



Presentation of Work Package 11 on the management and
implementation of Cohesion policy in 2000-06

**CAN DIFFERENTIATED REQUIREMENTS FOR DIFFERENT MEMBER
STATES BE DEFENDED?**

HEARING ON THE FIRST FINDINGS OF THE EX POST EVALUATION OF
OBJECTIVES 1 AND 2

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CAN DIFFERENTIATED REQUIREMENTS FOR DIFFERENT MEMBER STATES BE DEFENDED?

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INTRODUCTION

This paper presents the results of the ex post evaluation of the management and implementation of Cohesion policy (ERDF) under Objectives 1 and 2 in 2000-06. In examining how Structural Funds were delivered in the past period, the study focused on three specific issues: the effectiveness, spillovers & durability of management and implementation in the EU10; the degree to which there were 'spillovers' onto the delivery of Member States' domestic policies; and the integration of sustainable development.

The study investigated these issues at a high level of detail, disaggregating management and implementation procedures into the components of programme design, partnership, project selection, financial management (but not including audit), monitoring, reporting and evaluation. Much of the research has been highly focused, using case studies to deepen the study of key issues. The study ran over an 18-month period, led by a core team at EPRC and Metis, and involving national experts in each of the EU25 Member States, as well as inputs from an expert panel and a DG-Regio steering committee.²

In this presentation, I want to address four main questions:

- how was Cohesion policy managed and implemented in 2000-06?
- how effective was the management of Structural Funds in the EU10?
- what evidence is there for spillovers?
- And what lessons and recommendations can we draw?

How were SF implemented in 2000-06

Differentiation is the leitmotif of the study: if there is a single word or phrase which could be used to summarise the management and implementation of Cohesion policy, it is differentiation - whether one is talking about the systems employed by different countries, the effectiveness of management and implementation, the spillovers onto domestic policy, or the integration of sustainable development.

¹ This presentation is based on a draft version of the Final Report of the study which has been written by John Bachtler, Laura Polverari and Keith Clement of the European Policies Research Centre (University of Strathclyde, Glasgow) and Hildegard Orazé and Herta Tödting-Schönhofer (Metis, Vienna).

² Further details on the research team and methods are provided in the Final Report.

This goes to the heart of the difficulty in trying to organise - or indeed evaluate - the delivery of Cohesion policy. The policy operates with a common regulatory framework, but this was applied in 2000-06 in 25 different countries, each with its own management and implementation arrangements, in many cases with different approaches taken by regions within countries. The differences depend on:

- the extent of **centralisation or devolution** of decision-making powers - which often dictates the degree of sectoral versus regional emphasis in allocating resources;
- the **relationship between Cohesion policy and domestic regional development policies** - which determines the scope that SF programme managers have to influence spending;
- administrative traditions and the **quality of public administration** - which influences the receptivity and openness to utilising tools such as monitoring and evaluation.

As one would expect, these factors produce a complex institutional picture of the EU which defies straightforward generalisation.

Nevertheless, the evaluation identified a number of overall trends in the management and implementation of the Funds in 2000-06.

- Firstly, there was evidence of increased **partnership** working, with greater involvement of sub-national bodies, economic and social partners and other organisations among EU15 Member States than in previous programme periods.
- Secondly, the process of **programme design** was usually based on at least some analysis, strategic reflection and partner consultation, and it involved a more consistent use of ex ante evaluation.
- Third, more attention was paid to **monitoring**, especially the development of integrated monitoring systems and the inclusion of physical indicators, although the utility of the systems and information provided was sometimes questionable.
- Fourth, greater emphasis was placed on **financial management and control** (and also audit), especially the procedures put in place to comply with new implementing regulations and closer monitoring of financial flows to avoid automatic decommitment.
- Lastly, Cohesion policy in 2000-06 continued to promote the development of an **evaluation** culture, with the requirement to produce both an MTE and UMTE, the latter in particular being used to inform the preparation of the 2007-13 strategies. Many Member States undertook their own evaluations.

