

## **Sector Report Implementation**

### **Assessing the Administrative Capacity Needed by the Candidate Countries to Effectively Manage the Structural Funds**

#### **Final Report**

**Client: EC DG REGIO/DG ENLARGEMENT**

**NEI Regional and Urban Development**

**Rotterdam, February 2002**



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## **1 Introduction to the theme**

Implementation of programmes is probably one of the most difficult parts of the whole spectrum of the EU Structural Funds. This is because it is the level closest to everyday practice in which regulations, agreements and intentions will have to be translated into practical terms. Key issues include the establishment of bodies responsible for implementing the programmes, who will have to see to it that there is a successful translation of programmes into projects, the creation of an efficient project pipeline, the establishment of well functioning Technical Assistance (TA) structures and the organisation of information and publicity activities.

It is remarkable how little is written about implementation in official regulations and guidelines. Therefore, requirements are not so easy to establish. Article 8 of Regulation 1260/99 states: 'In application of the principle of subsidiarity, the implementation of assistance shall be the responsibility of the Member States, at the appropriate territorial level according to the arrangements specific to each Member State, and without prejudice to the powers vested in the Commission, notably for implementing the general budget of the European Communities'. This means that implementation is essentially for the Member State to organise, as long as the Commission can be sure that it *is* organised. Consequently, there are many ways to organise implementation and there is not necessarily one best way to do it. A few general principles, however, can be pointed out. These principles are presented in the 5 paragraphs of chapter 2.

## **2 Main findings**

### **2.1 Requirements, tasks and functions**

Various EU requirements in the field of implementation can be distinguished. At the level of responsibilities, compliance with eligibility rules and other EU policies (competition, procurement, environment, equal opportunity, etc.) are a major concern for the Commission. A number of required tasks and functions relate to the implementing stage: the elaboration and appraisal of selection criteria, regular reporting (and taking remedial actions whenever deemed necessary) as well as adjustments to the programme complement upon needs. Another task in terms of implementation is to guard the balance between the measures in a programme. Whenever there should be a need for reallocation of means among the measures, proposals need to be made accordingly. In the case of the candidate countries, the main EU concern relates to the capacity to prepare and implement projects.

One aspect of this study focused on the relation between the amounts of funds managed and the staffing requirements. The number of human resources needed to implement projects co-financed by Structural Funds depends on the type of projects they manage. It turned out that these staffing requirements are relatively modest in the fields of infrastructure, moderate in the case of business support and higher in human resource development. Bodies responsible for the management of activities related to SME support schemes, vocational training or agricultural grants need the highest level of human resources.

In principle, elaborating and appraising selection criteria, ensuring compliance with eligibility rules and of making adjustments to the programme complement orientations are tasks of the Managing Authority (MA). Although in many Member States the MAs play a central and crucial role, the administrative structure of implementing of Structural Funds can be very complicated. For instance, in Spain there is a large number of Autonomous Administrative Departments, State Organisations, Development Agencies and other types of entities, most of them composed of a vast range of civil servants and highly-skilled staff with a large amount of experience in the management of Structural Funds. Within these organisations, there are usually quite a few departments active in one or more of the Funds and within these departments even only a group of people. It is not unusual that the Structural Funds should be only part of the daily tasks of these people.

### **2.2 Implementation bodies**

Most of the implementation is usually delegated to subordinated public authorities (such as organisations for labour protection), working on approvals and the verification of the correct use of funds. We call these Intermediate Bodies (IB). They form the connection between the Managing Authority (MA) and the Final Beneficiaries (FB). It is not

unusual to have ministries or parts of a ministry (if this is within the same ministry that hosts the MA) being engaged in the implementation of a programme. These respective ministries are then considered to be *Implementing Departments*, also to be included in the category of Intermediate Bodies (IB). They are often assisted by regional authorities which receive applications, approve projects and examine the correct use of operations.

It can happen that a Ministry of Economy is responsible (as MA) for ERDF-measures, while at the same time a number of other units within that Ministry are specifically in charge of the implementation of measures. Other measures are either the responsibility of other ministries<sup>1</sup> or delegated further to agencies. The existence of Implementing Departments often coincides with a ‘multi-tier’ implementation system, as can be found in Ireland, in which tasks are delegated further by a ‘first level’ IB to a ‘second level’ IB. The Irish ‘multi-tier’ system is especially relevant for (candidate) countries where the number of (Sectoral) OPs is smaller than the number of related Ministries.

The Irish organisational response to implementing questions lies in delegating implementing competencies through established Departments (ministries) to a wide range of other bodies and agencies that have broad experience in their respective fields of work. None of the main MAs is directly involved in the implementation of projects, with the exception of those dealing with Community Initiatives. However, MAs remain present in the implementation process by providing advice and information on EU policies and rules, by promoting the use of guidelines and procedures manuals, and by strict monitoring, evaluation and financial control.

