

## **RISK MANAGEMENT CHALLENGES OF EUROPEAN SOCIAL FUND UNDER CURRENT PROGRAMMING PERIOD 2014-2020 IN ROMANIA**

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### **ABSTRACT**

*This paper aim first to inventor the actual situation of risk management in the implementation of ESF (European Social Fund) programmes in Romania. ESF is implemented in Romania in 2014-2020 programming period through Human Capital Operational Programme and Administrative Capacity Operational Programme. These Operational Programmes (OPs) are both now in the operational phase, with new projects just granted and starting, a lot of calls for proposals yet in the evaluation and contracting phase and many calls for proposals ongoing.*

*Based on the previous published papers/works focused on the former Operational Programmes (OP) from 2007-2013 programming period as a starting point, this paper will translate their conclusions and update these under actual conditions for programmes and projects implementation.*

*Romania has implemented in 2007-2015 two OP co-financed by ESF (Human Resource Development OP and Administrative Capacity Development OP). These OPs are now in the closing phase and actors involved in OPs and projects can draw some conclusions & lessons learned from risk management issues in order to avoid repeating it or to develop resiliency and recovering measurements. One of the main major issue in the 2007-2013 programming period was the lack of a scientific approach in risk management at the programmes and the projects levels since the beginning. Only in the last years were performed qualitative and quantitative analysis, with ongoing studies performed and thus the actual programming period could benefit from scientific inputs. Therefore the actors involved (ministries & agencies, beneficiaries) can access now academic studies and tools in order to perform a more suitable risk management.*

**KEYWORDS:** *ESF, risk management, human capital, administrative capacity*

**JEL CLASSIFICATION:** *D81, G32*

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### **1. INTRODUCTION**

This paper aim first to present an overview of the risk management system in the implementation of ESF (European Social Fund) programmes in Romania.

ESF is implemented in Romania in 2014-2020 programming period through Human Capital Operational Programme and Administrative Capacity Operational Programme. These Operational Programmes are both now in the operational phase, with new projects just granted and starting, a lot of calls for proposals yet in the evaluation and contracting phase and many calls for proposals ongoing.

The actual programming period 2014-2020 for European funding, (i.e. ESF), is based on specific regulations: Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17

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December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (Common provisions regulation (CPR)) and Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 (ESF specific regulation).

Besides these were defined 11 Thematic Objectives and a series of ex-ante imposed conditions to be fulfilled. ESF aim to implement Thematic Objectives # 8 - Employment and Labour Mobility, # 9 - Social Inclusion and Poverty, # 10 - Education and #11- Institutional Capacity,

At the national level, based on Partnership Agreement between Romania and EC were defined, developed and approved in 2015 two Operational Programmes (OP): Human Capital OP, for Thematic Objectives #8, #9 and #10 and Administrative Capacity OP for Thematic Objective #11.

Although we are now at the end of the 4<sup>th</sup> programming year from the current programming period, despite of the expectations, these 2 OPs were put in the operational phase with a huge delay. For comparison, in the previous programming period 2017-2013, the former OPs co-financed from ESF were starting the projects calls and implementation since 2008, the 2<sup>nd</sup> year of the programming period. Indeed, in the new programming period some new constraints were added as the need to implement 36 ex-ante imposed-conditions and also the pre-condition to develop one single Management Information System based on an online portal (mySMIS2014+). Also the accreditation of the Management Authorities (MA) was delayed and the management system compliance certification was issued by Audit Authority and European Commission in the middle of 2017. It's seems that some lessons from previous programming period were not learned and the risks for late concluding the programming period and preparatory phase were not addressed in a suitable way. This is not only because of many political and administrative issues but lack of continuity in procedures, in processes, in the risk management.

The OPs risk management and projects' risk management suffered from the lack of scientific approach in the previous programming period. Being public funds, there are law regulation for management processes (e.g. Order of Government General Secretary no 400/2015 regarding internal control and processes management) to respect and apply at the OPs and project level, as legal provisions and as Audit Authority(AA) require.

