OECD Multi-level Governance Studies

Strengthening Governance of EU Funds under Cohesion Policy

ADMINISTRATIVE CAPACITY BUILDING ROADMAPS

OECD

OECD Multi-level Governance Studies

Strengthening Governance of EU Funds under Cohesion Policy

ADMINISTRATIVE CAPACITY BUILDING ROADMAPS

BETTER POLICIES FOR BETTER LIVES

Please cite this publication as:
OECD (2020), *Strengthening Governance of EU Funds under Cohesion Policy: Administrative Capacity Building Roadmaps*, OECD Multi-level Governance Studies, OECD Publishing, Paris, *https://doi.org/10.1787/9b71c8d8-en*.

ISBN 978-92-64-62183-1 (print)
ISBN 978-92-64-48482-5 (pdf)

OECD Multi-level Governance Studies
ISSN 2414-6781 (print)
ISSN 2414-679X (online)

Photo credits: Cover © Getty Images/miroslav_1

Corrigenda to publications may be found on line at: *www.oecd.org/about/publishing/corrigenda.htm*.

Foreword

In the 2014-2020 European Union (EU) programming period, the European Structural and Investment Funds (ESIF) reached EUR 461 billion, financing a broad range of investment projects and programmes. Three out of five ESIF funds are under the EU's Cohesion Policy, which aims to support balanced economic, social and territorial development and cohesion across its Member States.

Administrative capacity has been identified as a fundamental factor behind the performance of EU funds, especially those under Cohesion Policy. Successfully managing and administering these funds rests on the effective governance of the investment process, on the administrative capacity of Managing Authorities, and on the capacities of a diverse range of stakeholders. The management of ESIF involves a complex ecosystem of actors – from multiple levels of government, to private firms and non-profit entities. Clear, evidence-based strategies are essential to intelligently direct ESIF to where they are most needed and likely to have a positive impact; effective co-ordination and communication among actors, including beneficiaries, is necessary to ensure the maximum impact from the use of the Funds; and having the right skills and capacities is core to good project management. This can prove challenging. EU Member States show varying degrees of administrative capacity in *a)* "absorbing" and spending the allocated amount of ESIF; and *b)* doing so in a strategic fashion, one that supports development by addressing national, regional and local needs.

In anticipation of the 2021-2027 programming period, the European Commission, through its Directorate General for Regional and Urban Policy (DG REGIO), launched a pilot project entitled "Frontloading Administrative Capacity Building for Post-2020", with the participation of Managing Authorities from Bulgaria, Croatia, Greece, Poland (Lubelskie) and Spain (Extremadura). The aim of this pilot was to support Managing Authorities in designing roadmaps for action that would delineate concrete activities to enhance their administrative capacity. Throughout the pilot, OECD experts from the Centre for Entrepreneurship, SMEs, Regions and Cities, and the Directorate for Public Governance provided technical support to these Managing Authorities and relevant stakeholders to develop their respective Roadmaps. The role of the OECD was to advise on structural, procedural and strategic changes that Managing Authorities could introduce to make the most of EU funding in the 2021-2027 programming period. This report captures the main findings of this project, and offers recommendations to Managing Authorities, national authorities and the European Commission regarding the management and implementation of ESIF. It intends to be of value to national and regional-level Managing Authorities throughout the European Union moving into the 2021-2027 programming period.

Acknowledgements

This report was directed by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director. It was co-ordinated by Maria Varinia Michalun and supervised by Dorothée Allain-Dupré, Head of Unit, Decentralisation, Public Investment and Subnational Finance in CFE and Daniel Gerson, Head of the Public Employment and Management Unit in the OECD Directorate for Public Governance (GOV). The report was written by Maria Varinia Michalun and Yingyin Wu from the Unit for Decentralisation, Public Investment and Subnational Finance in CFE and Daniel Gerson, Dónal Mulligan and Natalia Nolan Flecha from the Public Employment and Management Unit in GOV. The report includes substantial input from Judit Kálmán, development policy expert and Research Fellow from the Institute of Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, and Giorgio Centurelli, EU structural funds senior expert at the Italian National Technical Secretariat of Plans for Administrative Reinforcement. The report benefited from valuable comments from Isabelle Chatry, and Isidora Zapata from CFE, and Paulo Magina and Matthieu Cahen from GOV. Additional guidance was provided by Rudiger Ahrend, Head of the Economic Analysis, Statistics and Multi-level Governance Division of CFE with additional input from Edwin Lau, Head of the Budgeting and Public Expenditure Division in GOV.

The OECD extends its warm thanks to the staff, project teams and stakeholders of the five Managing Authorities for their comments, input and dynamic contributions to this project: the Managing Authority for the Regions in Growth Operational Programme in Bulgaria; the Managing Authority of the Competitiveness and Cohesion Operational Programme in Croatia; the Managing Authority of the Transport Infrastructure, Environment and Sustainable Development Operational Programme in Greece; the Managing Authority of the Regional Operational Programme for the Lubelskie Voivodeship in Poland; and the Managing Authority for the Regional Operational Programme for Extremadura in Spain. Thanks are also extended to the Directorate General for Regional and Urban Policy (DG REGIO) Unit E.1 Administrative Capacity Building and European Solidarity Fund, and the relevant Geographic Units. The comments received from the Delegates of the OECD Regional Development Policy Committee during the Committee discussion on 22 November 2019 are also gratefully acknowledged.

Thanks are also given to Pauline Arbel for preparing the cover image of the report and to Pilar Philip and François Iglesias who prepared the final publication.

