods during the project implementation and the difficulties generated by the online ActionWeb reporting constitute the main difficulty for 13.2% from the total number of the financial responsables.

This type of difficulty signaled by approximately 13% from the total investigated financial responsables refers both to the *reporting procedures*, especially those that intervene in case of reports found in the verification process, or the different reporting sent by different monitors from the responsible institutions, and also to the lack of a *communication frame* between the beneficiaries and authorities that can be overcome through what we recommended in the previous chapter, namely the creation of a platform of informing and initial consulting of the instructions and procedures, accessible by beneficiaries and designated representatives of the responsible institutions.

On the other hand, a significant number of financial managers with consistent responsibilities in financial report elaboration signaled a series of deficiencies of the online reporting platform (ActionWeb) and we will detail these below. Concerning the satisfaction degree over the online reporting modality, 56% from the total number of interviews financial managers are rather unhappy of this, as opposed to 44% that support the contrary opinion.

Graph21: How satisfied you are of the online financial reporting Action Web?

The main signaled deficiencies concerning the functionality of the reporting platform triggers the lack of flexibility of the process of info introduction and the lack of verification and correction modalities for the introduced data before the action of reports' sending to the responsible institutions and we list below some of the possible observations:

- The usefulness of generating a final financial report that could be used in electronic format as well as hardcopy so the funded beneficiaries would not be forced to complete twice the financial reporting through introduction of all the expenditures in the ActionWeb platform as well as in the appendix of expenditure evidence that has to join the disbursement requests; At present, the specific module from ActionWeb was adjusted and improved so that the expenditure evidence is now generated from the system and there is no need to be completed separately.
- The possibility of importing the Excel files so that the financial information could be automatically taken over and completed offline during the implementation;
- The possibility of verification of the data correctness (in order to have a complete image of the introduced data) before generating the list of eligible costs; the possibility of generating the totals and sub-totals at least for every budget chapter in order to notice if those correspond to data from appendix of expenditure evidence; visualization of the number and date of payment and the total of paid amounts;

Note: the problem of realizing the total of the introduced operations before generating the list of eligible expenditures was solved over the period of development of our research.

- Increasing the role of a working instrument (not only reporting one) of the platform through adding new facilities such as creating a collection of instructions or corrigenda, facilities such as "Help", transmitting to the beneficiaries the approved amounts from the expenditure evidence and last but not the least the possibility of connecting more users from the same organizations.

All the above observations represent the same number of recommendations of improvement of online reporting platform functionality in order to accelerate the elaboration and verification of the financial reports that join the disbursement requests of the beneficiaries.

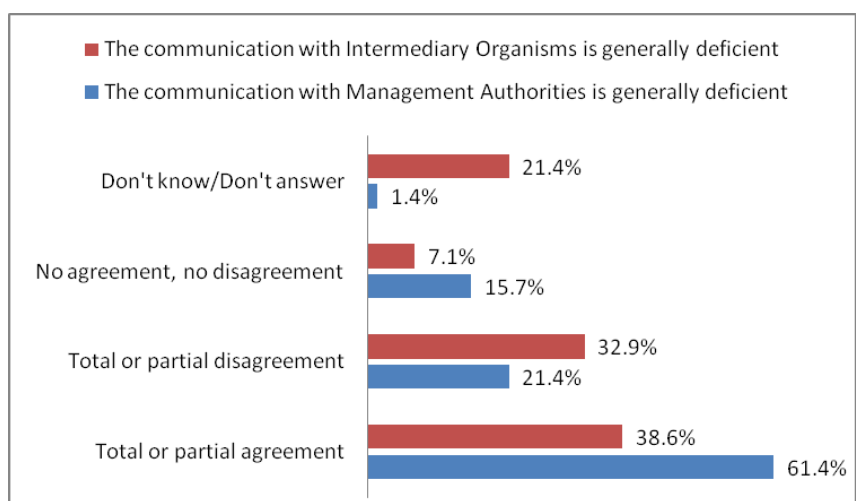
The defective communication with the responsible institutions for the implementation of the operational programs is signaled as the main difficulty within the financial management by 7.9% from the total of NGOs.

The difficulties faced during the communication process between beneficiary and responsible institutions of the operational programs implementation were largely debated in the individual interviews and the degree of beneficiaries satisfaction over the quality of this process varies from case to case according with the operational program or the type of responsible institution for the verification of technical and financial reports (management authority and intermediary organism).

Concerning the answers to the online questionnaire administrated on November 2010, they evidence rather the insatisfaction of the beneficiaries organizations as concerns the communication with the AM as well as with OIR, with the mention that, as concerns the last institution (OIR), the level of satisfaction and insatisfaction presents values approximatively equal but with a sensitive greater non-answer level compared with that of other institutions.

So the majority of investigated financial managers consider the communication with AM as being generally deficient (61.4% express their total or partial agreement on the above mentioned statement), as opposed to only 21.4% that sustain – partially or totally – the contrary. In what concerns the OIR, a percentage of 38.6% from the total of financial managers of NGOs are rather insatisfied by the communication of the intermediary organism as opposed to 32.9% from the total that are rather satisfied.

Graph22: The communication with the management authority/intermediary organisms is generally deficient (% from the total of NGOs)



The deficient identified communication aspects from the individual interviews triggered mainly the large period and the unclearness of the answers to the problems identified by the beneficiaries. So, the majority of the organizations faced, at least once during the project implementation, with situations in which the answers to the questions were received in an unjustified long time or situations in which no answer was received.

A series of organizations also signaled the lack of concrete answers to concrete questions (either on the helpdesk channel or within the info sessions organized by the institutions). This determined for a great part of beneficiaries to adopt a “pro-active” attitude and to go to the responsible institutions offices in order to receive a faster, personal, concrete, and as far as possible detailed answer to the problems they faced with.

The other qualitative components of the communication between beneficiaries and responsible institutions, evidenced within the individual discussions, referred to the lack of explanations in case of rejection of certain expenditures, lack of unitary application of the requests and instructions by different persons from the same institution or from the two institutions (AM and OIR) and the character oftenly impersonal and bureaucratic of the communication between the beneficiary and responsible authorities.

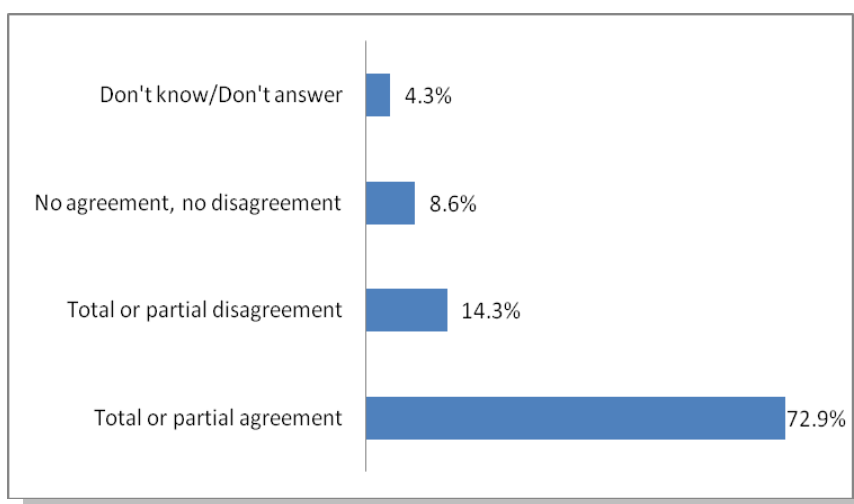
In order to improve the quality of communication (both as duration and as content) between beneficiaries and responsible institutions, we recommend as in the case of the other above mentioned difficulties, the creation or generalization of the practice of designating a responsible person/team that would unitary take care of the monitoring of the project during the entire implementation period. This would lead to the uniforming as far as possible of the interpretation of rules between beneficiaries and responsible institutions as well as the tailoring of the assistance provided by the institutions. On the other hand, the creation of an efficient communication system through e-mail would increase significantly the speed of the communication.

With a view to continuing consolidation of beneficiaries’ capacities by providing them diverse resources of technical assistance, we consider useful and feasible, the rule of periodical meetings or an online info, consulting and training platform that all the beneficiaries could access along with the representatives designated by the responsible institutions and these meetings should be prepared and sustained by experts in project management on structural funds with specific topics on types of contracts and possibly on types of beneficiaries (NGOs, public institutions, companies). A possible model may be offered by the similar meetings organized by the National Agency for Community Programs in the field of Education and Professional Training (ANPCDEFP).

The high level of bureaucracy from the operational programs represents the main difficulty in the implementation of the projects for 6.6% from the total of nongovernmental organizations

Although the majority of the financial responsables understands the necessity of a high level of inherent bureaucracy for the project implementation through the structural funds programs, they signaled a series of excesses in bureaucracy generated by the general frame of requests included in the applicant guide or funding request format, as well as by the certain punctual requests of the financial monitors from the responsible institutions. The last mentioned might have an explanation, in a certain degree, in the differences of organizational culture from NGOs, less bureaucratic and the public institutions that have higher degree of bureaucracy and that influence as a result the relation with the beneficiaries.

Graph23: In general, the financial management of the projects involve beaurocratic procedures and excessive justifying documents (% from the total of NGOs)



Even if only a small part of the sample organizations (6.6% from the total of NGOs) consider bureaucracy as the main difficulty met in the financial management of the project, more than two thirds from the investigated organizations (72.9%) consider that the financial management of the projects generally involves a series of procedures and justifying documents often excessive.

The financial managers pointed out in the personalized interviews the high degree of effort involved in the double reporting (introducing of data in the ActionWeb platform as well as in the appendixes that join the disbursement requests without the possibility of importing the data from a file to another), the request for exaggerated volume of justifying documents and especially the excessive number of copies of support documents in hardcopy and scanned.

The reffered concrete examples were, among others, the number of necessary documents for justifying the target groups, the request for submission of an activity report for each

employee or the fact that for each financial operation is necessary to produce a copy of the payment order and the bank statement.

The majority of the organizations recommended, through this report, the reduction as much as possible of the excessive support documents, the justifying documents and the copies requested in the process of verification of technical and financial reports.

