

***A Study on the Efficiency  
of the Implementation  
Methods for Structural  
Funds***

***Executive Summary  
Final Report***

***ÖIR in association with LRDP and IDOM***

Commissioned by:  
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## **Introduction**

The overall purpose of this study is to provide the European Commission (EC) with an input into the preparation of the Third Report on Economic and Social Cohesion that is due to be published at the start of 2004. It is one of a number of studies undertaken by the EC for that purpose.

It is important at the outset to remember that this study is not an evaluation in the strict sense of the word as might be carried out for one of the Structural Funds Programmes. The study is focused on the implementation process of the Structural Funds. It is therefore process focused more than outputs or outcomes focused. The study asks questions about the impact that the implementation process has on the achievement of results, whether the implementation process is overly complex, whether there is a simpler way to achieve the same outputs and outcomes, whether the implementation process itself has produced benefits to the administrations that have been involved in its use and adoption. . The study does not seek to draw conclusions on how efficient implementation methods are under each Objective and Fund. Rather, based on a limited number of case studies, it explores implementation processes and aims to identify what works well and why and what unnecessary complexities could be simplified.

In the context of this study, implementation is understood as part of the policy cycle. A public policy can be defined as a collection of actions taken by a group of actors aimed at solving a collective problem by providing a solution to an identified need, demand or unfulfilled opportunity. Implementation therefore is the process that acts as an intermediary between the policy decision represented by the allocation of resources to a solution and the results to be obtained

The evolution of Structural Funds through the reform processes of 1989, 1993 and the most recent one in 1999 have been made against the background of a number of key principles that remained constant and unchanged. These principles are – Concentration, Partnership, Additionality, Programming.

In order to ensure that these principles are respected, a number of management tools have been developed that have become synonymous with the implementation of the Structural Funds and that contain much of additional Community Added Value for Member States. These management tools are: Programming, Project Selection, Monitoring, Evaluation, Financial Control, Performance Reserve, Information and Publicity.

The combination of the principles and the management tools provide the background against which the Member States and all relevant stakeholders implement their programmes.

The implementation system for Structural Funds has become progressively complex despite attempts to simplify it. This complexity comes not just from within the system itself (the rules, procedures and technical systems that are put in place) but significantly also from the context within which the system is interpreted and implemented. It is against the background of this complexity that the current debate on simplification is taking place and this debate provides an important backdrop to this study.

The methodology used in the study is an adaptation of the method developed by the ISFOL-ESF Evaluation unit in Italy<sup>1</sup>. The ISFOL methodology identifies three Macrofactors – (1) Actors, (2) Context and (3) Rules Procedures and Technical Support, that have an impact on the implementation process. A further 30 factors / implementation mechanisms (F/IM) are identified under these headings.

The core of the methodology is a series of in-depth case studies. The purpose of the case studies is to provide an in-depth insight into the specific implementation conditions that prevail in the selected Region / Member State and to provide a basis for cross-case analysis (see chapter 4) in order to generate evidence for the conclusions to be reached (see chapter 5) and the recommendations to be made (see chapter 6). The primary source of information for this study is the views and experiences of those responsible for implementing the Structural Funds in the Member States. This information, combined with the desk research, formed the basis for the judgements by the evaluators on the various factors analysed.

The selection of the case studies was done to ensure that they are representative of a range of types of administrative and institutional contexts. In conducting the case studies a total of 153 in-depth interviews were held, 142 of these were face to face. A case study report was compiled in the form of a monograph for each case study. This consists of the analysis of the data in such a manner as to facilitate its exploitation for comparative purposes.

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<sup>1</sup> Istituto per lo sviluppo della formazione professionale dei lavoratori (ISFOL), *Linee guida per la valutazione del processo di implementazione di Programma*, Milan, May 2002

The case studies were carried out in the following regions:

<b>Germany</b>	3	Sachsen	Objective 1 programme
		Northrhine-Westfalia	Objective 2 OP
		Bayern	Objective 2 OP
<b>Austria</b>	1	Burgenland	Objective 1 OP
<b>Italy</b>	2	Veneto	Objective 2 OP
		Italy	Objective 3 programme in the North
<b>France</b>	2	Lorraine	Objective 2 OP
		France	Objective 3
<b>UK</b>	2	Wales	Objective 1
		East Midlands	Objective 2
<b>Spain</b>	2	Valencia	Objective 1 OP
		Spain	Horizontal programme for competitiveness
<b>Greece</b>	2	Central Macedonia	Objective 1
		Greece	Multiregional programme for Transport
<b>Portugal</b>	2	Alentejo	Objective 1
		Portugal	OP for Economy
<b>Finland</b>	1	National context	Objective 6
<b>Ireland</b>	1	National context	CSF

A specific focus for each case study was identified in order to ensure that the whole range of factors was covered in a variety of different settings.