Table of Contents

Tables

Figures

Boxes

Acronyms and abbreviations

AA	Audit Authority
ACB	Administrative capacity building
CA	Certifying Authority
CF	Cohesion Fund
CLLD	Community Led Local Development
CoP	Community of Practice
CoR	Committee of the Regions
DG REGIO	Directorate General for Regional and Urban Policy
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
ECA	European Court of Auditors
EMFF	European Maritime and Fisheries Fund
EPF	Economic Prioritisation Framework
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
FAQ	Frequently Asked Question
GDP	Gross Domestic Product
HR	Human Resources
HRM	Human Resource Management
IB	Intermediate Body
ICT	Information and Communication Technology
IMF	International Monetary Fund
ISUD	Integrated Sustainable Urban Development
ITI	Integrated Territorial Investment
KPI	Key Performance Indicator
MA	Managing Authority
MCS	Management and Control System

MTNDS	Medium Term National Development Strategy
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OP	Operational Programme
PA	Partnership Agreement
PSLC	Public Service Leadership and Capability
R&D	Research and development
ROP	Regional Operational Programme
SME	Small and medium enterprise
TA	Technical Assistance
TO	Thematic Objective
WEFO	Welsh European Funding Office

Executive summary

Given rising investment needs and declining public investment spending, European Union (EU) funding mechanisms represent an important tool to ensure investment spending among EU Member States. In the current 2014-2020 programming period, EUR 461 billion was allocated to the European Structural and Investment Funds (ESIF). National co-financing brings the total to EUR 647 billion available for ESIF investment in the European Union. Given the breadth and importance of ESIF, making the most of the opportunities it offers rests on ensuring quality institutions and administrative capacities as well as effective governance and management mechanisms.

Administrative capacities matter for the effectiveness and impact of ESIF. In particular, quality governance practices, institutions and institutional practices can positively affect the returns to Cohesion Policy investment, regional competitiveness and economic growth. Thus, it is essential to invest in governance, to build adequate capabilities to manage EU funds among all levels of government, and to design strong investment strategies. These concepts are key tenets of the OECD Recommendation of Effective Public Investment across Levels of Government. Ahead of the 2021-2027 programming period, the European Commission launched a pilot project to support ESIF Managing Authorities (MAs) in the development of Roadmaps aimed at strengthening their administrative capacities to effectively oversee, administer and evaluate the use of ESIF. Five MAs were selected by DG REGIO to participate in this project – three at the national level and two at the regional level. The findings in this report draw from the project undertaken with these five MAs. From this selected group, MAs throughout the ESIF management system may recognise similar challenges, and the lessons are broadly applicable not only to EU Member State Managing Authorities, but to public sector institutions charged with designing and implementing investment strategies and seeking to strengthen their capacities to do so.

Key findings

Each MA in the pilot displayed specific challenges relating to diverse issues, including local market conditions, distinct governance structures and the precise combinations of thematic objectives. Despite the individual characteristics of each MA, including size, territorial scope (national or regional), level of expertise in ESIF management, etc., common threads in terms of challenges, experiences, needs and (occasionally) solutions, emerged throughout the diagnostic phase and in stakeholder interviews. Although each MA is affected to different degrees by the challenges listed below, a key observation of this project is that all five of the MAs – and most likely more beyond this sample – will recognise elements of these challenges that apply to them.

Challenge Area 1: People and organisational management

MAs generally have skilled and professional staff, but these are not perceived or managed as a strategic asset. Most staff in MAs are managed in traditional hierarchal settings where talent management is not perceived strategically for achieving the goals of ESIF investments. This often leads to some skills shortages or the misallocation of skills, a lack of formalisation around job profiles and roles, and poor anticipation of skills needs and workforce planning.

There is a widespread desire for more training, but learning and development modules lack a strategic vision and are under-utilised. Most MAs have training modules designed to keep staff up to date with legislative and regulatory developments. Beyond these core modules, training is not perceived by staff as useful to their career development. Competences for ESIF administration have rarely been defined, and as such, learning and development is not systematically aligned with core competency development.

MAs need to be able to recruit and retain top talent, but feel constrained in their options for addressing this. Managing ESIF requires deploying a range of skills and technical knowledge, but many MAs lack the flexibility and agility to do so. MAs face competition in terms of attracting necessary skills, and existing human resource management policies are often rigid and slow. Opportunities for mobility is often limited, with many staff sitting in flat hierarchies with little chance of meaningful career progression. Over time, employee engagement can be affected, and in some MAs, turn-over is high.

Challenge area 2: Strategic implementation of Operational Programmes

MAs face common challenges in their strategic approach to Operational Programme implementation and the ESIF investment cycle, which affect spending effectiveness. Regardless of country contexts and degree of experience with ESIF financing, there is generally room to enhance capacity in strategic Operational Programme (OP) design, priority setting, information and knowledge sharing, and performance measurement. Doing so could help MAs better capture synergies within their OPs and across Priority Axes, create more integrated investment processes, optimise OP implementation processes throughout the investment cycle, and eventually enhance investment impact.

There is room to build stronger partnerships among Operational Programme stakeholders, particularly with beneficiaries, including through more customised approaches. MAs are fundamental partners in ensuring the effective use of ESIF as a means to attain Cohesion Policy and national development goals. Intermediate Bodies (IBs) and especially beneficiaries, as the final recipients of EU funds, play a decisive role in the ESIF investment process. There is room to better support the capacity of these two groups – and especially that of beneficiaries – to manage and undertake ESIF financed projects throughout the OP investment cycle. Tailoring communication and capacity-building to their needs is one approach. This additional consideration can be fundamental to establishing and maintaining constructive partnerships with OP stakeholders, particularly beneficiaries.

Challenge area 3: Framework conditions

Framework conditions exert significant pressure on Operational Programme implementation, ultimately affecting absorption capacity. Framework conditions are generally outside an MA's direct control, however, they strongly affect the capacity of MAs to smoothly manage OP investment. Frequent changes to regulatory and legal frameworks (both national and European-level), "one-size-fits all" approaches to OP implementation, inconsistent interpretations in control, verification and audit processes, and complex and/or opaque procurement laws all contribute to generating administrative burden and high transaction costs. This can result in implementation delays, financial corrections, mistrust in the system and, at an extreme, a disincentive among beneficiaries to use ESIF. MAs and other parties, including Intermediate Bodies (IBs), must work together to manage difficulties as quickly and efficiently as possible. It is also important to consider active consultation with MAs and IBs when designing the framework conditions that structure their work.

Higher-level challenges

There is room for greater innovation in how MAs operate and in the practical implementation of Operational Programmes. The structures and processes framing ESIF management and implementation aim to minimise risk and mitigate potential fraud or error. This is highly reasonable. Meanwhile, the mechanisms established to accomplish this may be stifling the capacity of national and regional MAs to be innovative in diverse activities, including how they administer and manage their staff and organisations, and how they design and select projects. In turn, this may limit how effectively they can meet higher level objectives or their desired investment outcomes.

