

Sector Report Programming

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

Final Report

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1 Introduction to the theme

The *EU requirements* in the field of programming are limited, centering on the involvement of social and regional partners, the preparation of a programme complement and on the capacity to prepare adequate statistical data.

The Regulations (1260/99) state on this topic: A programme shall contain: a statement of the strategy and priorities for joint Community and national action¹, a summary of the measures for the implementation of the priorities, an indicative financing plan, and provisions for implementing the programme.

For the programme complement (PC), the following items are required: the measures implementing the corresponding priorities (including their ex ante evaluation), the types of final beneficiary of the measures, a financing plan for each measure, a plan to make the programme public, arrangements made to make electronic data exchange with the Commission possible.

In principle, there seem to be roughly two ways to organise the programming process: top-down and bottom-up. The latter has the advantage that true partnership is organised in an early stage and that the programme is more likely to reflect the real needs of the sector, region or country. On the other hand, overall coherence of the programme and the working together of measures and priorities to reach the programme's global objective will benefit more from a top-down approach.

In the PC phase the involvement of the potential intermediate bodies, who are likely to become responsible for the implementation of certain measures, is indispensable.

Main topics relating to the theme of programming, giving rise to the structuring of this report are:

- The programming process;
- Main bottlenecks in drafting a programme;
- Interministerial co-ordination;
- The delimitation of programmes
- Partnership
- The Programme Complement

The reports are primarily based on the country reports that were prepared within the framework of this project. However, supplementary material and expertise was used where needed.

¹ In case of an Operational Programme the consistency of the OP's priorities with the relevant CSF should be demonstrated.

2 Main findings

2.1 Description of the programming process

In general the MA of a CSF or an OP is responsible for programming, supported by the different fund managers of ERDF, ESF and EAGGF. In Spain the programming process has been carried out according to a pyramid system, such that all of the bodies involved in the management of Structural Funds, Management Authorities, Intermediate Bodies and Implementing Departments have participated in the aforementioned planning process.

In Ireland, OP's have usually been prepared by a Principal or Assistant Principal in the Management Authority, following strategic discussions at senior government level. Limited input was obtained from Implementing bodies. The Department of Finance had a strong co-ordinating role, and assured that certain text blocks (e.g. on Monitoring and Implementation) were similar across the OP's. Due to the rather general nature of the OP's, the drafting of the documents was a matter of a few manmonths.

In eastern Germany, the Federal Ministry of Economy and Technology was the responsible institution for the drafting of the Regional Development Plan (RDP). The whole programming process (socio-economic analysis, SWOT-analysis, objectives, priorities and measures) has been developed within a working group in close co-operation with the Länder who adopted the structure of the RDP for their own OPs. External assistance by a research institute has been used for the drafting of the RDP. According to the CSF MA this was a necessary step since capacities in the ministry for such an extensive task were limited. Although parts of drafting were sourced out, the whole process is assessed as very labour intensive. This was also the case with the Operational Programmes of the Länder which have been developed in parallel with the RDP.

The CSFs are normally a top-down exercise, beginning with the heavy and tough work of preparing a National Development Plan. Under the supervision and coordination of one Ministry (in Portugal for example this is the Ministry of Planning) all technical staff of the Ministries and of the regions are involved in preparing a reference document, which forms the basis of the drafting of the CSF. In Ireland, Spain and Portugal, this co-ordinating ministry is one of the few Ministries that don't have public investment co-financed by the CSF, with the exception of technical assistance. Drafting the OPs and of the whole CSF has been carried out mainly by top-level staff. Negotiations with the Commission also involved principally top-level managers of the OPs and political representatives of each Ministry associated to each OP, always with the strong involvement of the co-ordinating Ministry.

In Ireland, the preparations for the NDP 2000-2006 started in early 1998. The Minister for Finance invited the Regional Authorities and the Social Partners to make submissions in their investment priorities for the period 2000-2006. The Ministry of

Finance circulated their submissions to the relevant Government Departments for their consideration in the context of developing and refining their won sectoral proposals for the NDP. A number of meetings at both official level and Ministerial level as well as a number of information meetings were held at official level involving all the Ministries and the European Commission. The NDP document itself contains a summary overview of all priorities submitted by the social partners.