The European Commission (2014) issued the "Common methodology for the assessment of management and control systems in the Member States" that identifies the key elements of the MCS (Management and Control system) and the assessment criteria taking into account the minimum requirements of the applicable legal framework for the 2014-2020 period. The key elements, structured by authority, are those which have been designed for and which are essential in ensuring the legality and regularity of expenditure and the reality of operations included in programmes supported by the ESIF (except for the EAFRD) under the CPR (Common Provisions Regulation).

There are 18 key requirements identified and the risk management at the OP level have to deal with risk issues at each requirement. Thus, we are performing the quantitative part of the analysis regarding Romanian ESF OPs current state in respect to these requirements.

## **2. METHODOLOGY OF RESEARCH**

In the first step we draw definitions of the risk and a relevant Romanian scientific/academic literature review. Definition of the risk is important at the OPs level, because this is the starting point for analysing the institutional actor's views and the perception of the importance of a proper risk management procedure.

In the second step were analysed national institutional regulations, as Government Decisions, Order of Ministries and approved/draft procedures concerning the risk management at the level of the management authorities of ESF. This lead to some qualitative findings.

In the third step, the relevant risks related to ESF implementation in the current programming period are presented. Some of these risks findings and situation were presented mostly by the experts working at the project's level (until now involved in the preparation of the application, since 2016). The quantitative analysis is performed in respect to the EC 18 key requirement of CMS.

Finally, some conclusions and recommendation for the managing authorities are triggered from these 3 steps of the current paper.

### 3. DEFINITIONS AND LITERATURE REVIEW

According to the former Sectorial Operational Program for Human Resources Development (SOP HRD), co-financed by ESF in 2007-2013 programming period, the risk is defined as ***"potential danger, for a system or entity that, by producing some events/actions or by lack of action, affects the goods and/or reputation or reaching the objectives for all he system/entity parts"*** (source: Operational Procedure for Risk Management of SOPHRD, code P.O. VIII.MR, issued by MA for SOPHRD).

This definition is to be kept in the actual programming period, with some minor reformulation, in the system procedure of Human Capital OP and is in line with the provisions of the PMBOK Guide and ISO 31000:2009 standard (n.d.):

***"risk: effect of uncertainty on objectives"***

*Note 1 to entry: An effect is a deviation from the expected — positive and/or negative.*

*Note 2 to entry: Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product and process).*

*Note 3 to entry: Risk is often characterized by reference to potential events and consequences, or a combination of these.*

*Note 4 to entry: Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.*

*Note 5 to entry: Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood"*

European Commission, in PCM Guidelines (n.d.) define the risk as *"the probability that an event or action may adversely affect the achievement of project objectives or activities. Risks are composed of factors internal and external to the project, although focus is generally given to those factors outside project management's direct control"*.

According to Stanford Encyclopaedia of Philosophy (2007), the next definition of the risk is the most used: *"4. risk = the statistical expectation value of an unwanted event which may or may not occur. The expectation value of a possible negative event is the product of its probability and some measure of its severity. Other measures of severity give rise to other measures of risk. Although expectation values have been calculated since the 17th century, the use of the term "risk" in this sense is relatively new. It was introduced into risk analysis in the influential Reactor Safety Study, WASH-1400, Rasmussen (1975). Today it is the standard technical meaning of the term "risk" in many disciplines. It is regarded by some risk analysts as the only correct usage of the term."*

As it can be seen, there is no unitary definition of the risks. Comparing the above presented definitions is obviously that all of these refers at the risk in the terms of possible negative effects and provide tools for minimizing these and help the OPs objectives achievements.

The international academic literature for the risk management is very rich, there are many papers and works dealing with the risks in various fields (economics, engineering, biology etc.). Focusing on those related to projects and in particular to European funding of OPs and projects, there are some specific developments at the national level.

Due to the short time for the accession of structural ESF funds in Romania, since 2008 in the previous programming period, the national scientific literature focused on definition, evaluation and the management of the risks in this area is yet in a "starting point", with a small number of works related to EU funds, mostly on current doctoral researchers.

We found that Badea and Nicolae (2015a), realized a quantitative and qualitative analysis of the risk management from the operational procedures of the Management Authorities and Intermediate Bodies from the 2007-2013 programming period, carried during January and May 2015 with data and documents requested from 50 major authorities/institutions involved in non-reimbursable funds management.

