

## **Sector Report Monitoring & Evaluation**

### **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**

P.O. Box 4175  
3006 AD Rotterdam  
The Netherlands  
K.P. van der Meulen 11  
3062 MB Rotterdam

Telephone: +31-10 453 88 00  
Telefax: +31-10-453 07 68  
E-mail: market@nei.nl  
Internet: www.nei.nl

NEI B.V. is a subsidiary of NEI  
Korxon Holding B.V.  
NEI B.V. is registered with the  
Rotterdam Chamber of Commerce  
under no. 24289886



NEI is a member of the ECORYS group



## Table of Contents

	<b>Page</b>
1 Introduction to the theme	4
2 Main findings	5
2.1 Monitoring committees	5
2.2 Monitoring information systems	8
2.3 Evaluations	12
3 Conclusions for indicators	14

## 1 Introduction to the theme

It should be noticed that management, monitoring and control tasks are all related. A proper and effective management of a programme cannot be performed without permanent monitoring of actions. Management always includes preventive control functions, evaluation and control rely on the monitoring information system as a major basis for work. Financial controllers deem evaluation more and more as part of their job and so on.

EU requirements in the field of monitoring and evaluation can be considered extensive and have increased considerably in the current programming period. Responsibilities turn around the chairing and preparing of monitoring committees, the full reporting cycle, building and running a monitoring system and organising various evaluations.

Some comments should be made regarding the terminology used in this sector report. When referring to the monitoring system often the focus is limited to the monitoring information system, and even more narrow the IT system that is used to process the data. In this study we will define the monitoring system as the organisational system that is associated with the implementation, monitoring and decision making regarding SF programmes.

More precisely, the monitoring system includes all structures, human resources, systems and tools that are required for the financial and physical monitoring of programmes. This includes:

- the organisational structures, in particular the monitoring committees. These are inextricably linked with the reporting and data collection. In the end, the monitoring committees should base their decision-making on the data that are provided through the monitoring system.
- the financial and physical reporting requirements from project beneficiaries via the intermediate and implementing bodies to the managing authority (closely linked to the issue of financial management and control)
- the monitoring information & IT system
- the system for evaluation including the structures, human resources and systems & tools that are in place.

## 2 Main findings

### 2.1 Monitoring committees

The monitoring committee is the highest decision making body in each OP, SPD or CSF. Its tasks are (SF Regulation 1260/1999 Article 35):

- Periodically review progress made towards achieving objectives,
- Examine results of implementation, particularly achievement of targets for the mid-term evaluation,
- Considers and approve reports before sent to the European Commission,
- Propose adjustments to improve effectiveness or to improve (financial) management,
- Confirm or adjust the programme complement including the physical and financial indicators to be used to monitor the assistance,
- Consider and approve any proposal to amend the content of programme, in particular the financial table,
- Consider and approve selection criteria.

This section deals in particular with the following topics:

- how many monitoring committees operate under a CSF / SPD
- who should be represented in the monitoring committee
- how many meetings need to be organised and what work is involved in preparing the meetings
- how do the monitoring committees function

#### Number of monitoring committees

The number of monitoring committees is determined by the number of OPs. Following the SF Regulations each CSF, SPD and each OP shall be supervised by a monitoring committees (SF Reg. 1260/1999, Article 35). The following table provides an overview of the total number of OPs and monitoring committees for each the selected countries.

Table 2.1 Number of MCs and OPs in selected countries\*

	# OPs	# MCs
Ireland	6	7
Spain	23	24
Portugal	19	20
Germany	9	10

(\*Objective 1 only)

Just as it is the case with OP management structures, it should be noticed that the requirements of Article 35 directly link the results of the programming phase (i.e. the number of OPs) to the organisation of the monitoring function. The larger the number of OPs, the more reporting requirements need to fulfilled. Consequently a large number of OPs calls for a larger administrative capacity to monitor the programmes.

In all four case studies presented in this report, the number of monitoring committees has decreased compared to the previous programming period, in which the number of OPs was much higher as well.

## **Members of monitoring committees**

### *Number of members*

Monitoring committees are established according to the partnership principle. As a result they involve a lot of people. A distinction should be made between monitoring committees of a CSF and those for individual OPs. The monitoring committee for the CSF is much larger than the monitoring committee for individual OPs. Given the large number of bodies and institutions which can end up taking part in the managing or implementing SFs, the number of participating actors in the CSF monitoring committee is quite large as well. The CSF monitoring committees in Spain and Portugal e.g. are composed of 80 – 100 members. The monitoring committees for individual OPs tend to be much smaller. In the selected countries the OP monitoring committees are on average composed of around twenty to thirty participants.