A detailed cross-case study analysis was conducted with a view to identifying the evidence required for drawing conclusions. This analysis concluded with the identification of a number of core factors. These are:

1. Costs of Implementation
2. Programming
3. Management Structures
4. Project Selection
5. Project Implementation
6. Monitoring and Evaluation
7. Financial Management and Control

The conclusions of the study were then articulated under each of these headings.

## **Key Findings**

The conclusions of the study can be summarised as follows:

### **Costs**

Assessing the costs of implementation across such a diverse range of administrative, institutional, political, socio-economic and cultural contexts presents significant difficulties. The approach adopted in this study relates the total cost of the interventions and the structural funds element of the total cost to the level of Technical Assistance allocated to the programme plus the costs of human resources involved in implementation. The latter was arrived at based on the interviews conducted as part of the case study and on informed estimates made by the evaluator.

On the basis of the assumptions made, the highest costs are for Bavaria (25.41%), a decentralised and subsumed administrative setting; this is followed by Spain Competitiveness (20.88%) a centralised differentiated administrative type, and Lorraine (16.25%), a deconcentrated subsumed administrative type.

The lowest costs (under 2%) are for Greece Transport (1.44%), Macedonia (1.5%), both centralised subsumed administrative types, and Northrhine-Westfalia (1.59%) and Veneto (1.64%), both decentralised partly differentiated types.

Our initial hypothesis in relation to costs was that the differences were likely to be related to type of administrative system, with decentralised and deconcentrated systems likely to prove more expensive than centralised systems. This has proven not to be the case based on the information that we have been able to collect.

A second hypothesis was that there would be patterns or trends in level of costs of implementation relative to programme type and programme size. This has also proven not to be the case.

It would be a mistake to conclude that the programmes with the lowest costs are more efficient than those with the highest costs. This would be to make assumptions about the appropriateness of staffing levels in all individual circumstances. The evaluators did make general comments with regard to staffing levels and indicated in the case studies instances where they felt that there was a shortage of staff (Burgenland, Northrhine-Westfalia, Greece Transport, Greece Macedonia, East Midlands). The evaluators also frequently pointed to the need for additional training for those involved. For these reasons, it would be simplistic to say that efficiency equates with low cost.

The conclusions to be drawn in relation to costs therefore can be summarised as follows –

1. There are significant differences in costs from one programme and from one region to another. The relative size of these costs do not seem to be necessarily related to the type of administrative system, the type of programme or the relative size of the programmes. There would appear therefore to be other factors at work within the programmes that are causing this wide diversity. One possible explanation may be the differences in the way that salaries of public servants working full time on the implementation of the programmes are handled. It is clear however, that there are differences in the way in which TA is handled throughout the implementation system and there is a lack of information on the overall level of costs of implementation.
2. The costs of implementation of a Programme need to be considered in greater detail during the planning and programming period. It would not be difficult to provide this kind of Information in the Programme Documentation and it could serve as a useful point for analysis during the ex-ante and mid-term evaluations.
3. There appears to be a compelling case for a more detailed and focus study on this question across the whole of the Structural Funds implementation system

## **Programming**

Programming is one of the factors that emerged from the study with the greatest credit. The long term nature of Structural Funds interventions makes this factor a very valuable means of ensuring legal and financial certainty for planners and policy implementers and for project promoters and managers over a prolonged period of time.

The value added of programming as an implementation mechanism is largely due to the fact that Programmes are logical structures. They work from analysis to objectives, priorities and interventions and are complemented by indicators. They are multi-sectoral in scope, multi-annual in duration and geographically targeted. In this very real sense it can be said that the Structural Funds have promoted strategic thinking and strategic planning.

