

## **THE MANAGEMENT SYSTEM OF THE OPERATIONAL PROGRAMS**

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**Abstract:** The notion of management, as a science, is a relatively new one that arose as a result of the centralized system period, as you can see: more than half a century ago (at the beginning of the twentieth century in capitalism) - globally and around 1990, at the level of Romania, being a substitute for the leadership term. This term comes from English language, where it means the art of managing a business.

However, the management as an activity has its roots in the primitive age when the first elements of the leadership process emerged: family leadership and even leadership at a community level (Weske, 2012). In addition, the slaves and the feudal age, which have introduced visible progress in leadership, have developed this subject over time.

The economist Peter Drucker was the one who offered an analysis of this term, rather in terms of its practical implications, than as a science or profession, since management is unanimously recognized under that name in almost all the European countries (Drucker, 2012a, p. 232).

### **General aspects regarding the management system**

Peter Drucker, together with Michael Porter, approached the management notion in a systemic manner, by using some specific concepts from the economic analysis, in relation with terms from finance domain. Thus, at present, the management activity is guided by the following concept: each entity is viewed and treated as a system dependent on factors of internal and external nature, with which it is conditioned by an integrative manner (Drucker, 2012b, p. 89).

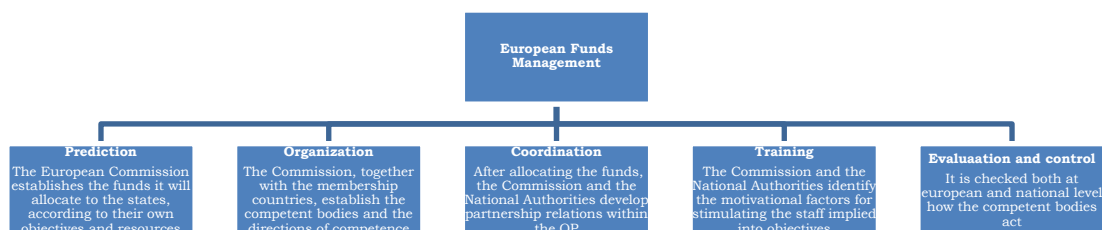
The human resource has been placed at the center of the management system by the Behavioral Management School, playing a vital role for the pursuit of a profitable activity based on the following strengths: skills, motivation, human values, individual behavior but also leadership and organizational culture .

Investments in the staff involved in achieving an entity's objectives, along with good organization on posts, positions, hierarchical levels, organizational relationships, were revealed by the representatives of the Behaviorist School - especially by George Mayo and Rensis Lickert as being the prerequisites for the success of any activity.

Henry Fayol, considered to be one of the management science creators, identified the aspects that turn the management into the main cause generating successor failure of an activity, these sides being set within the specialty literature as the management functions. This specialist, with Frederic Taylor, have defined management functions in close dependence with four

economically important terms: investments, profit, expenses and merit (Fayol & Storrs, 1967, p. 56).

In the following figure, we have hierarchized these functions, with their particularity, in the field of European Funds:



Source: The author's interpretation, by correlating European fund data, with the work of Henry Fayol - "Industrial and General Administration", 1999

Figure 1.1. The functions of the management process in the field of European funds

The management system consists in a multitude of decisional, organizational, informational and motivational elements, through which the management process is implemented, with the aim of increasing the efficiency and effectiveness of the performed activity.

It is worth mentioning that, in designing the management system, a number of prerequisites, which influence the actions of the entity, are taken into account. These characteristics are different: economic, psycho-sociological, methodological, informatics, technical and legislative (judicial) (Fayol, 1999, p. 66).