NGO relationships with Partners - Public Institutions

We finish the description of the types of difficulties signaled by NGOs underlining a certain type of difficulty that although it doesn't have statistical consistence, it is of special importance for organizations that have public institutions partners in the project activity implementation.

The nongovernmental organizations faced with this situation underlined that on one hand the regulations related to expenditures for activities that need to be accomplished by the public institutions partners, don't allow the allocation of pre-financing for them and on the other hand the public institutions are often under the impossibility of advancing the financial resources necessary to achieve the activities included in the project. The possibility of providing the pre-financing for the partners – public institutions was regulated within the research period (September-November 2010), a fact that we greet and that exemplifies the involvement of the responsible institutions in the remedy of the disfunctionalities that may appear in the governing mechanisms of the funding system.

Besides these disfunctionalities, the beneficiary NGOs with public institutions as partners indicated that the personnel from the public institutions involved in the accomplishment of the activities can not be payed due to the limits imposed by the unique salary law.

The present report recommends to adequate the regulations connected to the expenditures for the activities that have to be accomplished by the public institutions partners in the sense of improving the procedures of opening the budget lines for projects in which they are partners and the support mechanisms to accomplish the project activities.

5. Evaluation of NGOs internal capacity to respond to specific requirements of the funding programs

The main challenge of the organizations that implement projects funded through the operational programs of the structural funds is the cash flow necessary to implement projects in the context of more than three quarters of the total of NGOs registered large delays in the disbursement of eligible expenditures or in VAT disbursement of the correspondent expenditures.

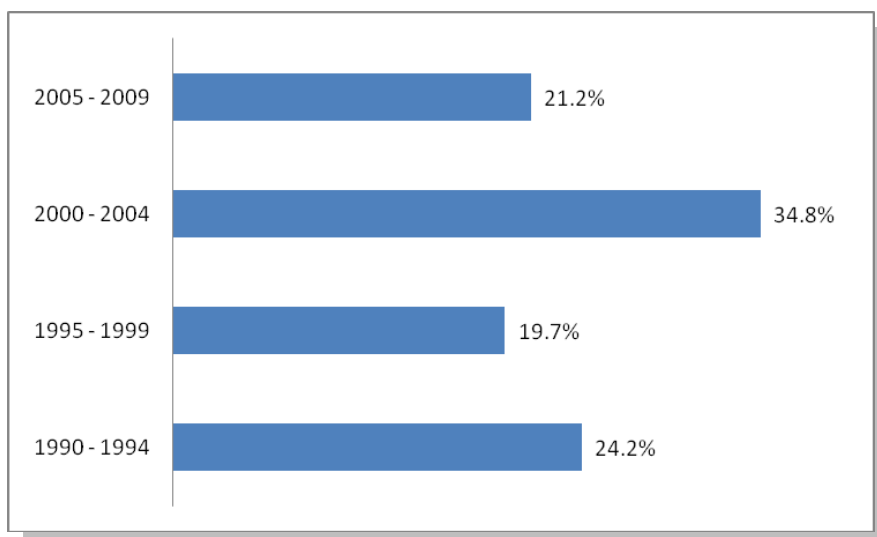
The other types of difficulties established, referring to the unclearness or successive changes in the reglementation framework or those connected to the completion of financial reports or the assurance of the co-financing of the projects – are felt by a fairly small number of organizations and they are considered generally to be possible to overcome.

In this chapter we aim to analyse the main internal factors (personnel, expertise, way of constitution of the financial resources, costs administration) and the way in which these are capitalised in the project management process at technical (implementation of activities) and financial level. Herewith, we will also investigate the typical structure of a nongovernmental organization that implements projects funded through operational programs funds.

The organization's age

The organization's age does not seem to influence the NGOs capacity of contracting funds as long as these are approximately equally distributed on year of setting up of the organization, 43.9% are founded before 2000 and 56% after 2000, and from these last ones only 16.2 % were founded during 2007-2010.

Graph24: In what period was your organization founded? (% from the total of NGOs)

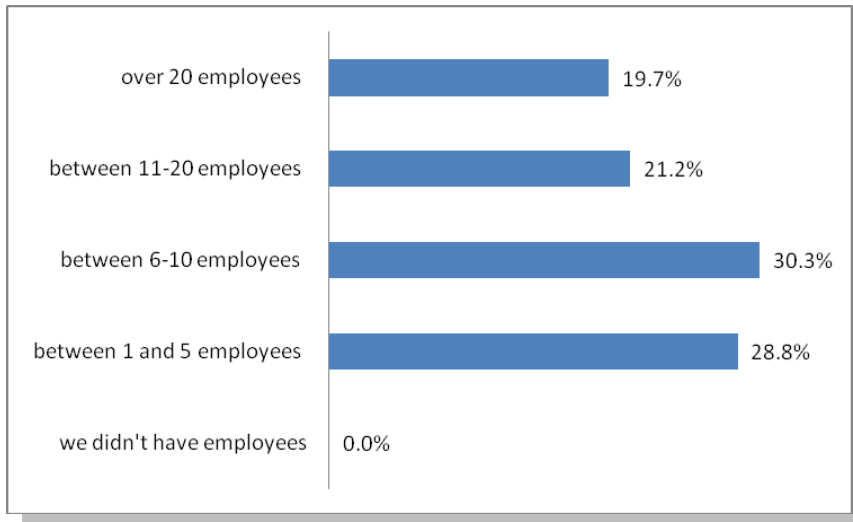


The organization's personnel

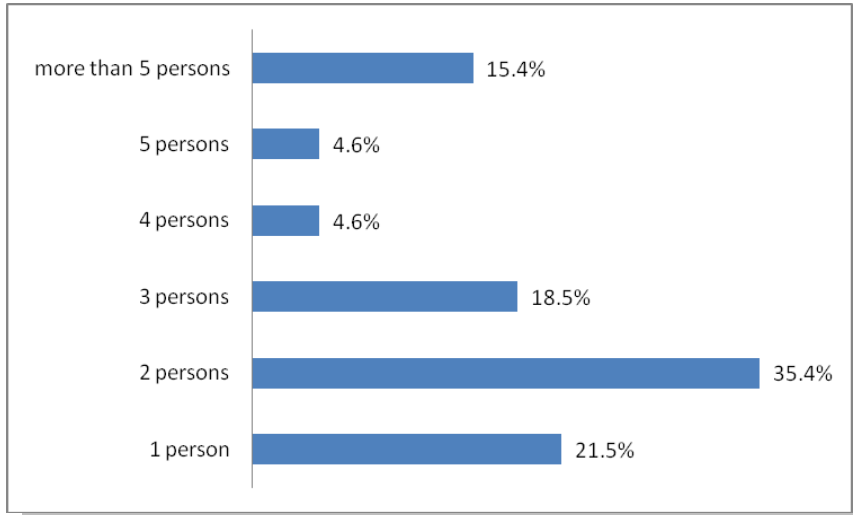
As in case of the organization's age, we do not identify a dominant organisational model either in case of the size of the organization's personnel, most of the organizations having up to 10 employees (59.1% from the total), the largest frequency being met in the interval of 6-10 employees with 30.3% from the total of organizations.

As for the personnel with financial management responsibilities, three quarters from the total of investigated organizations (75.4% from the total of NGOs) distributed no more than 3 persons in order to accomplish the activities of financial nature; the typical situation is that of 2 persons with financial tasks (35.4% from the total of organizations). There are organizations that implement projects with only one person with financial responsibilities (21.5%) but also NGOs that rely on more than 3 persons (24.6%) in order to cover the financial management of the organization.

Graph25: Average number of employees of your organization in 2009 (% from the total of NGOs)



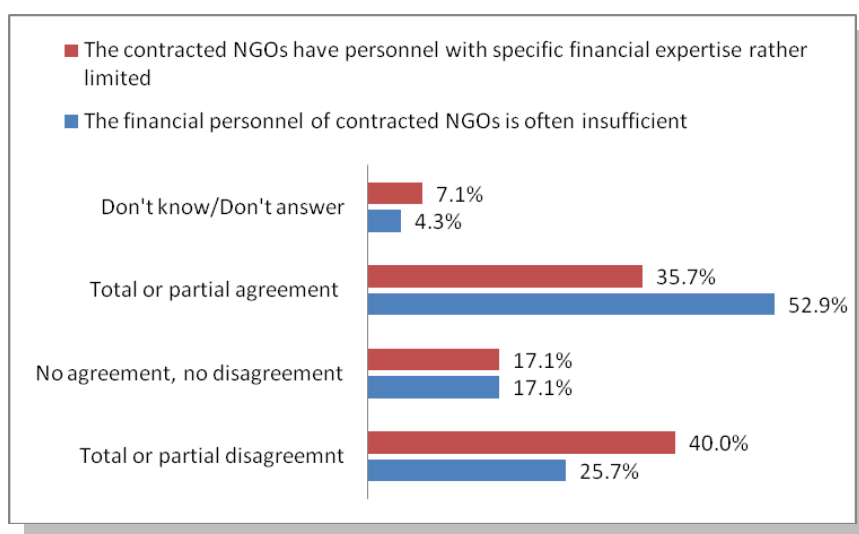
Graph26: Presently, the number of personnel with financial responsibilities (% from the total of NGOs)



According with the sample data, the average number of persons with financial tasks is of 3.1 persons per organization compared to an average number of implemented projects (as beneficiary and/or partner) of 1.9 projects per organizations. This data reveals the fact that the typical situation of structural funds contracted nongovernmental organizations consists in implementing 2 projects (beneficiary and/or partner) with 2 or no more than 3 persons assuring the financial management.

