# THE APPLICABILITY OF THE INTERNATIONAL FINANCIAL METHODOLOGIES TO THE RISK MANAGEMENT SYSTEM USED IN THE MANAGEMENT OF NON-GRANTABLE FUNDS IN ROMANIA

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#### Abstract

The purpose of the research is to identify concrete elements that can be used effectively by Romanian public authorities and institutions to improve the risk management methodologies applicable to the activities specific to the management of non-reimbursable funds.

In this respect, the research process involved the analysis of the risk management methodologies used by the main international financiers, namely the empirical application of some important elements contained in these methodologies to the concrete situation of a management authority in Romania.

The main research results are that the risk management methodologies used by the main international financiers for Romania (the European Commission, the governments of Norway, Iceland and Liechtenstein) resemble the Romanian ones in the general risk management process but are more applied. Thus, the risk management process is bindingly linked to objectives / outcomes / activities, and methodologies refer to standard risk categories / risk typologies. They also include examples for each stage provided by the methodology.

The improvement of the risk management methodologies used by the Romanian public authorities and institutions should take into account the inclusion as mandatory in the risk management process of the stage of defining the objectives, results and activities to be achieved / realized and in relation to which the risks should be identified. It is also necessary and useful to implement a typology of risk or of standard risk categories applicable to all funding programs. Standard categories should be defined on the basis of an exhaustive and systematised inventory of risks covering all non-reimbursable funds, ie all phases / stages through which a funding program / project passes.

Keywords: finance, risk, grants, methodology, risk management

JEL Classification: G32, H81

# 1. Introduction

The management of non-reimbursable funds in Romania is at least as important as that of insurance, in terms of the annual budgets allocated, respectively in terms of the macroeconomic implications that they may have. Thus, if the Romanian insurance market accounted for less than EUR 2 billion in 2014 (Romanian Financial Supervisory Authority, 2014), the availability of non-reimbursable funds, calculated as an annual average for the period 2007-2013, was around EUR 4 billion, of which 93% was represented by the Structural and Cohesion Funds, respectively the rural development funds that Romania can access as a member state of the European Union (Badea, D., Nicolae, C., 2015a). For the 2014-2020 financial period, Romania will have an average annual allocation of about  $\in$  5 billion (European Commission, 2014).

The scope of the non-reimbursable funds is very complex, at the level of October 2015 (www.fonduri-ue.ro, www.afir.info) a total of 197,913 submitted projects and 100,162 financing contracts respectively. More than 100 public authorities and institutions, more than 5,000 employees (civil servants or contract staff) are involved in managing these funds.

In this context, risk management is a key element in the efficient and effective use of funds. Due to the way it has been implemented so far, the following effects have materialized:

- Delays in accessing funds (eg low absorption rate of about 56.99% out of the total of 19 billion Euros, allocations for the Structural and Cohesion Funds, the situation is reported at the level of July 2015, about 3 months before maximum use of funds);
- Increased consumption of resources (eg only in 2015 until July, the Government of Romania announced loans of RON 6,045 billion in 2014, respectively RON 2,820 billion for the payment of structural and cohesion fund beneficiaries (www.fonduri- ue.ro), as Romania fails to receive the expected reimbursements from the European Union;
- Financial corrections established by the European Commission related to Romania's budget (about 1 billion Euro are estimated financial corrections (www.agerpres.ro) only if the Structural Funds and Cohesion 2007-2013, ie about 5.26% of total allocation of  $\notin$  19 billion).

The efficiency of the risk management system at the level of the authorities and institutions involved in the management of the non-reimbursable funds is a priority, given that the procedures currently used are more theoretical (Badea, D., Nicolae, C., 2015b).

The present study aims to analyze the applicability of the risk management procedures used by the most important international funders for

Romania in order to identify concrete elements that can be effectively taken over by the Romanian public authorities and institutions in order to improve their own procedures.