1. In centralised administrative systems, there was universal agreement that the multi-annual nature of programming is a significant added value exercise because it provides stability and visibility for long term planning and an impetus to ensure that a regional focus is maintained in the programming process.
2. The ability of the programming approach to handle innovation and risk was questioned in some cases. It can lead to a tendency to standardise developments that are overly cautious and not innovation-friendly. One cannot necessarily conclude however that programming is of itself anti-innovation. In fact the strategy adopted in a Programme can become a major stimulus to innovation by encouraging the generation of projects in

particular development sectors that are highly innovative. However it is necessary to ensure that the multi-annual programming approach should not become staid and over-cautious. It should be a driver of innovative development. The ability of the Programming approach to do this is of course dependent on the Member States and Regions themselves – it is not something that can be provided for in the regulations or by the Commission.

3. While the programme documentation is regarded as an important and necessary feature of the Programming process, there is a belief that the Programme Complement is an occasion for unnecessary duplication and additional delay.
4. While programming is based on an assumption that the use of the different Funds (ESF, ERDF, EAGGF, FIG) will be integrated in the implementation process, there is little evidence that this is in fact the case. In particular, the integration of ESF and ERDF funded initiatives does not appear to work.
5. One of the greatest frustrations in the programming process is related to the approval process of the documentation. There is evidence of considerable delays in the approval of the Programme Documents, which result in late starts and further delays in putting implementation structures into place.
6. Finally, also related to the question of delays in starting Programme Implementation, it is essential that all regulatory requirements related to the Programming period in question be in place well in advance of the start of the period.

### **Management Structures**

The Management Structures implied in the Structural Funds implementation system, involving a defined set of institutional configurations and a clear definition of roles and process flows between them, has been a positive contribution to the overall development of public sector competence within the regions covered by the case studies. However there is evidence of a lack of flexibility in adapting to specific context issues that need to be addressed.

1. When management structures are clearly defined, with roles and coordination processes well explained, documented and implemented, the system works well. Where management structures are not clearly defined, as for example in cases where newly devolved structures are just being implemented, there are problems. The question of clarity of definition of roles is not as a result of a fault in the regulations but in the interpretation and implementation of the definitions that are provided.
2. The success of the Management Structures the existence of a well developed regulatory framework which has emerged over a number of programming periods. While change is inevitable and necessary to adapt to new challenges and demands, the system is beginning to work well. Changes that may be introduced through the reform of the

regulations should build on the experience already gained and not introduce radical changes that require significant restructuring

3. The institutional framework implicit in the programming process (Monitoring Committee, Managing Authority, Paying Authority, Implementing Bodies) are very valuable ways of ensuring that the programmes are implemented in an inclusive manner. However, there are examples of duplication of structures that arise as a result of the need to comply with the letter of the regulatory requirements on institutional frameworks. These duplications lead to increases in costs and unnecessary complexities in implementation.
4. In centralised administrative systems, there is evidence of significant improvements in process management from one Programming Period to the next
5. In deconcentrated administrative systems, the Management Structures implied in the Structural Funds implementation system contribute significantly to an increased involvement by the regions in the management and implementation process. The Management Structures require the building of relationships between the players involved. This leads to increased communication and understanding within the system. However, there is evidence of some lack of clarity in these systems with regard to the specific roles of the central versus the deconcentrated actors
6. One of the problems of the system is its lack of flexibility in handling innovation. However, there is no evidence of any inherent anti-innovation measures within the regulations as they are. There is evidence that this may be due to the local interpretation of the requirements rather than the nature of the regulatory provisions themselves.
8. Future regulatory changes should be introduced in a timelier manner, well in advance of the beginning of the Programming period in order to enable the necessary adaptations to be made.
9. In decentralised federal systems there is evidence that the implementation procedures contribute to the quality of the management systems.
10. Management Structures as defined by the Structural Funds implementation system involve the definition of lines of accountability. N+2 is also a form of performance management indicator – the use it or lose it rule has not been universally popular because of the problems associated with the timing of the commencement of the programmes but nobody has objected to the principle of the need for control over the rate of absorption of funds and putting them to proper use.
11. In centralised economies, where decision-making has been retained at the centre for much of the Management Structures, there can be significant delays within the system (up to 6 months for example in approving projects).