### *Representatives*

The organisations represented in the monitoring committees generally reflect the partnership principle. Typical members of monitoring committees in all four selected countries include:

- Managing Authority (Chairperson)
- Paying Authority
- Ministries responsible for the relevant funds in the case of a multifund OP
- Ministries for the relevant themes within an OP (priorities, measures)
- Implementing bodies (including the implementing departments at the associated ministries)
- Regional authorities (in particular in the case of regional OPs)
- Social Partners (representatives of trade unions and employers organisations)
- Statutory Bodies representing equal opportunities, environment, poverty and rural development
- European Commission representation – leading DG

The European Commission participates in the monitoring committee as an observer. In some cases the European Investment bank is seated as an observer in the monitoring committees as well.

## **Meetings of the monitoring committee**

### *Frequency*

Monitoring committees draw up their own rules of procedures within the institutional, legal and financial framework of the Member State concerned and in agreement with the Managing Authority. Therefore they have a certain autonomy in deciding upon e.g. the frequency of their meetings and the issues that are discussed during the meetings. In the selected countries the number of monitoring committee meetings is usually linked to the publication of the annual implementation report (SF 1260/1999, Article 37) and six-

monthly reports. Monitoring committees for each OP and for the CSF in all four selected countries meet twice a year. During one of the meetings the annual implementation report is approved, the second meeting is used for discussing the six-monthly report. Additional meetings can be organised upon request, in case specific issues need to be dealt with by the monitoring committee. This has not occurred frequently.

#### *Organisation of monitoring committee meetings*

The monitoring committee meetings are organised by the managing authority. The largest part of the organisational work concerns the preparation of the implementation reports on the progress of the OP based on the data from the monitoring en reporting system. Additional information is presented in the form of policy papers, evaluation reports and subsequent action plans and (revised) financial plans. The great amount of work generated by the normal and regular functioning of all the monitoring committees within the organisational structure of the CSF puts a real challenge to the consistency and efficiency of the administrative capacity required within each OP managing authority.

#### **Functioning of the monitoring committees**

Monitoring committees are often seen as negotiation bodies rather than follow-up entities. As a result monitoring committees are often very formal and political (in some countries politicians do chair them) where some technicalities are decided but where an open debate does not exist about the findings of the programme and the strategy to be followed to optimise effectiveness and efficiency.

The size of the monitoring committees does not provide the best conditions to have a frank debate. As decisions generally have to be taken by consensus the usual approach is the following: the technical discussions and decisions are prepared during the preparatory work before the meeting and the meetings are indeed more formal gatherings.

It should be noted that also the quality of the information provided to the monitoring committee if fruitful discussions in the meetings take place and if the results lead to an improvement of the whole implementation process of a programme.

Mainly as part of the preparatory work, but formally also during the actual monitoring committee meetings, the monitoring committees also have an important function as a platform for interministerial coordination. Interministerial coordination between the various ministries involved with the implementation of an OP, either as managing authority or as implementing departments.

Experience in Portugal suggests that the participation of the EU representatives in the monitoring committees should be not as simple observers but as full members, presenting the official views of the EC about the decisions under appraisal in the monitoring committee. Monitoring committee members expect the commitment of the Commission and not just opinions which do not necessarily reflect the Commission's

official position. It is expected that the efficiency of the monitoring committees will increase with a more proactive participation of the Commission.

### **Human resources**

The staff associated with the preparation of the monitoring committee meetings partly overlaps with the staff involved with the management, implementation and financial control functions. This is in particular the case within the managing authorities and the implementing bodies.

In general, the resources needed for supporting the monitoring committee depend on a number of factors. Firstly, the reporting requirements tend to be time-consuming, especially the annual implementation report. Furthermore, much time is needed for the timely distribution of high-quality documents to the monitoring committees. Often, these documents reach members late, not allowing them to fully grasp all the information provided. The involvement of monitoring committee members in between meetings of the monitoring committee is a further determinant for staffing requirements. In case of active involvement and frequent requests from monitoring committee members, serving the monitoring committee can be demanding for the managing authority concerned.

