STRENGTHENING OF GOOD GOVERNANCE AND ADMINISTRATIVE CAPACITY FOR COHESION POLICY
– PILOT ACTION IN COOPERATION WITH THE OECD –

THE BACKGROUND

Quality institutions and well-functioning administrations matter for the effectiveness and impact of EU funds in the Member States and regions. Focusing on EU Cohesion Policy funding, the VII Cohesion Report and recent research from academia and the Organisation for Economic Co-operation and Development (OECD) have shown that regions with weak institutions face greater difficulties effectively absorbing regional development and cohesion funds and making the most of the investments that these funds support. The quality of governance at all levels of government influences how cohesion investment translates into greater growth. In addition, quality institutions (and through these institutional practices) can positively affect the returns to Cohesion Policy investment, regional competitiveness and economic growth, whereas poor institutions will have an adverse effect. Thus, it is essential to invest in governance, to build adequate capabilities at all levels of government to manage EU funds, and to design strong investment strategies.

THE PILOT PROJECT

The pilot action 'Frontloading administrative capacity building to prepare for the 2021-2027 programming period' was launched in June 2018 to provide hands-on support by experts from the Commission and the OECD to strengthen the administrative capacity of the authorities dealing with EU funds on a daily basis. The goal is to test and develop new solutions to strengthen administrative capacity in the post 2020 budgetary period.

Phase I
▸ Identification of strengths and specific weaknesses to address through a participatory process, involving all relevant actors.
▸ Preparation of roadmaps to address the weaknesses with milestones, targets and deadlines.

Phase II
▸ Implementation of key relevant actions from the roadmaps.

Enabling framework conditions

Strategic planning & Co-ordination

Organisation

People
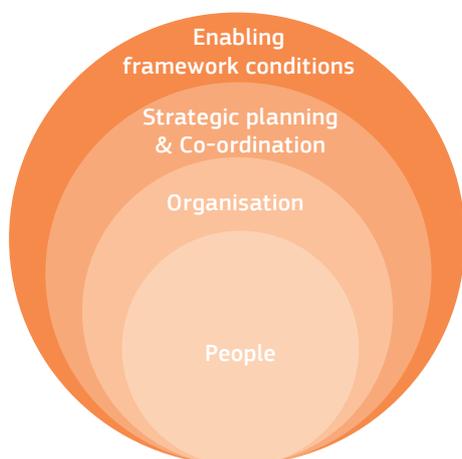
This analytical framework informed the diagnostic process used to develop the roadmaps for administrative capacity building

THE 5 PARTICIPATING PROGRAMMES

• The „Transport Infrastructure, environment and sustainable development" programme in Greece

• The Lubelskie regional programme in Poland

• The Extremadura regional programme in Spain

• The „Competitiveness and cohesion" programme in Croatia

• The „Regions in Growth" programme in Bulgaria.

Regional and Urban Policy

KEY FINDINGS

Challenge Area 1: People and organisational management

- Managing authorities generally have skilled and professional staff, but these are not perceived or managed as a strategic asset.
- There is a widespread desire for more training, but learning and development modules lack a strategic vision and are under-utilised.
- Managing authorities need to be able to recruit and retain top talent, but feel constrained in their options for addressing this.

Challenge area 2: Strategic programme implementation

- Authorities face common challenges in their strategic approach to implementation of investments, which affect their effectiveness.
- There is room to build stronger partnerships among stakeholders, particularly with beneficiaries, including through more tailored and targeted approaches.

Challenge area 3: Enabling framework conditions

- Framework conditions like regulatory quality, legal certainty and stability, red tape, and quality of institutions exert significant pressure on the overall capacity to invest and the quality of the results.

Higher-level challenges:

- There is room for greater innovation in how managing authorities operate and in the practical implementation of programmes.
- Initiatives to build the administrative capacity of managing authorities should be undertaken at the appropriate scale and with a strategic and comprehensive approach.

KEY RECOMMENDATIONS

Develop an evidence base for organisational improvement initiatives through more systematic employee engagement surveys	Identify desired competencies and orientate business processes such as performance management and learning and development to improve end reward those competencies.	Review candidate outreach and employer branding strategies to broaden the pool of qualified candidates	Explore internal mobility options for staff, i.e. short-term „rotation" in different parts of the MA.
Set OP investment priorities that reflect national and regional development needs by including OP stakeholders in the definition and validation investment priorities	Establish a forum for exchange among Managing Authorities and Coordinating Bodies	Undertake training programmes or workshops dedicated to designing robust output and outcomes indicators, data and action-evaluation techniques, and their application	Develop a strategy and action plan for capacity building tailored to different types of local authorities involved in the OP in a participatory approach (dialogue with local authorities and relevant national bodies)

MANAGING AUTHORITIES

Recommendations for Challenge Area 1: People and organisational management

To develop a skilled, adaptable workforce with the right mix of competencies for effective EU funds management, managing authorities could:
- Identify the existing and desired competencies for effective ESIF administration through tools such as the European Commission's competency framework and self-assessment tool, engagement with employees and stakeholders, and benchmarking with other managing authorities.
- Map existing skills and identify strengths and gaps.
- Explore how existing tools, such as learning and development modules, focus groups, informal knowledge exchange networks, etc. could inform the development or revision of a competency framework and skills assessment.