## **Project Selection**

Responsibility for Project selections lies with the bodies responsible for implementation of the programme. Problems and difficulties in this area are therefore on the whole caused by national and regional practice.

On the whole, the case studies provide evidence that the project selection process contributes to the quality, transparency, accountability and credibility of the system. However, project promoters frequently regard it as an unwieldy and bureaucratic process that takes too long to come to fruition.

1. There is general agreement that the project selection process enhances transparency.
2. There does not exist a clear mechanism for project selection (for projects valued at less than EUR 50 million) across all regions involved in this study. There is in fact considerable diversity in the manner in which it is implemented. However, on the whole the process is seen as conservative, risk averse, not innovation orientated and very time consuming. Of course, this is not something that can be attributed to the regulations or to the Commission. It is however a problem that may require some assistance from the Commission to address. There would appear to be a need for definition of best practice in the area of project selection, with indications as to how the process can achieve efficiency and encourage innovation while reducing the administrative burden on project applicants.
3. One of the issues to emerge from the case studies with regard to project selection is the question of standardisation of projects. It is argued sometimes that this is in some way anti innovation and a disincentive to propose risky projects. However, it would be wrong to conclude that standardised projects are by their nature anti-innovation. Innovation is and should be provided at the strategic level in the preparation of the overall Programme. The important consideration therefore is the extent to which innovation is part of the strategy on which the programme is based.
4. In some deconcentrated systems there is evidence of the application and decision-making process lacking in transparency from the point of view of the beneficiaries. Deconcentrated structures operating at local level that have little experience in this area can serve as a hindrance to project selection and programme implementation

## **Project Implementation**

A decentralised approach to project implementation prevails in the implementation of Structural Funds, in accordance with the principle of subsidiarity based on a division of tasks between EC and Member State. Therefore, as with project selection, the provisions for implementation of projects are largely the responsible of Member States and Regions.

On the whole, the case studies provide evidence that project implementation capacity and competence has increased significantly throughout the regions. However there is evidence of an excessive administrative burden in terms of project implementation on project promoters. This is particularly true in the case of smaller projects.

1. As was the case with project selection, there is evidence of an significant increase in the professionalism and quality of project implementation.
2. In centralised subsumed systems, the implementation of a major infrastructural projects such as railways, roads, airports, urban transportation, reveal the kinds of shortages in the area of suitably qualified human resources that major state-owned companies are faced with.
3. There is considerable evidence that the monitoring of the project implementation process and the provision of data for the purposes of reporting and claims for payment place very large demands on the project promoter..
4. There is evidence that the project implementation procedures used in the Community Initiative Programmes (INTERREG, Leader+) are more flexible and particularly suited to cross-sectoral project implementation. However, the implementation of transnational projects within the framework of INTERREG IIIC and IIIB is unresolved. The Commission has allocated technical assistance funding through the INTERACT Programme to identify best practice and to help resolve problems related to the development of instruments for cooperation.

## **Monitoring and Evaluation**

While the overall value of monitoring and evaluation is recognised throughout the case studies, there is general agreement that monitoring is over demanding and that the benefits that accrue relative to the costs are not sufficient to justify the effort required. There is little integration between the various monitoring systems that are put in place. This is further exacerbated by the demands of individual funds. As regards evaluation, it is generally agreed that the 'ongoing evaluation' mechanism is a useful tool to improve the quality and effectiveness of programme management.

1. There is a dichotomy between the gathering of data for monitoring purposes and the management of programmes and projects. Monitoring systems satisfy the accountability

needs of the system (in particular the need for the Commission to report on the proper use of public funds). However they do not feed back sufficiently into the management process.