## **2.2 Monitoring information systems**

Monitoring of complex programmes such as a CSF, OP or SPD cannot be done without a well functioning IT-based monitoring information system. Comprehensive monitoring systems are needed in order to fulfil e.g. the reporting tasks on inputs, outputs and results in the annual implementation reports. IT-based monitoring systems have gradually developed and evolved in EU member states, particularly over the past decade. They have by now in some cases reached high standards and are able to provide overviews of financial and physical progress at any moment during the implementation of a programme from the level of individual projects up to the level of a programme as a whole.

Key issues that are addressed in this section are in particular:

- centralised versus decentralised monitoring systems
- financial and physical indicators and data requirements
- human resources need to operate monitoring information systems
- monitoring of non co-financed expenditure

### **Centralised versus decentralised monitoring systems**

EU development policies, in particular within the framework of a CSF, usually have complex organisational structures. As illustrated in the sector report on management, the total number of implementing bodies involved with the implementation of individual measures and priorities within an operational programme can amount to up to 30-40 organisations. They all play a role in collecting and processing data and feeding it

into a monitoring system. They are however users of the system at the same time, requiring data on the progress of the projects that are being implemented under measures / priority / programme that they implement.

An important issue in that respect is the choice between setting up a top-down model for a monitoring system that is to be imposed to each OP and implementing body or to try to build a monitoring system on the basis of a bottom-up model starting with the efforts at the level individual OPs and implementing bodies. Regardless of which option is chosen, in the end the managing authority should satisfy itself that the data can be aggregated at the level of the CSF or SPD as a whole. Both models call for clear reporting requirements, uniform reporting formats and unambiguous definitions of indicators and data to be collected by the implementing bodies, however this seems easier to achieve in a top down approach.

The four selected countries show different models, although in all four of them some type of centralised monitoring system has been developed. The systems are not fully in place yet and it cannot be assessed how they will function in practice. All four selected countries have a CSF and therefore a relatively large number of monitoring committees.

In Spain, it is not yet clear how the efforts of building a central monitoring system are combined and coherent with efforts of each individual OP, sectoral and regional, in building monitoring systems in order to support their own monitoring committees. Having one central monitoring system that is used by all implementing departments and for all OPs call for a very elaborate IT-system that takes into account all the differences that exist between OPs (and priorities in the case of an SPD). Developing such a system asks for sufficient technical expertise in the field of information systems. Such expertise is not abundant in most countries (see also under human resources).

In the current situation centralised monitoring information systems and OP specific monitoring systems exist in parallel. In Spain, fund-specific monitoring information systems are in place, one for ESF, one for FIGF and one for ERDF & EAGGF. They are operated by the coordinating ministries / managing authorities for the various funds. Some intermediate bodies have developed additional computer applications that act as a bridge between the accounting system of the implementing departments and the MA's applications. With this new system the effort in inputting data is reduced whilst, at the same time, the accuracy in transmission of this data is increased.

The monitoring information system in Germany, being a federal state, is a predominantly decentralised system. It proved difficult to develop and implement a common system for monitoring. Monitoring therefore has been rather fragmented, making use of different databases. The organisation of the monitoring function is the task of the Länder themselves and the CSF managing authority does not play a dominant role in coordination. All five Länder including East Berlin therefore follow their own approach of collecting and processing data. Some bottom up initiatives for coordination were attempted by the Landesförderinstitut (LFI) of Saxony-Anhalt. LFI developed a monitoring system named EFREporter (financed by technical assistance),

which could be used as a basis for monitoring in other Länder as well. Even so, the Länder developed their own systems, partly because they had worked on solutions themselves for a longer time also in order to harmonize it with other aid schemes on the Länder level.

In Ireland the central monitoring system is about to be operational. The system will connect electronically all stakeholders in the SF system and will provide the necessary information at much greater speed and with much efficiency gains. Yet, the system is mostly applauded higher up in the cascade. Doubts about the efficiency gain are being raised at the level of implementing bodies: the system will require even more precise information to be entered, it will require a change in attitude, and it will mostly focus on financial progress.

In Portugal, existing OP specific monitoring systems and the introduction of the centralised monitoring system has led to the existence of dual systems. In some cases, the previous information systems cannot be imported to the new information system previously described. In these cases, managers are working with two systems simultaneously, one for their own purposes, and the other for helping to build the centralised information system. In other cases, problems with the computing structure explain why technical staff members of some OPs are carrying out information and processing it within the computing system of the Direction General of Regional Development where the database server is located in order to have information available for monitoring purposes.