To attract and recruit candidates with the right skills, managing authorities could:
- Employ additional tools to attract candidates beyond traditional candidate pools, such as through social media, increased engagement with universities and re-branded job descriptions and application portals.
- Adjust recruitment processes where possible to test for a broader range of skills and competences during assessment.
- Consider how on-boarding processes and induction programmes could be used more effectively to integrate new staff and equip them with the skills to get up-to-speed and operational as quickly as possible.

To improve the long-term and strategic orientation to learning and development, managing authorities could:
• Build an evidence base on skills needs through gap analysis (see above) and by gathering actionable feedback from staff at operational levels and management on their learning and development needs.
• Place more responsibility on staff for their own career development by broadening the mix of learning options available to them, e.g. classroom-based training, online courses, interactive workshops. The European Commission's tool to support peer exchange – the TAIEX-REGIO Peer2Peer instrument – could be used to support this.
• Align learning and development initiatives with a competency framework and integrate it as part of ongoing performance management and career development processes.

To improve employee engagement and motivation, managing authorities could:
• Build an evidence base through more systematic employee engagement surveys and exit surveys. This should be disseminated to as wide an audience as possible to improve comparability, taking sufficient care to communicate objectives beforehand and gain buy-in from senior management.
• Improve communication around key business processes – such as performance management – to improve the availability of information and boost transparency around decisions affecting staff careers such as promotion, access to training, performance-related pay, etc.
• Develop more systematic buy-in from senior management and leadership for employee engagement initiatives through periodic 'town hall' meetings, discussion groups, as well as specialised training for managers.

To develop strategic workforce planning capabilities to meet the challenges of the 2021-2027 period, managing authorities could
• Position human resources units more strategically so that they can play a greater role in the achievement of organisational objectives, particularly through the identification, recruitment and development of high-potential talent.
• Monitor the impact of human resources policies and procedures, gather and review workforce data, and adjust policies where appropriate, including through budgetary and human capital resource re-allocation in line with organisational objectives.
• Identify desired competencies and orientate business processes such as performance management and learning and development to improve and reward those competencies.

To ensure that their organisational structure is fit for purpose managing authorities could:
• Determine whether the existing organisational structure and chart responds to the challenges of the post-2020 period and is sufficiently agile to capitalise on opportunities.
• Determine the margin for manoeuvre in contexts where rigid legislation makes wholesale change impractical through engaging operational staff and management in a dialogue on resources and business processes.
• Identify ways to match workflow with staffing resources by using the possibilities of temporary or short-term contracts more strategically.

To improve internal mobility and better skills match, managing authorities could
• Develop a pool of staff with appropriate qualifications, skills and competences able to undertake a short-term secondment or work exchange in a different part of the managing authority.
• Integrate internal mobility to performance management and learning and development plans so it can be used as a tool for managers to develop their staff.
• Clearly communicate opportunities, requirements and expectations to all staff and simplify the approval processes for internal mobility.

To improve knowledge management and communication flows, managing authorities could:
• Develop and support communities of practice or discussion groups among staff at the operational level, with participation from the management level where appropriate, to improve knowledge flow where organisational or institutional rigidities are perceived to cause bottlenecks in programming.
• Develop an intranet where staff can access information without the requirement to go through more formal channels (e.g. written response to written questions on interpretation of legislation).
• Where tools such as document tracking systems exist, managing authorities should invest time in developing a common culture in how staff use these systems, as often differences of approach can mitigate the effectiveness of a system.

Recommendations for Challenge Area 2: Strategic OP implementation

To take a more strategic approach to planning, programming and priority setting, managing authorities could:
• Examine the impact of each step of the implementation process to identify how to manage the programme so that it supports meeting its objectives, while also contributing to national sector or regional development ambitions.
• Set investment priorities that reflect national and regional development needs by bringing stakeholders into the process of defining and validating investment priorities, to ensure robustness, add to evidence bases and increase potential for response to project calls (through greater 'ownership').
• Identify common or complementary objectives between different programmes or priorities at the start of a programming period and develop project criteria that could promote such complementarity.
• Introduce incentives to capture synergies within and across programmes, for example by introducing bonus points for projects that help met objectives in more than one priority axes or for integrated projects contributing to more than one programmes.