Initiatives to build the administrative capacity of MAs should be undertaken at the appropriate scale. There is a significant amount that MAs can do to build their capacity for more effective OP investment, particularly with respect to those matters that lie within their organisational mandate. There are other matters, however, that affect their ability to act and invest effectively, and overcoming these requires support from higher-level bodies. Human resources is an example. While MAs may be short-staffed and/or under-skilled, they often lack the authority and/or incentive to hire additional employees and train them to the extent necessary, due to regulations set centrally that apply to the broader public service. Furthermore, being heard on such matters as burdensome procedures, or inconsistent control results, and working to find practicable solutions cannot come from one MA alone, but must come from MAs as group. These then need to bubble up to the appropriate higher-level authorities for consideration and action. This type of unity and dialogue among MAs in a country does not seem to occur as often as it should or could. Finally, many of the actions found in the Roadmaps developed through this pilot could be better leveraged at a higher-level – through the Management and Control System or at National Coordination Body-level, for example. Doing so may have greater impact than taking an MA-by-MA approach. Actions could be easier to implement and have a broader impact on the administration and use of ESIF in a country, better supporting the ability of EU Member States to meet Cohesion Policy objectives.

Chapter 1. Building administrative capacity for Cohesion Policy financing

This chapter provides an overview of European Structural and Investment Funds and Cohesion Policy in light of current trends in public investment. It highlights the importance of quality governance practices and administrative capacity in optimising public investment, and underscores the importance of strong administrative capacity among Managing Authorities in order to boost the effectiveness of European Structural and Investment Funds investment. It concludes with a description of the OECD diagnostic framework developed to support administrative capacity building in the context of managing EU funds under Cohesion Policy.

Note by Turkey:
The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union:
The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

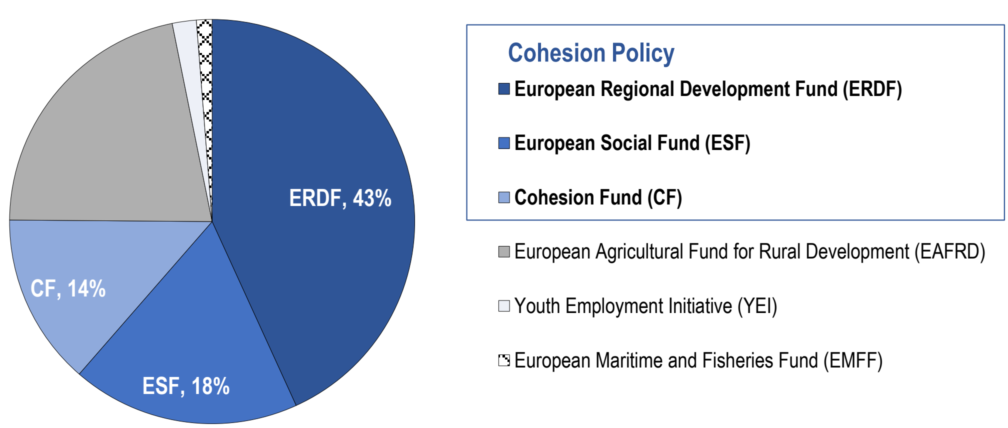
Introduction

European Structural and Investment Funds (ESIF) are the European Union (EU)'s main investment policy tool to support job creation and sustainable economic growth. In particular, Cohesion Policy – funded through the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF) – accounts for a substantial portion of public investment in the EU, and plays a critical role in achieving EU and EU-Member State development objectives. Equipping Managing Authorities (MAs) with adequate administrative capacity is key to ensuring the effective and efficient implementation of investment programmes and to maximising ESIF potential to contribute to regional, national and EU development.

The importance of effective public and ESIF investment for countries and citizens

In the 2014-2020 programming period, EUR 461 billion, or over half of the total EU budget was allocated to the ESIF, which supports over 500 programmes (European Commission, 2019[1]). This allocation represents a 4.4% increase over the previous programming period in which the planned amount for ESIF was EUR 441 billion (European Commission, 2019[2])[1]. The funds make it possible to advance national and subnational-level investment in competitiveness, growth and jobs in EU Member States. It is estimated that by 2015 ESIF investment associated with the 2007-2013 programming period supported a 3% increase in GDP among EU 12 countries[2], and a similar increase is expected by 2023 associated with the current programming period (European Commission, 2018[3]). The majority of ESIF – EUR 351.8 billion – are dedicated to funding EU Cohesion Policy, through ERDF, ESF and CF (Figure 1.1). As for the 2021-2027 programming period, the European Commission (EC) has proposed an allocation of EUR 373 billion to fund Cohesion Policy, channelled through ERDF, European Social Fund Plus (ESF+), and CF (European Court of Auditors, 2019[4]).

Figure 1.1. Overview of the European Structural and Investment Funds for 2014-2020



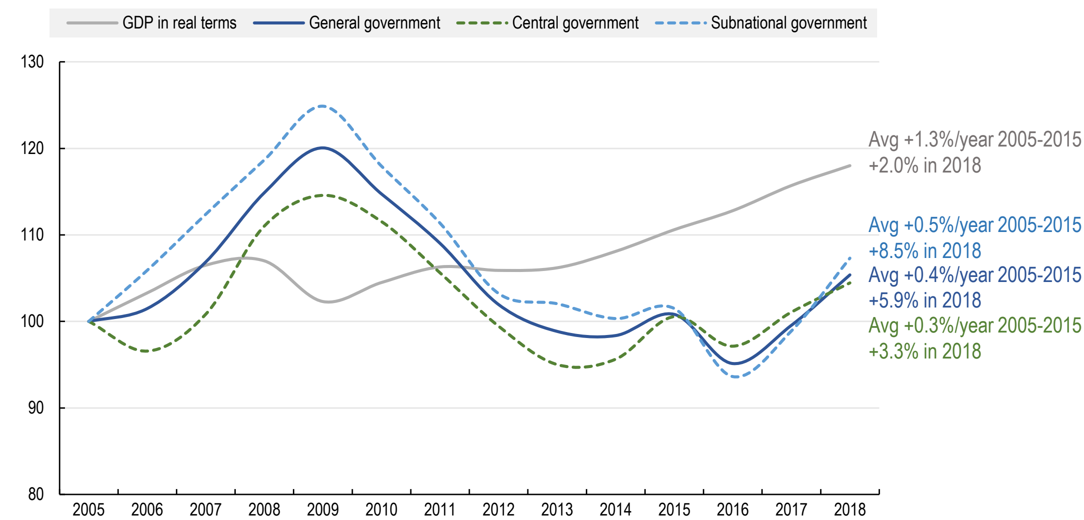
Note: For the post-2020 Programming Period, the European Commission has proposed that the Youth Employment Initiative (YEI) be integrated with the next iteration of the European Social Fund, the European Social Fund+.
Source: (European Commission, 2019[1]).