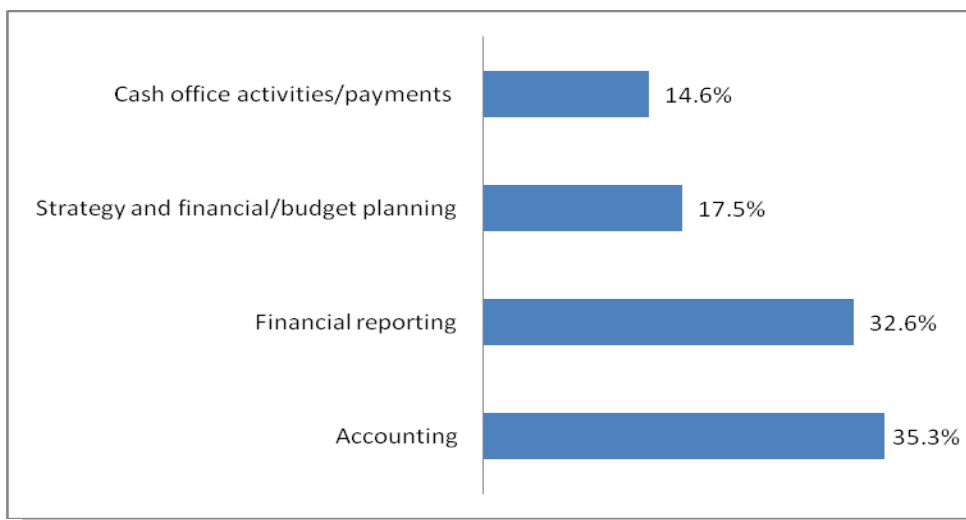
As you can see in the below graph, although more than 50% of the questioned organizations consider that the financial personnel is rather insufficient, the personalized interviews revealed that a relatively small number of organizations intend to really increase the financial personnel in the near future.

Graph27: You have below a list of statements with connection to financial management of the projects; we kindly ask you to indicate in what degree you agree or not with the below statements (% from the total of NGOs).



The main constitutive activities of financial management of contracted organizations, presented in the order of time allocated and effort to these are: accounting activities (35.3 % from the total time), financial reporting (32.6%), strategy and financial planning (17.5%) and activity of cash handling and payments (14.6%). In what concerns the level of expertise associated to the personnel with financial tasks, 40% from the total of organizations are rather satisfied by the financial expertise level as opposed to approximately 36% that considers this is rather limited and they admit the need of increasing the competences through participation at specialized training sessions.

Graph28: Which are the main financial activities from your organizations?
Indicate a percentage allocated to each type of activity in order to sum up a 100% on the column.



Approximately two thirds from the total of investigated organizations asked for assistance from the responsible institutions (AM and OI) namely through questions on different problems addressed on the phone, e-mail or personally at their offices and less through training sessions organized by the above mentioned institutions or by the organizations that provided training sessions through the PO technical assistance program.

Within the personalized interviews, the majority of the financial responsible pointed out the insufficient quantitative and qualitative assistance during the projects implementation in conditions in which the needs of improvement of financial competences are evident and pressing for a consistent number of NGOs.

The main needs of development of the contracted NGOs for structural funds (including training needs):

- Implementation of monitoring and controlling system according with the funder's requests as well as with the logics and functionality of organization;
- Elaboration of internal working procedures within the project that should follow the observance of the legislation and the eligibility of the projects' expenditure;
- Purchasing of informational systems adequate for the projects' implementation;
- Specialized training on financial management of projects funded through structural funds;
- Adoption of varied and extensive strategy of supplementary funds constitution in order to assure the cash flow of the project;
- Optimization of the number of employees involved in the project financial management.

The constitution of funds and the administration of expenditures

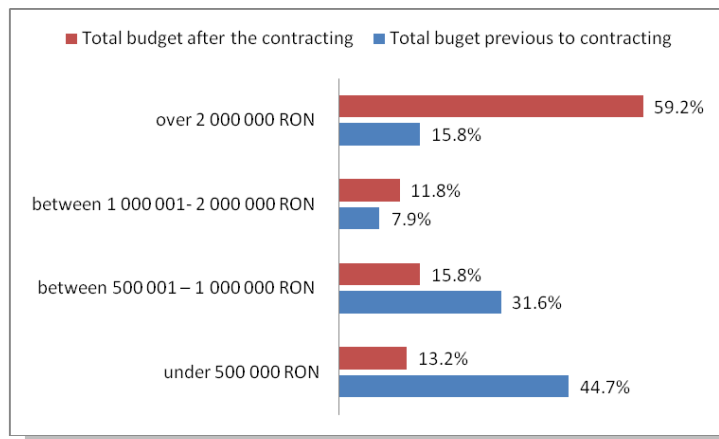
Contracting the funds mainly through the Sector Operational Program – Human Resources Development (POSDRU) determined a dramatic change of volume and structure of NGOs budgets. So, if in the previous year of contract signature, budgets larger than 1 million of RON would have been found only at 23.7% from the total of NGOs, in the year of contracting and next one, the number of organizations with such budgets gathered a segment of 71% from the total of NGOs.

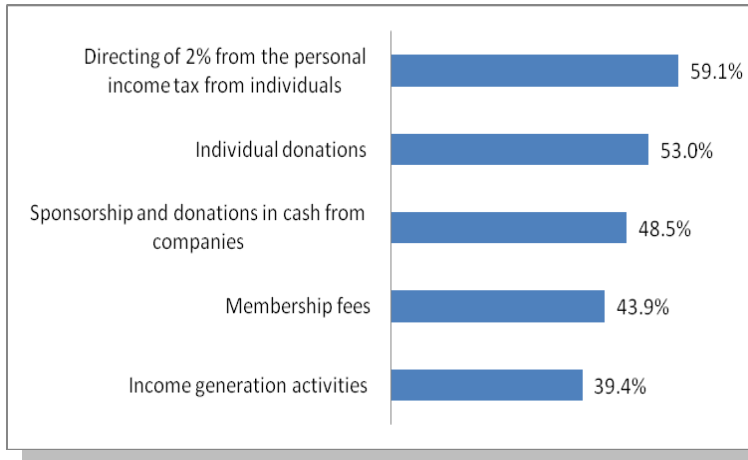
The significant increase of the organizations' budgets is due to relatively high values of the nonreimbursable funding in the "strategic" type of projects as well as in the "grant" type and also to the fact that typically, the contracted NGOs implement simultaneously more than 1 project, the second one being implemented as beneficiary or partner in strategic or grant type project.

In these conditions, the funding from structural funds, along with other institutional grants (where the case may be) became the main income source of the majority of the contracted NGOs. The other sources of funds mentioned by the contracted NGOs and shown in the below graph are represented by: 2% redirected tax from the personal tax on income, (59.1% from the total of NGOs reached this type of income source), individual donations (53%), sponsorships and donations from companies (48.5%), membership fees (43.9%) and income generating economic activities (39.4%).

It should be pointed out the fact that NGOs that contracted funds have complex structures of funds constitution and also relatively high incidence of economic activities in the structure of funds constitution, placed over the average of the nongovernmental sector in Romania.

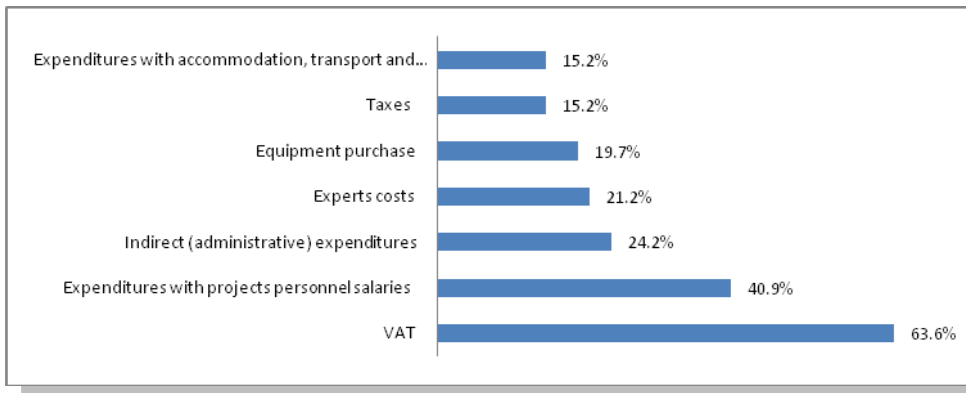
Graph29: The budget of organizations previous and after contracting
(% from the total of NGOs)



Graph30: Income sources of the contracted (% from the total of NGOs)

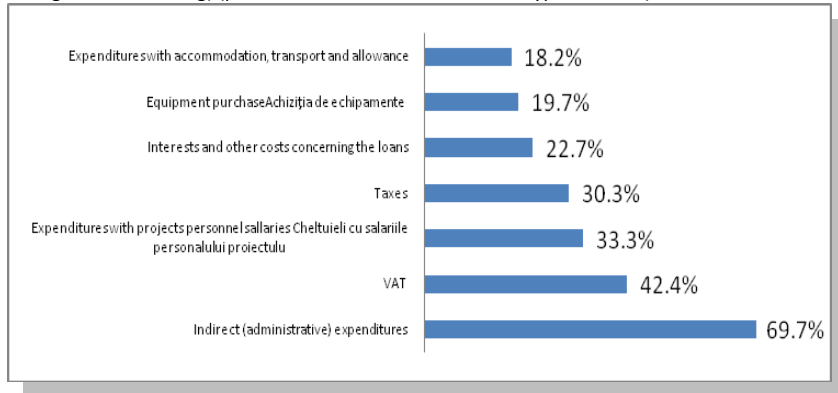
The research aimed to identify the types of expenditures from the project considered difficult to cover as well as the main types of expenditures covered from own sources.

As for the first type of expenditures, the results of the poll show that the financial managers face difficulties in constitution of funds necessary to cover VAT (63.6% from the total of financial responsables indicated this type of expenditures), expenditures with project personnel salaries (40.9%) or covering the costs of experts (21.2%) and administrative costs (24.2%). Other types of costs considered to be difficult to cover refer to the equipments purchasing (19.7%) and the payment of due state taxes (15.2%).

Graph31: Which are the categories that are more difficult to cover? (please choose no more than three types of costs) % from the total of NGOs

When the nongovernmental organizations turned to their own funds in order to advance financial resources for the expenditures connected to the project, these funds were used especially to cover the following types of costs: administrative costs (68.7% from the total of NGOs indicated this type of expenditure), VAT (42.4%) and salary expenditures (33.3%). Other types of costs covered from their own sources refer to the payment of taxes and interests connected to loans and equipment purchase.