The administrative structure of the country involved is highly determining for the organisation of the implementation of Structural Funds. Sometimes a concentrated model can be promoted which bundles as much measures as possible in a limited number of key agencies and/or central government representations in the region. An advantage of this concentrated model is that Structural Funds competencies only need to be put in place in a few organisations. A disadvantage of this concentrated approach is that these key agencies may be rather far away from the specific context of individual measures. Therefore, a more dispersed approach tends to be favoured in the countries studied. The number of IB per OP can then easily amount up to 30 or 40. In case of Local Action OPs, this can even be more since all municipalities in the area are in principle potential IB. This can be as much as 80. In some cases the programmes overlap in terms of IBs but still these figures mean that there can easily be 500 IBs in one (larger) Member State.

State agencies can play an important role as IB in a ROP or SOP<sup>2</sup>. For the implementation of SOPs, recourse is often taken to national development agencies, foreign investment agencies, tourism agencies etcetera, depending on the measures at stake. Other possible IBs are development banks.

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<sup>1</sup> For instance ministries of Housing, Transport, Culture or Environment.

<sup>2</sup> Examples are: the national Agrofood Quality Institute, National Tourism Agencies.

Regional OP's (ROPs) can have as IB: municipalities, associations of municipalities and civil society organisations such as development agencies, development associations and other non-profit organisations. Some associations of municipalities play the role of IB being charged of implementing a global amount of EU funding through contracts with the MA. In Portugal, the progressive upgrading of technical staff of the municipalities in working with EU funding is a significant result of the implementation of Structural Funds programmes.

The EAGGF-implementation-structure tends to be among the most refined, due to the need for proximity to farmers and their specific needs. EAGGF-measures tend to be implemented by subordinated (state) organisations specific for the agricultural office, with a widespread system of agricultural offices across the country. More general rural development measures can be different, and overlap with the implementing structures for ERDF (e.g. a Regional Development Agency).

Intermediate bodies (IB) are commonly in charge of defining the content of measures and of developing project pipelines, since they are closer to the final beneficiaries and are supposed to know best the main problems and needs to be solved. They are also responsible for the different tasks ranging from the evaluation, selection, and monitoring of co-financed projects to the production of certifications of expenditure and six-monthly and annual performance reports. The verification of the correct use of funds is also part of the tasks of intermediate bodies. A common practice is for IBs to present to the MA a plan of action, which then serves as a basis for implementation according to the rules established by the MA. The MA is still present by ensuring financial control, compliance with eligibility rules and general information about the programme.

#### *Human Resources*

In many cases, the staff of the IB is also involved in other duties, and there is no specific separation of EU-specific tasks. Figures about employment in the different institutions involved in implementation are therefore rather blurred. The implementation of Structural Funds activities is often an additional task of the staff in administrations. This means that, except in cases where technical assistance is used, working with Structural Funds is only one aspect in every day-to-day work. Intermediate bodies differ in this respect from Managing Authorities, that are specifically dedicated to working with the Structural Funds.

An indication of the human resources required can be obtained from Portugal, where Managing Authorities tend to be also in charge of implementation. In these a rather large group of people can work in an IB which is an Implementing Department within the same ministry acting as MA (from 14 to 97 per OP). Overall, almost 800 dedicated staff were counted in Portugal for running a Structural Funds programme of Euro 40 billion (EU funding Euro 20 billion, or 3 billion per year) This would imply that on the average 1 staff member would be able to manage Euro 3,75 million Structural Funds every year).

Yet, the danger of using such a number lies in the fact that variation among types of measures are wildly different. Implementing the Portuguese OP on Accessibility and Transport (Euro 1,4 bln. EU-funds or 200 mln. per year) requires 13 staff, enabling a ratio of Euro 15 mln. per staff/year. As mentioned earlier, human resource-related and EAGGF-type measures are much more labour-intensive. To illustrate this, a total of a little under 100 people work for the ESF-pipeline in just one of the German Länder. Also in a German Land, all IBs together employ some 90 people that are working on EAGGF implementation.

These figures are supported by the Irish case. For instance, the *Farm waste management scheme*, an extensive use of the regional and local bodies of the Department of Agriculture was observed. Rough calculations led to an overall annual requirement of 33 for implementing a measure of about 30 million Euro a year, or 100,000 Euro per staff/year. Another reason for the wide variation in staffing lies in the different types of procedures that an intermediate body undertakes for implementing a measure. IBs in charge of public works tend to subcontract projects either to public or private companies and only carry out the evaluation and control tasks. However, implementing departments in charge of subsidies manage all project activities by themselves. In the end, not the funding level but the number of projects appears to be determining the staffing requirements, as every project needs to be processed according to a similar format, irrespective of its size.