## 2. Stage of knowledge in the field

As far as the risk management is concerned, there are numerous papers in the literature, both in Romania and especially abroad, which is considered the most important management tool that a project manager can use to increase the probability of success of a project (Didraga, O., 2013), studies or analyzes on risk management in the field of accessing non-reimbursable funds in Romania have not been achieved so far.

Several recent articles deal with risk management and complex projects (Iordache, E., 2012) or IT projects. Even if reference is also made in these articles to projects with a grant, the analysis deals with risk at project level within private organizations, not from the point of view of nonreimbursable funding, or from the public organizations responsible for the management of non-reimbursable grants. Moreover, the analysis starts from individual risks, empirically identified by authors, and not from existing procedures implemented by authorities or funding beneficiaries at the request of the authorities.

A number of the conclusions of these articles consider that they are useful for streamlining the risk management system used in the management of Romanian non-reimbursable funds:

- Using post-project analysis to take into account the experience gained during a project to avoid making mistakes in the past for future projects (eg by completing each funding beneficiary a questionnaire on the risks they face met in the running of the projects);
- Building and using the risk profile of the project;
- Project risk management can positively influence performance by creating a contingency plan or influencing the duration, budget, or project implementation plan.

Considering the lack of studies related to the risk management system used by the authorities and institutions responsible for the management of the non-reimbursable funds in Romania in January 2015, we initiated an analysis that implied the use of the provisions of Law no. 544/2011 on free access to information of public interest in order to obtain information on the methodologies used, the risk registers and the action plans currently in use.

The main conclusions of the analysis on the risk management system in the management of non-reimbursable funds in Romania, published in part (Badea, D., Nicolae, C., 2015b) or currently in the process of publication are that the procedures are theoretical, respectively that they do not contain elements of financial quantification of risks or the way in which risk control measures should be ranked.

Two items I think are particularly important in terms of risk management methodologies used in Romania in relation to funds management, that can be improved including through the use of tools / methodologies included in the technical international financiers:

1) how to identify the risks;

2) how to quantify the exposure to risks.

Regarding the way of identifying the risks, although the Methodology for Implementation of the Internal Control Standard "Risk Management" states that "the risks can not be identified and defined only in relation to the objectives whose achievement is affected by their materialization", respectively recommends a structure of the risk register that includes "objectives", only in the case of some authorities / institutions (this is the Sector Transport Operational Program (SOP Transport), the Operational Capacity Development Operational Program (PODCA) and the national funding programs managed by the Territorial Offices for Small and Medium-Sized Enterprises and Cooperatives), risk registers refer to objectives.

This aspect is particularly important because the risk-to-goal relationship would ensure coverage of all important situations in which risks might arise, ie the absence of "essential" risks. For example, for POS Transport, the first two risks in the risk register are linked to the "High absorption rate of EU funds" objective. The two risks are:

- N/3+N+2 (N+2/N+3 rule), the funds allocated in one financial year (N) must be spent up to a maximum of 2/3 years following year N eg: the funds allocated for 2010 must be spent up to 31.12.2012 in the case of the N+2 rule);
- failure to submit claims for reimbursement as foreseen.

If we analyze the risk register of the Sectoral Operational Program Increase of Economic Competitiveness (SOP IEC), which does not relate the risks to the objectives, we note that the two risks mentioned above are not included in this register.

As regards the quantification of the risk exposure, according to the provisions of the Methodology for Implementation of the Internal Control Standard "Risk Management", public authorities and institutions use probability matrices with either 3 levels (low, medium and high levels) either with 5 levels, as in the next image;



Source: Risk Management System Procedure within the Ministry of European Funds

Applying this matrix in accordance with the provisions of the methodologies analyzed is subjective. For example, the risk management procedure within the Ministry of European Funds (MFE) includes explanations of the probability level (eg 1 = rare = it is unlikely to happen for a long period of time (3-5 years) (eg: 1 = insignificant = very low impact on steering and achievement and / or non-financial impact).