Graph32: Which are the large categories of costs from the project that are covered from your own sources (including from co-funding) (please choose no more than three types of costs) % from the total of NGOs



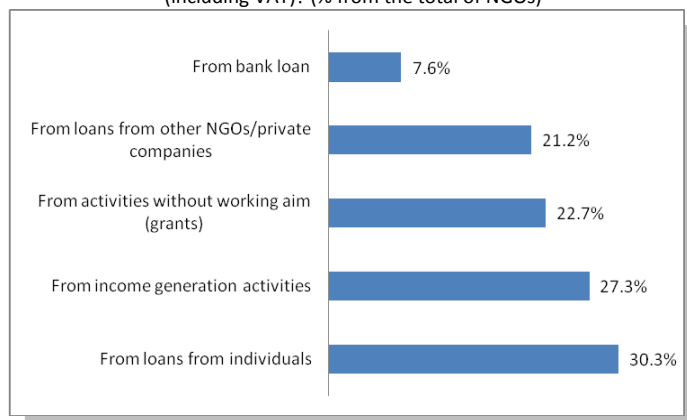
The research aimed also to identify the main income sources through which the projects' expenditures are covered especially in the conditions in which the financial resources for disbursements are received with significant delays.

When they faced this situation, the majority of interviewed organizations went to their own funds generated by current activities of funds constitution. We mentioned above that in general the NGOs that contracted funds have stable and complex structures of funds constitution and in which it is evidenced the relatively great incidence of income generation activities and accessing of other institutional grants.

But when these resources proved to be insufficient, almost one third from the organizations (30.3%) turned to individual loans (often of the project employees or other members of the organizations, as it was revealed through individual discussions) or from other organizations (21.2% from total), companies or nongovernmental organizations. As for turning to other nongovernmental organizations, these are usually foreign organizations from the same network with the contracted organization or with representation in their board.

We should also notice the fact that a very small number of organizations (7.6%) turned to and succeeded to access a bank loan when they needed to have a healthy cash flow of the project. In general, the nongovernmental organizations from Romania don't agree onto the solution of bank loan either because of the high cost of such a loan or due to the lack of estates or other assets offered as guarantee/bond.

Graph33: Usually what sources cover the costs generated by the delays in disbursements (including VAT)? (% from the total of NGOs)



6. Case studies presentation

Case study 1 – Roma children are preparing for kindergarten!

During April 2009 – March 2011, Save the Children organization develops a grant project named RROMA CHILDREN ARE PREPARING FOR KINDERGARTEN!, a project funded through the Sector Operational Program Development of Human Resources, priority axis 2: „Correlation of lifelong learning on labor market”, Major Intervention Domain: 2.2 „Prevention and correlation of early school abandon”, in partnership with the Education, Research, Youth and Sport Ministry – General Department of Learning in Minorities Languages, Relation with Parliament and Social Partners.

The projects aims to increase the education access and the prevention of early abandon of education for children of 3-5/6 years old from 86 disadvantaged communities (rural areas and small towns), with a large population of roma through implementing of educational alternative programs for pre-school children and their parents.

Effectively, in each county of Romania, Save the Children organizes a summer kindergarten during the two summer vacations, during 4 weeks/4 hours per day for 20 children from poor families; per total, approximately 1700 children are assisted. Within the summer kindergarten, the organization provides the necessary consumables and a daily meal for children, the payment of the educators and of the school mediators and also provides informing and counseling activities for parents through their direct participation at the educational activities provided along the program. As a result, one participant mother at a time would help daily the educator and will benefit of a subsidy consisting of food for family.

Other activities of the project envisage the organisation of training courses for the educators and the school mediators and also awareness campaigns for the members of the communities with risks in early school abandon, having as support a series of promotion and visibility materials (a video spot, audio spot and a poster).

The launching of the project was similar to a first swimming lesson when you are thrown directly into the pool. Little aspects were known, there were few people to go to and the beneficiary guide didn't offer concrete answers to the punctual unclearnesses. Also, the communication with the other departments of the organization was difficult at first, this was the first project implemented through operational programs of the structural funds. *“When we launched the project, we didn't really know where to start from, whom to ask, everything seemed so confused, we didn't know which were the necessary documents and how they have to be filled in and on the other hand there were no instructions, appendixes and report formats as today, these came into existence step by step”* one of the team member of project declared.

Facing difficulties concerning the information necessary to implement the project, the team went to the official information channels of the management authority but unfortunately the answers were either impersonal or evasive or they didn't come at all (getting the logo of

management authority in vectorial format in order to be inserted on the promotional materials in print and video format needed intense discussions over many weeks).

In these conditions, especially because there was no efficient e-mail communication system, the project team tried to contact the authority personnel at the offices of this. As a result the things started to improve and the management authority personnel began to help them and the unclearness started to clear away. *"We were not receiving any answer to concrete questions and we didn't allow ourselves to loose time, so we decided to go directly to the authority offices and ask them; so from the very beginning we went to them, we considered is better to have a contact; you submit a paper, you may receive or not an answer, but when you are face to face with a person, it is different and our advantage was that we were situated in their proximity and we could walk in order to contact them"*.

As in the case of other investigated organizations included in this research report, Save the Children adopted a "pro-active" attitude walking toward the authority offices in order to get an answer fast, personal and concret and possibly detailed on the problems they were facing.

In the conditions in which, at the date of project starting, there were no instructions concerning the public procurement, the project management decided to apply the legislation corresponding to the contracting authorities. "Save the Children" didn't have much experience in public procurement, a characteristic to the majority of nongovernmental organizations at that particular date.

The organization had to procure the necessary food or to organize seminars on the basis of public procurement legislation in which the necessary expertise was not fully acquired. The good part of these was that the organization succeeded to make substantial savings (on the budgeted amount) because of the procurement of different goods and services and these savings were redirected to financing a new activity, unforeseen in the initial budget. So at the suggestion of educators and parents, Save the Children included a new project activity (procurement of clothes and shoes for children, one of the main source of school abandon is the lack of clothes during winter).

One of the lessons derived from this case study is the fact that the possible savings generated in the project may be re-directed to other activities that are beneficial for the target group and that were not foreseen at the date of project submission.

The project benefitted from the very beginning of a very good collaboration between beneficiary and partner, the partner in collaboration with the county inspectorates provided in time the list of target communities and kindergartens in which the project was implemented, activities that didn't need expenditures. In the same time, the social mediators employed in the project and that belonged to the local communities succeeded to attract the cooperation of parents as concerns the necessity of registering the children in the school system, facilitating the access and communication between the educators and local community.

The first disbursement request was submitted at approximately five months after the launching of the project and this included a quite great volume of expenditures because the project particularity involved a great volume of expenditures in relatively short period of time (the summer kindergarten are organized during summer period, during one month).

The verification of the disbursement request took place unfortunately during an unjustified long period of time, on one hand because the first clarification requests came with delay and when they came, they included unusual justificative documents for a nongovernmental organization or of existence of which nobody knew about. As a result it had to be submitted a justificative note from which it should have resulted not only the fact that the food was delivered (which was made with a minute) but also that the food was consumed during the development of the kindergarten classes which meant the completion of a new minute signed by the witness parents.

“We, as nongovernmental organization, were not accustomed to work with so many justificative documents on the other funding sources we had, we would have filled them in anyway but we didn’t know that they were necessary at that date; if we had known that they want a particular document, we would have done it”.

Many of these misunderstandings are explained also through the differences of organizational culture between the nongovernmental organizations that are less bureaucratic and the public institutions that dispose of structures with a higher degree of bureaucratization (internal need of consumables, consumption bills) and that it seems that influences the relation with the beneficiary. On the other hand, the degree of mutual knowledge between public institution and nongovernmental organization was pretty low at that date, with the exception maybe of the organizations that worked effectively with the public administration and therefore there was need of a time of accustoming that once it was established started to be from better to better.

Unfortunately, the verification process of the disbursement request needed a very long time and the effective disbursement of expenditures took place at almost 9 months from the registration of the request. During all this time, Save the Children advanced resources for the necessary expenditures for the implementation of the project from its own funds and this was because the organization had a stable and efficient strategy of fundraising.

Although they succeeded in fundraising the necessary funds for the implementation of the activities, the managers decided though to transfer the expenditures for an activity (the procurement of computers and equipments for kindergarten) for the second year of the project, because the amount was large and the organization didn’t want to take that risk in the conditions of which the disbursement of the first request and of VAT already delayed too much. Another consequence of the delaying disbursement brought to delays in the payment of salaries of the project personnel, the salaries were covered also from own sources for a certain period of time.

On the other hand, the delays giving birth to other delays, there was postponed the second disbursement request and also the receiving of prefinancing related to the second year of the project, which determined that the second year of the project to be covered practically

entirely with their own funds. The important thing is that the project took place according with the timetable in the sense in which the basic activities of the project (the organization of summer kindergarten) were not affected by the delays despite the fact that the initial financial forecasts were messed up.

The main lessons of this project, the model of which we expect the public institutions from the field would take, evidenced the necessity of a very rigorous expenditure management along with a strong financial stability as for the contracted organizations to be capable to assure the continuity of the cash flow necessary for the activities funding.

Case study 2 – Strengthening the civil society capacity to promote initiatives for social inclusion

The National Association of Citizen Advice Bureaux (ANBCC), in partnership with 15 member organizations of ANBCC and which host Citizen Advice Bureaux, during October 1, 2009 – July 31, 2011, implements a grant project: „*Strengthening the civil society capacity to promote initiatives for social inclusion*” through the Sector Operational Program Development of Human Resources, third priority axis „Increase of adaptability of workers and enterprises” within the Major intervention domain 3.3. “Development of partnerships and encouraging the initiatives for social partners and civil society”.

The project aimed to consolidate the capacity of 40 nongovernmental organizations to support the central and local authorities in order to promote the initiatives of social inclusion through increasing the level of knowledge and abilities of the employed staff of NGOs to influence the public policies and through improving the capacities of these to develop efficient partnerships with local and central public authorities in order to promote social inclusion. Moreover, the project has as specific objective the increase of capacity of the employed personnel from nongovernmental organizations to elaborate and promote at regional level of a documented strategy to improve the policy of youth employment.