2. There is some evidence that in decentralised and deconcentrated systems, the use of a system of data compilation and exchange of information, such as the software implemented by the managing authorities, is a secure and more efficient tool for management. This software also makes it more clear and controllable when correcting the amounts certified in previous years.
3. There is a general agreement that the definition of meaningful indicators continues to be one of the most difficult aspects of the monitoring and evaluation process. There is evidence, particularly within the decentralised systems, of a lack of IT and human resource allocation to what is already a complex process in itself. As a result there is evidence of agencies continuing to maintain their own monitoring systems and a lack of integration between the different systems.
4. Evaluation has become a standard feature of public administration in many of the regions covered by the case studies. The ex-ante evaluations and the midterm evaluations in particular are valued as programming and programme management tools. The use of 'ongoing evaluations' is seen as a very positive contribution to the implementation system. However, there is still evidence of a lack of skills and of dedicated competent units within the public administration to tackle this complex and skill intensive management exercise.
5. There is little enthusiasm within the public administration systems covered by the case studies for the ex post evaluation. This exercise is of course an essential step in closing the accountability loop on the part of the European Commission in fulfilling its duty to report back to the European Parliament and the European Court of Auditors on the use of public funds within the previous programming period, and this is recognised as an important exercise. The production of an end of programme analysis as part of an ongoing evaluation that distilled the lessons learned as a basis for the development of programmes for the next period could address the dissatisfaction expressed in this regard.

### **Financial Management and Control**

In all of the cases studies there is universal agreement about the need for accountability and transparency in the management and control of finances. The creation of independent Paying Authorities has been welcomed as a significant contribution to achieving this accountability and transparency. However, there is a considerable degree of frustration with certain aspects of the system. These include the question of eligibility of expenditure and the diversity of interpretations on this topic; the quantity and intensity of the audits that are conducted; the

degree of certification that is required in all projects regardless of size, complexity or risk profile; the degree to which duplicate systems are created to cater for different legal contexts within the Regions; the slowness in processing payment claims and disbursement of funds; the lack of flexibility in interpreting the N+2 rule. Many of these problems arise not from the regulations themselves (although some of them do) but from the interpretation that is made of them at local and regional level. The challenge is to identify where the problems arise and to see if there are ways in which they can be addressed.

1. The change within the current programming period from the use of financial commitments to payments actually made as a basis for financial management between the Member State and the Commission has served to increase transparency in the use of the funds. There is some frustration with the difficulties of meeting the N+2 targets but there is a genuine understanding of the value that this rule has contributed to the efficiency of the system and the increased absorption of funds. Similarly, the use of certification procedures for the preparation of claims for payments also contributes to a greater absorption of funds.
2. Regulations concerning the eligibility of expenditure are regarded as complex and open to confusion. The problem is not necessarily one that is caused by the regulation itself but by the need for clarity in its interpretation. Another issue raised in several cases is that formal requirements for projects are applied regardless of the project size. In the case of small projects this leads to a lack of proportion between the level of funding and the administrative effort involved.
3. A number of countries have revised their procedures in an attempt to tackle problems of commitments and payments. The measures introduced include a simple increase in staff in programme secretariats (UK); targeted training sessions for project holders; streamlining project selection procedures; simplification of financial procedures (France); communication and awareness raising; improvements in monitoring.
4. There is evidence that in some systems, both decentralised and centralised, there is a tendency to go beyond the requirements of Reg. 438/2001, by requiring that all monthly expense declarations should be accompanied by accountant and social security and tax clearance declarations and certifications, and that these be provided simultaneously by all project partners. This leads to systems of double control.
6. The problems posed for beneficiaries by the requirements of the system can be quite significant. The feedback from many of the case studies is that the costs associated with the controls are very high.

## **Summary – What has worked and what has not worked?**

### **What has worked well?**

1. The Programming process is of significant value in the generation of harmonised development strategies between central and regional authorities.
2. The management structures that have been put in place to support the implementation process.
3. The use of specialist intermediary bodies for project implementation. The use of Global Grants has greatly enhanced the efficiency of funds utilisation in a manner that is appropriate for local and regional development needs.
4. The use of ex-ante and mid term evaluations is seen as greatly enhancing the efficiency and effectiveness of the implementation process. The trend towards the use of 'ongoing evaluations' is seen as a useful approach.
5. Provisions for the disbursement of funds on the basis of payments made rather than commitments is seen as increasing the absorption rates within the programmes.