The investment financing provided through ESIF is significant for a number of reasons. First, while it aims to reduce inequalities between EU countries, it can also help reduce disparities within countries through targeted, and ideally place-based, investment. Second, encouraging productivity growth is critical to ensuring greater well-being as it can have a positive impact on income and jobs, health, and access to services. One ingredient for promoting such growth is investment in both "hard" (e.g. transport, energy, Information and Communication Technology, etc.) and "soft" infrastructure (e.g. research and development, human capital and skills, social and community services, etc.), a focus of this current programming period. Finally, since the global financial crisis, the public investment to GDP ratio has dropped in many EU countries (Figure 1.3). ESIF, especially Cohesion Policy funding, offers one way for EU Member States to ensure a reliable source of public investment finance, especially today when investment needs are rising.

The state of public investment: spending is picking up, but needs remain significant

The 2008 global financial crisis put strong pressure on global investment (IMF, 2018[5]; OECD, 2018[6]). The fiscal consolidation strategies and austerity packages that followed the crisis in OECD member countries strongly affected public investment, which was mainly used as an adjustment variable (OECD, 2011[7]; 2013[8]). This also holds true in the European Union. Of the EU 28 countries, public investment has declined since the 2008 crisis. There was a stabilisation between 2012 and 2016, but this was followed by a slight decline in 2015, which can be partially explained by fiscal consolidation, as well as the impact of ESIF. According to the European Investment Bank (EIB), in recent years and among countries that are heavily dependent on ESIF, these funds accounted for around two-fifths of public investment, or nearly 2% of GDP. This caused them to suffer from a "cliff effect" suddenly turning negative after the 2015 deadline for payments under the 2007-2013 programming period (EIB, 2016[9]). Entering the 2014-2020 programming period, and since 2017, public investment started to rise, as countries and regions implement ESIF investments (Figure 1.2). Nevertheless, according to the 2018/2019 EIB report, while public investment is gradually picking up, it remains low. In particular, the fall in government infrastructure investment was most pronounced in countries subject to adverse macroeconomic conditions and more severe fiscal constraints (European Investment Bank, 2019[10]).

Figure 1.2. Public investment in EU-28 from 2005 to 2018 (change in real terms)

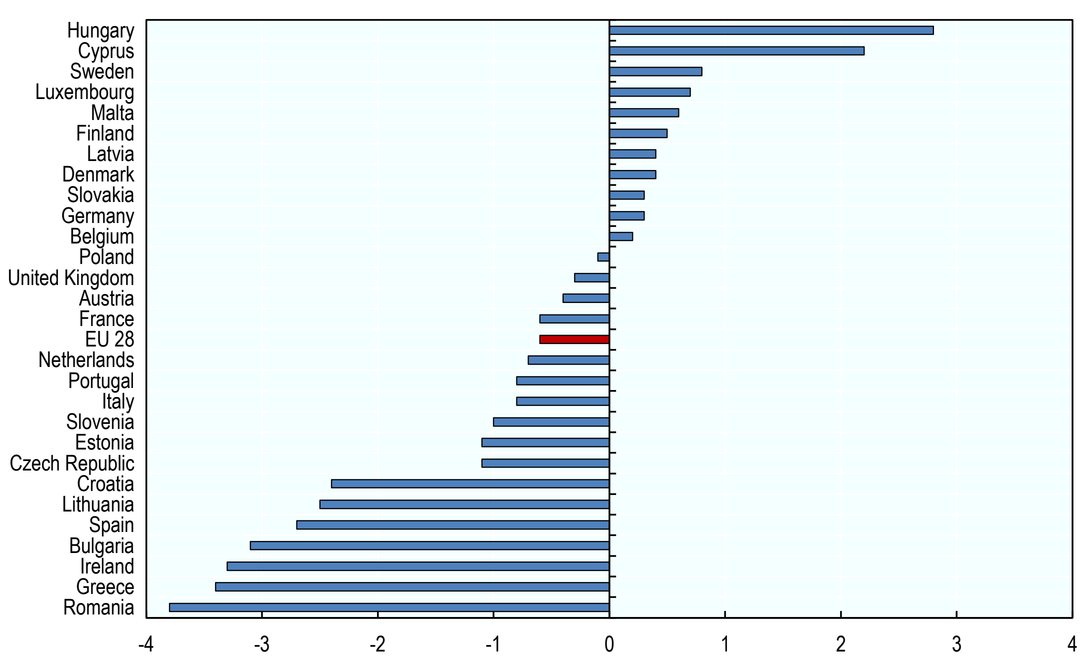


Source: Authors' calculation based on (Eurostat, 2019[11]; Eurostat, 2019[12]).

On average, public investment in the EU 28, as a share of GDP, decreased by 0.6 percentage points between 2008 and 2018 (Figure 1.3). Looking at each country, this drop has been particularly large in some EU Member States that are also major recipients of ESIF funding (e.g. Bulgaria, Croatia, Greece, Lithuania, Romania, and Spain).

Figure 1.3. Many governments in the EU have reduced public investment since the crisis

Change (in percentage points) in the general government public investment as a share of GDP between 2018 and 2008



Note: The 2018 investment-to-GDP ratio for France and the Netherlands are provisional.
Source: Authors' calculation based on (Eurostat, 2019[11]).