The main activities trigger the training of the target group on different interest themes (Analysis of the community needs, Advocacy campaigns, PR strategies in the advocacy campaigns, involvement of citizens in public decision taking), expertise exchange with a similar European organization with ANBCC, elaboration of a study concerning the needs of youth from the employment perspective and not the least, organization of an awareness campaign concerning the youth problems in the field of employment.

Until the moment of the elaboration of this report, the project implemented by ANBCC had a remarkable cash flow necessary to implement the activities due to the fact that, although there were delays in the disbursement of expenditures (insignificant as opposed to other projects investigated within the present research), these were within the frame limits included in the initial financial provisions built by the project and financial manager.

The secret of this success was based on the fact that before the launching of the project ANBCC had a complete and comprehensive package of instructions a fact that didn't happen

in the case of the first projects launched in the end of 2008 and beginning of 2009. As a result, the degree of unclearness was from the very beginning limited and the process of verification of disbursement requests didn't face any special difficulties.

The organization was not eluded by a series of difficulties, though, even from the stage of pre-contracting of the project when the whole budget had to be redefined due to the confusion, which we were signaling in this report, concerning the interpretation of the 15% of the administrative costs (valid in case of a grant project) which led to the transfer of a substantial amount from the direct costs chapter to the indirect costs, those administrative ones. This generated of course difficulties in the accomplishment of the projects activities such as finding a free seminar hall due to lack of money.

The interpretation reached in the end as concerning the administrative costs is that of a maximum percentage (the freedom of organization to establish on its own the percentage in the limit of 15%) but the unclearness persisted on long term within the project managers.

Similar difficulties with that signaled above were generated also by the modification of eligible costs order issued on August 2010 which meant a new budgeting change and a cash flow related to the activities implementation.

Another type of difficulty signaled also several times in this report is that with which ANBCC confronted itself and that was generated by the great volume of reporting documents involving the double introduction of data (also in the ActionWEb, as well as in the disbursement requests appendixes without having the possibility of importing the data from a file to another) and the lack of verification and correction paths of data introduced before sending the reports to the management authority.

As a consequence of these deficiencies of the ActionWeb reporting platform, the project team decided that the financial manager as well as the project manager to be involved in the process of elaboration and verification of the disbursement requests, a process that although it is laborious and greatly time consuming, took to a final satisfaction of receiving a less number of clarification requests and implicitly to a shorter period of verification of the technical and financial reports.

The particularity of the ANBCC project consists in the relatively great number of partners involved in the implementation of the projects (15 organizations), a number that may usually generate difficulties in coordination and unwanted delays. The answer of the organization to this potential difficulty was the introduction of a high degree of centralization of decisions, necessary in case of a large number of organizations – partners having each specific contributions to the project's activities implementation.

So for avoiding the syncope, the main expenditures of the project (purchase of equipments, organization of seminars) were centralized and subcontracted through public procurement as for the partners to focus entirely on the basic project activities implementation. Even from the very beginning, the partners together with the beneficiary established and agreed also on clear budgets for each partner (salaries, administrative costs) in order for these to have a rigorous expenditure planning.

In the same time, the starting of the activities by the partners was preceded by the commonly agreement on a set of procedures and of an internal structure of the project very

well defined (establishing the regional and county coordinators and their tasks, uniformization of the point of views concerning the types of expenditures), as a result at more than one year from the beginning of the project, the project team didn't register any significant difficulty in coordinating the relationship with partners.

The main lesson of the success project implemented by ANBCC is that through a solid internal organization, a rigorous budget planning and cash flow, an efficient and cautious management of expenditures and disbursement requests but also a special attention to the funder's requests, a good coordination between project and financial manager, all these may contribute to avoiding the difficulties that we signaled through this report and we hope for more and more organizations to avoid them on the future.

7. Main conclusions and recommendations of the research

The majority of the funding programs from the structural funds presents a relatively high degree of recognition within the nongovernmental sector from Romania, with the exception to a certain extent of the Operational Program Development of Administrative Capacity (PODCA) that registered actually a descendent trend of funding requests in 2010 comparing with the previous years. Opening the recent call for proposals (December 2010): *Increase of the own capacity of nongovernmental organizations to collaborate with the public administration institutions from Romania* may increase significantly the contribution of nongovernmental sector in this program.

Although the NGOs are present with funding requests within each operational program, POSDRU distances significantly from the other operational programs, registering, during 2008-2010, the most funding requests from the nongovernmental organizations' behalf. The main reasons that determined NGOs to fail to apply to the other operational programs was due to the fact that these programs don't include enough measure to cross with the NGOs interests or the specific conditions of eligibility. Nevertheless, a consistant majority of NGOs intend to submit funding proposals in the future, as beneficiary or as partner.

At the middle of 2010, the nongovernmental sector disposed of a number of approximately 400 projects contracted and under implementation within the main operational programs, more than 85% from the total of these being funded through POSDRU which indicates a contracting rate of nongovernmental sector of only 11.6% compared with the total of the funded projects and of 8.6% compared with the total budget value, the rest of the projects being developed by the public institutions and companies.

Within POSDRU, the operational program with the highest representation of nongovernmental sector, NGOs implement 29.9% from the total of contracted projects (from which 70% are strategic type) and sums up 32.3 % from the total budgeted value of the contracted projects, the presence of NGOs is significant on all the priority axis in which they are eligible. The funded projects on POSMEDIU and PODCA belong mainly to public institutions, those from POSCCE to companies and the projects funded on POR are equally developed by public institutions and companies.

The main challenge of the organizations that implement projects funded through operational programs of the structural funds is that of providing the cash flow necessary to implement the projects in the conditions in which more than three quarters from the total of contracted NGOs registered great delays in eligible expenditure disbursement or VAT connected to expenditures, a difficulty joined by the lack or inefficient fundraising strategies for supplementary funds necessary to cover the need for cash flow.

The poll conducted by CSDF in November 2010 showed that less than 10% from the total contracted organizations received the payments corresponding to the disbursements within the terms stipulated in the contract and less than 20% from the organizations succeeded to recover the VAT corresponding to the eligible expenditures of the project. All these made

difficult significantly the provisioning and covering of the cash flow necessary to implement the project for the majority of the contracted organizations.

The other types of signaled difficulties refer mainly to: the unclear and difficult character of the instructions and procedures that regulate the funding system, the high level of bureaucracy involved in different requests and conditions of the funding programs and last but not the least the deficiencies of the communication process between the beneficiary and the responsible institutions in implementation of the operational programs.

All these last difficulties felt by an important but relatively small number of organizations, generated some measures of adaptation and internal valorification of organization resources but they were perceived, in general, as coverable.

Nevertheless, taking into account all the constraints evidenced above generated for more than two thirds from the organizations delays in the timetable of the project activities or payments to the service providers, increase of debts level on taxes or delay in the implementation of other projects. Fortunately, at least in case of POSDRU, the program that benefits of the highest involvement of the nongovernmental sector, no contract has been resiliated due to the incapacity to ensure the cashflow necessary for project implementation.

The contracted organizations typically present stable and complex structures of funds constitution, which in general can support the cashflow needed to cover project expenditure. Nevertheless, in the conditions in which the payments for disbursements are covered with significant delays, these financial resources generated constantly by the organization proved to be often insufficient. As a result, a significant part of the contracted organizations had to turn to loans during the project implementation either to individuals (members or employees) or to other organizations (usually organizations partners from abroad either in the same network or close to the contracted organization).

The contracting of the funding, mainly through the Sector Operational Program Development of Human Resources (POSDRU), determined a dramatic change in the volume and structure of the NGO budgets but also a profound change in requests and work procedures with the funding organization. This imposed the re-dimension of the personnel with financial responsibilities, its development from the perspective of obtaining specialized financial expertise and last but not the least the necessity of an internal monitoring and controlling procedure system for the expenditures.

The typical situation of the contracted nongovernmental organizations on structural funds consists in implementation of one or no more than 2 projects as beneficiary or partner, the financial management being done by 2 or no more than 3 persons, that are mainly concentrated on accounting and financial reporting activities (filling in and administration of disbursement requests).

The results of the research showed that only a small number of organizations intend to increase the number of the financial personnel in the near future. But the majority of organizations admitted over the need to increase the competences through participation in

specialized training sessions, showing in the same time the insufficient quantitative and qualitative offer of training and assistance specific for the projects implementation period.

The main recommendations concerning the reducing of impact of these types of difficulties, identified within this research, over the process of financial administration of the projects envisage actually the following:

- Acceleration of the technical and financial reports verification correspondent to the disbursement requests, by the responsible institutions responsible (it is worth considering the possibility of reimbursements to be done based on the data provided through Actionweb in case of POSDRU, without effective verification or hardcopy documents but with their checking afterwards during onsite monitoring visits);
- Generalization of the practice of designating a person (team) responsible for the project for the entire implementation, which will contribute significantly to the reduction of duration, unpredictability and unclarity involved in the process of verification of the financial reports. This would lead also to uniformization as far as possible of the interpretation of rules by the beneficiaries and responsible institutions, to tailoring and increasing the quality of the assistance provided by the institutions or of a general communication framework;
- Creation and approval of a Financial Good Practices Guide, transferable as far as possible to all the contracted organizations from the priority axis, that should contain updated, complete, factual information but also frequent mistakes of the beneficiaries in order to reduce as possible the differences of interpretation between beneficiaries, AM and OIR. In the same direction, we consider useful and feasible for the AM to develop an analysis at the level of the project implemented or under implementation and to identify a minimum set of common rules regarding the technical documents and their framework structure;
- Creation of an online platform – forum of informing, consulting and training on financial issues with access for beneficiaries and representatives designated by the responsible institutions and with relevant experience in project monitoring, in order to create a centralized form of addressing the needs of clarification concerning the instructions and financial procedures that would lead to finding concrete, pragmatic and immediately applicable answers;
- Generalization of the practice of organization periodical meeting of informing, consultation and training for all the beneficiaries along with the representatives designated by the responsible institutions and this meetings should be prepared and sustained by experts in project management on structural funds with specific topics on types of contracts and if possible on types of beneficiaries (NGOs, public institutions, companies);
- Improvement of the info dissemination process toward all the contracted organization such as the main conclusions of the working group organized with the participation of the financial managers and representatives of the responsible institutions or

dissemination of minutes and other relevant documents from the working group within the monitoring committees;

- Improvement and increase of ActionWeb online reporting platform flexibility – introduction of ways of verification and correction of data before sending the reports to the responsible institutions;
- Reducing as far as possible the excessive justificative documents, support documents and of the copies requested in the process of technical and financial reports verification.