In an extension of the Irish consultation process, an overview of the draft NDP was circulated to the social partners and the regional authorities. Meetings at the highest political levels and debates at both the local and national levels were organised. At the national level, Deputies and Senators were given an opportunity to highlight the areas that the plan should address. This makes it clear that the involvement of politicians as from the very beginning is vital. Further on a series of meetings were held at Ministerial level to discuss the draft NDP. The purpose of the meetings was to secure social partner consensus on the investment proposals and underlying strategy.

The NDP formed the basis for drafting the Community Support Framework. A separate ex ante evaluation was carried out of the CSF, by the CSF Evaluation Unit at the Department of Finance. The main challenge of the CSF process was to decide upon the priorities for the NDP to be cofinanced by the European Commission, as the NDP just identifies the national development priorities, irrespective of the possibility to get Structural Fund assistance for it. This was an important issue during the negotiation process between the Irish government and the EC.

Not seldom external institutes were invited to draft or organise the drafting of the strategic part of the programmes. In some cases this only concerned the execution of a socio-economic or SWOT analysis. The main issues of regional economic development have to be addressed in the SWOT-analysis in order to develop an efficient strategy. Intensive discussions among relevant institutions within and outside the responsible ministries are therefore a necessary step in writing an OP. Nevertheless the drafting of the OP is the core competence of the ministries.

Due to the full or partial involvement of many actors in the programming partnership, it is not possible to identify structures or human resources dedicated exclusively to programming activities. A rough estimate (Germany) is that 4-9 people are involved in programming in each MA. For Spain, it is possible to say that at least 2 or 3 of the personnel of each of managing (MA) or intermediate (IB) bodies were involved in the programming activities.

In each of the Member States, intensive discussions and feedback about the adopted strategy, priorities and measures are a pre-condition for an OP of high quality and therefore for an effective management of SF. This process is time consuming and has to be taken into consideration when drafting a programme. It can take up to a year and a half to draft a programme, depending on the number and type of partners involved. Since personnel capacities are limited for the responsible institutions the outsourcing of

different parts to research institutes or consultants (for example the socio-economic analysis and the SWOT-analysis) is recommendable.

Ex ante evaluation

During the last programming round (for the 2000-2006 programmes), each of the Member States has built up experience with an interactive ex ante evaluation, a new requirement in the regulations. For the first time, the programming process and the ex ante evaluation were taking place simultaneously. This meant that in some cases there were two (groups of) external parties working with the public programming partners: one (assisting) in the drafting of the programme itself and one in the ex ante evaluation. The ex ante evaluation is supposed to assess the connection between analysis and strategy, the quantification of indicators, the estimation of the impact the programme can be expected to have as well as the arrangements made for management and implementation. Due to the fact that the evaluation is interactive, meaning that the evaluator's feedback is received continuously and can be used to steer the programming process, it takes more time and effort than previously. Generally, the experiences with the interactive evaluations are positive, provided that it is not regarded as just another official requirement without any practical use.

2.2 Main bottlenecks in drafting

The issue of developing reliable indicators for programming, notwithstanding the experience of managing two previous CSFs, remains a problem for management authorities in many Member States. There is no clear articulation between the evaluation exercises in the past and the setting-up of reliable indicators for targeting the OPs in quantitative terms. The targets are significantly formulated in qualitative terms, although associated to some quantitative goals. However, the realism of these goals deserves some discussion. Managers talk of the perverse effect of establishing a performance bonus scheme for the period 2004-2006 and of the tendency of setting moderate targets. In OPs that are strongly dependent on the national budget for ensuring the national co-finance of EU funding (for example, accessibility and transport), the setting up of realistic targets was also troubled by budgetary uncertainties.

In Ireland, perhaps the most difficult part of the whole programming exercise has been the development of *indicators*. The challenge involved both methodological and political aspects. Methodological problems focused on the difficulty in measuring input, output and impact variables that were both relevant and measurable. The political aspect concerned the setting of targets. Due to the relation with the performance bonus scheme for the period 2004-2006, (second tier) intermediate bodies demonstrated a certain reluctance to set targets too high, whereas political and EC pressure was upward.

