



Integrated Territorial Instrument of the Danube Delta – an assessment of its implementation, performance orientation and governance during 2016-2021

EXECUTIVE SUMMARY

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Executive Summary

The Integrated Territorial Instrument for the Danube Delta was established by EU Cohesion Policy in Romania during the programming period 2014-2020 in order to enable the strategic and financial support for integrated development of the area. Its actual implementation is guided by the Integrated Strategy for the Development of the Danube Delta (ISDDD) adopted in 2016, which constitutes a blueprint for the economic, social and environmental development of the Delta. The strategy was developed through a systematic technical analysis and a participatory process conducted by the World Bank and financed by the EU Structural Funds (ESI Funds) over the period 2013-2016.

The strategy ISDDD establishes a vision and strategic objectives for the development of the Danube Delta region for a period of 15 years, until 2030. The vision for the area is defined based on the development needs of two different sub-areas:

1) the Danube Delta Biosphere Reserve Area – viewed as living area where people work and live with balanced support for the environment and the community, a healthy, sustainable economy (mainly based on culture and tourism), and an inclusive planning process for residents, local authorities and businesses; and

2) the Neighbouring Area of the Danube Delta – viewed as a vibrant, modern agricultural and small enterprise area with a network of urban service centres and a tourism sector integrated with the attractions of the Delta.

The two strategic objectives included in ISDDD aim at: 1) conserving the unique environmental and natural resource assets through scientifically-guided environmental management, and through empowerment of local communities as proactive guardians of the unique global heritage of the Delta; and 2) developing a sustainable, green local economy capitalising on the area's comparative advantage and supported by improved services.

The action plan of the strategy ISDDD for the programming period 2014-2020 establishes operational objectives which identify more than 160 initial projects and types of interventions (called ITI projects) planned to be launched during the programming period 2014-2020. These projects are grouped in 5 investment pillars (Environment, Economy, Connectivity, Public Services and Administrative Capacity)

and they are characterised by their level of priority (high, medium, low, or no priority). The investment domains considered include, for example, protecting biodiversity, developing the local economy, improving connectivity, modernising the public services for education, health, social inclusion, water and waste management, and improving local administrative capacity and governance.

In budgetary terms, for the period 2014-2020, the resources allocated from the ESI Funds for supporting the implementation of ISDDD amounted to 1.3 billion euro. These resources were programmed in all 8 operational programmes for ESI Funds in Romania, including Regional Operational Programme (ROP), Large Infrastructure Operational Programme (LIOP), National Rural Development Programme (NRDP), Fisheries and Maritime Affairs Operational Programme (FMAOP), Human Capital Operational Programme (HCOP), Administrative Capacity Operational Programme (ACOP), Competitiveness Operational Programme (COP), and Technical Assistance Operational Programme (TAOP).

Regarding programmes' contributions to the financial resources for the ITI instrument, the highest share (37%) was concentrated in the programme LIOP, followed by ROP (with 35%) and NRDP (with 13%). For the remaining programmes, their share in total ITI allocation varied between 6% for HCOP to 0.4% for TAOP.

Commissioned by the Directorate General of Regional and Urban Policy of the European Commission, this study was conducted during the period November 2021-March 2022, and it covers all EU projects supporting the implementation of ISDDD over the period 2014-2021. Therefore, all its conclusions and findings are robust.

The analysis in the study is structured according to three main topics:

- 1) the implementation of the EU investments for the integrated territorial instrument for the Danube Delta;
- 2) the performance orientation of these investments in terms indicators used to reflect the achievements on the ground; and
- 3) the governance of ISDDD, with an emphasis on activities of the organisation ADI ITI responsible with the local coordination of the strategy.

For the **implementation of the EU investments** for the integrated development of the Danube Delta, the study presents an analysis of the ITI instrument from two perspectives: a) the alignment of the implemented projects with the investment

priorities established in the strategy; and b) the effectiveness and efficiency of the implementation of the ITI projects in the operational programmes for the ESI Funds.

