

# E-COHESION – Shaping the Future Regional Development of Romania

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*The European Union draft regulations shaping the future of regional development introduce a new requirement for the member states for the 2014-2020 programming period: the electronic exchange of information with the beneficiaries. This transition from a paper-based flow of information to a completely electronic one brings about significant changes both for the beneficiaries and for the authorities responsible for the management and the implementation of EU-funded programmes. This article explores the benefits and the challenges that this new requirement will bring for Romania, from the perspectives of both the beneficiaries and the authorities involved, covering issues such as complementarity, transparency and efficiency of the implementation of EU-funded programmes.*

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## Introduction

The requirements of the regulations covering the main financial instruments of the EU regional development policy (the European Regional Development Fund – ERDF and the European Social Fund – ESF), together with recent technological advances, shape the content and the functionalities of the IT systems developed in this field, both by the member states and by the European Commission

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(EC). In return, these IT systems can provide a number of opportunities that the regional development policy should take into consideration when preparing for the future years.

The first key milestone in the history of IT systems used in the field of regional development was the requirement imposed by the general regulation covering the 2000-2006 programming period. This regulation made it compulsory for the member states to develop and maintain information systems specific to the management of the EU financial support and also to engage into electronic data exchanges with the European Commission. Council Regulation 1260/1999 specifically mentioned the responsibility of national managing authorities to “set up a system in order to gather reliable financial and statistical information on implementation” and to forward this data to the European Commission, “using where possible computer systems permitting the exchange of data with the Commission” (article 34).

The second key milestone was reached during the current programming period, 2007-2013, for which the Council Regulation 1083/2006 introduced for the very first time the requirement that “all exchanges concerning financial transactions between the Commission and the authorities and bodies designated by the member states shall be made by electronic means” (article 76). If in the previous programming period paper based documents had to be transmitted to the European Commission even if electronic data was submitted by the member states, the article mentioned above opened the door to a paperless administration across national borders. All documents sent to the European Commission are nowadays in electronic format only. The new system developed by the Commission for this purpose is known as SFC2007 (System for Fund Management in the European Community 2007-2013).

A new ambitious milestone will be set by the European Commission for the years to come, by introducing the so-called “e-cohesion requirement” for the 2014-2020 programming period. The

concept of e-cohesion will be analysed in detail in the following section.

### **E-cohesion – new requirements for 2014-2020**

The draft regulations for the 2014-2020 programming period (article 112(3)) ask member states to ensure that “no later than 31 December 2014, all exchanges of information between beneficiaries and managing authorities, certifying authorities, audit authorities and intermediate bodies can be carried out solely by means of electronic data exchange systems”. This deadline is not final, as there are still negotiations to postpone it until 31 December 2016.

Several aspects should be clarified as far as this requirement is concerned. First of all, this requirement refers to beneficiaries and not to applicants, meaning that the member states have the obligation to provide an electronic exchange for those beneficiaries that have signed a financing contract. While member states can accept electronic financing proposals from applicants, it is not formally required by the regulations. Moreover, the electronic exchange is not compulsory for beneficiaries, the obligation for member states is to ensure the electronic means for beneficiaries to use, if they wish to do so. Once again, this is a minimum requirement, member states can impose on beneficiaries the use of electronic transmission.

Second, this requirement implies a two way process, the authorities mentioned above should also communicate electronically with the beneficiaries. In this context, all the correspondence related to the documents electronically transmitted by the beneficiaries should also be in electronic format.