One of the nastiest problems with the quantification of the indicators is basically due to the necessity to carry out long-term forecasts, the nature of the indicators and their difficulty in terms of quantification and measurement, as well as the fact that at their

levels of execution there is the influence of external factors like the development of the economic situation in general, nationally and/or within the community (employment, environment,... etc.). These facts together with the implications that the achievement of the forecast indicators will have in relation with the budget allocated in the performance reserve have implied additional efforts to all the bodies involved in the programming.

One of the most difficult intellectual exercises is to reconcile the outcomes of a socio-economic or SWOT analysis with (sometimes politically pre-fixed) programming partners' ideas, wishes and shopping lists. An interactive process is not always easy to reconcile with objective, analysis-based strategies. However, by feeding the participative programming process with objective, statistically backed information and data, this seeming contradiction can be effectively addressed.

2.3 Interministerial co-ordination

One of the most difficult aspects of programming takes place in the first phases of the process: the co-ordination between the different ministries. Usually, there is one co-ordinating ministry trying to reconcile the available budget with the wishes of the different (sectoral) ministries. These ministries can exist at national or also at regional level. For instance, all Spanish Management Authorities have specific departments dedicated to the co-ordination, evaluation and presentation of the specific documents for planning and programming purposes. In Saxony-Anhalt the OP was conducted by the Ministry of Economy in co-operation with the ministries of labour and agriculture.

In any case, it is highly important that a clear overview of what is going to be the input from whom and when in the programming process. The input from different ministries with competing and sometimes even conflicting interests calls for a carefully designed programming process. Besides one 'moderating' party that keeps tight control of this process, there should be deadlines for contributions to and comments on draft texts. The organisation of (a series of) workshops is very helpful in creating the necessary 'ownership'-feeling for the programme at the various stakeholders in the programme. In first instance, this involves the relevant ministries. Later on in the process, however, these ministries should take care of the involvement of all kinds of other parties having an interest in or being affected by the programme. This includes social partners, NGOs etcetera.

The intended MA seems to be most fit to take this role of moderating this programming process. The MA in the four countries studied, via their planning departments and according to the Commission's guidelines and instructions, have disseminated a large number of informative documents and have produced some model dossiers with the aim of making the production of the different documents easier for the intermediate bodies, as well as to provide all the OP and OP Complements of the different regions with a high degree of homogeneity in terms of their contents and structure. Once these dossiers were completed by the various lower level (implementing) IBs, the higher level IBs carried out the task of co-ordination and evaluation, which was considered necessary in

order to integrate them into the different OP and OP Complements, thus acting as an initial filter to subsequently send them to the Planning Units of the MAs.

It is crucial that the organisations taking part in the programming process have a sufficient level of decision power in order to keep the process on speed. Whenever meetings or workshops are not attended by people with enough seniority, the effectiveness will suffer and the process will be slow. Next to that, each participant needs to have a clear mandate from the organisation he is being delegated by to agree or disagree with certain programme elements. However senior the participants of the programming process might be, there is still a need for ratification-moments in which decisions taken in meetings or workshops are agreed upon by the organisations the participants are representing.

Usually, the programming process is a national happening. However, in some cases there have also been various meetings between the Commission and the bodies participating in the planning process, with the aim of negotiating and reaching a consensus on the contents of documents.

A typical top-down programming process starts with analysis on the basis of which priorities are identified. Later on, each of these priorities has to be detailed into measures. In some of the Member States studied, the higher level IBs have been responsible for the production and editing of the physical and economic analysis and of the measures texts with the help of the different implementing (lower level) IBs. The latter have been mainly responsible for carrying out the editing of measures and physical and financial monitoring indicators.

