

Mechanisms underlying major investment projects in the Romanian public administration: strong and long term collaboration among stakeholders

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Abstract. *Starting from the existing situation, in order to understand the mechanisms underlying investment projects financed from public funds in Romania, we analysed the following public sources of information: For projects implemented before 2007, we analysed data available on the Internet, including databases of international donors such as www.dgmarket.com, <http://www.ted.europa.eu/>, etc. We analysed data made available by the Public Procurement Electronic System through the portal <http://data.gov.ro>. The data set analysed includes over 8 million awarding contract notices. For the EU funded projects, we requested the Ministry of European Funds to offer us access to the relevant database (SMIS), which includes all the projects financed under the European funding programme 2007 – 2013 (projects implemented before 31.12.2015). Comparing data from all these sources leads to the conclusion that the information is coherent and represents a credible basis for our analysis. We found that 48% of all investment projects implemented in Romania in 2007 – 2016 and co-funded under European funds (in terms of the share of eligible expenses) requested outsourcing services for the preparation of the project documentation needed to apply for funds; such expenses represent almost 3 % of the total eligible project expenses approved. Almost 36% (in terms of the share of eligible expenses) of all investment projects implemented in Romania in 2007 – 2016 and co-funded under European funds, revealed a strong and long term relationship between the company that participates in the elaboration of the grant application and the beneficiary of funds. This collaboration continued throughout the implementation of the project. These companies delivered services / supplied goods / carried out construction works whose value exceeds 15 billion lei, which represents over 54% of the total eligible costs of the respective projects.*

Keywords: investment projects, initiating project, European cohesion and structural funds funded projects

Introduction

This research aims to identify the mechanisms that generate investment projects within the public institutions in Romania.

The National Development Plan (The Romanian Government, 2005), elaborated in 2004 – 2005, represented an attempt to create such planning at a national level. The document included a list of actions that were to be taken to reach the proposed objectives, i.e. “ *By 2013, the general discrepancy between Romania and the EU could be reduced by 10 %, thus reaching the level of 41% of the EU average.*” (The Romanian Government, 2005)

Unfortunately, this document and this type of planning have never been actually implemented. Mechanisms that would monitor the programmes implementation or the prioritization of interventions have never existed; in addition, more often than not, the authorities totally disregarded that document.

Under the circumstances, in most of the cases, the mechanisms that generate a (large or medium) investment project within a public institution remain totally unknown. If for certain areas there are strategic planning documents, which include planning and prioritization of the various projects to be implemented (for example, The

General Master Plan for Transport in Romania, (Ministry of Transport, 2016)), most areas of activity lack any strategic planning.

An analysis of the literature in the field reveals that the justification of allocating resources to a specific project (and consequently to the detriment of another one) is an issue for all organizations, irrespective of their profile (public or private) or the impact of their activity (international, national, local or sectoral). In most cases, the project has to meet a set of minimal requirements and evaluation criteria. Noteworthy, the initiative of the Norwegian Ministry of Finance, which obliges large public investment projects to meet certain quality standards (Samset Knut, 2016), as of 2000.

There are reference materials regarding the analysis of the project impact (especially of the public projects), starting from the idea that *“Government projects and programs contribute to national growth at a great magnitude”* (Peerasit Patanakul, 2016), *“[...] that high levels of multi-stakeholder commitment, collaboration, alignment, and adaptation are necessary for ID projects to succeed.”* (Lavagnon A. Ika, 2017) .

The causes that influence the success of a project represent another topic that special analyses cover relatively in-depth. Such causes can be linked to the environment in which the project develops, to the *“Projects’ ecosystems”* (Alami, 2016), *“Organization structure, Project managers’ skills, Communication, Requirement specification, Cultural awareness”* (Niazi Mahmood, 2016)-, the level of the project strategic planning (Papke-Shields E. Karen, 2016) the adjustment to the cultural environment in which the project is to be implemented. (Mahmood Niazi S. M., 2016).

Analyses show that the project impact is very closely linked to its initiation phase; *“The results suggest that the problems related to the definition of project success criteria at the initiation phase are correlated with each other and could be attributed to poor stakeholders identification and involvement.”* (Bassam A. Hussein, 2015).

All these theories, analyses and evaluations reveal few arguments and do not help us find the answer to the question “What are the mechanisms that generate a successful project?”. Obviously, there is a huge difference between a project initiated by a public institution and one initiated by a private entity. The current analysis is limited to the projects implemented within the Structural and Cohesion European Funds.