The conclusions of this report lay over the fact that the main difficulties faced by the contracted nongovernmental organizations are of rather external nature and less connected to the internal deficiencies of the contracted organizations. Nevertheless, there is a series of development needs that once met, they will contribute to a better capacity of NGOs to respond efficiently to the external requests and implicitly to accomplishing the estimated results of the project, as follows:

- The implementation and consolidation of internal work procedures and of those connected to monitoring and controlling of expenditures involved in the project;
- Purchasing of informational system adequate for projects implementation;
- Development of internal competences through participation to specialized financial management training for the projects funded through structural funds;
- Development of varied and extensive strategies of supplementary fund generation in order to sustain the needs of ad-hoc cash flow;
- Optimizing the number of employees involved in the financial management of the project.

All these requests should be internalized or at least taken into account when the organizations submit funding requests through the operational programs of the structural funds. These should be aware that the implementation of such projects involves the presence of a personnel with specific financial expertise for the structural funds, need of continuous training, a degree of bureaucratization of the organization, higher than the existent one, stability and financial power through adoption of efficient strategies of income constitution of the organization and not the least, identification of alternative funds in order to sustain the cash flow necessary at anytime.

8. Appendices

Appendix 1.1. Questionnaire for Structural Funds NGO applicants

1. Name of the organization:

2. Fiscal code:

3. Your organization's address is in..... county.

4. The offices of your organization are in the following: Rural Urban

5. Number of your organization's employees in 2009:

We don't have employees

Between 1-5

Between 6-10

Between 11-20

Over 20 employees

6. Total budget of your organization in 2009

Smaller than 100 000 RON

Between 100 001-500 000 RON

Between 500 001-1 000 000 RON

Between 1 000 001-2 000 000 RON

Over 2 000 000 RON

7. Have you ever heard of the following structural funds instruments with funds from the European Union within which NGOs are eligible for the funding scheme?

YES

NO

PNDR National Program of Rural Development, PODCA Operational Program Development of Administrative Capacity, POSDRU Sector Operational Program Development of Human Resources, POR Regional Operational Program, POS MEDIU Sector Operational Program Environment, POSCCE Sector Operational Program Increase of Economical Competitiveness, PO PESCUIT Sector Operational Program Fishing.

8. Have you participated to the programming of financial assistance by the European Union in the period 2006-2007?

YES

NO

PNDR National Program of Rural Development, PODCA Operational Program Development of Administrative Capacity, POSDRU Sector Operational Program Development of Human Resources, POR Regional Operational Program, POS MEDIU Sector Operational Program Environment, POSCCE Sector Operational Program Increase of Economical Competitiveness, PO PESCUIT Sector Operational Program Fishing.

9. Have you known that the NGOs are represented in the Monitoring Committees of these programs?

- YES
 NO

10. Do you believe that their participation in these monitoring committees is important?

- Yes No I don't know/I don't want to answer

11. In 2008-2010 did your organization submit funding requests for projects for the following programs?

- Yes, in 2008
 Yes, in 2009
 Yes, in 2010
 No, we didn't submit proposals within this period
 I don't know/I don't want to answer

12. If you didn't submit funding requests for projects, which is the reason you didn't? We didn't submit on these programs because:

- Our objectives didn't fit into the program's objectives
 The procedures of this program are bureaucratic
 We don't have the financial capacity to fulfill the eligibility criteria for the implementation of a project
 We don't have the management and human resources capacity to implement a project
 I don't know/I don't want to answer

13. Please mention other reasons, if such be the case, why you didn't submit funding request for projects within the programs mentioned at the previous question.

14. In case you have submitted a funding request on the PNDR National Program for Rural Development, how do you rank the following aspects of the funding process – application, selection, contracting, monitoring, etc.?

(Total agreement; Partial agreement; Total disagreement; Partial disagreement; I don't know/I don't want to answer)

Friendly (clear, precise, adequate instructions for the NGOs applicants);

The selection, contracting, payment processes are rapid and efficient;

The requested conditions are reasonable – contributions, eligible costs, pre-funding;

The administration personnel of the funding program works adequately with the applicants/beneficiaries;

15. In case you have submitted a funding request on the PODCA Operational Program Development of Administrative Capacity, how do you rank the following aspects of the funding process – application, selection, contracting, monitoring, etc.?

(Total agreement; Partial agreement; Total disagreement; Partial disagreement; I don't know/I don't want to answer)

Friendly (clear, precise, adequate instructions for the NGOs applicants);
 The selection, contracting, payment processes are rapid and efficient;
 The requested conditions are reasonable – contributions, eligible costs, pre-funding;
 The administration personnel of the funding program works adequately with the applicants/beneficiaries;

16. In case you have submitted a funding request on the POSDRU Sector Operational Program Development of Human Resources, how do you rank the following aspects of the funding process – application, selection, contracting, monitoring, etc.?

(Total agreement; Partial agreement; Total disagreement; Partial disagreement; I don't know/I don't want to answer)

Friendly (clear, precise, adequate instructions for the NGOs applicants);
 The selection, contracting, payment processes are rapid and efficient;
 The requested conditions are reasonable – contributions, eligible costs, pre-funding;
 The administration personnel of the funding program works adequately with the applicants/beneficiaries

17. In case you have submitted a funding request on the POR Regional Operational Program, how do you rank the following aspects of the funding process – application, selection, contracting, monitoring, etc.?

(Total agreement; Partial agreement; Total disagreement; Partial disagreement; I don't know/I don't want to answer)

Friendly (clear, precise, adequate instructions for the NGOs applicants);
 The selection, contracting, payment processes are rapid and efficient;
 The requested conditions are reasonable – contributions, eligible costs, pre-funding;
 The administration personnel of the funding program works adequately with the applicants/beneficiaries;

18. In case you have submitted a funding request on the POS MEDIU Sector Operational Program Environment, how do you rank the following aspects of the funding process – application, selection, contracting, monitoring, etc.?

(Total agreement; Partial agreement; Total disagreement; Partial disagreement; I don't know/I don't want to answer)

Friendly (clear, precise, adequate instructions for the NGOs applicants);
 The selection, contracting, payment processes are rapid and efficient;
 The requested conditions are reasonable – contributions, eligible costs, pre-funding;
 The administration personnel of the funding program work adequately with the applicants/beneficiaries;

19. In case you have submitted a funding request on the POSCCE Sector Operational Program Increase of Economical Competitiveness, how do you rank the following aspects of the funding process – application, selection, contracting, monitoring, etc.?

(Total agreement; Partial agreement; Total disagreement; Partial disagreement; I don't know/I don't want to answer)

Friendly (clear, precise, adequate instructions for the NGOs applicants);
 The selection, contracting, payment processes are rapid and efficient;
 The requested conditions are reasonable – contributions, eligible costs, pre-funding;
 The administration personnel of the funding program works adequately with the applicants/beneficiaries;

20. In case you have submitted a funding request on the PO PESCUIT Sector Operational Program Fishing, how do you rank the following aspects of the funding process – application, selection, contracting, monitoring, etc.?

(Total agreement; Partial agreement; Total disagreement; Partial disagreement; I don't know/I don't want to answer)

Friendly (clear, precise, adequate instructions for the NGOs applicants);
 The selection, contracting, payment processes are rapid and efficient;
 The requested conditions are reasonable – contributions, eligible costs, pre-funding;
 The administration personnel of the funding program works adequately with the applicants/beneficiaries;

21. Do you intend to apply in the future for one of the following programs (PNDR, PODCA, POSDRU, POR, POS MEDIU, POSCCE PO PESCUIT)? Please select maximum 2 possible choices:

- No
- Yes, as applicant
- Yes, as partner

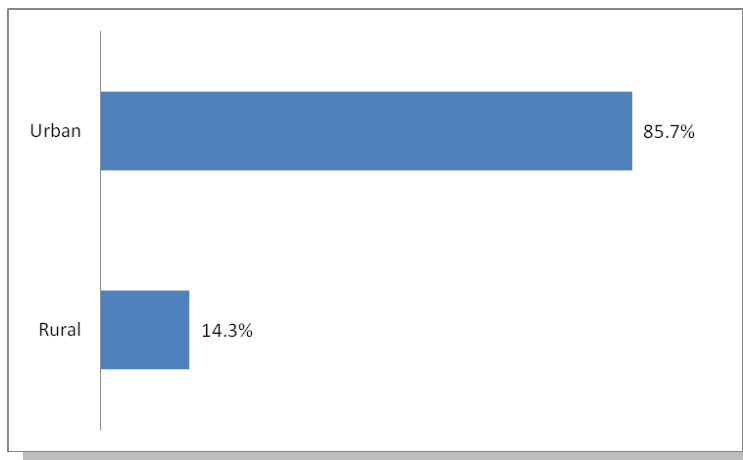
22. Do you intend to participate at the consultations for the new programming period of financial assistance from European Union for 2013-2019 that will begin in 2011? Please select maximum 2 possible choices:

- Yes
- No

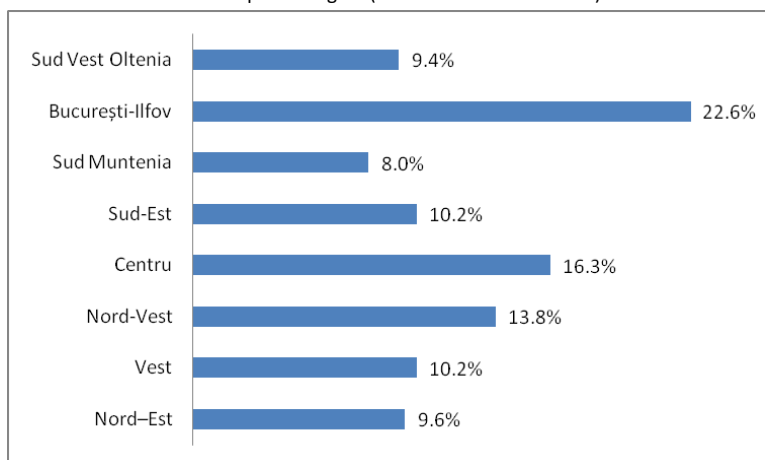
Thank you!