This paper reveal that that authorities uses mainly the definition of the risk from the Methodology for the implementation of the internal control standards "Risk management" (developed and approved by Order of Ministry of Public Finance no. 946/2005 and replaced/updated by Order of Government General Secretary no. 400/2015), Standard no #8-Risk Management: "*Risk: a problem (situation, event, etc) which didn't occur yet but can occur in the future, in which case reaching the planned results is threatened or boosted. In the first situation the risk represents a threat, whilst in the second represent an opportunity. The risk represents the uncertainty in reaching the envisaged results and has to be treated as a combination of probability and impact*".

In the same work, there are drawn some qualitative findings about the specific procurements procedures at the projects' level as a major source of risks in the management of structural fund in Romania.

In other paper, Badea and Nicolae (2015b), analyse the risk assessment system and insurance of the specific risk in order to cover the potential financial corrections of the payment performed by European Commission to Romania, as a sanction for issues founds in the management of the structural funds in 2017-2013 programing period.

Other works concerning the risk issues in ESF implementation are to be found in the press/online sources with non-scientific contents. For example, in august 2016, was published an "Open Letter" to the Ministry of European Funds, countersigned and assumed by more than 100 project's experts (<http://www.cifn.info/scrisoare-publica-referitoare-la-situatia-absorbtiei-fondurilor-europene-din-noul-exercitiu-financiar-2014-2020/>), performing an extensive inventory of the current risks and issues and proposing solutions for these.

So far, related to the projects financed by European structural funds and in particular ESF were performed qualitative and quantitative analysis regarding the risk definition and management at the level of OPs, performed by Managing Authorities (MAs) and Intermediate Bodies (IBs) through Operational Procedures and also at the projects' levels, performed by beneficiaries of the funding.

#### **4. QUALITATIVE ANALYSIS OF THE RISK MANAGEMENT SYSTEM OF ESF IN ROMANIA**

We analysed the institutional legal provisions and regulatory concerning risk and also the Operational Procedures developed by managing authorities and founds that:

- at the ESF level, European Commission developed and issued a project management guide, (*European Commission (2004) "Project Cycle Management" ([http://ec.europa.eu/europeaid/aid-delivery-methods-project-cycle-management-guidelines-vol-1\\_en](http://ec.europa.eu/europeaid/aid-delivery-methods-project-cycle-management-guidelines-vol-1_en));*
- at the national level, there is a Partnership Agreement between Romania and EC for European Structural Funds and Instruments, including ESF, concluded and approved in 2014, with specific provisions regarding imposed conditions and requirements to be satisfied in order to benefit from funding from EU budget;
- the Operational Programmes for Human Capital and for Administrative Capacity approved by EC in 2015, have some specific provisions about the management system;

- the structure and actors of the management and control system of European funds (and therefore ESF) is regulated by Government Ordinance no. 40/2015, regarding the financial management of European Funds and Structural Instruments (EFSI) in Romania;
- according to these strategic documents and legal provisions, the MAs and IBs are located in public authorities, usually ministries and agencies;
- thus, they apply and respect internal control standards "Risk management" (developed and approved by Order of Ministry of Public Finance no. 946/2015 and replaced/updated by Order of Government General Secretary no. 400/2015), Standard no # 8-Risk Management.

According to this national public standard, each public entity have the obligation to perform systematic review, at least once per year, of the risks related to its activity, to draft and approve plans for contingency and resiliency to the consequences of these risks and designate the persons and positions responsible with these plans.

This Order defines risk management as the *"methodology aimed at providing a comprehensive risk control, allowing maintenance of an acceptable level of risk exposure for the public entity with minimal costs"* and states that *"the manager is in charge with creating and maintain a sound system of internal control/management, mainly by:*

- *Identifying the major risks that may affect the effectiveness and efficiency of the operations, rules and regulations, confidence in the financial and internal and external management, protection of property, fraud prevention and detections;*
- *Defining the acceptable level of exposure to the risks;*
- *Evaluating the chance for the risk to materialize and the dimension of its impact;*
- *Monitoring and evaluation of the risks and soundness of the internal controls to manage risks;*
- *Verifying the budget execution reporting, including the one based on programs"*

In respect of this mandatory regulation at the level of public authorities and other public bodies responsible for the management of ESF (MAs and IBs) have developed, maintain and use Operational Procedures for risk management. These Operational Procedures are requested and examined by EC and Audit Authority, first for an initial accreditation of the ESF management system, allowing Romania to request payment from the EU budgeting of ESF, then usually in yearly audit missions, based on sampling of the operations.