If one puts the 2000-06 into the bigger picture, one can see how the period represents a continuation of the longer term trend that we have seen since 1989, with each programme period seeing a progressive improvement in the approach that Member State have taken to

implementing Cohesion policy principles. Putting the findings into context - and this applies to many of the EU15 Member States - it is possible to make some important observations.

- In many countries and regions, the developments in strategic planning (as part of the programming process), partnership working, and evaluation were motivated primarily by experience in previous programme periods and the aim of improving the strategic focus/coherence, collective institutional ownership and visibility of programme achievements. There was also a commitment to Structural Funds leaving a legacy in what was initially assumed to be the last period of support in many Objective 2 regions.
- On the other hand, this was not universal. We can find many examples of 'good practice' in each area of management and implementation, but it is evident that the application of Cohesion policy principles has continued to face considerable difficulties. One has to ask why - after 15-20 years of managing Cohesion policy, many Member States have been unable or perhaps unwilling fully to exploit the potential of EU management and implementation processes. How much is this due to external factors or internal constraints?
- A further point is that some of the changes introduced in 2000-06 were driven more by regulatory changes and greater obligations on managing authorities for accountability and maintaining the pace of spending. This applies to monitoring and financial management, which certainly increased the information available on programme progress, strengthened financial discipline and stimulated expenditure. On the other hand, the increased administrative resources required also had negative consequences for the strategic management of programmes. Most notable were:
 - a trade-off of project quality for financial absorption;
 - an aversion to risky or experimental measures or projects;
 - a growing proportion of staff time devoted to financial management and control procedures; and
 - a pervasive 'audit culture' that (in some cases) was regarded to be more rigorous and intolerant of error than national practices.
- One of the most damaging aspects was disillusionment with the perceived 'bureaucracy' of Cohesion policy procedures on the part of managing authorities, implementing bodies and project applicants. Indeed, in certain instances it led to project-holders avoiding applying for EU funding.

Effectiveness of management and implementation in the EU10

When talking about the EU15, one can take a long term perspective in assessing the delivery of the Funds. For the EU10 - the Member States joining the EU in 2004 - we have a different time frame: a short programme period and the first experience of managing and

implementing Cohesion policy. Here, a key question is: **how effective was the management and implementation of SF in the EU10?**

Again, it is important to recognise the differentiation in approach and experience between the EU10 Member States, a key factor being the differing institutional contexts within which Cohesion policy was being implemented. The differences lie in the:

- variable progress with public administration reform and modernisation, especially in moving from so-called 'bureaucratic systems' (characterised by rule-oriented culture, command and control) to 'management systems (based on outcome and performance management, customer orientation etc);
- restricted territorial administrative reforms, with the role of the regions being quite limited except with regard to project implementation;
- structural deficiencies in human resources management and leadership - crucial factors for an effective civil service,

Despite these institutional differences - in many cases, constraints - a general conclusion from the evaluation is that **the management and implementation systems were well-enough developed to enable compliance** with regulatory requirements and for spending the EU funding in a timely and correct fashion. There were, however, several important difficulties.

- First, it proved difficult, at least at the outset, to establish **appropriate organisational structures and systems**. In some cases, this was because of political or institutional instability. More generally, there were problems with allocating responsibilities and coordination between ministries and implementing bodies.
- Second, there was a general pattern of **over-complex administrative systems and difficulties** in 'striking the right balance'. The combination of demanding regulatory requirements, a lack of trust and effective cooperation, led to over-regulation, over-complicated guidance, too many controls and over-ambitious monitoring systems.
- Third, there were problems of **administrative capacity**. Pre-accession support was of mixed value in building sustainable administrative resources. The capacity limitations were particularly pronounced among implementing bodies and final beneficiaries and (in the smaller countries) in the managing authorities.