### **Financial and physical progress indicators**

Financial monitoring is the primary focus of the monitoring function in the selected countries. Therefore all four countries have monitoring information systems that include financial indicators and financial data. The systems are able to generate overviews at all required levels of the programme. The common practice in most EU member states is that strategic decisions about changes in a programme's financial table are in the first place taken on the basis of financial information and the absorption rate of the measures. The automatic decommitment or 'n+2' rule is likely to reinforce this practice. This is discussed in more detail in the sector report on financial management

Nonetheless, the past decade has seen increasingly advanced systems for recording the physical progress of programmes. The EC working papers and the standardisation of output, result and impact indicators in the 2000-2006 period have provided an extra impetus to this trend. In Portugal e.g. the needs of monitoring information by OP managers in previous CSFs were normally answered by light monitoring systems containing mainly financial data about the level of implementation measured by disbursements. Now more advanced versions become increasingly common and combining financial data with data on physical progress of the projects.

The extent to which physical progress data can be monitored through the monitoring system depends partly on the nature and scope of the programme. In general output indicators for specific measures lend themselves best for monitoring purposes. The

monitoring systems in the selected countries however do contain impact or even context indicators.

### **Human resources**

The staff that is required to effectively run the monitoring system can broadly be divided into two groups. On the hand there is the staff that is involved in the collection and processing of the collected data, drafting or making contributions to the annual and six monthly reports for the monitoring committees and other reports for additional working groups, steering committees etc. On the other hand there is the staff involved in the IT part of the system.

#### *Monitoring staff*

In Germany, in the region of Saxony-Anhalt, the monitoring of the OP is carried out by the LFI Clearing section. The clearing section collects and provides all electronic data which are necessary for the computer based exchange with the Commission and the Federal State in order to fulfil all requirements relating to administration, monitoring and evaluation tasks. Three employees are involved permanently in the administration of the monitoring system. They are paid from by the technical assistance budget. In Thuringia the TAB is in charge of monitoring of the ERDF whereas the other Funds have their own system. Two people are working full time on the monitoring in the TAB which comprises the data management and data analysis for the preparation of e.g. the annual implementation reports. In Saxony different departments involved in implementation are collecting monitoring data. A central system is under construction.

#### *IT staff*

IT-staff is in particular necessary during the development and programming of the IT system. Experiences in past programming periods show that the development of such a system is an on going process. Part of the IT-staff is therefore usually permanently employed within managing authorities and implementing bodies.

In Spain the managing authorities have at their disposal sections responsible for design, planning and maintenance of the computer applications designated to transmit the co-financed projects. Likewise, the intermediate bodies and the implementing bodies have computer departments whose function is to maintain the applications from the regions.

The development of (parts of) the IT system is often outsourced to private sector IT-companies. However, experience in e.g. Germany shows that the softwarehouses or IT-sections of the responsible institutions have to develop and check the system themselves as well. Therefore, the monitoring IT-system is developed during an interactive process between the managing authority / implementing body staff and private IT-companies. Additional work on the monitoring system is carried out during the programme period as well, as adjustments need to be made on an on going basis.

The experience in Ireland is that finding IT-staff for building and running monitoring information systems can be difficult, as well qualified IT staff favours working in the

private sector over working for the public service. The current downturn in the economy – particularly hitting the well-represented high-tech sector around Dublin – however is easing the recruitment of IT-staff.

### **Monitoring of non-cofinanced expenditure**

The experience in the selected countries is that it is efficient to have monitoring systems that are able to monitor EU as well as national policies. The most advanced monitoring systems are able to integrate national and regional aid schemes as well as EU-programmes. In Germany e.g. the target in Saxonia is to integrate both sources into one database, including the requirements from Council regulation 1260/1999. The central database of Saxonia is called the Aid Scheme Administration System. In Ireland, the monitoring system extends to non co-financed NDP-measures as well.

## **2.3 Evaluations**

The SF Regulations require that ex ante, mid term and ex post evaluations are carried out for all OPs, SPDs and CSFs. This section deals with the following issues in particular:

- organisation of evaluations (external versus internal evaluation)
- human resources

### **Internal versus external evaluations**

In Spain the intermediary and final evaluations are contracted out to private independent entities. In addition, the MAs carry out evaluations themselves that are of an internal nature. For the internal types of evaluation, the MAs produce and distribute to the intermediate bodies methodological guides and instructions for evaluation with the aim of standardising evaluation reports.