Besides a number of civil servants responsible for the evaluation, management and monitoring of projects, the majority of IBs also have dedicated staff responsible for the administrative management of projects, identifying and recording projects.

In some cases, a significant increase in personnel can be observed in IBs, a fact which can be linked with the increase in managed funds during this period, but also with the increasing requirements in EU regulations.

### **2.3 Project application and pipelines**

Often the MA works in close co-operation with services of the Ministry charged with hosting the programme or other IBs. The IBs are the first recipients of applications and the first level at which compliance with eligibility rules is analysed and improved. Analysing projects and candidatures is a major task and time consuming, and means a large claim on resources. In the case of Implementing Departments, use can be made of regional or deconcentrated services of the responsible Ministry<sup>3</sup>. In other cases the regional services of the Ministry select small individual projects while the central unit approves a whole set of projects under the favourable decision of its regional delegation. Other intermediate bodies, such as development agencies or development banks, may also use their local and regional branches for the recruitment and handling of projects.

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<sup>3</sup> In the case of investment grants this could be an SME institute assisting the ministry of Economy.

Project selection criteria are generally dealt with in NDPs and CSFs and more elaborately in Programme Complements of the OPs. The ones mentioned in the NDP are valid for all OPs, the rest is determined specifically for each OP and can in principle be any (derived) criteria having connection with general principles like effectiveness, relevance, efficiency and utility or with the horizontal EU Structural Fund principles of equal opportunities and sustainability. Examples of NDP-level criteria are:

- Contribution to OP, priority and measure objectives;
- Expected (economic) impact;
- Cost-effectiveness (to be established e.g. by a Cost Benefit Analysis);
- Environmental impact;

A further basis for the selection of projects with adequate quality lies in the specific criteria defined in the programme complement, which are supporting the objectives of the respective measure. The concrete procedure for the selection of projects is generally laid down in the respective guideline.

A trend can be discerned towards introducing a larger degree of competition between project applications. The selection criteria play an important role in this respect. The queue-based grant approval systems are gradually being replaced by competitive processes in which potential projects compete on the basis of clear criteria that have been set out in the Programme Complement.

The way project pipelines are organised depends largely on the type of assistance. In infrastructural measures the project pipeline is top-down. The NDP can be seen as the umbrella document, supported by multi-annual Strategies for National Roads, Public Transport, Telecommunications, etcetera. The same can hold true for environmental projects which involve heavy investment, that can be prioritised on the basis of National Environmental Policies or Action Plans. In these situations, the project pipeline is already being shaped up at the time of programming. The respective OPs can reflect the outcomes of such a programming exercise by referring to individual (large-scale) projects.

Project pipelines for smaller scale measures, however, tend to be derived rather bottom-up. Sometimes ideas for (grant) schemes are mentioned in programmes. But usually there is much more work to do in order to mobilise project ideas. Publicity and promotion actions are then crucial. The IB have a pivotal role in this respect. The 'regular' contacts of personnel in IB outside the scope of the Structural Funds are an important source of information and influence. By integrating the Structural Funds practice in everyday regular work and tasks at the level of IB, the project pipeline will be more easily started up.

In general, project applications are submitted on the basis of existing guidelines and forms. Sometimes there are even no special Structural Fund forms and there are standard application formats for different measures on the basis of national guidelines which are also used for the Structural Funds.

For certain types of projects (e.g. infrastructure) special steering committees exist with members from the responsible departments of both MA and IB decide about project proposals. There are sometimes working groups on the level of the ministries and subordinated bodies who pre-select projects (i.e. infrastructure).

Overall, experiences in the countries studied favour a practice where by the implementation of Structural Funds operations is firmly rooted in national, regional or local organisations that are part of the mainstream of economic development. They act according to policy documents that are fully in line with the NDP and its derived documents (CSF, OP). In principle, these mainstream organisations are most capable of identifying the right problems, the right projects, the right ideas and ultimately the right people. Provided they are functioning according to common expectations.

## **2.4 Technical Assistance**

Regulation 1260/99 says about TA: ‘At the initiative or on behalf of the Commission and following consultation of the committees referred to in Articles 48 en 51 on the different types of measures, subject to a ceiling of 0.25% of their respective annual allocation, the Funds may finance the preparatory, monitoring, evaluation and checking measures necessary for implementing this Regulation: ...studies, ..., exchange of experience, ....computerised systems, ....evaluation methods...’. This means that the MA, PA and IB can ‘create’ help functions for a diverse group of activities, including support of the project pipeline.