In the course of the 2004-06 period, significant progress was made in addressing these issues in line with experience. For example, there was some rationalisation/upgrading of procedures; improvements in human resource management; the provision of guidance; more use of IT; and better collaboration between implementing institutions. We found some evidence of such measures leading to improved productivity such as a reduction in processing times for applications and claims.

However, not all of these constraints were addressed during the 2004-06 period. In some cases they were **structural**, e.g. organisational stability, lack of alignment between EU and domestic systems. Others were **cultural**, such as mistrust between individuals or organisations. At the level of individual management and implementation processes - from programme design through to evaluation - it was also clear that the EU10 often still had a long learning curve.

A wider issue is how one defines effectiveness. Regulatory compliance and timely spending are important, but there is the important question of how well the EU10 programmes were managed from the point of view of meeting the strategic objectives of the funding. Here, we have the difficulty that the study has run in parallel to the evaluation of programme outcomes and, within this study, we cannot relate the findings on management and implementation to effects/impacts. However, from the evidence, we can say that there was not much emphasis on the strategic management of programmes in the EU10 during the 2004-06 period. What we refer to as a 'compliance orientation' is evident in the stress placed on financial management, where administrative procedures were sometimes overly complex and time-consuming. There was also limited use of reporting or monitoring as a management tool; there was a lack of time or commitment for making use of evaluation results; and the project selection criteria often had weak strategic relevance, either in design or their application.

We should perhaps not be too harsh in our judgements of a three-year period. What we have found is very similar to what happened in the first programme period for many of the EU15 in 1989-93. Indeed, taking account of the tougher regulatory environment, the EU10 have probably done better. We need to remember that the first programme period is essentially an acclimatisation phase, and the key issue is whether there is a stronger strategic approach in the second period, i.e. the current period for the EU10.

Spillover effects on domestic policy management

Our third main question concerns the evidence for any spillovers from SF on the domestic policy management systems of Member States. This has been the subject of considerable - and contested - debate over the past 10 years, often under the heading of 'the added value of the Funds'. Here, I think that we have an unambiguous conclusion: that **the management and implementation Cohesion policy has definitely led to spillovers onto Member State systems**. In other words, the experience of delivering the Structural Funds has influenced the practices and procedures used by Member states for managing their own domestic policies.

Some initial evidence for spillovers was already apparent even in the short 2004-06 period in the EU10 - although it was sometimes difficult to isolate the influence of Cohesion policy. These spillovers were mainly contributions to ongoing public administration reform by strengthening a 'managerial approach' within national administrations. For example, we found examples of

- managerial practices and procedures being introduced in areas such as strategic planning, partnership, systematic project monitoring and evaluation

- increased staff expertise through training and experience in new working methods; and
- institutional changes, such as the relationships between organisations in the form of coordination and communication flows.

Of course, given the shortness of the programme period, we need to be careful in drawing conclusions. But, there was more substantial scope for investigation in the EU15. Here, the research shows that the implementation of Cohesion policy during 2000-06 led Member States (at national and/or regional levels) to modify their domestic management and implementation systems. What happened was that the experience of delivering Cohesion policy led administrators to apply the same or similar procedures (programming, partnership, monitoring, evaluation etc) in their domestic systems.

Again though we need to be aware of the differences between Member States. In several cases, the changes taking place were long-term modifications of management and implementation processes originating in the 1989-93 or 1994-99 periods and sometimes continuing in the 2007-13 period. In other cases, they were short-term administrative responses to administrative pressures that may not have outlived the programme period.

Perhaps unsurprisingly, the spillovers were largely perceived by stakeholders – government officials, the staff of implementing bodies – and also by external commentators to have been positive. In other words, they were perceived to have improved domestic practice in several areas of management and implementation. Examples of such improvements are:

- increased stability and availability of funding;
- increased ownership of the strategies implemented;
- the development of a more objective, consultative, transparent planning culture;
- the transparency, professionalism and targeting of resource allocation systems;
- strengthened knowledge on policy outcomes and on delivery progress through improved monitoring, reporting and evaluation arrangements.