Meanwhile, there are significant needs for investment expenditure by all levels of government. It is estimated that between 2016 and 2030, approximately USD 95 trillion in public and private investment in energy, transport, water and telecommunications infrastructure will be necessary to support growth and sustainable development given the profound economic and demographic changes across the globe (OECD, 2017[13]). This is equivalent to about USD 6.3 trillion per year in the next 15 years. To this should be added an additional USD 300 billion annually if climate concerns are taken into consideration (OECD, 2017[13]); and in the EU, a further EUR 100-150 billion will be needed between 2018 and 2030 to bridge an investment gap in social infrastructure[3] (European Commission, 2018[14]). The sticking point, however, is that investment in global infrastructure currently amounts to about USD 2.5 trillion per year (McKinsey Global Institute, 2016[15]; Brookings Insitution, New Climate Economy, and Grantham Research Insitute, 2015[16]). In addition, investment in physical infrastructure alone is not enough to secure regional growth and development – it is only one of many contributing factors. It is just as important to ensure effective investment in "soft infrastructure" such as a robust business environment and appropriate human capital formation. Many, if not all, of these hard and soft infrastructure needs are captured in the EU's 11 Thematic Objectives (investment priorities) for the 2014-2020 programming period (European Commission, n.d.[17])[4].

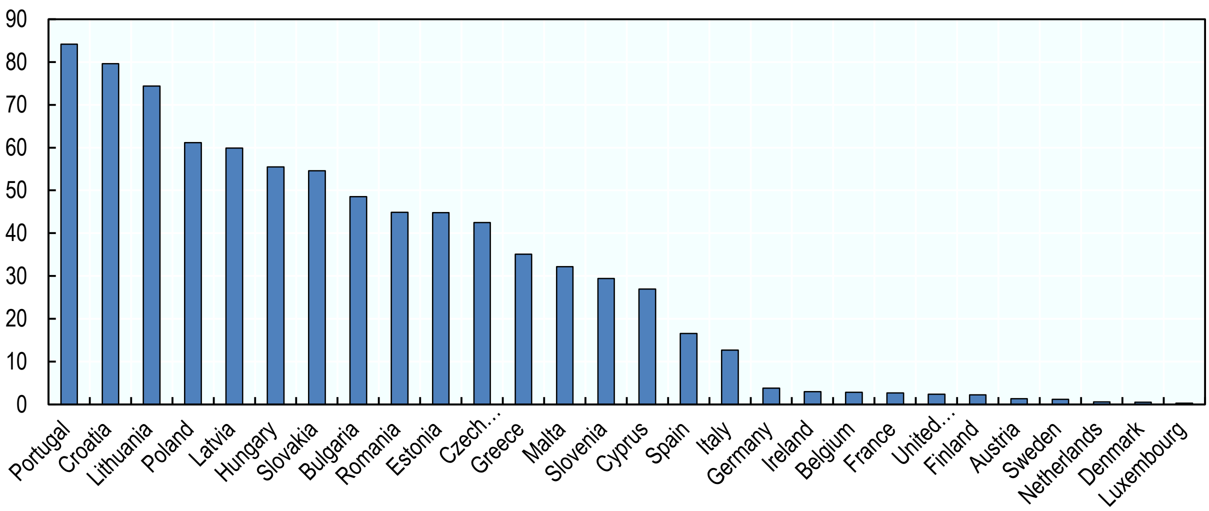
A growing body of work points to the positive effects of public investment on growth, and OECD research shows that countries with higher levels of public investment increase their productivity faster than countries with lower levels of public investment (Fournier, 2016[18]). In the long-run, increasing the share of public investment in primary government spending by one percentage point could increase the long-term GDP level by about 5% (Fournier, 2016[18]; OECD, 2013[8]). Several studies show that improving the management of public investment can also lead to substantial savings and enhanced productivity (OECD, 2013[8]; IMF, 2015[19]; McKinsey Global Institute, 2016[15]; McKinsey Global Institute, 2013[20]). Some estimates show that it is possible to generate savings of about 40% on infrastructure projects by making project selection, delivery, and the management of existing assets more effective (McKinsey Global Institute, 2016[15]; 2013[20]).

EU Cohesion Policy financing: its benefits and challenges

ESIF are used to finance investment dedicated to enhance economic and social development, reduce regional imbalances and contribute to meeting the development targets outlined in the Europe 2020 strategy, which emphasises smart, sustainable and inclusive growth. They have helped reduce the impact of the double dip recession, making a substantial contribution to the current recovery (European Commission, 2018[3]). For the five countries participating in this project, ESIF remains a major source of public investment for projects designed to stimulate economic development, sustain SMEs, and boost entrepreneurship and employment. Designed to reduce infra- and intra-regional disparities, and more generally to improve inclusion and well-being, Cohesion Policy thus represents the "visible hand" of the EU. The EC provides many examples of successful projects funded through ESIF: for example, ESIF financing has been used to reduce the energy consumption of public and private buildings in Bulgaria and to build modern motorways in Greece. In Croatia, ESIF is providing valuable support to improve the competitiveness of SMEs. ESIF help reduce the number of jobless households in Lublin, Poland, and have facilitated access by more than 750 000 people in Spain to improved basic services (European Commission, n.d.[21]).

Within ESIF, Cohesion Policy is a pillar of the EU's effort to help governments make a tangible and lasting difference in citizen lives by closing socio-economic disparities. Cohesion Policy investments represent one third of the total EU budget and have funded the equivalent of 8.5% of government capital investment in the EU (European Commission, 2019[1]). While all EU Member States benefit from Cohesion Policy funding, its scale and relative importance as a source of development funding varies – representing up to or over 80% of public investment in some countries and less than 10% in others (Figure 1.4). Successfully managing the investment opportunities and resources that Cohesion Policy funding offers is a challenge, and requires effective administrative capacity of the investment cycle.

Figure 1.4. Cohesion policy funding as an estimated share (%) of public investment, 2015-2017



Source: (European Commission, 2019[22])