Appendix 1.2. Sample structure on the main independent variables of research

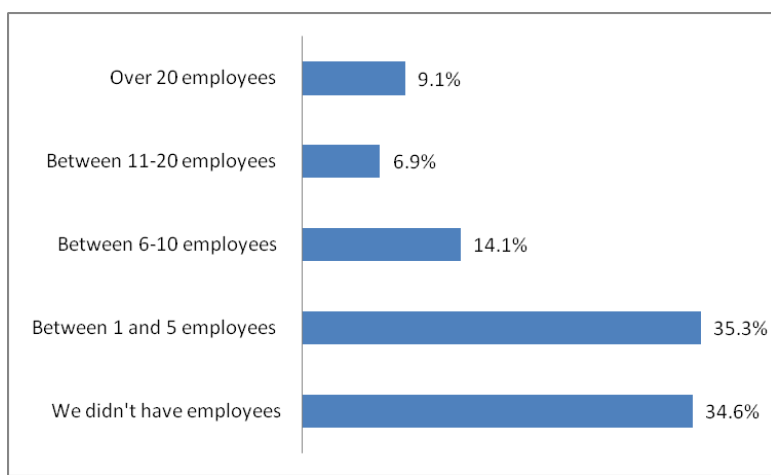
Area of residence (% from the total of NGOs)



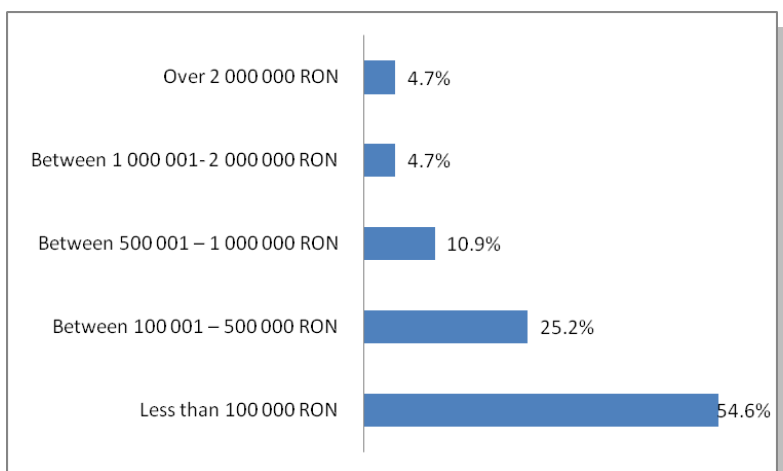
Development region (% from the total of NGOs)



Number of employees (% from the total of NGOs)



Organization's budget in 2009 (% from the total of NGOs)



Appendix 2.1. Questionnaire for the contracted NGOs

1. For the projects for which your organization obtained funds, please indicate the type of project, your organization's beneficiary or partner position, and the operational program within which you obtained the funding. Please fill in only one row for each project (in case you are involved in more projects)

	Strategic	Grant	Beneficiary	Partner	POSDRU	PODCA	POSCCE	POS MEDIU	PNDR	POR	PO Technical Assistance	PO PESCUIT
Project 1												
Project 2												
Project 3												
Project 4												
Project 5												

2. What year and month did you sign the funding contract? (Please refer to the first project if you are involved in more projects)

3. Which is the entire amount of grants, that your organization obtained from Structural Funds, for implementing its projects? (Sum up the values in case you implement more projects)

- Under 500 000 RON
- Between 500 001-1 000 000 RON
- Between 1 000 001-2 000 000 RON
- Over 2 000 000 RON

4. Please indicate your organisation entire budget for the year before the funds contracting (in case you are implementing more than one project, please refer to the year before the first funding; example: if you signed a funding contract in September 2009, please indicate the the budget for 2008)

- Under 500 000 RON
- Between 500 001-1 000 000 RON
- Between 1 000 001-2 000 000 RON
- Over 2 000 000 RON

5. Analysing the entire process of project implementation (after signing the funding contract), in what degree do you consider that you faced / face difficulties in the financial management of the project (please indicate a number from 1 to 10, where 1 means – I didn't face any difficulties and 10 means – I faced great difficulties).

6. Which is, in your opinion, the main difficulty / obstacle that you faced in the financial management of your organization's project? (Please indicate shortly only one type of difficulty).

7. Taking into consideration the entire project implementation process, in what degree did you face difficulties in the following financial management aspects of your organization's funded projects?

(Didn't face any difficulties; In small/very small measure; In great/highest measure; Don't know/Don't answer)

Co-funding assurance (2% of own contribution from the value of the project);

Pre-funding covering;

Disbursement covering;

VAT disbursement;

Identification and matching for certain types of costs;

Lack of disbursement for certain types of costs;

Payments made to partners;

Public procurements;

Completing the financial reports;

Cash flow assurance necessary to implement the project.

8. Please mention if you had any other difficulties than the ones listed above.

9. Below, you can find a list of statements related to the financial management of the funded projects; please indicate in what degree you agree or disagree with the below statements.

(Total or partial disagreement; No agreement / No disagreement; Total or partial agreement; Don't know / Don't answer)

The management authorities (AM)/intermediary organisms (OI) have a reduced capacity of verifying the technical and financial reports;

There is a very large period of time from the selection to the contracting of the projects;

In general NGOs don't have the capacity to realistically estimate the necessary cash flow before the beginning of the project (at the project submission);

The contracted NGOs don't succeed to constitute supplementary funds in order to assure the cash flow (other than co-funding): VAT, ineligible expenditures, etc;

The contracted NGOs don't succeed to access a bank loan because of the lack of estates to guarantee the loan with;

The financial personnel of the contracted NGOs are often insufficient;

The contracted NGOs have personnel with rather limited specific financial expertise;

The financial instructions issued by the management authorities and that establish the reporting system is often unclear and unpredictable;

The communication with the Management Authority is generally difficult;

The communication with the Intermediary Organisms is generally difficult;

There is no unitary system of verifying the expenditures both at the Intermediary organism level and between these and the management authorities;

The types of eligible expenditures included in the Finance Ministry / Labor Ministry regulations are frequently changed and often unclear;

In general, the financial management of the projects involves bureaucratic and excessive procedures.

10. If you consider that the financial management of the projects involves bureaucratic procedures and excessive support documents, please indicate such a procedure:

11. Taking into consideration the entire process of project's implementation, please state what is the average period from the request to the disbursement of the expenditures?

- Less than 45 days
- Between 45-90 days
- Over 90 days

12. Did your organization recover the VAT related to the goods and services purchased in the project?

- Yes No

13. If you said „Yes” to the question 12, please state what is the average period from the request to the disbursement of VAT amount?

- Less than 45 days
- Between 45-90 days
- Over 90 days

14. How satisfied are you with the the ActionWeb online financial reporting; (please indicate a number from 1 to 10, where 1 = not at all pleased and 10 = very pleased).

15. Considering the functionality of the ActionWeb reporting platform, please state which is, in your opinion, the main change that should be brought to this.

16. Taking into account the different financial difficulties you faced, please indicate the consequences they had on the project implementation or on your organization, in general.

- The activity timetable was not followed, registering significant delays;
- The contract with the funder was canceled;
- The estimated results of the projects were not fulfilled;
- Other planned projects were delayed;
- The payments for the suppliers were delayed with more than 60 days;
- The organization increased its level of expenditures due to a loan contract;
- The organization increased its level of debts to state taxes;
- The financial difficulties influenced negatively the access to other types of funding;
- The faced difficulties didn't have significant consequences in what concerns the project implementation.

17. Did you benefit of assistance /s support during the implementation of the project?

- No
- Yes, from the Management Authority (AM)
- Yes, from the Intermediary Organism (OI)
- Yes, from other organization

18. If you answered „Yes” to question 17, please indicate the type of assistance you have been provided.

- Answers to clarification requests through tel/ fax/ email
- Training sessions
- Help desk

19. Considering the entire project implementation process, how satisfied are you with the relation (communication's quality, answers' quality, etc) with the following responsible institutions for the implementation of operational programs? (please indicate a number from 1 to 10, where 1= not at all satisfied and 10 =very satisfied)

- Management Authority (AM)
- Intermediary Organism (OI)

20. In your opinion, which is the main measure the Management Authority / Intermediary Organism should take in order to improve the financial management of the projects developed by the funded NGOs? (please indicate only one measure you consider to be the most important)**21. If you take into consideration only your organization, which is the main measure you should take in order to improve the financial management of the funded projects? (please indicate only one measure you consider to be the most important)****22. You have below a list of measures shown by the contracted NGOs meant to improve the financial management of the funded projects; please select 3 measures that you consider the most important for your organization.**

- Respecting the terms concerning the period of expenditures disbursement (including VAT disbursement);
- Extension of guarantee fund for small and medium enterprises, for NGOs in order to assure the cash flow of the projects;
- A dedicated person, designated by AM to be responsible on any type of communication with the contracted organization;
- Solving AM's personnel problems, as soon as possible;
- Improving communication and procedures between responsible institutions for the implementation of operational programs (AM, OI, ACIS – Authority of Coordination of Structural Instruments, Audit Authority);
- AM's internal procedures that also apply to the beneficiaries should be communicated to them;
- The change of regulations (instructions / orders / other normative acts) should be adopted after beneficiaries' consultation;
- Improvement of ActionWeb reporting platform;

- The beneficiary NGOs should improve their financial expertise by participating to specialized training sessions;
- The beneficiary NGOs should organise the communication, collecting and dissemination sessions of good practices.