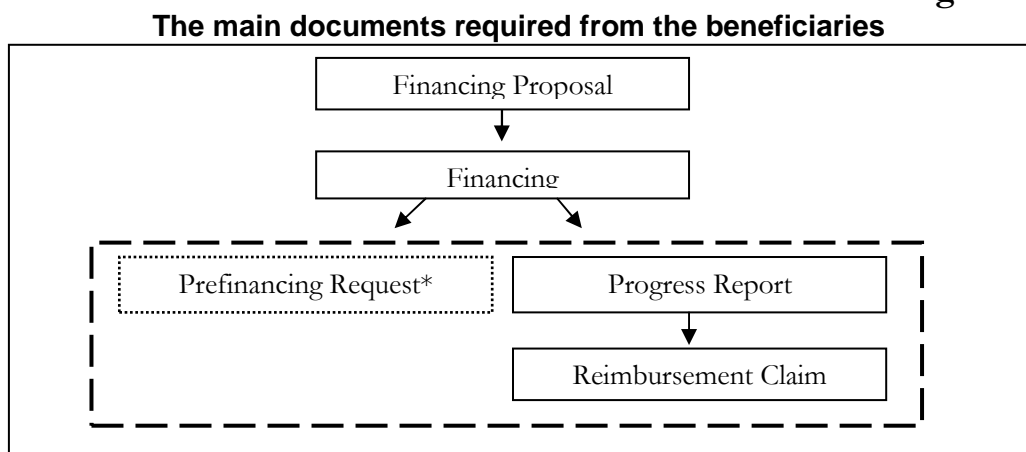
Third, article 112(3) also introduces two important aspects regarding the IT systems: “only once encoding” and the interoperability principles. The “only once encoding” principle implies that a beneficiary should not be asked to submit the same piece of information or document twice, not only to the same authority but to

any authority involved in the implementation of the operational programme(s). Once a document or information has been submitted by the beneficiary, the authorities should be able to share it among themselves. Submitting information only once requires interoperability between existing IT systems, as the information or documents have to be transmitted from one institution to another. This will impose new tasks on the IT systems which will have to be able to transfer data among themselves, raising issues not only from a technical point of view but also as regards the type and the characteristics of the data.

### **Opportunities and challenges for the Romanian beneficiaries**

Before analyzing the impact of this new requirement on beneficiaries of EU financial assistance, we shall review the main documents elaborated by beneficiaries that are required in order to access the EU funds. Briefly, these documents include the financing proposal (the request for funds made by an applicant/future beneficiary), the financing agreement or contract (signed between the responsible authority and the beneficiary for an approved project), the prefinancing request (on the basis of which beneficiaries receive a part of the financial aid, before the start of the implementation of the project), the reimbursement claim (including invoices from different contractors that the beneficiary submits in order to have his expenditures reimbursed) and the progress report (regarding the status of the physical progress achieved in implementing the project).

Figure 1



\* where applicable

Source: elaborated by the author on the basis of the information included in the Applicant's Guide for the Operational Programme Technical Assistance 2007-2013 ([www.pnat.ro](http://www.pnat.ro))

The e-cohesion requirement, as mentioned by the regulation, focuses on the prefinancing request, the reimbursement claim and the progress report (as can be seen in Figure 1 above). In addition, according to the draft Implementing Act on e-cohesion, any other information requirements applicable to the beneficiary, related to management, verifications and audits should be possible to fulfil via electronic exchange. This is a minimum requirement, member states having the possibility to cover all the above mentioned documents by an electronic flow of information.

It is important to point out that this requirement is not compulsory for the beneficiaries, unless the Romanian authorities will decide to impose it via the national programming and implementation documents and procedures. It is an option for each beneficiary to reflect on, taking into consideration the opportunities but also the challenges it implies.

One of the most important opportunities that the electronic exchange of information brings to beneficiaries is a better and more

efficient communication with the authorities in charge of the management and the implementation of EU-funded programmes. The electronic notifications regarding the decisions made or the status of documents concerning the project, instead of official papers transmitted via the postal services, such as the approval of a reimbursement claim, the request for additional information regarding an item of expenditure or clarifications requested on the value of an indicator, could allow the beneficiaries to have a more prompt reaction and smooth out the implementation of the project.

Another important opportunity for beneficiaries choosing the electronic exchange comes from the “only once encoding” and the interoperability principles. As such, within the same operational programme at least, a beneficiary having more than one project, will not have to send a document or any piece of information twice to any authority involved in the management and the implementation of that operational programme (intermediate body, managing authority, certifying authority, audit authority), decreasing the administrative burden for beneficiaries. This opportunity increases if the Romanian authorities will extend the electronic exchange for submitting financing proposals as well and apply the principles mentioned above for all operational programmes.

Also, the electronic exchange of information will decrease the costs that beneficiaries have with transmitting papers via the postal services and with multiplying and processing large paper files. For the larger or the more advanced beneficiaries, those already having accounting or financial IT systems, the electronic exchange could offer even more benefits, allowing them to use the electronic data they have, instead of encoding it again into another IT system.