It turns out that the countries studied make different use of the Technical Assistance facilities. In Portugal, the central government can organise forms of TA such as the Gabinetes de Apoio Técnico or GAT, functioning for a group of municipalities in order to support municipalities in their role as IB. They can play a significant role in supplying expertise related to the capacity to prepare, implement and monitor Structural Funds projects. This is important at times when the technical level of the municipalities’ staff is not adequate yet. When this will have improved, these kind of organisations will still have a useful role in the co-ordination of supra-municipal investments or any kind of territorially-based integrated actions.

Another form of specific technical assistance units are active in the East-German Länder. In most cases these are private companies selected by a public tender offering advisory services to the beneficiaries. They are also involved in the pre-assessment of applications and in monitoring of project implementation. Some 25 people (of which less than half consultants) work in this kind of TA in a German Land. Advisory services for beneficiaries offered by professional consulting agencies are a traditional tool in ESF-policies in eastern Germany. The preparation of applications and their improvement have contributed to increase the quality of ESF-funded measures.

In Ireland, TA-resources are being utilised for the promoting the functioning of evaluation, information and financial control units.

## **2.5 Publicity and information**

The 1260/99 regulation stipulates: ‘for the purposes of consultation as referred to in Article 15(1), Member States shall ensure that publicity is given to development plans.’ The groups that are mentioned to be specifically informed are potential beneficiaries, trade and professional bodies, economic and social partners, bodies promoting equality between men and women and the relevant non-governmental organisations. These parties should be informed about the opportunities afforded by the assistance. A second element in the publicity field is the general public that should be made aware about the role played by the Community.

The public is being informed on the basis of information and publicity plans according to regulation 1159/2000. This is done by means of websites, folders, decentralised information conferences, press conferences etc. Some MA or IB have special departments in charge of public relations.

In Spain the budget allocation and absorption was an important and difficult objective to be achieved by the MA and the IB, mainly before 1994. During this time Spanish institutions could hardly find enough projects to finance because there was not enough information about the EU funds available and the actions or projects eligible to be cofinanced, so the potential recipient of the funds most of the time did not ask for them. This clearly illustrates the important role of PR in establishing and maintaining a properly functioning project pipeline.

In Ireland it is the responsibility of each MA to ensure that the information and publicity requirements of Commission Regulation 1159/2000 are met. The Programme Complement for each of the Operational Programmes comprises a set of Measure Sheets. Each Measure Sheet makes specific provision for publicising the EU’s contribution to the measure. The EU and NDP logos must be displayed in all publicity material, application forms, letters of offer or grant approval as well as on signs for projects as required under the Commission Regulation on Information and Publicity. In addition publicity material should include the required text references acknowledging the role of the EU Structural Funds and the agreed textual acknowledgement for the NDP in the funding of the operation. Information and publicity costs are eligible for ERDP co-funding and can be charged. Each OP includes in its TA Measure a budget to cover these costs. Measure level publicity is the responsibility of the relevant IBs.

### 3 Conclusions for indicators

The findings presented in this report can be used to shape a number of indicators that together summarise the key issues in the field of implementation. The main findings as mentioned above give rise to the identification of indicators for measuring the effectiveness of managing the Structural Funds. Yet, the main findings also give rise to the need for extreme care in generalisations. As the indicators are designed for the candidate countries, they focus on design aspects – related to structure, human resources and systems & tools. The following indicators are to be regarded as input to the gross-list, that will ultimately be reduced to a selection of key indicators.

1. *Existence of an operational project development and management process (bottom-up)*

Four sub-indicators, all of which constitute one point:

- A coherent set of Project selection criteria exists
- Standardised Cost benefit manual exists and is widely known
- Project cycle management guidelines and manual existing and known
- Standardised application forms exist

2. *Existence of an operational project development and management process (top-down)*

- Frequent mentioning of concrete projects in planning documents (NDP, OPs, Programme complements)
- Frequent reference to national policies and strategies in planning documents
- Frequent mentioning of existing national schemes and instruments in planning documents

3. *Assignment of intermediate bodies*

- List of intermediate bodies available
- Assignment of intermediate bodies to individual measures
- Agreement from intermediate bodies obtained
- Authority of MA over IB in line with national hierarchy
- Good, established working relations between MAs and IBs

4. *Preparation of intermediate bodies*

- Staffing requirements for intermediate bodies clarified
- Staffing for intermediate bodies secured
- Staff trained in the field of Structural Funds

5. *Involvement of intermediate bodies in the Structural Funds preparations*

- Involvement in the preparation of the NDP and/or OP
- Involvement in pre-accession instruments (PHARE, ISPA, SAPARD)
- Involvement in pre-accession training (e.g. SPP programmes)