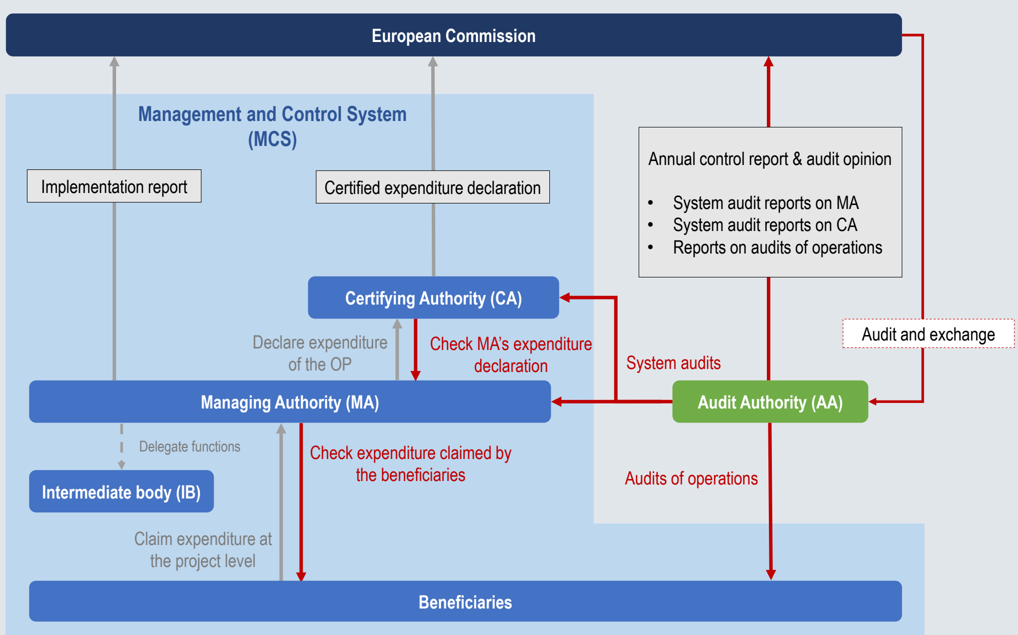
Partnership Agreements (PAs) negotiated between the EC and Member States set out national-level ESIF investment priorities. PAs are designed to achieve the 11 EU Thematic Objectives (TOs) for 2014-2020 via a series of sectoral or thematic, national and regional, Operational Programmes (OPs). PAs also establish an indicative annual financial allocation for each OP. Across the EU, responsibility for managing and implementing OPs is assigned to institutions designated as Managing Authorities (MAs). MAs are usually housed in Ministries, often as specific units. EU Member States can also delegate functions to regional administrations, creating regional MAs with responsibility for ESIF in their territory. MAs, both national and regional, are quite diverse, representing the central and the subnational government levels, including states (in federal countries) and regions.

The operations of each MA is governed by a Management and Control System (MCS) that sets the institutional and legal framework for ESIF investment and OP implementation, as well as the common rules, procedures and monitoring mechanism in a country (Box 1.1). MAs are responsible for a range of activities that require technical knowledge and a broad array of professional competencies. They frequently operate in a tightly controlled legislative and regulatory environment where processes and procedures are clearly set out in order to minimise the potential for error or fraud. MAs can delegate some of their activities to Intermediate Bodies (IBs) while still remaining responsible for overall governance. Beneficiaries are the legal entities, usually businesses, government authorities (e.g. line ministries, agencies, city or municipal governments, etc.), non-governmental organisations (NGOs), or universities which apply for and can receive ESIF financing for a project designed to align with one or more TOs referred to in the OPs.

Box 1.1. The Management and Control System and key functions of different authorities

ESIF funding is implemented under a 'shared management' system, which means the European Commission entrusts the Member States with implementing programmes at the national level. The Member States have primary responsibility for setting up a Management and Control System (MCS) that complies with the requirements of EU Regulations, while the EC plays a supervisory role by satisfying itself that the arrangements governing the MCS are compliant (Figure 1.5). This 'shared management' model creates a complex system of multiple checks where EU, national and programme-level bodies participate in a range of internal and external management and control activities. The MCS include all the ex-ante financial controls (i.e. before the EU claims), while the audit bodies carry out ex-post controls (i.e. after EU claims).

Figure 1.5. Management and Control System in Cohesion Policy implementation: Structure and activities



Note: Lines and texts in red suggest all the checks and control activities; Cohesion Policy expenditure is also subject to audit by the European Court of Auditors, although this is not visually presented in the graph.
Source: Authors' illustration based on (Byrne, 2014[23]; European Court of Auditors, 2013[24]).

Management and control activities of different entities

Managing Authorities (MAs) are responsible for granting and appraising applications, selecting projects for funding, managing administrative and on-the-spot verifications, authorising payments, collecting data on each operation, and establishing anti-fraud measures. In addition, MAs should provide guidance and support to beneficiaries.

Certifying Authorities (CAs) are responsible for making declarations to the EC and verifying the accuracy of programme accounts. They are also involved in procedures for certifying interim payment applications to the EC. CAs are also responsible for maintaining the computerised accounting records for each operation (e.g. amounts withdrawn, recovered, etc.).

Audit Authorities (AAs) ensure the effective functioning of an OP's management systems and internal controls. In most cases, AAs are independent of EU funding offices and ministries, generally associated with State chancelleries, Ministries of Finance or Supreme Audit Institutions. AAs themselves are subject to the audit by the European Commission DG Audit and the European Court of Auditors.

MAs may entrust some of their management functions for the OP to one or more **Intermediate Bodies (IBs)**. IBs can be line ministries, regional authorities, local authorities, regional development associations or other public or private bodies.

Beneficiaries are legal entities that receive EU funding, and are usually businesses or government authorities (e.g. line ministries, agencies, city or municipal governments, etc.), but sometimes also civil society organisations, universities, etc. Beneficiaries are responsible for ensuring a clear audit trail throughout the project delivery cycle and providing project information to other authorities in the MCS.

Source: (Byrne, 2014[23]; European Court of Auditors, 2013[24]; Ferry and Polverari, 2018[25])

Quality governance contributes to optimising public investment spending

Evidence suggests that institutional quality and governance processes affect the expected returns to public investment and have a positive influence on the capacity of public investment to leverage private investment, rather than to crowd it out (OECD, 2018[26]). Thus, the quality of government and governance at all levels is a key factor in whether cohesion investment translates into greater growth (OECD, 2013[8]).