The MFE procedure also includes the following explanations on the level of tolerance:

### **Risk tolerance level**

|                        |                | Figure 2                                     |
|------------------------|----------------|--|
| <b>Tolerance level</b> |                | Explanations                                 |
| 1 - 4                  | Tolerable      | It does not require any control measures     |
| 5 - 8                  | High tolerance | Requires medium / long term control measures |
| 9 - 12                 | Low tolerance  | It requires short-term control measures      |
| 13 - 25                | Intolerable    | Requires urgent control measures             |

Source: Risk Management System Procedure within the Ministry of European Funds

The MFE procedure does not refer to historical data or statistical data, ie it does not propose a way of quantifying the impact and no formulas for calculating the probability.

In view of the above, I believe that the risk management procedures currently in use in the Romanian non-reimbursable fund management system

require improvement, especially with regard to the risk identification stage, namely the risk-measurement quantification. One solution to this is the use of elements included in the risk management methodologies used by the major international financiers for Romania.

# 3. Research methodology

The present study starts from the current results of the analysis we have made using the provisions of Law no. 544/2001, which I will briefly present in the section "Risk management methodologies used in the system of management of non-reimbursable funds in Romania". Compared to this, the research methodology underlying this study is structured in two stages:

1) analyzing the risk management methodologies used by the main international financiers compared to the methodologies used in Romania;

2) empirical study of applying some provisions of the methodologies used by international financiers to the concrete situation of an authority managing structural and cohesion funds in Romania.

## 4. Methodologies used by international financiers

Concerning international funders, in the analysis were selected those organizations that provide non-reimbursable financing to Romanian beneficiaries but either directly or indirectly by the 50 authorities managing these non-reimbursable funds. Also included in this category are governments that provide funding and require the application of their own rules, accepted by Romania through memoranda. Is about:

- The European Commission, which manages Community funding programs (eg: Creative Europe, Horizon 2020, Erasmus +) directly or through its own agencies, available also to Romanian beneficiaries;
- The World Bank, which provides government-level technical assistance for the management of non-reimbursable funding, including Structural and Cohesion Funds for investment in large infrastructure (environment and transport);
- The governments of Norway, Iceland and Liechtenstein, which provide the resources of the so-called EEA and Norwegian grants;
- The Government of Switzerland, which funds the Swiss-Romanian Cooperation Program to reduce the economic and social disparities within the enlarged European Union.

The analysis aimed at identifying their own risk management methodologies used by these organizations/governments in the aforementioned non-reimbursable financing management activity. The conclusions of the analysis are as follows:

- Only the European Commission has regulated risk management in the management of funds (regulation provisions establishing the obligation to manage risk from each Member State receiving nonrepayable assistance);
- The governments of Norway, Iceland and Liechtenstein have adopted in 2013 "EEA & Norway Grants 2009-2014 - Risk Management Strategy";
- The European Commission adopted in 2010 "Risk Management in the Commission Implementation Guide";
- The World Bank and the Government of Switzerland do not use risk management methodologies in relation to programs in Romania.

Therefore, I will outline the main elements and tools of the methodologies used by the European Commission and the Governments of Norway, Iceland and Liechtenstein to be used to improve risk management methodologies in managing non-reimbursable funds in Romania.

# 4.1 EEA & Norway Grants 2009-2014 – Risk Management Strategy

The strategy applies directly to donor states and the Financial Mechanism Office (FMO), while the risk management at the level of the beneficiary state is done in accordance with national law. However, there is an obligation for beneficiary States to carry out risk management and report to donor and FMO States on risk analysis and related measures.

An element included in this strategy and which can be used in Romanian methodologies is the risk management process. As it also appears from the table below, it expressly provides for two steps not found in the current methodologies in Romania, which they consider essential for the efficiency and effectiveness of risk management in the management of non-reimbursable funds:

- identification of the results to be obtained;
- identifying critical success factors (hypotheses).