Reconsidering these aspects that lead to the formation of the management system (Avram & Avram, 2016; Daniel, Marioara & Isabela, 2017), we have customized the process on the case of European funds and by

analyzing the evolution of this field, we have identified the following aspects, which must be taken into account in the design of the management system:

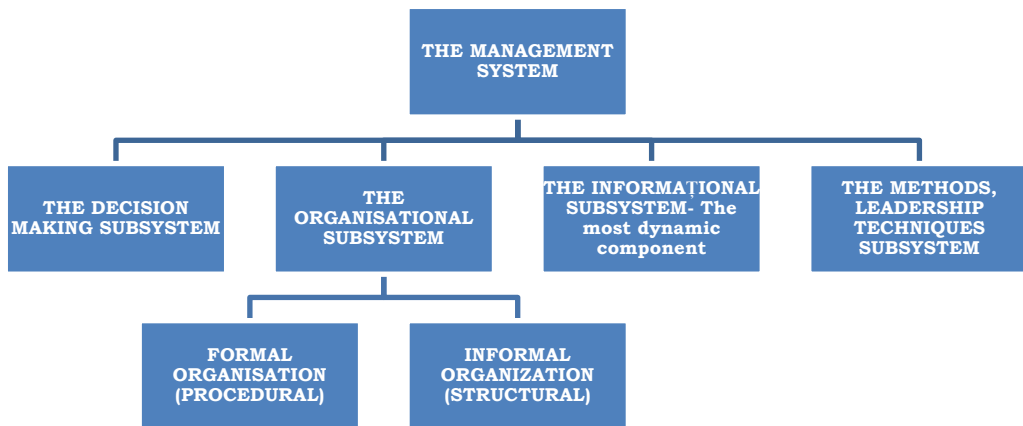
- Country profile;
- The state position at the international level;
- The geographic, demographic and economic dimension of that country;
- The economic branches, and their distribution on demographic structures;
- The size and structure of the human resources, material resources and the financial ones involved;
- The potential, skills and objectivity of the involved skills.

The conclusion that can be formulated is the following: it is necessary that, the management of European funds takes into account the economic, social, monetary characteristics of the state that wants to access European funds in order to remove existing gaps.

### **The management system components**

The management system represents all the elements that decisively influence the performance of all the functions of the management process, but also of the already established relationships (Cruceru, 2015, p. 43).

Over the years, by combining the theoretical concepts with the economic reality, four component subsystems have been identified, which will be shown in the figure below:



Source: The author's interpretation, by correlating European fund data, with the work of Henry Fayol - "Industrial and General Administration", 1999

Figura 1.2. The management system components

In the field of European funds, all the components of the management system are of the same importance, since each of the subsystems acts at a different level of the phasing of the management process for Community funds (Fayol, 1999, p. 90).

The decision-making subsystem is headed by the European Commission, which directs development at the level of the EU integration structure. It also has the power to trigger, motivate and harmonize the actions of the human resources involved, at different levels, in the management of European funds.

The organisational subsystem is led by the European Commission, being represented by specialized institutions at the state level. The Managing Authority is responsible for:

- Establishing the organizational components- Regional Centers, which subordinate County Offices, posts held within these structures, already occupied functions, as well as the hierarchical share (structural organization);
- Creating and maintaining long-lasting relationships between these components (structural organization);
- Combining the resources allocated by the EU to the state budget and the private ones in order to comply with legislative requirements (procedural organization).

The informational subsystem represents all the data, information, means, which relate to the field of European funds. This system ensures transparency of communication and makes contact between the European Authorities and the National Authorities (Evans, A., The E.U. structural funds, Ed. Oxford, 1999, p. 45), fulfilling three basic functions: the decisional function (based on the collected information, decisions are taken at the level of the entire management system); the operational function (on the basis of data and information, acts to combat procedural deficiencies); the documenting function (information and data centralized by the competent bodies is intended to ensure that all participants in the field are well informed) ([H.G. 457/2008 privind cadrul institutional de coordonare si gestionare a instrumentelor structurale](#)) (G.D. 457/2008 on the institutional framework for the coordination and management of structural instruments).

The Subsystem of Management Methods and Techniques provides, through the bodies providing technical assistance, logistic and methodological support for the management functions, within the area of non-repayable funds.

The most important phase of the management process for community funds is the planning and programming of the amounts allocated to action lines and strategic objectives.

For the sake of good planning, development programs have been developed at national level: the National Development Plan (NDP), the National Reform Program, the National Strategic Reference Framework, and the Operational Programs.