Delimiting OPs

One of the most difficult discussions in programming concerns the co-existence and reconciliation of regional and sectoral angles. The guiding rule should be that those issues that are priorities from a national development point of view be dealt with in sectoral programmes (SOPs) and those that are sub-national in nature (e.g. those that are a priority only for certain regions) in regional programmes (ROPs). The subsidiarity principle gives the necessary guidance in this respect. In elaborating this point, it is crucial that there is a close connection with both the administrative structure and the policy culture in a Member State. In Portugal, for instance, the competencies of local governments have been a guiding principle in the division between SOPs and ROPs. In addition, the tasks of deconcentrated national bodies is included in the ROPs as well. In Germany, the broad competencies of the Länder form the basis for the dominance of the ROPs. Similarly in Spain, the competencies of the Autonomous Communities are a basis for distinguishing the ROPs from the SOPs.

The same argument can be applied to the concept of Joint Regional OPs (JRUPS). These JRUPS do not yet exist in any of the countries studied, so the line of reasoning is only theoretical. In following the criteria for administrative structure, it would be logical to link JRUPS to the bodies in charge for national regional policy. The co-ordination of such a JRUP would therefore also be in the hands of the authority responsible for the

national regional policy. The allocation of priorities and funds would then be based on the criteria for national regional policy as well.

2.4 Partnership

The theme of partnership is closely connected to interministerial co-ordination. It is much broader however. Programming is the first phase in which the partnership principle can and should be implemented. Whenever it is not elaborated to the full already in this phase, it will keep on affecting the performance of a programme. It is vital that all stakeholders will have the feeling that it is *their programme* and will subsequently do their best to make it a success. It is in the programming phase also that the foundations are laid for more formal structures of partnership, e.g. the Monitoring Committee.

In Germany, the Länder level has a central position when it comes to creating partnership. It was in general the Ministry of Economy that was the responsible institution for the ERDF taking the lead in drafting OPs. It was supported by the ministries responsible for the ESF and EAGGF who gave inputs on their parts. Again external assistance was used in the programming process in the case study Länder of Thuringia, Saxonia and Saxony-Anhalt. This is the first (restricted) creation of high-level partnership. The economic and social actors participated actively at the time of determining the needs and requirements of the different regions and OP, as well as revising the different drafts of the OPs and Programme Complements, giving several suggestions and elements of improvement that were taken into consideration and in most cases included in the documents. These partners will also be informed of the results of Monitoring Committee meetings as well as the progress made by the different interventions and any other relevant subject discussed in it.

The participation of the intermediate bodies in drafting the CSF and the several OPs is usually quite weak, in the case of Portugal confirming the tradition of top-down planning, reinforced by the short time of preparation and drafting. The limited inputs obtained from IBs come principally from the experience of preparing the ROPs. Consultations at local level and at supra-local level (associations of municipalities) were made about the diversity and magnitude of projects that municipalities intended to present. Preliminary contacts have also been made with Entrepreneurial Associations. The experience in more than one country is that time pressure in programming will inhibit true partnership to develop when the programming process is already substantially on its way. The same situation goes for SOPs. The inputs from IBs to the drafting is limited. The participation of some sectoral associations deserves to be mentioned. By organising diffusion meetings with firms or other institutions represented by these associations it has been possible to collect reliable information about expectations and investment needs possibly covered by the SOP.

The degree of involvement of social partners in programming is often lacking a solid methodology and effectiveness. One easy way of starting to organise programming partnership is using the existing structures that are normally used in order to involve

social partners in elaborating comments on economic planning documents. This way, methods that have proven their effectiveness can help to win time and quality in the programming process.

In Germany, intensive discussions with other departments about contents of the strategy have taken place in all Länder. In all cases there has also been an intensive involvement of social partners. Here, Intermediate Bodies are almost always involved in drafting and commenting OP drafts. However, social partners are rarely all involved in drafting. They are, however, almost always asked to comment on drafts. So even in Germany, there is a restricted form of partnership in the programming process.

In all case studies intensive discussions on workshops and meetings have been carried out. Selected examples from the German Länder are: In Thuringia the Ministry of Economy (TWA) organised a meeting with about 60 participants from different institutions (chambers of commerce, labour unions, municipalities etc.) in order to collect proposals for the regional development strategy. The statements have been analysed by the external research institute supporting the MA in drafting the OP. In Saxony-Anhalt a working group consisting of different ministries has been established to accompany the drafting of the programme. Results have been submitted to subordinated regional and local institutions as well as to social partners and NGOs (including environment). A series of information and discussion meetings and conferences has been arranged within the regions. On the level of the Federal State, the Ministry of Economy organised 12 seminars on the qualification of social partner for the programming period 2000-2006 (financed from Technical Assistance).