Another major regulation for the risk management, focused on irregularities is the Government Emergency Ordinance no. 66/2011 on preventing, finding and punishing irregularities occurred in the management and use of the European funds and/or their correspondent national public funds, updated and completed. This regulation refers to *"introduction of measures to prevent the occurrence of irregularities in the management of EU funds (especially those concerning conflicts of interest), in absence of which in the ongoing processes of projects selection and management there is a permanent risk of funding projects/contracts for which payments cannot be requested/reimbursed by the European Commission"*.

This law defines the prevention of irregularities as *"identifying and managing risks, development and implementation of the management procedures and other instruments of internal control to ensure the accuracy of granting and use of European funds and/or their correspondent national public funds"*. The ordinance presents deviations/deficiencies in compliance with the legal rules and states the percentage reductions/financial corrections to be applied by MAs, IBs and/or Audit Authority.

Therefore, one of the major concerns of the Operational Procedures for Risk Management at the OPs level (and also at the project's level) is to perform an extensive inventory of the risk related to potential financial corrections and procedures to avoid these and to provide an audit trail for the missions of the Audit Authority.

At the institutional level, Ministry of European Funds, being aware the potential issues arose from the risk management deficiencies on the previous programming period revised the approach in the development of risk management operational procedures at MAs and IBs level. In this respect, by

Regulation for Functioning and Organisation, approved by Order of Ministry of European Funds no. 2932/21.12.2016, art.8, was established a Department for Antifraud Control and Risk Management, with a Direction for Risk Management. This Direction have the mission to perform and supervise the drafting and approval of Operational Procedures for risk management in a standard manner in all MAs and IBs and to deal with risks at the ESF system level.

Due to political changes at the end of 2016, Governance Decision no 15/2017 concerning organisation and structure of Ministry of Regional Development, Public Administration and European Funds, includes former Ministry of European Funds in this larger ministry and kept the structure and existence of the Department for Antifraud Control, but also charge other services and direction with the management of the risks at various programmes, levels and also specific risks (public communication, procurements, IT&C security etc).

Detailed and specific provisions concerning risk management are provided in the Order of Ministry of Regional Development, Public Administration and European Funds no 317/21.02.2017 for Functioning and Organization Regulation.

Analysing these regulations and also specific Operational Procedures we have the next findings:

- a) Mostly these only copy the main standard provisions of the Standard Procedure #8-Risk Management from the Order of Government General Secretary no.400/2015;
- b) There is no any main risk register, to be managed by Ministry of European Funds, concerning all risks related to ESF. Each organisation/institutions/department charged with the risk management have developed its own risk registry, using own definitions and interpretations;
- c) Number of identified and managed risk have big variations from one Operational Procedures to another. For example, Badea and Nicolae (2015c), identified in these procedures 500 risks, from which 467 specific not-duplicated risks and these could be reduced to 120 significant risks coherent with the scientific definitions of the risks.

There is a very big variations of the number of significant risks, for example 5 risks at Operational Procedures for Accounting and Financial Management and 17 risks at Operational Procedure for Reimbursement;