### **What has not worked?**

1. The long approval process for programming documents.
2. While there is universal agreement about the need for monitoring as an important dimension to accountability, there is little evidence that the outcomes of the monitoring system are being fed back into the management process
3. Financial flows are considered to be very long and complex. This is frequently not as a result of the regulations themselves but rather to national and regional interpretation of these regulations
4. Financial control mechanisms are characterised as being risk averse in the extreme, with no built-in risk management model.
5. The 7% advance of funds is seen as too little and too slow by project promoters. This reflects more on the transfer of funds within the Member States and regions than from the Commission to the Member State.
6. There is evidence of the existence of double accounting systems in a number of regions.
7. There are too many audits of a very exhaustive nature from a variety of different actors.
8. The application of the N+2 rule in an indiscriminate way is seen as working against innovation and quality. There is a need for flexibility with regard to these. Examples would include transnational and interregional projects, involving partners from a number of

different States and Regions, requiring significant coordination and adaptation to different political, legal, administrative contexts.

9. Proportionality is an issue at programme and project level: implementation rules are applied in the same way for large programmes and large projects as for small ones.
10. The completion of the previous programming periods is seen as taking too long and the ex post evaluation is of no use in preparing for the following period.
11. There is not enough attention paid to providing project promoters with easily understandable information on the process and educating them to be able to take full advantage.

## Recommendations

The Conclusions of this study demonstrated that many aspects of the Structural Funds work well, but that there is still room for improvement. The Conclusions also demonstrate the complex nature of the implementation system for the Structural Funds and the fact that complexities stem from different sources for which the Commission, the Member State or the Regions may be responsible. The recommendations which follow suggest where action should be taken to further enhance the efficiency of the Structural Funds. Many of these actions need to be taken in partnership between the Commission and the Member States, while others require action within Member States between the Member State level and the region.

### Recommendation 1 – Partnership

Partnership has been one of the successful elements of the structural funds implementation system. However there are some practical concerns that need to be addressed. These include the following –

- There is a need for a clearer definition of the partnership relationship between the Commission, Member States and Regions in a manner that identifies the specific contribution that each can make to increasing the efficiency of the implementation system and achieving the goals of simplification.  
**Action** – European Commission and Member States
- Membership of monitoring committee does not guarantee partnership in itself. There is a need to promote more institutionalised partnership in Member States and Regions through consultation in the programming and planning phases.  
**Action** – Member States and Regions
- Financial control is at present not partnership based. It should be inspired by relations of trust based on the definition of standards and proper accountability procedures rather than the imposition of top down regulations and should avoid the necessity for duplication of systems.  
**Action** – European Commission and Member States
- The partnership approach, involving consultation with all key stakeholders and coordination of inputs into policy formulation, programming and implementation, is not evidently used as a planning principle in non-structural funds policy areas. The wider use of this approach should be encouraged in order to promote more integration and complementarity between national / regional and EC approaches.  
**Action** – Member States and Regions.
- There is a need to focus on training for partnership, especially in situations where it entails an increase in workload, in order to ensure that it is not a demotivating factor for staff.  
**Action** – Member States and Regions.

## **Recommendation 2 – Programming**

As a core principle underpinning the whole implementation process, the programming approach to Structural Funds allocation and regional development should be maintained and reinforced. It is universally acclaimed throughout all of the case studies as one of the most beneficial aspects of the whole process. Some recommendations for improvement however include the following :

- There is a need for evidence of more inter-DG cooperation and coordination within the European Commission. This should speed up the approval process of programme documents and ensure a more coordinated approach to programming. Approval of programming documentation should be done in line with the deadlines set out in the regulations.

**Action** – European Commission

- In Objective 1 regions where multi-fund programmes are the norm, this inter-DG cooperation is especially critical. There should be a single management and monitoring process for a programme that is covered by several different funds.

**Action** – European Commission.

- Any changes in the overall implementation system should be signalled and introduced well in advance of the programming period. Delays in this regards cause not just frustration and negative image in the Member States, but result in delays that affect the absorption rate of the programme and the project implementation rate.

**Action** – European Commission

- The need for a Programme Complement, particularly for Single Programming Documents, should be reviewed. Quite frequently the information contained in the SPD is a sufficient basis for programme implementation and control.

**Action** – European Commission and Member States

- A clear guidance on the requirements of the EC on the programming document should be made available before programming actually starts. The methodological working papers as released during the ongoing programming period for various issues related to structural funds, provide a useful format.