In order to be able to use the electronic exchange, the beneficiaries must comply with some prerequisites, which may prove challenging for some of the member states such as Romania. A basic prerequisite is to own or have access to computers and scanning

devices and being able to operate them appropriately. This should be an easy task but the figures provided by Eurostat for Romania in this field, for 2012, are not very encouraging. As can be seen in Table 1 below, in 2012, in Romania, 44% of individuals have never used a computer (compared to 20% at the level of EU27), the highest figure in all the EU member states. Also, 19% of Romanian enterprises, having more than 10 employees, do not use computers (compared to 3% at the level of EU27), once again the highest figure in all the EU member states, the following country being Bulgaria with 9%. Looking at these figures, one may argue that this prerequisite could be a challenging one for the Romanian beneficiaries. Nevertheless, there is no evidence that up to now access to computers has hampered in any way the access to EU funds in Romania, as beneficiaries are submitting computer processed documents in the current programming period.

Another prerequisite is to have access to the Internet. This is another challenging prerequisite if we look at the figures provided by Eurostat for Romania. In 2012, in Romania, 48% of individuals have never used the internet (compared to 23% at the level of EU27), the highest figure in all the EU member states. Also, 21% of Romanian enterprises, having more than 10 employees, do not use the internet (compared to 5% at the level of EU27), the highest figure in all the EU member states. As such, this prerequisite could be an equally challenging one for the Romanian beneficiaries. Still, in the current programming period, there already are operational programmes that require some information to be provided by beneficiaries via the Internet and beneficiaries have managed to comply.

Table 1

**Computer and Internet usage in Romania in 2012**

Indicators	EU 27 average	Romania	Evolution since 2010
Individuals who have never used a computer (%)	20	44	-7
Enterprises with more than 10 employees that do not use computers (%)	19	3	+1
Individuals who have never used the internet (%)	23	48	-9
Enterprises with more than 10 employees that do not use the internet (%)	5	21	0

Source of data: Eurostat 2012

([http://epp.eurostat.ec.europa.eu/portal/page/portal/information\\_society/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/information_society/data/database))

An important issue to be tackled concerning the electronic exchange of information between beneficiaries and authorities in the field of EU regional development is the electronic signature. When transmitting electronic documents, all elements regarding authenticity and integrity have to be maintained, as the electronic documents should have the same legal value as the signed paper ones. In Romania, the legal basis for the electronic signature is in place, as the European Directive 1999/93/EC of December 13, 1999 on a Community Framework for Electronic Signatures has been transposed into the Romanian legislation through the Law no. 455 of 2001, establishing the legal status of the electronic signatures and the electronic documents and defining the conditions for the certification service providers' activity. Currently, according to the Romanian Ministry for the Information Society, there are 5 accredited certification service providers in Romania. Obtaining an electronic signature will imply a financial cost for the beneficiaries (usually a fee of about 50 euros for obtaining the certificate, followed by an annual



fee of about 30 euros). This is not a high cost, in comparison with the amount received as non-reimbursable assistance and also, it could be made eligible, within the projects' budget.

The challenges of the prerequisites mentioned above can be tackled and, looking at the technological progress of the last decades, they are part of a future that is inevitable. The e-cohesion requirement will be optional for beneficiaries in the 2014-2020 programming period, as far as the regulations are concerned, but could become compulsory beyond 2020.

### **Opportunities and challenges for the Romanian authorities**

The e-cohesion requirement will bring several benefits for the Romanian authorities involved in the management and the implementation of the EU regional development programmes. The electronic exchange of information with the beneficiaries means first of all the availability of a very large amount of data, provided directly by the beneficiaries, in real time. This large amount of data, covering both financial and technical aspects, can be used for many purposes.

For instance, having the information in real time, in a format that allows processing, enables authorities to early detect any bottlenecks in the implementation of the projects. If an item of expenditure raises eligibility problems for several beneficiaries, coming from different regions of Romania, this situation could be immediately detected by the authorities and clarified or better regulated. Also, automatic warnings could inform the relevant authority if a certain deadline has been reached, allowing a closer monitoring of the progress achieved at the level of each project.

The key element for any analysis or evaluation is the data. Their quality and results rely directly on the data availability and quality. The more detailed and accurate information is available, as in the case of the information provided via the electronic exchange with the

beneficiaries, the better the analyses and evaluations support the decision-making process, reflecting the reality.