In Ireland the ex ante, mid term and ex post evaluations of the CSF and OPs are outsourced to private sector experts. In addition, internal evaluations are organised as well. The key organisation regarding the execution of internal evaluations is the CSF Central Evaluation Unit, that has been established for the programming period 2000-2006. Currently, this unit is engaged in the outsourcing of on-going evaluations, that are longitudinal and selective in character.

In addition, in the previous programming period 94-99, in Ireland there existed internal evaluation units for a number of OPs (i.e. OP Industry, OP Environment, OP Agriculture). The internal evaluation unit for the Industry OP provides a good example. This was a full-time independent evaluation unit, set up to carry out in-depth analyses of particular measures or groups of measures, co-financed under the Industry OP. A steering group was appointed by the monitoring committee to oversee the work of the evaluation unit. Functions of the steering group included setting up an on-going work programme for the Unit, agree with the Terms of Reference for each project, advise and

give direction to the work of the evaluation unit and consider and comment upon draft reports co-funded under the OP.

In Germany evaluations are outsourced to the private sector evaluators as well. The evaluations for the regional OPs are commissioned by the Länder themselves. There is light coordination by the MA for the CSF regarding the basic requirements that the evaluations have to meet and regarding the terms of reference. In addition, a CSF-wide evaluation of the regional OPs is carried out as well, coordinated by the CSF MA. This evaluation is mainly a meta-evaluation (summary) of the outcomes of the Länder evaluations. It is carried out by an independent private evaluator as well. The three sectoral OPs in Germany are evaluated separately. The evaluations are the responsibility of the respective Federal ministries.

### **Human Resources**

The newly established Central Evaluation Unit in Ireland consists of several staff members. Recruiting staff for the Central Evaluation Unit caused some problems. According to the Department of Finance, qualified academics often prefer to stay outside of the civil service, so that they can be linked to more lucrative external evaluation teams. Earlier, an ESF Evaluation Unit was disbanded as part of a concentration effort, yet qualified staff left the civil service as a consequence.

### 3 Conclusions for indicators

The main findings as mentioned above give rise to the identification of indicators for measuring the effectiveness of monitoring & evaluation practices. 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.

#### Monitoring committees

##### *1. Establishment of monitoring committees*

- Existence of a document containing an overview of all organisations that are represented at all relevant Monitoring Committees (CSF and OPs)
- Approval of such a document
- Existence of a document containing an overview of representative persons that are Member of all relevant Monitoring Committees

##### *2. Level of formal and actual membership to monitoring committees*

- Membership predominantly by politicians and/or directors
- Membership predominantly by senior staff
- Membership predominantly by junior staff
- Formal and actual membership coincide

##### *3. Rules and procedures for monitoring committees*

- Existence of rules and procedures for the monitoring committee
- Rules and procedures agreed with Managing Authority

#### Monitoring information systems

##### *4. Designation of monitoring responsibilities*

- Responsibilities and tasks assigned at the level of institutions (departments/units)
- Responsibilities and tasks assigned at the level of job descriptions

##### *5. Staffing related to monitoring*

- Prove of suitable candidates for staffing of vacancies
- Proven efforts for utilisation of experience and know from pre-accession stage

##### *6. Existence of computerised monitoring information system*

- Status of the system (under development versus functioning)
- Coverage of actions (all SF-related, also non co-financed activities)
- Coverage of monitoring (physical progress in addition to financial progress)

## **Monitoring reporting system**

### *7. Reporting requirements*

- Existence of clear reporting requirements between MAs, PAs, intermediate bodies and final beneficiaries

## **Evaluations**

### *8. Designation of evaluation responsibilities*

- Responsibilities and tasks assigned at the level of institutions (departments/units, e.g. central evaluation unit)
- Responsibilities and tasks assigned at the level of job descriptions

### *9. Staffing related to evaluations*

- Prove of sufficient and suitable candidates for staffing of vacancies
- Proven efforts for utilisation of experience and know from pre-accession stage

### *10. Availability of independent evaluation expertise*

- Quantitative evaluation expertise available from university institutes or private consultants
- Qualitative evaluation expertise available locally (e.g. knowledge about or experience with MEANS)
- Spreading of an evaluation culture through evaluations of national policies

### *11. Availability of evaluation systems and tools*

- Existence of clear procedures for contracting out external evaluation
- Existence of a national evaluation framework or national guidance, e.g. standard terms of references for external evaluation assignments (on paper versus tested in practice)
- Availability of an indicator set for monitoring financial and physical progress