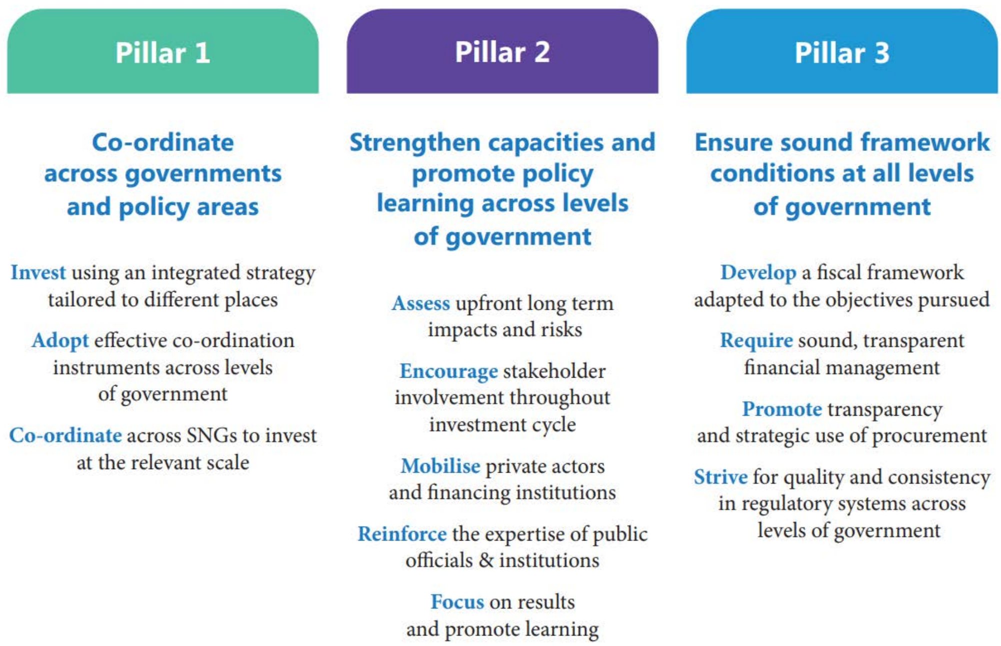
Meanwhile, the impact of public investment depends largely on how it is managed. If well managed, it acts as a catalyst to promote growth and attract private investment. Conversely, inefficient public investment processes can lead to suboptimal outcomes. Through its Public Investment Index assessment, the IMF points out that around 30% of the potential gains from public investment are lost due to inefficiencies in public investment processes (IMF, 2015[27]). Poor local institutions and government quality can affect investment processes by generating development strategies that are "good looking, but without substance", often promoting the interests of specific political and/or economic groups and resulting in an ineffective use of significant but scarce financial resources (Crescenzi and Giua, 2016[28]).

Governance mechanisms and good institutional conditions support public spending and investment

OECD and European countries have a long tradition of using different mechanisms[5] to ensure that governance practices support public spending and investment that contributes to regional development. To help national and subnational governments more effectively invest public funds, particularly in light of declining resources and increasing needs, in 2014 the OECD Council adopted the *Recommendation on Effective Public Investment across Levels of Government.* The Recommendation is founded on three Principles for

Action, which are grouped into a series of 12 recommendations. These focus on governance for investment practices, and are intended to guide policy and decision makers at all levels of government as they design and implement public investment strategies (Figure 1.6).

Figure 1.6. Recommendation on Effective Public Investment across Levels of Government: Principles for Action



Notes: For the full text of the OECD Recommendation on Effective Public Investment across Levels of Government, please see (OECD, 2014[29]); For the Toolkit for Implementation please visit https://www.oecd.org/effective-public-investment-toolkit/.
Source: (OECD, 2019[30])

The importance of good institutional conditions and governance for the efficient use of EU funds has been widely cited in the academic literature (De la Fuente, 2002[31]; Ederveen, de Groot and Nahuis, 2006[32]; Ederveen et al., 2003[33]) and dovetails with other findings regarding the importance of quality governance and government for effective investment spending (European Commission, 2018[3]). Survey data from 202 EU regions stresses that the quality of regional governance can act as a key determinant for the effective use of EU funds (Charron, Dijkstra and Lapuente, 2014[34]); and in Italy, for example, heterogeneity in regional administrative capacity has been linked to greater or lesser success in absorbing Structural and Cohesion Funds (Milio, 2007[35]).

Defining administrative capacity building for ESIF investment

Article 18 of the Common Provisions Regulation on ESIF emphasises the inter-related nature of the challenges facing EU Member States, from environmental and energy concerns to social inequality (European Union, 2013[36]). The projects funded through ESIF are, thus, intended to be integrated, multi-sectoral and multi-dimensional. As such, the guidance to MAs for the 2014-2020 period is correspondingly detailed in order to facilitate achieving these objectives. For example, for the 2014-2020 programming period, the volume of rules for Cohesion Policy alone runs to over 600 pages of legislation and 5 000 pages of guidance (European Commission, 2017[37]). The European Commission High

Level Expert Group that monitors simplification for beneficiaries of ESIF for the next programming period acknowledged that excessive and overlapping guidance at the EU level "has long passed the point of being able to be grasped either by beneficiaries or by the authorities involved" (European Commission, 2017[37]). The simplification of ESIF guidance is a key aspect of the post-2020 period.

Investment and administrative capacity

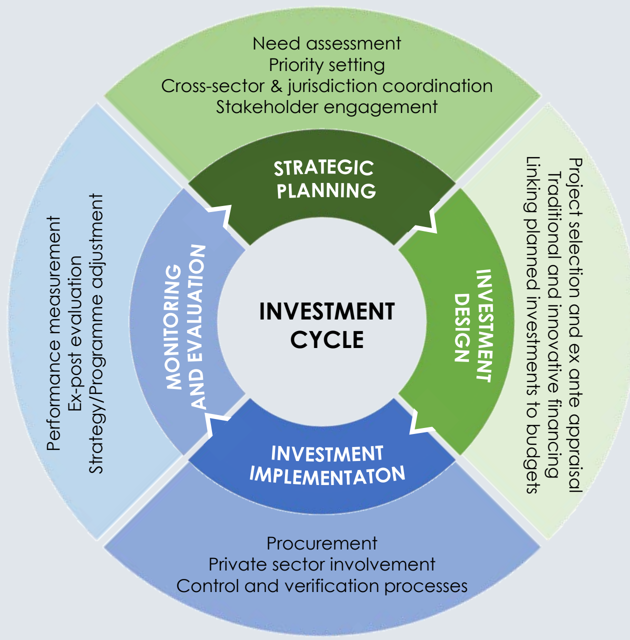
Quality governance for successful ESIF investment depends on a variety of factors. Certainly, it depends on ensuring good institutional conditions. But it also depends upon various capacities, including investment capacity (Box 1.2) and administrative capacity. In practical terms, the importance of capacity has been supported by findings indicating that, for the EU 12, the planning and implementation for Structural Funds was affected by weak coordination, high turnover of staff, lack of skills and frequent institutional change in the first two framework periods after accession (Bachtler and McMaster, 2008[38]; McMaster and Novotny, 2005[39]). This illustrates the fundamental impact of human resource management and organisational development on administrative capacity. While time, experience and institutional memory appear to help MAs address these weaknesses, this pilot action highlights the room to support MAs all along the learning curve, regardless of their level of experience, and the value in creating opportunities for MAs to learn from one another.