Another element that I consider essential to be included in the risk management methodologies in Romania is the use of standard risk categories at different levels of the programs at the risk identification stage. Standardization could provide not only the possibility of a comparative approach between authorities and institutions involved in the management of non-reimbursable funds, but also the possibility of applying corrective measures at the level of the fund management system, namely learning from experience and applying preventive measures to reduce probability the emergence of risks.

## The risk management process

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| Stage  | Main actions  |  |  |
|--|---|--|--|
| 1. Identify the results to be obtained   | <ul> <li>for EEA grants and for Norwegian grants</li> </ul>   |  |  |
| 2. Identifying Critical Success Factors (hypotheses)                             | • in terms of program results (bilateral)   |  |  |
| 3. Identification of risks   | • analyzing critical success factors that help determine<br>the extent to which each category involves a risk of<br>obtaining the results |  |  |
| 4. Analysis and prioritization of risks in terms of probability and consequences | • Use of standard risk categories at different levels of programs   |  |  |
| 5. Establishing and Communicating  | · Analysis reports and dialogue with beneficiary  |  |  |
| Risk Preference  | states for risk identification  |  |  |
| 6. Defining and assessing the response to risk                                   | • stakeholders at national and local level provide more detailed information on the risks of programs                                     |  |  |
| 7. Taking the decision to respond to residual risks                              | • risk analysis in terms of probability and consequences<br>through the use of qualitative information and<br>quantitative data           |  |  |
| 8. Monitoring and reporting  | Making decisions and agreeing on acceptable levels     of risk  |  |  |
| Communication and dialogue are a continuous process along all phases             | <ul> <li>identifying risk mitigation measures (including<br/>controls) and assessing their direct impact</li> </ul>                       |  |  |
| Sursa: EEA & Norway Grants 2009-201  | 4 – Risk Management Strategy  |  |  |

#### 4.2 Risk Management in the Commission - Implementation Guide

The Guide is a true methodology and is more complex than the risk management procedures used in Romania. It explains in detail what are the concepts used, what are the levels at which procedures are to be applied, what are the steps to be followed, how to properly document certain documents, what are the typologies of risks and so on. In principle, this guide could be used to redesign all the risk management methodologies used by Romanian authorities and institutions managing non-reimbursable funds. An argument in this regard would be that over 90% of the funds available to be used come from the European Union budget.

Unlike the Romanian methodologies that define risk including as an opportunity, the Risk Management Implementation Guide at the level of the European Commission defines the risk that "any event or situation that may occur and may have a negative impact on the achievement of political, strategic and operational programs of the European Commission. Loss of opportunities is also a risk. " This definition is in line with the purpose of any public authority / institution to satisfy the general interest, to manage resources efficiently, effectively and predictably.

The European Commission's Guide proposes a 5-step risk management process, namely.:

1) identification of activities and objectives;

2) identification and analysis of risks;

3) decision on risk response;

4) implementation of the risk response;

5) monitoring and reporting.

As can be seen, the first stage of the risk management process is the identification of the activities and objectives, which is also useful in the case of the methodologies in Romania.

The European Commission's Guide recommends combining several risk identification methodologies, namely: document analyzes, questionnaire applications, interviews and brainstorming sessions or workshops.

A particularly useful element present in the Guide is the typology of risks, which is compulsory for use by the Directorates of the European Commission and includes 5 main categories:

1) risks related to the external environment (outside the Commission or the Directorates);

2) planning risks, processes and systems;

3) risks related to staff and organization;

4) risks related to legality and regulation;

5) communication and information risks.

For each of these 5 categories, the Guide presents examples of risks, examples that we find very rarely in the risk management methodologies used in Romania.

Regarding how to quantify the exposure to risks, the European Commission's Guide proposes a matrix similar to those used by the Romanian methodologies (see the MFE matrix presented above).