**Action** – European Commission

### **Recommendation 3 – Project Selection and Implementation**

The project selection and implementation process of the structural funds implementation system works well in a range of different context and administrative settings. It can suffer from a degree of complexity because of the need to involve a large number of actors, especially in decentralised and deconcentrated settings, and also because of the demands placed on project promoters. Responsibility for this aspect of the implementation system is largely with the Member States except in the case of large projects. In order to reduce complexity and to ease the administrative burden on project promoters the following recommendations are made –

- There should be a differentiation between the information required for small projects and for large ones. Request for information from promoters of small projects should be required to provide only the information required to enable a judgement to be made on the suitability and viability of the project. Additional information that will be required for monitoring purposes can be collected later

**Action** – Member States, Regions

- Small scale projects, and in particular those funded by the ESF, should not be subjected to the same degree of scrutiny as large projects. There is a need to introduce a differentiated, more flexible approach to the assessment, implementation and monitoring of small projects in order to speed up their take-up and reduce the burdens on small scale project developers.

**Action** – Member States, Regions

- Project promoters should be provided with clear instructions and information regarding the project selection process and the obligations they will incur once the project has been approved. This should take the form of an information document that contains clear checklists and should include provision for educational seminars and assistance to facilitate the implementation of the requirements.

**Action** – Member States, Regions

- Large projects require a great degree of Cost Benefit Analysis and project management skills. Public administration officials should be provided with the necessary external expertise to fulfil these functions where necessary and with sufficient training and education to ensure that they build the necessary competences.

**Action** – Member States, Regions

## **Recommendation 6 – Monitoring**

While there is broad based support for the principles underlying the Monitoring system, there are elements of the monitoring system that could benefit from improvement. It has the potential to become a significant tool in increasing the efficiency and effectiveness of the management and implementation of programmes and projects. The following recommendations are intended to lead to a more relevant and more integrated monitoring system –

- Monitoring systems should be reviewed to take account of the relationship between the work involved in generating the data and the use to which this information is put. In this sense it should be sensitive to the different requirements of programme managers and technical secretariats on the one hand for whom the monitoring system is of central importance in tracking programme implementation, and the needs of funding Ministries, intermediary bodies and / or project managers on the other hand, who are required to supply the information but for whom the system is of no apparent benefit. The system should be used to generate information of direct benefit to those involved in the collection of the data.

**Action** – Member States, Regions

- The monitoring requirements for individual funds should be examined in order to simplify the system and enable a uniform approach to be adopted. This is of particular importance in multi-fund programmes such as Objective 1. Master data collection sheets should be simplified.

**Action** – European Commission, Member States, Regions

- Monitoring systems at national and regional level should be integrated in order to ensure that they generate a uniform view of programme implementation across a range of settings. This will require investment in information technology and monitoring systems that should be based on an examination of best practice in this area. The emphasis should be on the generation of useful information rather than on the creation of complex systems that are of little use to programme managers.

**Action** – Member States, Regions

## **Recommendation 7 – Evaluation**

Evaluation is a valued element of the implementation process. It is an essential component of the project life cycle and provides the basis for a rational approach to entering into new phases of programmes and projects. The following recommendations are aimed at ensuring that the maximum value for the management of programmes and projects is extracted from this important element of the implementation system –

- Ex-ante and Mid-Term Evaluations should where appropriate be complemented by ongoing evaluations and reviews of progress in order to ensure that the lessons learned are being implemented and in order to address problems as they arise. This is

particularly appropriate if the programme has started late and there has been little time for implementation before the mid-term evaluation becomes due.

**Action** – Member States, Regions

- Public administration systems at national and regional level should invest in the training and development of their staff in the techniques of evaluation. Guidelines for evaluation should be provided to all programme and project managers and should be used as a basis for the preparation of indicators for programmes and projects.

**Action** – Member States, Regions

- An end of programme analysis should be conducted with a view to distilling the lessons learned and providing a basis for incorporating these lessons into the next programming period. These should be checked against the results of the ex post evaluation when they become available.

**Action** – Member States, Regions

- Ex post evaluations should be reviewed to assess ways of encouraging a more speedy introduction of the findings into the management of the current programming period.