To optimise coordination for programme design and implementation, managing authorities could:
• Take stock of existing dialogue mechanisms (thematic working groups, networks, committees, sub-committees etc.) and identify whether they need to be complemented by a multi-stakeholder dialogue body that focuses exclusively on the programme, or one that supports dialogue among the country's different managing authorities. Or, if current dialogue bodies need to be rationalised and adjusted. Ensure that dialogue mechanisms have clear objectives.

To address information gaps, improve knowledge sharing and expand communication managing authorities could:
• Build a stronger bottom-up approach to information and knowledge sharing throughout the implementation system, inducing by introducing regular interaction opportunities for two-way communication with intermediate bodies and beneficiaries regarding changes in regulations, processes or programmes.
• Ensure regular and well-structured communication with beneficiaries, including by actively communicating the benefits that the funds offer beneficiaries to realise their development goals.
• Provide opportunity for citizens to express their opinions and understanding of local investment needs, proposed project results, or EU funds in general.

To effectively build the capacity of beneficiaries, managing authorities could:
• Streamline the process of interacting with and supporting beneficiaries, for example by creating a single point of contact for beneficiaries throughout the project delivery cycle.
• Improve the frequency and quality of the guidance and support provided to beneficiaries from either managing authorities or intermediate bodies, by developing a comprehensive understanding of their beneficiaries and their actual capacity at the start of a programming period, and using the identified capacity gaps as a basis for identifying who should help build capacity in specific areas, and how.
• Promote regular and constant information exchange with and among beneficiaries through interactive workshops, networks, online tutorials, etc.
• Partner with beneficiary-support organisations, such as consultants, business chambers, and subnational government associations to identify capacity needs and deliver relevant workshops.

To actively engage with a broad-base of external stakeholders, managing authorities could:
• Ensure stakeholder engagement is undertaken throughout the programme investment cycle, from the planning and implementation process to the monitoring and evaluation phase
• Build multi-stakeholder dialogue platforms for broader and more effective stakeholder input, such as establishing a cross-sector ESIF dialogue forum with a broad participant base from beneficiaries, other public sector, private sector and civil society bodies, etc.

To better render programme implementation processes more strategic, managing authorities could:
• Expand the channels through which calls are made (e.g. via social media, specific apps, business chamber meetings, professional associations, universities, NGO networks, etc.)
• Design a pilot to test new approaches to call processes and project selection.
• Create a pipeline of ready projects so that the managing authority can get them underway as quickly as possible once the new period is launched, and minimise the impact of having to carry projects forward into a new programming period.

To expand performance measurement practices in support of evidence bases and outcome evaluations, managing authorities could:
• Undertake training programmes or workshops dedicated to designing robust output and outcome indicators, data and action-evaluation techniques, and understanding how to apply what is learned to programme design, programming and adjustments. Such workshops can be designed and implemented at a national level for all managing authorities (e.g. by a national coordinating body in conjunction with a statistical agency) or at the EU level for national coordinating authorities and managing authorities.
• Complement quantitative data gathering with qualitative data gathering, including in surveys, focus group research, and evaluation studies.

NATIONAL AUTHORITIES

There are a number of issues explored in this pilot that require higher-level support and action in order to be addressed. Among these, the following stand out:
• There is a need to support greater innovation in how managing authorities operate and in the practical implementation of their programmes.
• Building the administrative capacity of managing authorities should be undertaken at the appropriate scale.
• Reconsidering the approach to national-level regulations and laws governing ESIF could boost timely investment implementation.
• There is room to re-evaluate and possibly recalibrate the institutional arrangements for management and control systems, and monitoring committees to make them more fit-for-purpose.
• The need for re-consideration and re-calibration also extends to the practical engagement of the monitoring committees.
• Greater participation and input from managing authorities in strategic and operational considerations could be more actively sought or encouraged.

THE EUROPEAN COMMISSION

The information gathered through this pilot highlighted several additional areas where the European Commission could consider how it may best enhance the capacity of managing and other authorities to support EU Cohesion Policy objectives. Four in particular, stand out:
• Building the administrative capacity of managing authorities should be undertaken at the appropriate scale.
• Managing authorities could benefit from more targeted support that takes into account the variety of institutional actors and constraints they face.
• National authorities could be further encouraged to consult managing authorities in designing the management and control systems and the processes required to implement programmes.
• Establishing a forum for exchange among managing authorities would be welcome and useful.