As regards the alignment of implementation of the ITI instrument with the strategy ISDDD, the strategy adopted in 2016 includes a majority of projects identified initially with high or medium levels of priority (henceforth called priority projects), 15% with low priority, and the remaining with no priority level established. Further, in a number of cases, the priority levels established for some projects during the process of technical analysis were subsequently updated during public consultations without a comparable methodology and prioritisation criteria. Finally, the analysis of the strategy also indicates that the number of priority ITI projects established initially is relatively limited in certain domains such as Climate Change, Disaster Risk, Pollution Emergencies, Education, Health and Waste Management.

An additional issue analysed in this context refers to the extent of integration at strategy and project levels. With respect to funding sources, we found that the strategy is integrated by design as it was expected to be supported by all the operational programmes for ESI Funds in Romania. For the integration of funding sources at project level, however, we learnt that no project planned initially was expected to be financed from more than one fund due to difficulties perceived by Managing Authorities in combining funds at project level. Finally, with regard to the relevance of a project for more than one investment domain, we learnt that 20% of the projects planned initially were relevant for more than one domain, and if we consider only the projects with high or medium priority, the share of integrated projects reduces to 17%.

Therefore, based on the analysis of the strategy, the main recommendations of the study include the following:

- Ensure a clearer and more consistent use of the prioritisation methodology in the process of strategy updating;
- Identify further priority projects for the investment domains which are currently weakly prioritised;
- Ensure a higher extent of integration at project level by identifying and prioritising more projects relevant for more than one investment domain;
- Introduce incentives and innovative solutions that enable the implementation of integrated projects financed from complementary sources of funding.

Next for the alignment of implementation with the strategy, we analysed the extent to which the ITI projects planned initially in the strategy action plan were also implemented during the reference period of the study, with an emphasis on the priority projects.

Our analysis indicates that the implementation of priority projects differs significantly across investment domains, being most advanced in Agriculture (with 82% implementation of priority projects), Fisheries and Aquaculture (with 73%), and Transport (69%). More limited implementation of planned priority projects is observed especially for the domains of Protecting Biodiversity (56%), Education (50%), Tourism (48%), ICT (42%), Social Inclusion (32%), and Health (0%)¹.

Overall, at strategy level, we found that 44% of the priority ITI projects were implemented fully or almost fully, and 20% of them were implemented partially or very partially. The remaining 36% were not implemented over the reference period of the study. Reasons for limited or no implementation include eligibility constraints, lack of project alignment with programmes' requirements, delays in project preparation, beneficiary's decision to postpone implementation or their financial constraints, or difficulties to identify a suitable financing source.

An additional issue analysed in this context refers to the extent to which the prioritisation of ITI projects planned in the strategy was embedded subsequently in the process of project selection during implementation. The analysis indicates that, regardless of whether the project calls were dedicated to ITI projects, the selection process focused primarily on the investment location, without a robust assessment of the project contribution to the strategic objectives of ISDDD and the expected impact on final beneficiaries. The eligibility condition introduced for the ITI projects in the selection process (called conformity check) was not aligned with the prioritisation methodology envisaged in the strategy and was not guided by a robust methodology for the assessment of projects' contribution to the integrated development of the Delta. Consequently, it proved rather procedural and weakly effective as it resulted in positive assessments for all ITI projects submitted for this procedure. Furthermore, we also found that exemptions from the procedure for conformity checks are likely to result in suboptimal outcomes, with selection of projects low or no priority for an integrated development of the Danube Delta.

¹ The result for Health is also due to a very limited number of priority projects for this domain.

Therefore, for the implementation of the action plan of the strategy ISDDD, the main recommendations of the study include the following:

- Ensure an alignment between the evaluation criteria applied to ITI projects during selection and the prioritisation criteria established in the strategy;
- Establish a clear methodology for the assessment of projects' contribution to the ISDDD strategic objectives;
- Ensure a levelled playing field for the selection of all ITI projects;
- Consider organising dedicated calls only for projects that are highly specific to the Danube Delta and require tailored timing and evaluation criteria.

The second perspective we took in the analysis of implementation of the ITI investments for the Danube Delta focused on the **effectiveness and time efficiency of selection and completion** of these investments across the 8 operational programmes. This second perspective was considered relevant for the study due to the relative operational autonomy of the Managing Authorities of the operational programmes in Romania.