**Action** – European Commission, Member States, Regions

### **Recommendation 8 – Financial Management and Control**

Financial control measures are recognised throughout the case studies as being an essential part of the accountability requirements of the implementation system. The introduction of the new regulations in the current programming period are seen to have brought with them increased workload for already overburdened administrative personnel. While there is full endorsement of the need for accountability and control, the broadly held opinion is that there is room for introducing more flexibility and simplicity into the system. This could include the following –

- Bilateral arrangements should be made to do away with double accounting systems that occur because of lack of compatibility between national, regional and EU legal instruments. This would require a harmonisation of approaches to dealing with the management of cash flow before, during and at the end of programme and project implementation.

**Action** – European Commission, Member States, Regions

- Financial control systems in Member States that meet certain standards of accountability and quality could be certified as such and accepted by the Commission as sufficient to meet the requirements of the Treaty in this area. This approach would be more reflective of a partnership approach to the management of the implementation system.

**Action** – European Commission, Member States, Regions

- Member States and Regions should have increased flexibility to change financial projections within agreed limits while respecting co-financing limits. There should be a facility to enable up to 20% transfer between measures and 10% between priorities, provided that the EC contribution ratio does not change overall and that the total amount of transfers does not exceed 10%.  
**Action** – European Commission, Member States, Regions
- The number of audits required should be reduced based on a system of certification of standards of audits between the agencies concerned.  
**Action** – European Commission, European Court of Auditors, Member States, Regions
- Provision of advance payments to project promoters should be reviewed in order to ensure timelines and speed of transfer.  
**Action** – Member States, Regions
- There is general acceptance of the principle of reimbursement as a basis for payments. However, fund transfers from the Commission should be received within one month of approval of claim.  
**Action** – European Commission
- There is a need to review the N+2 rule with a view to permitting a more flexible adaptation to the differences in context and in programme and project type. Thus for example, in transnational and interregional projects, the N+2 rule is seen as an inhibition to tackle complex projects that take longer to set up and implement. The same degree of flexibility should be shown in other innovative and riskier projects with the prospect for good returns.  
**Action** – European Commission, Member States
- There is a need to examine ways of introducing risk management models and approaches into the management of EC funds. There are good models available in the private sector that should facilitate an accountable approach to maximising return on projects with specific risk profiles and projected returns. This will bring more clarity to the understanding and interpretation of items such as venture capital.  
**Action** – European Commission, Member States

### **Recommendation 9 – Performance Reserve**

In general the existence of the performance reserve is regarded favourably in that it encourages and stimulates performance. However there is as yet no clear idea as to how it will function. There is a need for a clearer definition of the use to which this tool will be put and to the interpretation that is given to it.

**Action** – European Commission, Member States

### **Recommendation 10 – Information and Publicity**

Information and publicity is universally regarded as a useful and necessary dimension to the implementation process. There is however evidence that not enough resources are allocated for the purpose and there is an unevenness in the use of the tool. It would be particularly important for example to ensure that in situations where new policies or approaches are being adopted that require the commitment of a wide range of players, a more concerted programme of information be engaged in encompassing activities of an educational, training and developmental nature.

**Action** – Member States, Regions

### **Recommendation 11 – Roles of Key Actors**

There is a need at national and regional level for a clearer definition of the respective roles of the key actors involved in the implementation process. In the spirit of partnership, it should be defined more clearly what the respective roles of the Commission, Member States and Regions are in the implementation process. Confusion with regard to this important point undermines the concept of a partnership approach. Particular attention should be given to the need for additional information and publicity measures to clarify this role at national level, including the use of workshops, seminars, conferences and other training and development initiatives. The aim should be to achieve as far as possible a shared vision of the complementarity of roles among the key stakeholders.

**Action** – Member States, Regions

### **Recommendation 13 – Cost Efficiency and Cost Effectiveness**

In general the evidence from the study points to a significant divergence in the costs of implementation. There is a need for more data on this to be collected as part of the programming and monitoring process. Differences from one programme type, from one administration type and from geographic area to another should be made known with a view to creating benchmarks that take account of contextual differences and highlight examples of good practice. It is essential that in this exercise it is established that sufficient resources are being allocated to programme implementation and that the TA budgets are being used to maximum advantage.

**Action** – European Commission, Member States, Regions