In this context, it is stressed that "most of the risks in the Commission's work are treated with the use of more or less subjective opinions on the impact and probability", namely that "the level of risk obtained by such an approach can only be indicative and must interpreted with great care ". The European Commission's Guide even provides for the notes to be used as a means of detecting divergences of opinion among evaluators, which should be further investigated.

With regard to quantitative risk analysis, based on historical and statistical data, the European Commission's Guideline provides that it is only possible in situations where a directorate can provide relevant and reliable data that can be used for valid statistical forecasts.

Last but not least, the European Commission's Guide presents examples of risk formulation so that they include a quantitative estimate of the potential impact on the affected target (eg the risk of significant delays in project implementation (estimated 10-12 months) due to lack of competent staff. This is due to insufficient training of staff).

Concluding, with regard to the risk management methodologies used by international financiers, I believe that the following elements can be taken up to improve the methodologies in Romania:

- the inclusion in the risk management process of the stage of defining the objectives, results and activities to be achieved / realized and in relation to which the risks must be identified;
- the use of a typology of risks or of standard risk categories;
- the use of standard examples of risk definition or standardization in defining standard risks applicable to all grant programs.

## 5. Case Study

In order to verify the applicability of the above mentioned elements in the case of a procedure used by a Romanian authority, we have conducted an empirical study. Thus, we analyzed the risk register I received from the Managing Authority for the Sectoral Operational Program Increase of Economic Competitiveness (AM POS CCE), a registry containing only the following 8 risks:

# POS CCE Risk Register

# Figure 4

| No.<br>crt. | Risk description   | The reasons that cause the risk   | Impact | Probability<br>of occurrence | Priority |
|-------------|--|---|--------|------------------------------|----------|
|             | General risks  |   |        |                              |          |
| 1           | Lack of protection of civil<br>servants in case of litigation<br>/ legal action following the<br>performance of their duties | Applicants may bring actions<br>in court against the institution<br>managing the funds and against the<br>civil servant in their own name   | 5      | 5                            | High     |
| 2           | Making the forecasts<br>and correlation between<br>contracting and payments<br>difficult                                     | Discontinue contracts due to the<br>impossibility of supporting the<br>projects by the beneficiaries  | 5      | 5                            | High     |
| 3           | Difficulties in conducting<br>control and monitoring<br>actions  | Legislation not adapted to current<br>prices by imposing an inadequate<br>daily subsistence allowance                                       | 5      | 5                            | High     |
| 4           | Failure to detect errors as<br>a result of not performing<br>accurately administrative<br>checks                             | Different interpretation of the<br>POSECCE, AA, EC MA of similar<br>public procurement cases, use of<br>exchange rate for external invoices | 5      | 5                            |          |

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| 5 | Application of financial<br>corrections by the MA<br>SOP IEC due to the<br>misinterpretation or<br>misapplication by the<br>beneficiaries of the provisions<br>on eligible expenditures and<br>legal provisions in the field of<br>public procurement | Insufficient knowledge /<br>misapplication by the beneficiaries<br>of the legislation in force  | 5 | 5 | High         |
|---|---|---|---|---|--------------|
|   | Irregularities  |   |   |   |              |
| 6 | Difficulties in implementing<br>the provisions of GEO<br>66/2011  | Insuficiența personalului AM<br>și OI în domeniul neregulilor<br>și controlului la sesizare<br>Condițiile cumulative impuse de<br>OUG 66 pentru personalul din<br>structura de control / nereguli<br>(experiență de minimum 3 ani ș.a.)<br>Gradul ridicat de acțiuni în instanță<br>demarate de beneficiari datorită<br>verificărilor asupra contractelor de<br>achiziții ale AM efectuate ulterior<br>primirii acceptului ANRMAP /<br>UCVAP pe parcursul derulării<br>procedurii   | 5 | 4 | High         |
|   | Information technology, inform  | nation and publicity  |   |   |              |
| 7 | A negative impact on the<br>state budget due to a low<br>level of reimbursement by the<br>Commission  | a) Due to the blocking of<br>certification of IMI expenditure<br>and delays in introducing / missing<br>data in SMIS, debts to the state<br>budget (which provide ERDF co-<br>financing) are created. At the same<br>time, the state budget also provides<br>co-financing for the national<br>contribution. The delays in meeting<br>all these amounts lead to the failure<br>to pay full refunds to full day. As a<br>result, these amounts can not even<br>be declared to the Commission<br>(unless they are fully paid).<br>b) The large number of projects,<br>correlated with insufficient staffing.<br>c) lack of expertise in using the<br>SMIS application; entering data<br>into the system requires significant<br>human and time resources | 5 | 5 | Very<br>high |
|   | Public Procurement Compartm   | ient  |   |   |              |
| 8 | Delays in the timely<br>processing of public<br>procurement procedures<br>received before the deadline<br>for submitting the CR   | Insufficient AM staff specialized in<br>public procurement  | 5 | 5 | High         |