But the spillovers were not always regarded in a positive light. In a minority of cases, they were perceived as having negative consequences. These were mainly associated with the difficulties of aligning EU and domestic management and implementation systems.

We spent some time investigating why and how these spillovers occurred – what were the factors that encouraged or inhibited the influence of Cohesion policy? Some of the spillovers were clearly pragmatic: it was simply easier to align the domestic administrative procedures with the Cohesion policy requirements to minimise administrative hassle. In these cases, it is questionable whether the spillovers will have any longer term or wider impact. However, in other cases, they reflected some fundamental shifts in thinking and approach about what was the best way to manage economic development policies. Such ‘positive spillovers’ were strongest:

- when they were driven by committed élites or policy entrepreneurs,
- where political commitment to change was high; and
- where the status and weight of Cohesion policy (especially relative to other domestic policies) was significant.

Where do we go from here? Recommendations

The Final Report of our study contains a lot of specific recommendations, especially for improving the effectiveness of individual management and implementation processes in different countries. We also have wider recommendations for Member States and the European Commission.

The first, is the need to **manage programmes effectively to achieve strategic objectives**.

Despite the progress made in many aspects of Cohesion policy management and implementation in 2000-06, the evidence suggests that many programmes became preoccupied with financial absorption (due to N+2) at the expense of project quality in the course of the 2000-06. Reflecting the demanding regulatory requirements, considerable administrative resources were put into reporting, monitoring and financial management systems designed more to ensure regulatory compliance than as tools of programme management. An increasing proportion of time had to be devoted to financial control and audit.

Addressing these issues requires first the regulatory framework to be reviewed. Resolving the administrative pressures of control and audit requirements on managing authorities is fundamental. More flexibility on the decommitment rule should also be considered.

We also need to give a higher profile to the policy outcomes of programmes and the management and implementation arrangements that influence such outcomes. This is partly a task for managing authorities, to develop the tools on what the programmes are achieving, and for monitoring committees to be regularly debating what is working well, the progress in achieving strategic objectives, and the effectiveness of effective delivery arrangements. Beyond that, the Commission could be playing a stronger role in investigating and promoting knowledge exchange on what constitutes effective policy management, how different implementation methods influence policy outcomes. And the Council could take a lead by debating policy outcomes on a regular basis - either within the informal ministers meeting or a new high-level political forum.

Second, **leadership in the management of Cohesion policy needs to be encouraged**.

The evaluation has shown that the effectiveness of Cohesion policy management and implementation, and the scope for positive spillovers, often depends on leaders and policy entrepreneurs. Equally, administrative deficiencies are often due to the unwillingness or inability of political and managerial élites to initiate or sanction change. Therefore, a task

of both the Commission and Member States is to strengthen the professionalism and leadership in the policy field.

Leadership could be fostered in several ways. In particular, we propose that the Commission and Member States should organise a Cohesion policy leadership programme at EU level, potentially as part of a wider programme of public administration development support provided by the Commission. Complementing existing training provision for senior government administrators, this would focus on the distinctive skills required for leading the management of this policy and also provide exposure to the range of international practice in policy management and programme delivery. This could be recognised by some form of European professional qualification or accreditation for Cohesion policy managers.

A third recommendation is to strengthen opportunities for learning.

Given the importance of organisational learning for effective and efficient management and implementation, the Member States and Commission should take steps to embed a so-called 'learning reflex' in managing authorities and implementing bodies.

For example, Managing Authorities could be required/encouraged to exploit technical assistance budgets to invest in the preparation and implementation of 'learning & development plans' - covering training, the acquisition of relevant qualifications and skills, the acquisition of specialist expertise and exchange of experience initiatives.