23. The interviewed NGOs previous to the administration of this questionnaire pinpointed the existence of a series of instructions / procedures of financial matter issued by AM/OI, there are unclear and that can be simplified, that can be dropped off or that are missing. Analysing the entire implementation process of the project, which is your opinion concerning the main procedure/ instruction that can be introduced, retracted or improved in order to assure a better development of the funded projects? (please indicate only one measure that you consider to be the most important).

24. Your organization:

Has the offices in the following environment: Rural Urban

Implements projects funded for the following environment: Rural Urban

25. Your organization was funded in:

26. What was the average number of employees in your organization in 2009?

- Between 1-5 employees
- Between 6-10 employees
- Between 11-20 employees
- Over 20 employees

27. The present number of your organization staff with financial responsibilities is of:

28. Which are the main financial activities from your organization? Indicate a percentage of time averagely allotted to each type of activity so the column would sum up 100%.

Accounting	%
Financial reporting	%
Strategy and financial / budget planning	%
Cash office activities / Payments	% .
Total	100 %

29. Which are the income sources of your organization?

- Dividends
- Income generated activities
- Membership fees
- Individual donations
- Directing of 2% from the individual income tax
- Sponsorship and donations in cash from companies
- Grants – unreturnable funds

30. Which are the categories of expenditures from the project that are covered from your own sources (including co-funding)? Which are the categories of costs that are most difficult to cover? (please choose three types of expenditures for each column)

Costs that are covered through own sources (including co-funding):

Costs which are most difficult to cover:

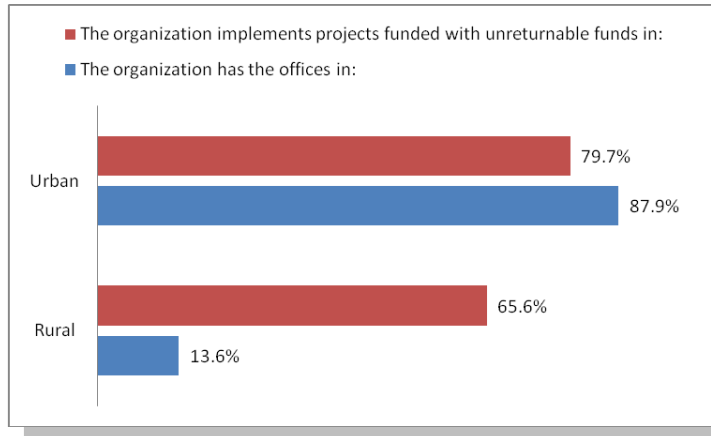
31 From what sources the ineligible expenditures are usually covered (including co-funding); what is the case for the delays in disbursements (including VAT)?

32. Please mention also the other income sources from which you cover these expenditures if not found in the previous question.

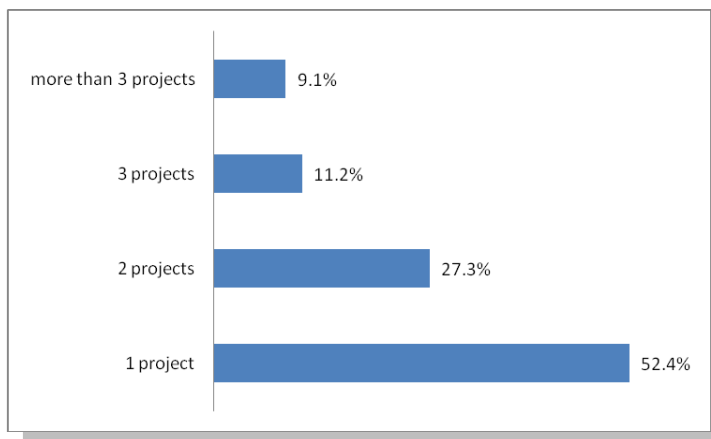
Thank you!

Appendix 2.2. The sample structure after the main independent variables of research – Contracted NGOs

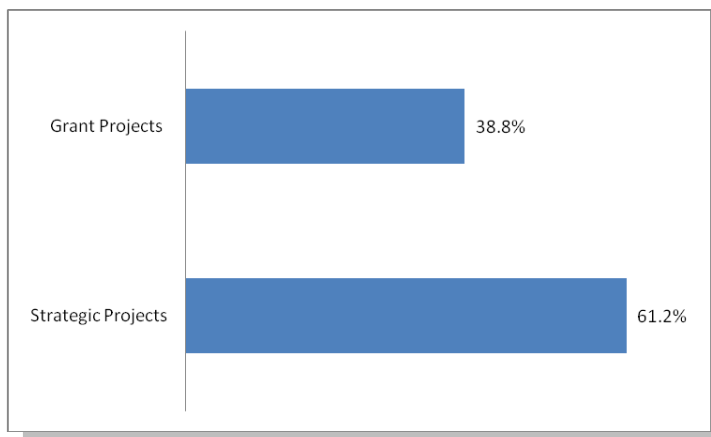
Location of organization/ The activities of the project take place in:
(% from total of NGOs)



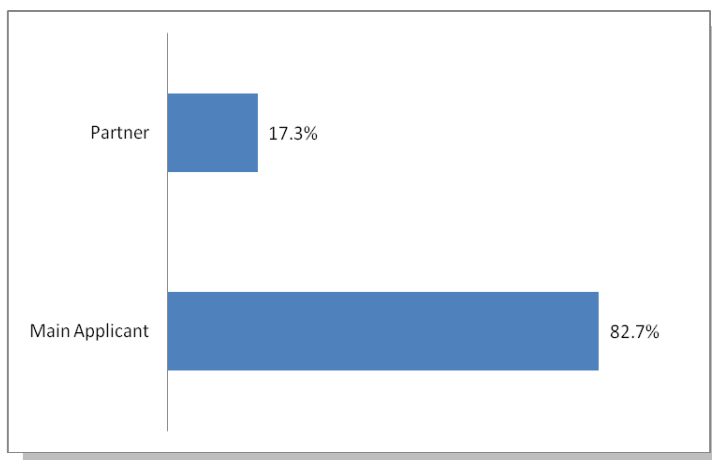
Contracted NGOs distribution according with the number of projects developed (%from total of NGOs)



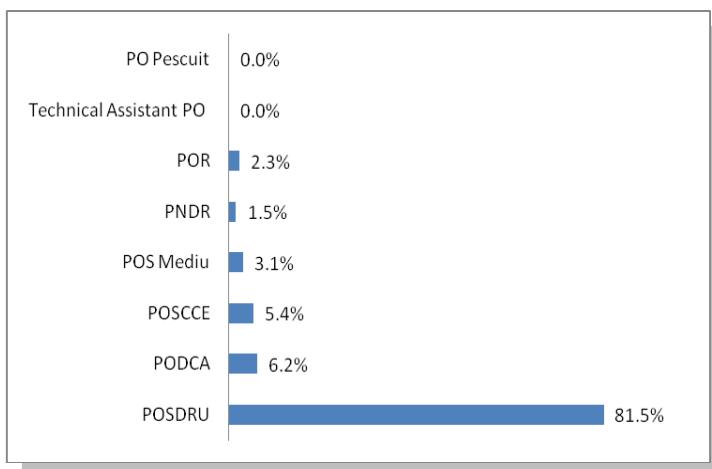
Distribution of projects of NGOs according to the type of projects (strategic vs. grant) (% from the total of projects)



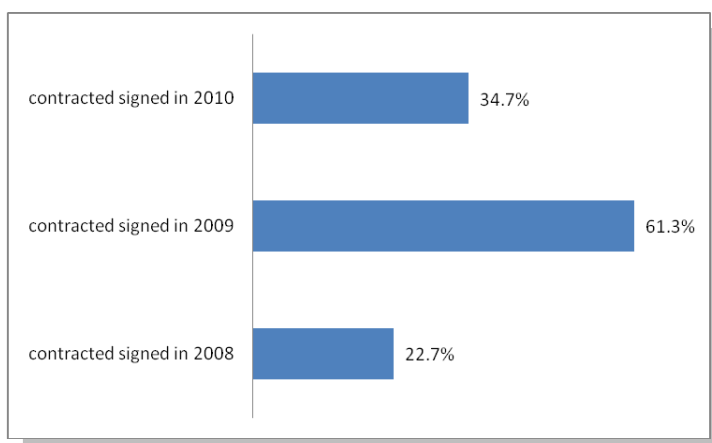
Distribution of NGOs projects according to the contract nature: Main Applicant vs. Partner (% from the total of projects)



Distribution of NGOs projects according to the type of program (% from total of projects)



Distributions of NGOs projects according to the year of operational contract signing (%from the total of projects)



Appendix 3. Guide of semi-structured interview

- Please describe shortly the projects for which your organization contracted funds?
- How do you generally appreciate the difficulty degree of the project management (financial management of the project)?
- Please describe the main activities connected to the financial management of the project and the problems you faced?
- Which are, in your opinion, the main 3 difficulties / obstacles related with the financial management of the project developed by your organization? (please refer to the external difficulties as well as the internal ones)
- Exemplify the difficulties you faced.
- Which are the main sources of difficulties you faced?
- You have below a list of problems signaled mainly through the Coalition 112. In what degree did your organization face these difficulties?
- Which is your opinion concerning the main procedure / instruction that must be introduced, retracted or improved in order to assure a good development of the funded projects?
- Which is your opinion concerning what the Management Authority / Intermediary Organisms should do in order to improve the financial management of the NGO projects?
- Considering only your organization, which would be the main measure that you took or should take in order to improve the financial management of the projects?
- Please describe the department / group of persons with responsibilities in the financial management of the project and the main activities developed by these.
- From what sources are the ineligible expenditures covered (including co-funding); what is the care of the contingency costs?
- Which are the categories of expenditures from the projects that are covered through own sources (including from co-funding).
- Please describe, if the case, the type of assistance that you benefitted of, during the project implementation.
- Please mention which are the relevant issues for our discussion that were not approached within our interview.



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