Methodology

Sources of information and information gathering

Considering the data available, the analysis relies especially on the financial information related to these projects. Therefore, the main data sources are:

- Information related to the Operational Programmes as well as to projects funded through non-reimbursable EU funds (Ministry of European Funds, 2007-2013)
- Information regarding public procurement (The Agency for Romania’s Digital Agenda / Agenția pentru Agenda Digitală a României (A.A.D.R.), 2017)
- Open Data Portal (The Romanian Government / General Secretariat of the Government, 2017).
- Information released by the Ministry of European Funds, following a request based on Freedom of Information Access Law 544/2001. Based on the request, the Ministry of European Funds exported relevant data from SMIS 2007-2013 database.

Validation of data

The largest set of data pertains to public procurement procedures in Romania. In 2016, the Agency for Romania’s Digital Agenda, the administrator of the national public

procurement portal (SEAP) – www.e-licitatie.ro - decided to make public sets of data in SEAP, as a sign of transparency. The information was published on <http://data.gov.ro> portal, in csv format, accessible to everybody. Thus, we had access to information regarding 8.565.370 award contract notices published from January 1, 2007 to May 20, 2016. After obtaining and introducing the information into the database, we analysed their validity and credibility. Consequently, we noticed some data inconsistency, in most cases due to the material errors of those who had uploaded the information. We corrected all errors identified in the set data.

Following these operations, the total amount of the award contract notices is presented in next table:

Table 1. *The total amount of the award contract notices*

EU funded Procurement	Amount (billion RON)	Amount (billion EUR)	Amount Billion (USD)
No	460	41	76
Yes	112	26	34
Total	572	67	110

Source: Author's own processing based on findings.

The export of information from the SMIS 2007-2013 database represents the second important data set we used. This database is used by all public institutions involved in the management of EU funds in the European financial framework 2007 - 2013. The European Commission approves and reimburses from the EU budget only expenses that have been recorded in this integrated system. Therefore, such data is considered highly reliable.

The database which has 1.011.124 records, provides information on each type of expenses included in each Reimbursement Requests of all beneficiaries.

Table 2. *Total value of the projects*

	Eligible value	Non-reimbursable funding
Total (lei)	81.486.012.284,48	70.948.599.365
Total (Euro)	18.438.047.521	16.058.687.903

Source: SMIS database.

A comparison of the two amounts (approx. 70 billion lei / 16 billion Euro according to SMIS database and approx. 67 billion lei / 15 billion Euro according to the absorption rate) reveals a reasonable difference (of approximately 3% for sums in Euro), which can be easily justified by the use of an average exchange rate, and which created an error.

We can also compare the value of the Reimbursements Requests (according to the information available on <http://data.gov.ro>) with the value of the award contract notices published in SEAP.

Table 3. *Total value of the project contracts*

	Value of the notices in SEAP	Value of the Reimbursements Requests according to http://data.gov.ro
Total (lei):	112.710.286.500,12	109.666.879.228

Source: <http://data.gov.ro>.

At a first glance, this comparison shows minor differences (under 3%), too. However, we should bear in mind that the value of the Reimbursements Requests is not entirely reflected by the total award contract notices (numerous contracts were not implemented or were only partially paid or were not paid at all). Moreover, the value of the reimbursement requests includes also personnel expenses (worth of approx. 845 million lei / 193 million euro, according to the information in SMIS), which are not included in SEAP.

One can also compare the number of Reimbursement Requests, as shown in the information published on <http://data.gov.ro> and in SMIS. The result is shown in Table 4.

Table 4. *Number of Reimbursement Requests*

	No. of reimbursement requests in SMIS	No. of reimbursement requests on http://data.gov.ro
Total:	15.895	15.841

This comparison also reveals an insignificant difference (54 reimbursement requests, that is less than 0,5% of the total number).

The analysis of all results leads to the conclusion that our information is coherent and if correlated it can represent a credible basis for our analysis.

The result of the analysis

General Information

General information on the projects financed within operational programmes (OP) is presented in the following table.