Source: Managing Authority for Sectoral Operational Program Increase of Economic Competitiveness

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Following the analysis of the POS CCE risk register, we have drawn the following conclusions::

- 1) the risk register does not refer to objectives, results or activities, the risks being only broken down into categories / compartments;
- 2) setting the priority from Impact and Probability of occurrence is erroneous; thus there is no difference between risks 1, 2 or 3 and risk 6 - although the likelihood of occurrence of risk 6 is lower than the others 6, all four of these risks were high priority; however, although risks 7 and 8 have the same level of impact and probability of occurrence, they were classified differently as a priority;
- it is not very clear how the risk has been framed: by compartments (eg: public procurement department), by activities (eg verification and control) or by procedural elements (eg irregularities);
- 4) risk definition is deficient, with no specificity or quantification.

In the analysis, we have also noticed that none of the 3 global risks (1. the risk of automatic decommitment of funds, 2. the risk of financial corrections by financiers, the risk of financing quality) identified in the the registers of other public authorities and institutions in Romania.

Starting from the elements of the international fundraising methodologies, which we have established that can be applied to the risk management methodologies used by the Romanian public authorities and institutions, we have restored the SOP IEC CIS risk register and obtained the following structure. I did not complete the sections on Impact, Probability of occurrence and Priority, as they were established by the evaluators of the SOP IEC MA, most probably on subjective criteria. A supplement to these sections considers that it must be based on a historical and statistical analysis.

| Stot: | Objectives / Outcomes /<br>Activities          | Risk description   | The reasons that cause the risks   |  |  |  |
|-------|--|--|--|--|--|--|
| Risks | isks related to the external environment       |  |  |  |  |  |
| 1.    | 100% use of funds available through SOP IEC    | The risk of automatic cash disengagement   | Failure to implement projects in N $+ 2 / N + 3$   |  |  |  |
| 2.    | 100% use of funds available<br>through SOP IEC | The risk of applying financial<br>corrections by the European<br>Commission at SOP IEC level                           | Failure to comply with the<br>regulations and national legislation<br>in force<br>Discontinue contracts due to the<br>impossibility of supporting the<br>projects by the beneficiaries |  |  |  |
| 3.    |  | The risk of applying financial<br>corrections by the SOP<br>IEC MA at the level of the<br>beneficiaries of the funding | Inappropriate interpretation or<br>application by the beneficiaries<br>of the provisions on eligible<br>expenditure and legal provisions on<br>public procurement                      |  |  |  |