Efficiency of implementation could also be enhanced. On the one hand, there is the reduction of the administrative burden, due to the exclusion of time consuming parallel instruments, such as excel sheets or monitoring systems in which data has to be manually introduced from the paper documents submitted by the beneficiaries. On the other hand, other time consuming activities could be reduced such as paper processing, filing, archiving and also costs related to the communication with the beneficiaries via the postal services. All these could translate into a better time allocation of human resources, focusing more on their core activities such as verification, control, evaluation and so on. Together with the automatic checks that could be performed on the electronic information submitted by beneficiaries, a shorter period of time could be achieved between the submission of a reimbursement claim, for instance, and the payment received by the beneficiaries.

The electronic exchange of information could also provide the necessary data to reinforce the procedures for avoiding double-financing. Double-financing refers to the action of claiming and receiving assistance for the same item of expenditure from different financial sources (from the EU, national, regional or local budget) at the same time. The verifications needed in order to avoid double-financing should be done prior to the approval of a project and prior to the approval of reimbursement claims. Having data in electronic format, automatic checks can be performed, such as a unique invoice number per each tax number, in the case of reimbursement claims. If the Romanian authorities choose to extend the electronic exchange to cover also the submission and evaluation of financing proposals, verifications could be performed before approving a project, using the applicant's tax registration number, the type of project and the expected results. Not fully replacing the human judgement, as such

situations should be further analyzed on a case by case basis, still, warnings could be provided to the relevant users by signalling these situations.

Going further from just avoiding the double-financing, the data provided via the electronic exchange of information with the beneficiaries could offer input for identifying and enhancing complementarities between projects and interventions. This is particularly the case if the extended exchange of information is implemented, covering also the financing proposals and the stages before the approval of the projects.

Understanding the concept of complementarity as the links between projects or activities, generating synergies by achieving more together than independently, three types of complementarities could be pursued: operational complementarity (for instance two projects that are stages of a larger operation), functional complementarity (between two independent projects, the results of one positively affecting the results of the other) and network complementarity (when functionally and operationally independent projects fill-in gaps in the coverage of the needs of a specific area) (Policy & Action Group Uniconsult, 2009, p.100-102). These kinds of complementarities could be taken into account when evaluating and selecting a project, prioritizing the ones with the better complementarity score. This process could be carried out if the necessary data is available. The electronic exchange of information with the beneficiaries is an opportunity to obtain this kind of data.

Complementarities could be pursued not only in the framework of one operational programme but between projects belonging to all operational programmes and even beyond the EU regional development policy. As such, we can distinguish between an internal complementarity (among the projects belonging to the same operational programme) and an external complementarity (among the projects financed by other operational programmes, other financial

sources, both national and foreign etc.) (KANTOR Management Consultants, 2008, p.9). The external complementarity could be pursued only if the relevant data on projects is available. The electronic exchange of data with the beneficiaries is just a step, as other elements are needed, such as communication between different IT systems and a strong collaboration and communication among all authorities involved.

An example in this field is provided by a recent study carried out in Poland and covering the projects implemented on the territory of Eastern Poland under the operational programmes of the Cohesion Policy and the Rural Development Programme 2007-2013 (EGO, 2011), which suggested as a practical instrument for supporting and monitoring complementarity the development of an internet platform for the exchange of information on projects in Eastern Poland. Following this study, the platform was developed and includes some basic information about the projects that are implemented in Eastern Poland, allowing applicants and beneficiaries to search for information about potentially complementary projects that are carried out in their geographical area or field of activity.

This also highlights another opportunity that the electronic exchange of information provides: accessibility of the information for the general public and the transparency of implementation. According to the Council Regulation 1828/2006, managing authorities have to ensure „the publication, electronically or otherwise, of the list of beneficiaries, the names of the operations and the amount of public funding allocated to the operations” (article 7(2)(d)). This is a minimum requirement. If available, additional information can be provided to the public, such as the objective of the project, the location, the expected results. The electronic exchange of information could provide this kind of accurate and up to date data.

Along the opportunities, the electronic exchange of information will also pose some challenges to the authorities involved in the

management and the implementation of regional development. Moving from a paper based flow of documents to an electronic one requires different procedures to manage that flow, especially document management, electronic archiving and audit of documents in electronic format.