2.5 The Programme Complement

After the approval of the CSF and the OPs by the Commission on the basis of negotiation mandates the elaboration of the Programme Complements (PC) was another time consuming process. As it has been reported for the Irish case, the preparation of the Programme Complements has been as well time and resources consuming. On the contrary, the degree of participation of intermediate bodies (especially the second tier) is still weak.

The Regulations allow both a parallel (together with the programme itself) or ex-post process of creating the PC. An advantage of the parallel situation is the opportunity to create real coherence between the different programme elements: by formulating priorities and measures (the latter only to be detailed in the PC) at the same time, the probability of having to correct parts of the OP or SPD later on is reduced. However, a parallel process puts even more pressure on the time schedule as well as the efficiency (more partners are involved) of the programming process.

Whenever a true bottom-up programming procedure is chosen, a parallel OP / PC drafting process seems to be more logical. Overall coherence should be watched closely in this case however. In a top-down process, the ex post option is preferable. In both

cases, however, the involvement of both first and second tier IBs is indispensable for a high quality PC.

In Ireland, considerably more effort was required for preparing the *Programme Complements* than for the OPs. Three main issues arose from this exercise. First, the elaboration of each measure was time-consuming due to the large number of measures and the equally large number of stakeholders. In this exercise, Implementing bodies played a much more important role, and the co-ordination task of the Programme Complement was much more demanding. At the end, the Programme Complements have become much vaster documents than the OP's themselves. Another challenge concerned the negotiations with the Commission. As only a number of measures would need to be co-financed from the Funds, negotiations centred on the type of measures to be supported. The Commission usually took the stance that it supports the more innovative and advanced measures, which was not always the preferred Irish option.

There is every reason not to treat the PC as some kind of obligatory appendix of the OP: it is a necessary further step in the direction of clarifying what the OP is going to do *exactly* and how that is going to be done. Due to the fact that the OP or SPD can already be sent to the Commission for approval before the PC is finished (and in theory even before it is started) makes that it is not really delaying the programming process. The gains to be made from a detailed, high quality PC, however, make it an opportunity that should not be missed.

3 Conclusions for indicators

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. *Partnership already present in existing economic development policy*
 - Only ad hoc interministerial co-ordination of socio-economic policies
 - Only ad hoc interministerial consultation of socio-economic policies
 - Social partners and NGOs are also involved in design of socio-economic policies
 - Social partners and NGOs can influence contents of socio-economic policies
2. *Programming entity designated*
 - Responsible ministry for programming Structural Funds has been designated
 - Consensus exists over responsible ministry for programming Structural Funds
 - Responsible department within ministry designated
3. *Capacity to carry out programming is available quantitatively and qualitatively*
 - Analytic skills
 - Process skills
 - Expertise to create Indicator systems
 - Experience in Programming
4. *Guidelines for programme preparation exist and disseminated*
 - Only EC standard guidelines disseminated
 - National programming methodology exists
 - Detailed handbooks for different programming exercises exist
5. *NDP available*
 - Only PNDP on paper
 - NDP strategy available
 - NDP including priorities, measures and indicative budgets
 - NDP with wide support among socio-economic actors
6. *Political involvement guaranteed*
 - NDP has or has had interest and involvement of minister or state secretary
 - NDP has been debated in and amended by the cabinet of ministers
 - NDP has been debated and agreed upon in parliament
7. *External TA candidates in own country available*
 - Programming assistance (contents)
 - Programming assistance (process)

- Ex ante evaluators
 - Indicator systems
8. *Programming process designated and agreed upon*
- Global agreement on time schedule
 - Fixed deadlines for half-products
 - Decision procedures, mandates and ratification moments fixed
9. *Delimitation of (J)ROPs and SOPs or regional / sectoral priorities clear*
- Agreement on what goes in ROP and what in SOP
 - Objective criteria exist on the basis of which division is made
 - Criteria match existing division between regional and sectoral policies