**Revised POS CCE Risk Register** 

Figure 5

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| Risks related to planning, processes and systems |                                 |                                |                                      |  |  |  |  |
|--|---------------------------------|--------------------------------|--------------------------------------|--|--|--|--|
|  | Achieving the overall SOP       |                                |                                      |  |  |  |  |
| 4.   | IEC target of growth by         | The risk of funding low-       |                                      |  |  |  |  |
|  | the end of 2015, 5.5% per       | quality projects in terms of   | The project evaluation process is    |  |  |  |  |
|  | annum, reaching a level         | job creation and increasing    | non-standardized                     |  |  |  |  |
|  | of about 55% of the EU's        | labor productivity             |                                      |  |  |  |  |
|  | average productivity            |                                |                                      |  |  |  |  |
|  | Achieve 100% of the planned     | Risk of partial performance of | Evaluators have different,           |  |  |  |  |
| 5.   | results                         | projected activities           | inadequate training for the rated    |  |  |  |  |
|  |                                 |                                | project categories                   |  |  |  |  |
|  | Verification control and        | The risk of failing to detect  |                                      |  |  |  |  |
| 6  | monitoring actions have         | errors as a result of not      | Evaluators are not objective         |  |  |  |  |
| 0.   |                                 | performing accurately checks,  |                                      |  |  |  |  |
| <b>D</b> 11                                      |                                 | controls or monitoring         |                                      |  |  |  |  |
| Risks  | s related to staff and organiza | tion                           |                                      |  |  |  |  |
|  |                                 | Risk of demotivation of hired  | Payroll does not meet the staff's    |  |  |  |  |
|  | The staff of AM POS CCE         | personnel                      | expectations                         |  |  |  |  |
|  | has a minimum of 90%            |                                | Lack of civil servant protection     |  |  |  |  |
|  | efficiency in carrying out      | The risk of overloading the    | in case of litigation / legal action |  |  |  |  |
|  | tasks                           | tasks of the hired personnel   | following the exercise of his / her  |  |  |  |  |
| <b>D</b> 11                                      |                                 |                                | duties                               |  |  |  |  |
| Risks related to legality and regulation         |                                 |                                |                                      |  |  |  |  |
|  | Compliance with project         | The risk of delays in the      |                                      |  |  |  |  |
|  | implementation deadlines,       | timely processing of public    |                                      |  |  |  |  |
|  | both for the contractual        | procurement procedures         | Staff shortages of SOP IEC CCE       |  |  |  |  |
|  | duration of each project and    | received before the            | specialized in public procurement    |  |  |  |  |
|  | for compliance with $N + 2$     | deadline for submission of     |                                      |  |  |  |  |
|  | / N + 3                         | reimbursement applications     |                                      |  |  |  |  |
| Risks related to communication and information   |                                 |                                |                                      |  |  |  |  |
| 1  | I-                              | I_                             | I_                                   |  |  |  |  |

As can be seen in the table above, some of the risks included in the register received from the SOP IEC MA were merged and some of the redefined ones. Although SOP IEC has mentioned the category "Information, information and publicity", none of the risks included in it can be associated with communication and information.

The above table represents only a reorganization of the risks declared by the MA SOP IEC, a complete register covering all possible situations can only be achieved by applying the full and correct methodology of the recovered methodology at the SOP IEC SOP level.

#### Conclusion

The risk management methodologies used by the main international financiers for Romania (the European Commission, the governments of Norway, Iceland and Liechtenstein) resemble the Romanian ones in the general risk management process but are more applied:

- the risk management process is bound by goals / results / activities
- methodologies refer to standard risk categories / risk typologies.

The following elements, specific to the methodologies of the aforementioned international financiers, can be taken for the improvement of the methodologies in Romania:

- the inclusion in the risk management process of the stage of defining the objectives, results and activities to be achieved / realized and in relation to which the risks must be identified;

- the use of a typology of risks or of standard risk categories;
- the use of standard examples of risk definition or standardization in defining standard risks applicable to all grant programs.

The improvement of the risk management methodologies used by the public authorities and institutions involved in the management of the nonreimbursable funds in Romania should start from the creation of an exhaustive and systematized risk inventory covering all non-reimbursable funds. Systematization should be done starting from the Project Cycle Management phases, and at the monitoring level, the risks should be monitored on a permanent basis and the periodicity of their occurrence, namely the actual financial and operational impact, should be monitored so that a database is carried out used to hierarchize risks and propose the necessary response strategies.

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