Table 5. *General information on the financing programmes*

Operational Programme	Total No. of projects	Total No. of contracts for service /supply / construction	Total eligible costs (Lei)	Total Value of non-reimbursable grants (Lei)
Programmes that financed investment projects				
Regional OP	4.672	36.914	20.599.206.585	19.090.251.599
Environment Sectoral OP	532	5.134	20.195.236.816	19.770.535.410
Increase of Economic Competitiveness Sectoral OP	5.830	39.991	19.626.881.907	13.662.454.773
Transport Sectoral OP	149	929	21.064.686.977	18.425.357.583
Total:	11.183	82.968	81.486.012.284	70.948.599.365
Programmes that funded institutional and human resources development projects				
Human Resources Development Sectoral OP	4.094	58.162	18.843.045.664	16.907.342.754
Development of Administrative Capacity OP	451	8.141	1.088.076.799	1.065.982.731
Technical Assistance OP	167	1.009	962.079.855	932.138.682
Total:	4.712	67.312	20.893.202.318	18.905.464.168
TOTAL OP	15.895	150.280	102.379.214.602	89.854.063.533

Source: Author's own processing based on findings.

As the aim of this paper is to analyse the mechanisms that underlie or support the initiation of investment project within public institutions, we will limit our analysis to investment projects (the first category in Table 5

Information on investment projects

As already mentioned, the 4 operational programmes financed 4.712 projects with a total eligible value of approx. 81 billion lei / 18 billion Euro and an average value per project of over 17 million lei / 4 million Euro.

To see the impact of the projects, we analysed the geographical distribution of the beneficiaries.

Table 6. *Eligible value of the projects in each development region*

Region	Eligible value (RON)	Eligible value (EURO)
Bucharest - Ilfov	30.601.903.502	6.907.719.566
North - East	7.558.095.871	1.709.932.576
South - West	8.345.763.494	1.885.964.086
North - West	7.914.891.267	1.789.430.521
Centre	7.018.850.443	1.588.756.899
South - Muntenia	8.021.297.608	1.819.302.114
South - West Oltenia	5.586.699.957	1.264.746.752
West	5.395.748.115	1.218.142.240
Others	1.042.762.027	254.052.767
Total	81.486.012.284	18.438.047.521

Source: Author's own processing based on findings.

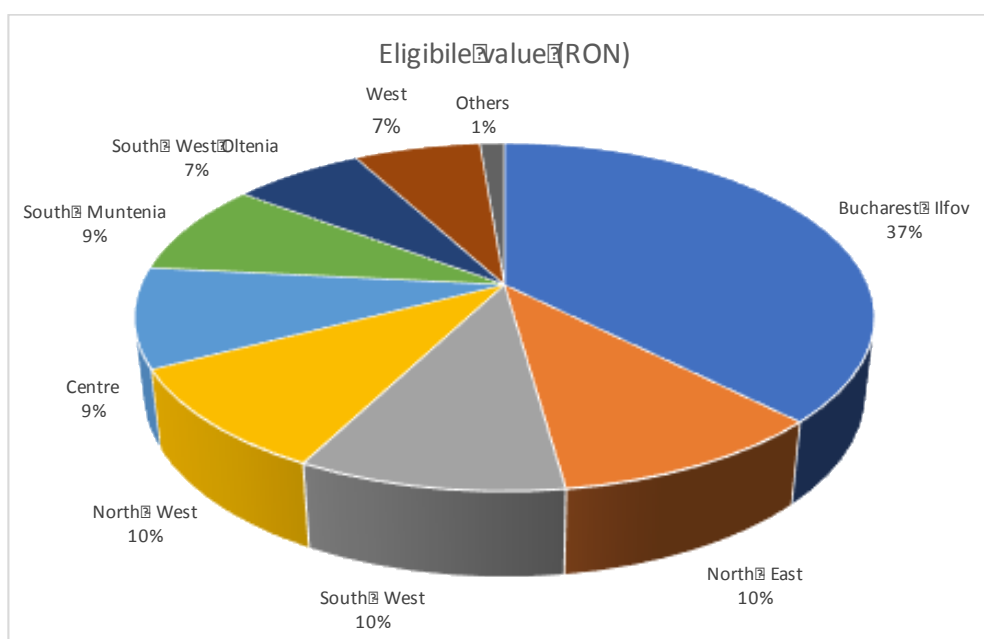


Figure 1. Eligible value of investment projects for each development region

Source: Author's own processing based on findings.

The next step aims to analyse the impact of the projects funded by the operational programmes. Though all applications include outcomes and results indicators, there are no documents illustrating their level of achievement.

The most reliable information for our analysis remains the classification of the eligible expenses in the reimbursement requests. This classification can offer a unitary analysis of the aim of the expenses and even an idea concerning the managerial approach of the projects. We used a unitary classification with includes 14 categories and we calculated the total expenses, for each category.