For the regional planning process and for the elaboration of the above-mentioned planning programs, four fundamental principles are taken into account: partnership (creation of Local Partnership Groups); thematic concentration (to a limited number of thematic priorities); integration and correlation (linking the NDP to the EU Cohesion Policy); innovation (implementing project implementation, in an innovative manner, generating economic growth).

The National Development Plan is one of main tools of the management system, through which each Member State is committed to achieving the objectives of the Community's regional development policy. Romania has used, both in the previous programming period and in the current multiannual financial framework, this instrument, implemented in each of the eight development regions, to reduce the socio-economic disparities in relation with the European Union ([H.G. nr. 1115 din 15/07/2004 privind elaborarea in parteneriat a Planului National de Dezvoltare](#)). (G.D. no. 1115 of 15/07/2004 on the elaboration in partnership of the National Development Plan) The National Plan of Development involves compliance with the principle of the State-Community Partnership, being a planning document, which aims at achieving the objectives of the European Cohesion Policy (Ministry of Regional Development and Public Administration, National Strategy for Regional Development 2014-2020, 2013).

It is the National Development Plan that sets the axes of allocating public support from internal or external sources so that regional disparities are diminished and then eliminated.

Based on this plan, the National Strategic Reference Framework, abbreviated as the NSRF, which is a partnership strategy with the European Commission, has been developed for the good use of structural instruments at the national level.

The funding sources of the National Development Plan, both for the 2007-2013 programming period and for the current multiannual programming period, consist of 3 main means and are shown in the figure below (KPMG, EU Funds in Central and Eastern Europe Progress Report 2007-2015):



Source: The author's interpretation, in relation with the data provided by [www.fonduri-ue.ro](http://www.fonduri-ue.ro) and [www.fonduri-structurale.ro](http://www.fonduri-structurale.ro)

Figure 1.3. Funding sources for the objectives of the National Development Plan 2007-2013 and 2014-2020

The above schematic distribution is valid for the fulfillment of all the strategic objectives set out in the National Development Plan, but the amount of the non-reimbursable public aid in the case of the Operational Programs differs according to the field, the axis and the measure covered by the European funds (Corpădean & Călina, 2010).

It is important in the area of structural instruments that, in order to increase absorption rates, the European Commission has made partnerships with the European Investment Bank, abbreviated as the EIB and the Council of the Council of the EU Council, resulting in 3 new financial instruments:



JEREMIE, JESSICA, JASPERS and JASMINE (European Investments Bank Group, Annual activity report 2010, Volume I, pag. 11).

The financial instrument called JASPERS- Joint Assistance to Support Projects in the Region of Europe is used to benefit from the EIB's experience in developing, implementing, evaluating and monitoring large-scale infrastructure projects (environmental protection, renewable energy and transport, including the development of European corridors). Thus, a partnership is created and maintained between the Commission DG-REGIO and the EIB, which increases the resources available in both areas for the design and implementation of competitive projects (European Commission, Fiche d'Information, Union Européenne Politique régionale- Bien gérer les Fonds Structurels, un enjeu pour le développement de l'Union, 2001).

The instrument called JEREMIE- Common European Resources for SMEs - is the way in which Small and Medium Enterprises are supported and the micro-credit facility. This initiative consists of a partnership between the EU Member State, the European Commission and the EIB, and complies with state aid rules and public procurement legislation (European Investments Bank Group, Annual activity report 2010, Volume I, pag. 14).

The financial instrument called JESSICA- Joint Assistance for Sustainable Investment (Ștefănescu & Dudian, 2018; Harun & Hassan, 2018) in Urban Areas is based on close collaboration between the European Commission, the EIB and the EU Council Development Bank. This means of financing has been specifically designed to develop and implement in maximum efficiency conditions projects for the development and regeneration of the urban environment (European Investments Bank Group, Annual activity report 2010, Volume I, pag. 30-43).

The financial instrument JASMINE- is the financial instrument supported both by the European Investment Bank Group and by the European

Commission, too. This is referred to as the "Mutual Action to Support Microfinance Institutions in Europe" (European Investments Bank Group, Annual activity report 2010, Volume I, pag. 43-44).