- d) Risks are not defined at the OPs level or at the project's portfolio level but mostly at the departments/services and functions of MAs and IBs levels, therefore are big differences due to the differences in approaches and views of that entities;
- e) Non-unitary interpretation of the risks from the main provisions (Government Ordinance no 66/2011, Government Ordinance no. 40/2015 concerning the financial management of structural funds in Romania, Law no. 98/2015 concerning public acquisitions etc) leads to different risks perception and definitions to be found in the operational procedures and risk registries; In this line, Audit Authority for example apply many corrections at the projects' levels cancelled by judicial instances, leading to significant administrative and financial burden for beneficiaries, MAs, IBs and judicial system to fix these;
- f) Specific methodology for risk assessment and ranking is not uniform at the MAs, IBs and OPs level and applied only for some periods, then changed, being inconsistent and leading to administrative burden for project's beneficiary and MAs and IBs personnel; For example, in the former SOPHRD was established a risk assessment and ranking system based on the financial corrections, managed by an IT&C system (ActionWeb), in period 2008-2012. After 2012, due to some negative finding of Audit Authority and EC and major financial corrections applied to OP level, all projects were automatically ranked with the highest risk ranking;
- g) In the actual programming period, there is an unique IT&C portal for projects calls and project management- MySMIS2014+ for Human Capital OP and Administrative Capacity OP,

requesting potential applicants to identify and describe risk related to the projects but only as text, not performing anything related to risk assessment, ranking and management after the project's approval and starting implementation;

- h) In this IT&C system there is no any module/service/function for the risk management at various levels and based on the standard risk definitions and procedures; this is a major lack of the current management system by IT&C platform;
- i) Regulations and Operational Procedures do not use and benefit from scientific works, either national or international, for managing risks at the projects and programme level. For example Madadi and Iranmanesh (2012) identified and developed a management oriented approach to reduce a project duration and its risk (variability), while Fang and Marle (2012) developed simulation-based risk network model for decision support in project. These works and other similar papers could be used to develop and implement management procedures for risks using also mathematic tools and IT&C systems;
- j) Personnel of MAs and IBs is not proper and periodic trained for the risk management issues;

## 5. QUANTITATIVE ANALYSIS OF THE RISKS AT THE ESF LEVEL IN ROMANIA

According to the European Commission works "*Common methodology for the assessment of management and control systems in the Member States*"(MCS), there are 18 key requirements identified and the risk management at the OP level have to deal with risk issues at each requirement. Thus, we are performing a quantitative analysis regarding Romanian OPs actual state in respect to these requirements.

The 18 key requirements of the MCSs and the criteria for the assessment of their functioning are listed the common methodology mentioned above.

They concern:

1. The MA and any IBs to which functions have been delegated (8 key requirements containing 36 assessment criteria);
2. The CA (Certification Authority) and any IBs to which functions have been delegated (5 key requirements containing 18 assessment criteria);
3. The AA (Audit Authority) and any audit bodies that carry out audit work on its behalf (5 key requirements containing 27 assessment criteria).

The assessment criteria are described for each key requirement. Non-compliance with these criteria implies system deficiencies and thus a risk of irregular expenditure being certified to the Commission and of over-reimbursement made to Member States.

In respect to these 18 key requirements and assessment criteria, we first retained those related to ESF management system and identified risk related to national Romanian system for managing OPs for ESF. Risks were identified and assessed in their "risk frequency" and "estimated impact" based on interviews and questionnaire submitted to other experts working in the implementation of ESF. So far, due to the actual situation of OPs and management and control system (the certificate for compliance with CPR was issued by AA/EC in august 2017), we documented and focused first on the risks concerning MAs and IBs in their interaction with potential applicants, as it is shown in the table below.

The rest of key requirement and their related risk need to be documented with the assistance of MAs and IBs personnel, on the next step of the research, together with identifying and proposing measure to be taken.

Table 1- Column #2 &3-source "Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States"