Another challenge is the use of the electronic signature. When deciding on the most suitable solution for the electronic signature, the authorities might consider the one adopted by the European Commission for the system used for the exchange of information with the member states: SFC2007. The documents and data exchanged with the EC are signed using a username/password combination based on the Commission system for user authentication (ECAS). This solution proved to be simple, reliable and efficient. The proof of transmission of information is an electronically signed acknowledgement of reception, in the form of a PDF file containing information about the data transferred, signed by the SFC2007 system using a digital certificate.

The most important challenge will nevertheless be the change of mentality of all the staff working within the Romanian authorities. This change will not be an easy one, but it can be tackled by preparing well trained, computer literate personnel and clear and detailed procedures.

### **Experiences from the current programming period for Romania**

Exchanging electronic information with the beneficiaries is not a new concept for Romania. In the current programming period, there were a few initiatives in this respect, even if they did not translate into a complete electronic transfer.

One initiative was the IT system for the Sectoral Operational Programme Human Resources Development (SOPHRD), called Actionweb. In order to request funds within SOPHRD, the potential applicants have to submit the financing proposals electronically via Actionweb. The potential beneficiaries fill in information regarding the

title of the project, the partners, schedule of activities, budget, indicators, target group etc. After the online submission, Actionweb generates the documents in a pdf format, documents that have to be signed, dated and stamped and delivered in original version, via courier services or in person, to the responsible authority in 10 working days.

Additional paper documents are requested from the beneficiaries during the contracting phase, after the approval of the project. The notifications to the beneficiaries regarding the rejection or approval of the project are done by sending the scanned original signed letter to the email address of the applicant. Actionweb is also used for the online evaluation of the financing proposals and for collecting information regarding the invoices and payment orders of the beneficiaries, the experts involved in the implementation of the project, the target group and the activities. Still, original paper versions of the reimbursement claims and technical reports have to be submitted to the relevant authorities.

Another initiative is the portal of the Intermediate Body for the Promotion of the Information Society. This portal has to be used by the potential beneficiaries in order to submit their financing proposals electronically. All documents required by the Applicant's Guide have to be submitted electronically (in editable format, except documents issued by official institutions that have to be scanned into a pdf format). Following the online submission, the potential beneficiary has to deliver to the relevant authority (in person, by courier or postal services), in 5 working days, the original paper version of the documents, together with 2 copies.

Also an initiative of electronic exchange of information with the beneficiaries is the IT application of the Intermediate Body for Research, application that potential beneficiaries have to use in order to submit financing proposals. The financing proposal is uploaded in the application and no paper version has to be submitted. All the supporting documents have to be provided in paper version to the

relevant authorities (in person, by courier or postal services), one original and one copy, within the timeframe mentioned in the Applicant's Guide.

### **Conclusions**

In 2013, there are already some initiatives of electronic exchange of information with the beneficiaries in Romania. Still, none of these initiatives cover the e-cohesion requirement, even though they do allow to a certain degree an electronic exchange of information with the beneficiaries. E-cohesion translates into the elimination of papers between the beneficiaries and the authorities and so far no Romanian authority has achieved this.

The preparations for the fulfillment of this requirement should start before the beginning of the 2014-2020 programming period as there are many options to consider and decisions to be made. First of all, it should be settled whether there should be a single instrument to cover all operational programmes or should each managing authority or intermediate body develop one of their own. This is particularly important as a single instrument might require unified procedures from all the actors involved. Second, the extent of the implementation of the e-cohesion requirement should be established: should it cover the entire process of obtaining the EU assistance, from the submission of the financing proposal to the final payment or only the stages after the approval of the project? Third, the technical and the procedural implications have to be considered, such as the optimal solution for the electronic signature and the technical possibilities of the beneficiaries and the potential beneficiaries. Also, lessons could be drawn from the initiatives already in place in this field, by analyzing what their shortcomings and strong points were.

The e-cohesion requirement, between the beneficiaries and the authorities responsible for the management and the implementation of



EU regional development programmes, will shape the future EU regional development policy in Romania by shifting the resources and focus from the complicated and burdening administrative process to a more strategic and results oriented approach.

The implementation of this requirement will impose a mentality change on the Romanian authorities (intermediate bodies, managing authorities, certifying authority), in terms of not only working with electronic documents but also sharing information among them, instead of relying on the beneficiaries for providing it. The larger the extent to which the e-cohesion requirement will be implemented, the more the opportunities will arise for both the beneficiaries and the involved authorities, allowing the pursuit of different complementarities between projects and a greater transparency of the role that funds play in the regional development of Romania.

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