The planning of these financial resources and of the European Structural Funds, Cohesion and European Investment Funds is provided in each Multiannual Financial Framework for Programming, in the National Strategic Reference Framework and Operational Programs - in the documents known as the Applicant Guidelines, on each Submeasure investment.

The National Strategic Reference Framework - is the programmatic and reference document on the basis of which the EU Member State has access to the Structural and Cohesion Funds and which identifies also the non-competitive areas and possible remedies for the deficiencies (Decision no. 398, from 27<sup>th</sup> May 2015, updated until 15<sup>th</sup> December 2016, to establish the institutional framework for the coordination and management of European structural and investment funds and to ensure the continuity of the institutional framework for the coordination and management of structural instruments 2007-2013).

NSRF is elaborated according to the EU strategies (Agenda 2000 and Strategy 2020) and the Strategy from Lisbon, in order to create a competitive, dynamic and prosperous state (Bollen, Hartwig & Nicolaidis, 2000, pp. 134-142). Acest cadru stabilește clar prioritățile de acțiune, pentru care se vor realiza investiții, la nivel național. Conținutul său este reglementat, prin Articolul 27 din Regulamentul 1083/2006, CSNR făcând legătura între prioritățile la nivel de stat și prioritățile la nivel de Comunitate. This framework sets out clearly the priorities for action, for which national investments will be made. Its content is regulated by Article 27 of Regulation 1083/2006, with the NSRF linking the priorities at the state level with the priorities at Community level.

|   |                                     |  |
|---|-------------------------------------|--|
| <b>European priorities</b>  | <b>NATIONAL STRATEGIC FRAMEWORK</b> | <b>National priorities</b>   |
| 1) <i>Community Strategic Guidelines on Cohesion (abbreviated as OSC)</i><br><br>2) <i>The EU</i> |                                     | 1) <i>National Development Plan</i><br><br>2) <i>National Program for Reform</i> |

Source: The author's interpretation, in relation with the data provided by [www.fonduri-ue.ro](http://www.fonduri-ue.ro) and [www.fonduri-structurale.ro](http://www.fonduri-structurale.ro)

Figure 1.4. The National strategic Framework of Reference- the linking element between the national and European priorities

The National Reform Program - NRP is the document Romania is developing in each programming period, in order to achieve the objectives of the Lisbon Strategy Programul Național de Reformă (European Commission, The Lisbon Strategy and the EU’s structural productivity problem, in The EU economy 2004: Review, European Economy, No. 6), taking into account that each Member State presents its own national specificities.

Representatives for the National Reform Program are three objectives, which aim to align Romania with European standards. These objectives are reproduced schematically below:



Source: The author's interpretation, in relation with the data provided by [www.fonduri-ue.ro](http://www.fonduri-ue.ro) and [www.fonduri-structurale.ro](http://www.fonduri-structurale.ro)

Figure 1.5. Objectives of the strategic document - National Reform Plan

### **Typology of management systems within the European funds area**

Management systems have always been one of the ways of managing efforts to achieve positive effects in terms of increased efficiency. Therefore, their design was a challenge for managers who had to find the perfect balance between resource allocation and expected results (Rosca, 2017; Vlăduțescu, 2018; Vlăduțescu, 2019), taking into account a number of factors that could have a decisive influence on the effort-effect balance: the field in which it acted, the specifics of the area of action, the experience of previous operations, as well as the good practices, but also the legislative and fiscal framework and the skills and qualification of the personnel involved in achieving the proposed objectives (Porretta & Pes, 2016, pp. 178-196).

In the field of European funds, it is important that the management system respects the partnership principle between the European Commission and the national authorities. It should be noted that in managing the non-reimbursable financial support it is necessary to implement also the principle of subsidiarity, in which the task of achieving the objectives is placed at a lower level (the national level), which guarantees the efficiency of its actions, respecting the state characteristics and regions (Bachtler & Turok, 2013, pp. 300-312).