#	Key requirement	Assessment criteria	Risk related	Risk frequency <i>1low-5high</i>	Estimated impact <i>1weak 5strong</i>
<b>1. Key requirements in relation to the MA and its IB(s)</b>					
1	Adequate separation of functions and adequate systems for reporting and monitoring where the responsible authority entrusts execution of tasks to another body (Articles 72(a), (b), (e) and (h), 122(2), 123(1) and (6), 125(1) CPR)	1.1 A clear description and allocation of functions (organisation chart, indicative number of posts, qualifications and experience required, job descriptions), including the existence of a formal documented agreement clearly setting out any tasks that are delegated by the MA to the IB(s).	-insufficient description of functions; -lack of formal agreement of the delegation of tasks; -this agreement do not contain all tasks;	1	5
		1.2 Necessary staff and expertise exist at the different levels and for the different functions within the MA and IBs, taking into account the number, size and complexity of the programmes concerned, including appropriate outsourcing arrangements if any.	-low number of personnel; -lack of adequate training and knowledges of the personnel; -personnel fluctuation	3	5
		1.3 Compliance with the principle of separation of functions within the organisation of the MA, where appropriate and in particular in case the Member State has decided to keep the certification function within the same administrative structure as the MA, as well as between the MA and other bodies in the MCS (CA, or its IBs, the AA or other audit bodies).	-separation of the functions not very clear; -duplication of the operations performed by IBs, MAs and CAs;	2	4
		1.4 Complete and adequate procedures and manuals exist and are updated as necessary, covering all key activities within the MA and IBs, including reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.	-procedures and manuals not updated or inexistent; -their provisions do not cover all relevant issues;	3	4
		1.5 Adequate procedures and arrangements are in place to effectively monitor and supervise the tasks delegated to the IB(s) on the basis of adequate reporting mechanisms (review of the IB's methodology, regular review of results reported by the IB, including where possible performance on a sample basis of the work carried out by the IB).	- lack of some provisions in the procedures for monitoring delegated tasks to IBs; -reporting mechanism do not perform well; -reporting performed only formal "to be checked";	3	3



		1.6 Taking into account the principle of proportionality, a framework for ensuring that an appropriate risk management exercise is conducted when necessary, and in particular, in the event of major modifications to the activities and changes of the management and control structures.	- see the "Qualitative analysis" above;	4	4
2	Appropriate selection of operations (Articles 72(c), 125(3) CPR)	2.1 The MA drew up, for approval by the monitoring committee, appropriate selection procedures and criteria that: a. ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority; b. are non-discriminatory and transparent; c. take into account the promotion of equality between men and women and the principles of sustainable development as set out in Articles 7 and 8 CPR.	-risk of launching calls for projects proposals not coupled with relevant strategies and ex-ante conditionalities; -not-integrated approaches in the selection of operations;	2	4
		2.2 Calls for applications are published Calls for publications are advertised in order to reach all potential beneficiaries and contain a clear description of the selection procedure used and the rights and obligations of the beneficiaries.	-call for application published in a very short time before opening the application system; -applicant's guides contains unclear provisions and needs corrigendum; -time for application preparation not well estimated;	4	5
		2.3 All applications received are recorded. Applications are registered on receipt, evidence of receipt delivered to each applicant and records kept of the approval status of each application.	-IT system for management of the application do not provide total number of application received in the deadline;	4	2
		2.4 All applications or projects are evaluated in accordance with the applicable criteria. The evaluation is applied consistently and in a non-discriminatory way. The criteria and scoring used is in accordance with those approved by the monitoring committee and mentioned in the call. In assessing the applications or projects the MA ensures that the evaluators possess the required expertise and independence. The MA should in addition specifically examine whether: a. The selected operation falls within the scope of the fund(s) concerned and can be attributed to a category of intervention; b. The beneficiary has the administrative, financial and operational capacity to fulfil the conditions regarding the provision of funding;	-uses of some extra-criteria not published initially; -interpretation of selection criteria at the level of personnel leads to rejection then admission of contestations;	4	5

		<p>c. Where the operation has started before the submission of an application for funding, applicable law relevant for the operation has been complied with;</p> <p>d. Operations selected for support do not include activities which were part of an operation which has been or should have been subject to a procedure of recovery following the relocation of a productive activity outside the programme area.</p> <p>All phases of this evaluation should be adequately documented.</p>			
		<p>2.5 Decisions taken on the acceptance or rejection of applications or projects should be taken by an appropriately authorised person in the responsible designated body, results notified in writing in an agreement or decision (or comparable document) to the candidate and the reasons for acceptance or rejection clearly set out. The appeal procedure and related decisions should be published.</p>	<p>-rejection rezoning not clear and sometimes not logic;</p> <p>-evaluators disagree in their reasoning and conclusions;</p>	4	5
3	<p><b>Adequate information to beneficiaries</b> (Article 125(3)(c) CPR)</p>	<p>3.1 Effective communication to beneficiaries of their rights and obligations in particular the national eligibility rules laid down for the programme, the applicable EU rules on eligibility, the specific conditions for support for each operation concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, the requirements concerning separate accounting or adequate accounting codes, the information to be kept and communicated. The information and publicity obligations should also be clearly expressed and communicated.</p>	<p>-The financing contract and legal provisions changes often;</p>	4	4
		<p>3.2 The existence of clear and unambiguous national eligibility rules laid down for the programme.</p>	<p>-interpretation of the rules is different between IBs, MAs, CAs and AA</p>	4	5
		<p>3.3 The existence of a strategy to ensure that beneficiaries have access to the necessary information and receive an appropriate level of guidance (leaflets, booklets, seminars, workshops, websites, etc.).</p>	<p>-poor communication strategy and means;</p>	2	3