Overall, we found that, of the 1.3 billion euro allocated for ITI projects from the ESI Funds in the 8 operational programmes, 92% of resources were contracted by September 2021. Actual implementation on the ground, as reflected by payments to project beneficiaries, amounted to 45% of the total allocation by end 2021. Nevertheless, we also found that the aggregate level of project selection was the result of very differing operational performance across programmes, with selection rates ranging from more than 100% (in LIOP and ROP) to as little as 5% (in ACOP).

When exploring the reasons for varying implementation rates across programmes and priority axes within programmes, we learnt that slow progress in implementation was due to a variety of factors, including difficulties with eligibility requirements, regulatory delays at national level, beneficiaries' difficulties with timely project preparation, long durations of public procurement for public beneficiaries, labour shortages and price increases in construction, and the COVID crisis, among other challenges. Overall, however, except for the cases where the eligibility requirements reduced the possibility for ISDDD beneficiaries to apply for funding and the need for the environmental impact assessment for all projects in the protected area of the Danube Delta, we did not find evidence of other area specific factors that contributed to protracted implementation.

Regarding the type of projects implemented, the study distinguishes between projects located in the ITI area and funded from the ITI allocation, projects with wider coverage

and funded partially from the ITI allocation, and projects relevant for the ITI area and not financed from the ITI allocation. On this basis, we learnt that the ITI allocation for some programmes was planned to finance projects with wider coverage than the area of the Danube Delta from the beginning of the programming period, in some cases partially motivated by an expected lack of local demand for specific types of interventions (ex: ICT, administrative capacity). For implementation, we estimated that projects with wider coverage represent around 35% of the total project selection for the ITI instrument. However, according to our assessment, such projects would have been implemented anyway, and therefore we could not see sufficient rationale for considering them as financed from the ITI allocation, especially for cases where no ITI specific requirement was applied in project selection.

For the implementation timeline, we learnt that, over the reference period, more than half (54%) of the ITI projects selected for ISDDD were finalised, but they represent only 13% of the total project value contracted by end 2021. Our analysis indicates that the finalised projects tend to be small projects contracted in 2018-2019, while 87% of the projects still in implementation are more likely to be larger projects contracted during 2019-2021, i.e. at least 3 years after the adoption of ISDDD (and more than 5 years into the programming period).

In our assessment, this situation is due to a combination of factors including the timing of the launch of project calls (i.e. after the adoption of the ISDDD in 2016), the duration of contracting process, and the duration of project implementation (including also extensions of the implementation period). For the launch of project calls, we found that Managing Authorities launched calls for ITI projects relatively soon after the adoption of the strategy in 2016 in most cases, but this was already two years and a half after the beginning of the programming period. For the contracting phase, we calculated a duration of 6-15 months for a majority of projects (depending on the programme), but it could also reach maximum values of even more than 3 years.

Moreover, once the operational phase starts after contract signature, the project duration tends to be long. For a majority of ITI projects, depending on the programme, project duration ranges in 24 - 53 months, but there are situations in which these durations could extend even up to 9 years. Furthermore, based on a more detailed analysis of two largest programmes (LIOP and ROP), we learnt also that a large number of projects were either delayed or had their period of implementation extended by at least 1-2 years relative to their initial planning. Overall, the Managing Authorities explained that long project durations were due to a combination of factors such as the

type of investment (with infrastructure requiring more time for implementation), the period specific factors (COVID, price increases in construction), weaker local administrative capacity in smaller localities, and optimism bias in initial planning.

Therefore, with regard to the effectiveness and time efficiency of implementation, the study includes the following main recommendations:

- Address eligibility issues related to priority projects in the strategy in a timely manner;
- Consider a better calibration of ITI resources programmed in the operational programmes by taking into account primarily projects specific to the ITI area;
- Provide incentives for timely project preparation of priority projects;
- Account for optimism bias in project planning;
- Provide incentives for timely completion of projects.

The second main topic analysed in the study refers to **the performance orientation of the ITI investments** in the Danube Delta. In this regard, we analysed the indicators used to monitor the implementation and achievements of the ESI Funds invested for the integrated territorial instrument in the area.