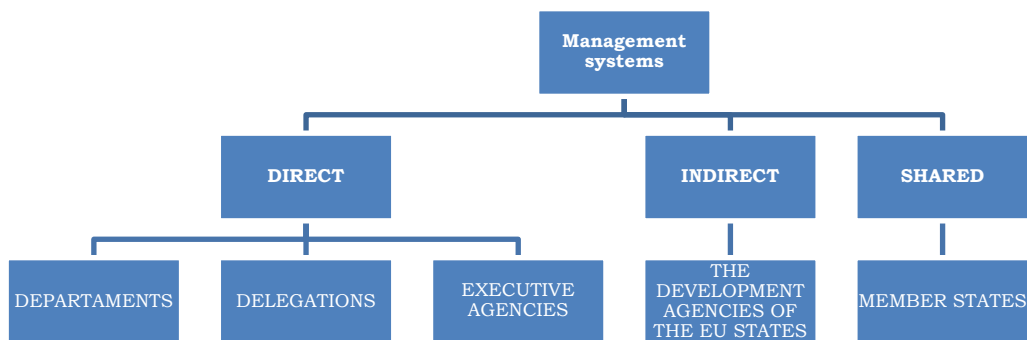
Operational Programs Management is the central factor in attracting European funds at the level of a state, and the problems that arise in this process generate a decrease in the absorption rate of community funds.

Types of management have evolved over time, depending on the degree of involvement of the European Commission in the management and implementation of Operational Programs. Their number was in the

programming period 2007-2013 of 4, respectively: centralized, decentralized, shared and common (Harvey, 2006).

It is worth mentioning that, in all the types of management systems, managerial activity is strongly influenced by management accounting, by the way an entity carries out and records its operations in documents (Negrea, 2015; Voinea, 2015; Teodorescu, Calin & Busu, 2016). The two notions of management and management accounting are interrelated and together they contribute to increasing the overall performance of the beneficiary in question (Iacob, Simionescu & Manea, 2016, pp. 134-142).

Since 1<sup>st</sup> January 2014, the management typology has been restricted to the number of three: direct (centralized management), indirect (originating in decentralized management) for the multi-annual financial framework 2014-2020, and shared (Smail, Broos & Kujpers, 2008, pp. 167-187).



Source: The author's interpretation, in relation with the data provided by [www.fonduri-ue.ro](http://www.fonduri-ue.ro)

Figure 1.6. The responsibility of the management systems, according to typology (2014-2020)

In the case of direct management, it is stated that the entire responsibility lies with the European Commission, which has its responsibilities through its Departments, Delegations and its Executive Agencies. Thus, the Commission has the task of implementing the budget, the decisions being taken directly by its immediately subordinate bodies, on behalf and on the account for the partner countries.

The Commission's involvement can take various actions, this one being a contracting authority which, through the Executive Agencies, carries out operations such as: concluding financing contracts in areas of major interest; the financial and operational management of these financing contracts; their audit, control and evaluation (Giard, 2007, pp. 11-24).

The indirect management is the one in which the European Commission delegates budget implementation to the following economic actors: partner countries or bodies designated by them; international organizations; the development agencies of the EU Member States (most frequently); other bodies.

Also, within each state, it is applied decentralized or indirect management, as the regional authorities have to take decisions that are confronted with the economic reality and specifics of the region they are part of.

The Indirect Management can have two main forms, internationally recognized:

- Indirect management with ex-ante controls, characterized by the fact that it is the partner state that identifies itself as the contracting authority in all the operations involved in the implementation of an Operational Program, but only after prior authorization by the European Commission;
- Indirect management with ex-post controls in which, a priori, is not required by the European Commission, the partner countries.

The Shared management is the least used type of management in which the European Commission entrusts implementation responsibilities to the Member States. It is mainly used for transnational Operational Programs and Cross-Border Cooperation and it is managed either by the European Neighbourhood Instrument or by the Instrument for Pre-Accession Assistance (Broby, 2010, pp. 22-32).

Shared management is also used in the practice of European funds and under shared management name, where the National Authorities are the ones that carry out the entire system of management and control of community funds.

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