	<p>4.2 On-the-spot verifications of individual operations may be carried out by the MA or its IB(s) on a sample basis. The frequency and coverage of the on-the-spot verifications should be proportionate to the amount of public support to an operation and to the level of risk identified by the MA or its IB(s) through their administrative verifications and by the AA through its audits for the MCS as a whole. The records should describe the sampling method used, identify the operations selected, and provide an overview of the conclusions of the verifications and the detected irregularities.</p>	<p>-lack of enough personnel/time to perform on-the-spot verification of the operations;</p>	<p>3</p>	<p>3</p>
	<p>4.3 Written procedures and comprehensive checklists should exist to be used for the management verifications in order to detect any material misstatements. This means that the checklists should, as a minimum, address verifications on:</p> <ul style="list-style-type: none"> <li>a. the correctness of the application for reimbursement;</li> <li>b. the eligible period;</li> <li>c. compliance with the approved project;</li> <li>d. compliance with the approved financing rate (where applicable);</li> <li>e. compliance with the relevant eligibility rules and EU and national rules on public procurement, state aid, environment, financial instruments, sustainable development, publicity, equal opportunity requirements and non-discrimination;</li> <li>f. the reality of the project, including physical progress of the product or service and compliance with the terms and the conditions of the grant agreement and with the output and result indicators;</li> <li>g. the expenditure declared and the existence and compliance of the audit trail for a number of expenditure items;</li> <li>h. the separate accounting system or an adequate accounting code for all transactions relating to an operation for operations reimbursed on the basis of eligible costs actually incurred. This separate accounting system or adequate accounting codes allow for verification of (1) the correct allocation of expenditure only partly relating to the co-financed operation and (2) certain types of expenditure which are only considered eligible within certain limits or in proportion to other costs.</li> </ul>	<p>-incomplete procedures;                      -procedures changes too often;</p>	<p>5</p>	<p>5</p>

	<p>4.4 Evidence should be kept of:</p> <p>a. the administrative verifications and the on-the-spot verifications, including the work done and the results obtained;</p> <p>b. the follow-up of the findings detected.</p> <p>These records constitute the supporting documentation and information for the annual summary to be prepared by the MA.</p>	-Bad management of the documents produced in the verifications	4	4
	<p>4.5 The existence of procedures approved by the MA to ensure that the CA receives all necessary information on the verifications carried out for the purpose of certification. Management verifications should be completed on time for expenditure certified in the accounts of a given accounting year.</p>	-procedure at the MAs level not synchronized with procedure at CAs level;	4	4

## 6. CONCLUSIONS

As we have shown above, the responsible personnel involved in management EFSI/OPs for ESF in MAs and IBs and also from the project's applicants and beneficiaries do not usually perform risk management analysis. Risk analysis and also procedures and methodologies are drafted as a formal requirement "to be checked" in the 'risk' of a control/an audit from Audit Authority or other control institution

These effects are caused by some persistent factors, as:

- Lack of awareness of the importance of the risks analysis, inventory, assessment and management;
- Many other mandatory procedures and emergencies which put high administrative and even financial burden on the beneficiaries and also IBs and MAs;
- Lack of some easy usable tools for identification, inventorying, assessment and management of the risks, preferable using online IT&C system with friendly interface;
- Very few academic development at the national level, regarding risks management in European funding;
- Weak connections between scientific works and academic community and public administration. Thus, these researches and useful findings and recommendations are not properly exploited by MAs, IBs and AA.

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