Table 7. *Types of eligible expenses and their share in the total non-reimbursable funding*

Row Labels	Eligible Value (RON)	Share of the total project funded value
Costs for / with lands buildings and constructions	49.113.987.637	60,27%
Assets / equipment	21.808.623.390	26,76%
Management consultancy	2.448.753.049	3,01%
Procurement of intangible assets	1.435.899.998	1,76%
Project preparation / Studies/ Analyses	1.244.041.285	1,53%
Services	1.045.506.672	1,28%
Other cists / incidentals	1.021.426.588	1,25%
Eligible VAT	1.004.456.385	1,23%
Contribution to the JEREMIE Participation Fund	922.592.500	1,13%
Staff expenses	844.924.628	1,04%
Taxes	263.161.486	0,32%
Communication, information and project publicity	200.151.546	0,25%
General administration expenses	103.964.878	0,13%
Accommodation, transport and per diem	14.788.038	0,02%
Rent, depreciation and leasing	13.734.204	0,02%
Grand Total	81.486.012.284	100,00%

Source: Author's own processing based on findings.

As a conclusion, the investment related expenses (for staff, services, taxes, etc.) represent about 10% for the eligible costs of the projects.

The table also reveals an important category: *"Expenses related to the project preparation / studies/ analyses"*. According to the Guides for Applicants and following the discussions with the representatives of the authorities in charge, we found that it is the only type of expenses that pertain to the period under analysis – the initiation of the projects - can be made before signing the financing contract

Of all the investment projects analysed we extracted the projects whose preparation expenses had been reimbursed by the EC.

Table 8. *Characteristics of the projects that requested reimbursement of preparation expenses*

Characteristics	Unit	Value
No. of projects	Project	2.548
Total value of the eligible expenses of the projects whose expenses for the documentation preparation were considered eligible	RON	39.218.148.177
Total value of the costs for the preparation of these projects	RON	1.239.431.399
No. of contracts for the preparation of the projects	RON	4.937
Average value of the preparation expenses per project	RON	486.433
Average value of costs per contract for preparing the project initiation documentation	RON	251.049
Share of the eligible expenses in the projects whose expenses for documentation preparation were covered related to the total eligible expenses of all operational programmes financed investment projects.	Percentage	48,13%

Source: Author's own processing based on findings.

Therefore – in terms of the total eligible costs - 48% of the investment projects requested expenses for the preparation of the project preparation documentation; such expenses represent almost 3,16% of the total eligible project expenses approved.

The seller - buyer relationship has been thoroughly analysed and the widespread conclusion is that *“Inter-organizational long-term collaboration plays an important role in buyer and supplier relationships”* (Wang Yonggui, 2016). The project sustainability is strongly influenced by the quality of the cooperation between seller and buyer (Aarseth Wenche, 2016).

These ideas encouraged us to analyse if the relationship between the beneficiary of the grant and the service supplier that elaborated the grant application documents continued during the implementation of the project.

Table 9. *Project whose application was elaborated by a company that later was involved in the project implementation*

Characteristics	Unit	Value
No. of projects	Project	1.495
Total value of eligible expenses reimbursed for the projects in this category	RON	29.326.393.258
Share of these projects on the total number of projects implemented within the operational programmes, in terms of their total eligible expenses	Percentage	35,99%
No. of contracts for the project implementation signed with companies that participated in the preparation of the application documents	Contract	2.603
No. of companies that participated in the preparation of the application documents and later on were involved in the project implementation	Company	1.061
Average value of the services delivered / goods supplied / construction works, during the implementation period, by a company which participated in preparation of the application for the non-reimbursable funding	RON	5.676.571
Total value of the eligible expenses reimbursed for the services delivered / goods delivered / construction works during the implementation period, by companies which participated in preparation of the application for the respective project non-reimbursable funding	RON	15.678.594.032
Share of the expenses above on the total eligible expenses of the projects where this expenses occur	Percentage	53,46%

Source: Author's own processing based on findings.

Almost 36% (in terms of the share of eligible expenses) of all investment projects implemented in Romania in 2007 – 2016 and co-funded under European funds, revealed a strong and long-term relationship between the company that participated in the elaboration of the grant application and the beneficiary of funds. This collaboration continued throughout the implementation of the project.

As part of the projects whose grant application they have contributed to, these companies delivered services / supplied goods / carried out construction works whose value exceeds 15 billion lei, which represents over 54% of the total eligible costs of the respective projects.