Based on the data collected at the strategy level, we learnt that there are two types of indicators being used in the monitoring process: programme indicators and ISDDD specific indicators. The programme indicators are project level indicators adopted upon the signature of the financing contract, and monitored formally by the Managing Authorities. These are also the indicators that serve to aggregate data for reporting achievements of the ESI Funds investments at EU level. The ISDDD specific indicators, on the other hand, are indicators introduced additionally by the local coordinating body ADI ITI in order to complement the monitoring of the achievements of the ITI projects implemented for the strategy.

Overall, we assessed that the monitoring of achievements of the ITI investments from ESI Funds in the Danube Delta remains partial for the following reasons. First, we found that there are no aggregate statistical indicators monitored at the strategy level in order to enable tracking the contribution of the ITI investments to the integrated development of the Danube Delta over time. Second, we noticed the reliance of monitoring on the procedural indicator “Number of projects implemented” – an indicator that does not provide a meaningful measurement of the achievements of the projects

financed. Further, for a large number of projects, we found that no meaningful measurements of achievements (i.e. outputs and results) were monitored. Third, for some programmes, the monitoring of a majority of projects relied primarily on ITI specific indicators as there were no programme indicators monitored. This implies that the achievements of these projects could not be aggregated and reported at EU level, and that the reliability of monitoring in terms of data quality is likely to be suboptimal. Fourth, for the ITI specific indicators, the reporting of achievements is expressed in terms of the extent to which the indicator target is achieved, and therefore cannot be used to report actual achievements in an aggregated manner. Finally, for some programmes, we also found that the consistency of use of indicators for similar types of interventions could be improved.

Therefore, with regard to the performance orientation of the ITI investments from ESI funds, the study includes the following recommendations:

- Introduce and monitor high level indicators that have the potential to reflect the contribution of ITI investments to the integrated development of the Danube Delta;
- Coordinate better the use of project level indicators for ITI investments, giving priority to programme level indicators;
- Increase the indicator coverage of projects to at least one representative output and one representative result at project level, while prioritising the EU common indicators;
- Avoid the use of procedural indicators such as “Number of projects implemented”;
- Align the monitoring of indicators at project level for the ISDDD strategy with the monitoring of indicators at project level carried out by Managing Authorities.

Finally, the third main topic in the study refers to **the governance of the ITI instrument in the Danube Delta**. Given the novelty of the ITI instrument for the programming period 2014-2020, the main focus of the study was the functioning and the added value of the local organisation established to coordinate the ITI investments in the area of the Danube Delta (called ADI ITI). The main findings in this regard are explained below.

At national level, the central services in Romania established procedures and a Functional Working Group formed by representatives of the Managing Authorities of all operational programs, ADI ITI, and other relevant actors with the objective to ensure

communication and coordination for the strategy implementation. In our assessment, this approach is functional in principle, but could be strengthened by stepping up the cooperation and support provided by the Managing Authorities and central services to ADI ITI. For example, we assessed that there is scope for improvement in providing timely assistance at central level as regards programme eligibility conditions for priority projects identified in the strategy.

We also learnt that, in some cases, the precise role of ADI ITI in the framework of implementing the ESI Funds for ITI investments was not clear to at least some of the Managing Authorities of the operational programmes. During the interviews, they expressed their opinion that the role and responsibilities of the association could be better defined and strengthened with regard to the assumed responsibility for the assessment of the project alignment with the strategy ISDDD.

Furthermore, some of the Managing Authorities also expressed a need for more transparency of the monitoring activities carried out by ADI ITI at project level. In our assessment, a clear delineation of responsibilities of ADI ITI, in comparison with existing official administrative structures for the management and control of ESI Funds, has the potential to help elicit a closer cooperation among the actors involved in the governance of the ITI instrument.