The Commission should facilitate knowledge brokerage more actively through mechanisms that promote a bilateral transfer of expertise which more directly meets the specific needs of individual programmes or management bodies - inter-programme twinning initiatives, external reviews and incentives for organisational learning through special funding or public recognition.

Fourth, **investing in institutional capacity** is critical. The research has shown that institutional pre-conditions are vital for the effective management of Cohesion policy, especially in countries with strong elements of 'bureaucratic systems'. Building institutional capacity in national and regional government authorities is primarily the task of Member States - and the evaluation identifies key areas needing attention. In particular, in the EU8, efforts will need to continue to improve domestic human resource management systems, on which effective implementation of Cohesion policy relies.

There is also scope for capacity-building to be supported and accelerated by the Commission. We propose that DG REGIO should develop an 'institutional capacity' unit with the competences, skills and knowledge to support institutional capacity-building in the Member States across all elements of Cohesion policy management and implementation. The Commission could require greater use to be made of 'special purpose bodies' (on a time-limited basis) for managing and implementing programmes or specific priorities/measures.

A less fundamental but also important aspect of institutional capacity building applies to local and non-governmental bodies. The involvement of local and non-governmental actors remains weak in many countries, and the regional level is not yet a serious partner in some

Member States. If Cohesion policy is to be successful in addressing the increasing complexity of territorial problems with integrated development responses, a better mobilisation of local (regional) and non-governmental actors will be needed.

Lastly, the importance of good governance for effective management and implementation of Cohesion policy suggests that the EU should actively promote **higher standards of public administration** in the Member States.

This evaluation has underlined the findings of other research evidence which demonstrates that the quality of public administration is important for policy outcomes. The conclusions have also highlighted the significant differences between Member States in their approaches to managing and implementing Cohesion policy. This applies partly to structures but also to the administrative culture, organisational systems and administrative capacity (most notably human resources), which in turn reflect the norms, standards and efficiency of national public administration

There is a case for the EU to play a broader role in promoting good public administration, in particular where this influences domestic capacities or performance in managing EU policy/funding. The starting point would be to develop a 'framework for good public administration' relevant for Cohesion policy. One approach could be to build in greater conditionality on the allocation of funding as part of the Regulations, making funding dependent on the quality of public administration. Yet such an approach has never found much favour among Member States. A more productive might be to use the shared management system, with the European Commission working with individual Member States, on a case-by-case basis, to improve the standard of public administration. At present, the Commission does not have the resources or capacity to do this; but if we are serious about improving public administration, then the resources will need to be put in place.

Concluding remarks

Let me conclude by returning to the question posed for this session: **Can differentiated requirements for different Member States be defended?**

First, we have to recognise that differentiation already exists. This evaluation has shown considerable differences among Member States with regard to management arrangements, the effectiveness of their administration of the funds and the scope for spillovers. If I had time to discuss the integration of SD, the same would apply.

Second, the scope for improving management and implementation depends on the quality of the broader public administration in the various countries and regions. Again, there is differentiation.

Third, we always say that we cannot have a 'one size fits all' approach to specifying the objectives of SF programmes. So, if our ambition is to improve the management and implementation of the Funds, surely the same applies: there is no one-size-fits-all approach. In fact, one might question - how can an undifferentiated approach be defended?

Where I would qualify the question relates to the word 'requirements': I don't think that one can specify ex ante certain differentiated regulatory requirements that apply to some Member States and not to others. The variability of public administration - of relevance to Cohesion policy - within countries is such that one requires a more sensitive and targeted approach. Further, I think it is important that there is a constructive approach - hence our recommendations in areas like leadership and learning. But if we agree that the EU has a role in promoting better governance and more effective public administration, then we need to entrust the Commission with the resources and capacity to make this happen and crucially the flexibility that they can take a differentiated approach to working with MS to ensure that the Funds are spent as efficiently and effectively as possible.