To understand the various contributions of these companies to the project implementation we need to analyse the types of expenses related to their activity. The situation is presented in next table.

Table 10. *Types of expenses covered during the implementation by the companies that contributed to the preparation of the application for grant*

Category of expense	Total eligible expenses (RON)	Share of expenses covered by companies that was involved in preparation of the project on total expenses in this category
Expenses for land, buildings and construction works	9.689.799.293	52,23%
Expenses for purchase of assets / equipment,	4.280.677.682	57,76%
Expenses related to the project preparation / studies / analyses	902.479.375	100,00%
Management consultancy expenses	451.626.687	35,42%
Eligible VAT	212.049.423	47,44%
Other costs / incidentals	94.945.579	33,30%
Communication, information and project publicity	24.754.259	28,53%
Taxes	10.950.499	5,92%
General administration expenses	4.595.933	58,97%
Procurement of intangible assets	4.536.058	16,53%
Staff expenses	1.695.025	1,47%
Expenses for services	484.218	1,65%
Total	15.678.594.032	53,46%

Source: Author's own processing based on findings.

All the reports and the analyses above cumulate the investment projects implemented within the 4 operational programmes. To secure the relevance of the results for all these operational programmes (and not just part of them) it is important to check if the situation identified is to be found in all programmes. The comparative analysis is presented in next table.

Table 11. *General information of the funding programmes*

Operational Programme	Total eligible value within the programme (Lei)	Eligible value of the selected projects* (Lei)	Share of the total eligible expenses for selected projects on total eligible costs of the operational programme
Regional Operational Programme	20.599.206.585	6.772.682.031	32,88%
Sectoral Operational Programme Environment	20.195.236.816	18.482.695.183	91,52%
Sectoral Operational Programme Increase of Economic Competitiveness	19.626.881.907	2.811.240.506	14,32%
Sectoral Operational Programme Transport	21.064.686.977	1.259.775.536	5,98%
Total:	81.486.012.284	29.326.393.258	35,99%

Note: We selected the projects for which the same company(companies) participated both in the preparation of the application and the project implementation

Source: Author's own processing based on findings.

We notice that the situation we identified is to be found in all operational programmes, but in various degrees. The two large infrastructure programmes represent the extremes: the Sectoral Environment Operational Programme (with the highest share, over 91%) and the Transport Operational Programme (with the smallest share, almost 6%)

Conclusions

As the literature shows, the ownership is an element that defines the success of a project (Olsson O.E. Nils, 2016). On the other hand, if the project requires knowledge that the organization does not possess, it is important to conduct an in-depth risk analysis: *“A formal early stage risk management practice provides early warning related to the problems that exist in a project, and it contributes to the overall project success. It is not necessary to always consider budget and schedule constraints as top priority. There exist issues such as requirements, change management, and user satisfaction which can influence these constraints.”* (Islam Shareeful, 2014).

Here are the main conclusions of the research:

- the cooperation between the beneficiary of the funding (generically, the owner of the project) and those who contribute to the project initiation (in the cases we identified they contributed to the applications) – is a crucial point.
- from the beginning in any major investment project the people in charge should be aware of the need to allocate additional resources to the investment as such. In the project we analysed, the share of such resources represents approximately 10% of the eligible expenses.

The analysis of all results leads to the conclusion that these sources of information are coherent and if correlated they can represent a credible basis for our analysis.

We found that 48% of the investment projects (in terms of the share of eligible expenses) requested services for the preparation of the project documentation needed to apply for funds; such expenses represent almost 3,16% of the total eligible project expenses approved.

Almost 36% (in terms of the share of eligible expenses) of all investment projects implemented in Romania in 2007 – 2016 and co-funded under European funds, revealed a strong and long term relationship between the company that participated in the elaboration of the application for grant and the beneficiary of funds. This collaboration continued throughout the implementation of the project. As part of the projects whose grant application they have contributed to, these companies delivered services / supplied goods / carried out construction works whose value exceeds 15 billion lei, which represents over 54% of the total eligible costs of the respective projects.

Maintaining a long term and strong relationship, from the project initiation phase to the post-implementation phase is not a new idea and is not only typical of the projects we analysed. A parallel between the initiation phase and the sales phase shows that the knowledge acquired is extremely useful during the project implementation: *“As part of project-based knowledge acquired during the sales phase is intangible, it is not possible to transfer to another person only by handing over documents.”* (Savolainen Paula, 2015).

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