We also analysed in more detail the activities carried out by the organisation ADI ITI for the coordination and monitoring of the strategy ISDDD. In this regard, we identified and assessed a number of activities including: promotion of funding opportunities for potential beneficiaries in the ISDDD area, identification of project ideas suitable for financing from ESI Funds, participation in the elaboration of applicant guides, consultations on programme adaptations necessary to cater to the specificity of the ISDDD area, support to beneficiaries in the process of the preparation of the financing requests, conformity assessments, involvement in implementation through visits to beneficiaries, and continuing monitoring post implementation for indicators. ADI ITI also promotes the strategy at local level through a variety of means, including its website, social media, and more traditional media.

The Managing Authorities and the central services opined that, of these activities, the highest potential added value of ADI ITI stems from its involvement in promoting the funding opportunities and guiding the beneficiaries towards the most appropriate sources of funding for their projects. Further, some of the Managing Authorities also appreciated the association's activity in gathering the beneficiaries' feedback on the

draft applicant guides submitted for public consultation. In our assessment, ADI ITI also plays an important role in aggregating data on the strategy implementation across the operational programmes and other sources of funding, even though (as explained in detail in the report), there is scope for further improvement.

Furthermore, an important aspect of ADI ITI's activity is its role in assessing the alignment of ITI investments with the strategic objectives of ISDDD. In our assessment, however, the potential added value of this activity has not been fully realised. While in principle, a check of the alignment with the strategy is necessary, in practice all such checks carried out by ADI ITI were positive, and therefore not informative regarding the extent to which the projects were aligned with the strategy. Moreover, in a number of cases, we also found that a relatively high number of projects were exempted from such assessments – a practice which reduces the value of this activity overall.

Other potential sources of added value of ADI ITI activity only partially tapped into are the support provided to beneficiaries and communication to the general public at local level in the ISDDD area. Regarding the support to beneficiaries, we could not find compelling evidence on the effectiveness of meetings with individual beneficiaries – an activity which is likely to be very resource-intensive. As regards communication, we assessed that this activity is not very visible to the general public in the sense that the event and meetings organised, although reported, are not documented on the association's website in a format addressed to the general, non-specialised public.

An additional aspect we identified with the approach of ADI ITI in the process of implementation of ITI investments is the very limited consultation with the relevant stakeholders during implementation, although the participatory approach is one of the core principles of the ITI instrument.

Finally, as regards the operational and budgetary aspects of the functioning of ADI ITI, we learnt that the association had no system to account for the time allocated to each type of activity carried out by its experts. Therefore, there is little scope to assess the efficiency of these activities and identify further opportunities for streamlining the overall process, especially given the large number of activities assumed by the association.

Therefore, the study includes the following recommendations to improve the governance structure of the ITI instrument for the Danube Delta:

- Strengthen the de facto ownership of the strategy at central level through a more active involvement of the central service responsible for national development during the strategy implementation;
- Ensure a clear delineation of ADI ITI's role and responsibilities relative to the existing official administrative structures for management and control of ESI Funds;
- Focus ADI ITI's mission primarily on activities with high potential for added value;
- Strengthen ADI ITI's role and responsibility with respect to the assessment of the project alignment with the ISDDD strategy;
- Increase the effectiveness of the support activities for beneficiaries in the project preparation by shifting the focus toward events/workshops/trainings with groups of beneficiaries rather than individual assistance;
- Improve communication on and transparency of activities of direct interest to the potential beneficiaries and stakeholders in the ISDDD areas;
- Step up the promotion of good practices possibly by publication of (anonymised) project applications of good quality;
- Strengthen the process of stakeholders' consultation during the implementation of the strategy;
- Introduce a system of time accounting for experts' activities in ADI ITI.

Finally, as an overall conclusion of the study, we assessed that the strategy for the integrated development of the Danube Delta could be considered as an example of EU added value as the introduction of the ITI approach in the framework of ESI Funds inspired the national and local authorities to launch the initiative of elaborating the strategy and to include it in the implementation of ESI Funds for the period 2014-2020. This experience entailed initial extensive consultations and governance building, and establishing administrative coordination and cooperation – all issues which are important also from the perspective of their potential replication for other ITI initiatives in the future. On the other hand, we also assessed that the strategy implementation proved challenging for the actors involved during the programming period 2014-2020 and that there is scope for improvement in view of the programming period 2021-2027.

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