Maximising the effectiveness of ESIF requires public servants with the right tools, skills and systems to develop and manage complex projects, as well as multi-level governance systems that support public investment. This is particularly important given that public investment through EU funds is a shared responsibility among national, regional, local, and the European levels of government, requiring effective multi-level governance mechanisms as well as skilled public servants to manage and administer investment cycles at all levels of government.

Box 1.2. Defining capacity for effective investment

The issue of investment capacity is fundamental for all actors involved in ESIF investment – including governments, national coordinating bodies, MAs, IBs, beneficiaries and other relevant stakeholders – in order to design OPs, prioritise investment needs, select projects and monitor, evaluate and recalibrate performance. With respect to public investment, capacity refers to the institutional arrangements, technical capabilities, human, economic and financial resources, and policy practices that affect public investment. Strong investment capacities are an enabler to achieve important goals at different stages of the investment cycle (Figure 1.7).

Figure 1.7. The investment cycle



Source: Adapted from (Mizell and Allain-Dupré, 2013[40]).

To support the effective management of public investment throughout the investment cycle, there are a number of abilities or actions that are fundamental to cultivate and support in each phase. Among these are:

Strategic Planning

Engage in strategic planning that is tailored, results-oriented, realistic, forward-looking and coherent with national and/or other higher-level objectives (e.g. Partnership Agreements). ★

Ensure the quality and availability of technical and managerial expertise necessary for planning and executing public investment, throughout the investment cycle. ★

Coordinate across sectors and/or jurisdictions to achieve an integrated (and place-based) approach and to ensure complementarities.

Involve stakeholders in planning to enhance the quality and support for investment choices, while also preventing risk of capture by specific interest groups.

Design mechanisms to monitor and manage risks to integrity and accountability throughout the investment cycle.

Investment design

Conduct rigorous *ex ante* appraisal. ★

Link strategic plans to multi-annual budgets

Tap into traditional and innovative sources of financing. ★

Investment implementation

Design and maintain transparent, competitive, public procurement processes with appropriate internal control systems. ★

Mobilise private sector financing without compromising long term sustainability of public investment projects.

Engage in "better regulation" at all levels of government, and ensure that regulations are coherent among them.

Monitoring and Evaluation

Design and use monitoring indicators systems with realistic, performance-promoting targets. ★

Conduct regular and rigorous ex post evaluation.

Use monitoring and evaluation information to enhance decision making and identify necessary adjustments.

Note: ★ = a critical action for all actors involved in public investment processes.
Source: (OECD, 2018[26]; Mizell and Allain-Dupré, 2013[40]; Allain-Dupré, Hulbert and Vincent, 2017[41]; Rajaram et al., 2010[42]; Dabla-Norris et al., 2010[43]; Milio, 2007[35])

The term administrative capacity has no standard definition, despite extensive use. In the context of the EU, and particularly Cohesion Policy implementation, it can be conceptualised as the combination of capabilities used by countries to achieve effective spending of EU funds, namely human resources (numbers, quality in terms of skills and expertise, human resource management systems that structure incentives, etc.), organisational structure (institutional design, coordination and accountability of bodies in the management and implementation processes), systems and tools (including adaptability to procedures), and governance (legal and procedural arrangements) (Surubaru, 2017[44]; European Committee of the Regions, 2018[45]; EC-DG REGIO, 2018[46]).

Building on this, administrative capacity *building* (ACB) can be defined as developing skills, experience, technical, management and strategic capacity within an organisation. It is often achieved through the provision of technical assistance, short- and long-term training, as well as specialist inputs. The process of administrative capacity building may involve human, material and financial resources development, but also strategic planning (OECD, 2002[47]) .

Administrative capacity building is also a "learning-by-doing" process in which national and subnational governments can acquire necessary capacities on a daily basis through practice. To build the capacities needed, the "learning-by-doing" process should go hand-in-hand with differentiated and targeted capacity building activities and technical assistances. The administrative capacity of national, regional and local authorities to effectively manage such complex investments and financing mechanisms and ensure quality institutions and governance are therefore crucial for the successful delivery of EU funds and ultimately better cohesion across the EU.

Investing in ACB helps improve ESIF management, which eventually leads to optimising the absorption rate (spending available funds fully); to minimising irregularities (spending funds correctly); and most importantly, to maximising impact and sustainability (spending them strategically) (European Commission, 2018[48]). In other words, ACB increases the capacities of organisations involved in the management of European funds to effectively perform their duties and ensure more performant ESIF investment.

Building administrative capacity through Technical Assistance for Managing Authorities

Administrative capacity is recognised as one of the key factors contributing to the success of Cohesion Policy (Boijmans, 2013[49]; Rodriguez-Pose and Garcilazo, 2013[50]). Given its importance for effective and sustainable ESIF investment, the EU is committed to supporting Member States and their MAs build such capacity. Managing Authorities are quite diverse, representing both the central and the subnational government levels, including states (in federal countries) and regions. They are confronted with similar challenges related to skills, competencies or organisational capabilities, the ways they communicate with beneficiaries and/or the public, coordinate and interact with internal and external stakeholders, and arrange impact assessments, evaluation, monitoring and audits. How these challenges manifest, will differ according to the institutional and political context of a country or a region, as well as their length of Cohesion Policy experience etc. Gaps in their administrative capacities are widely recognised by Member States and EU bodies, hence the availability of support for public administration reform and technical assistance through Cohesion Policy.

The European Commission has made administrative capacity building central to Cohesion Policy and the Europe 2020 strategy. Since the beginning of the current programme period, the EC, and specifically DG REGIO, offers EU Member State administrations diverse mechanisms to strengthen their institutional capacity and professionalise those managing ESIF. These include investments in efficient public administration made under Thematic Objective 11, Technical Assistance to authorities that manage ESIF (Box 1.3), as well as specific programmes, such as TAIEX-REGIO PEER 2 PEER; Integrity Pacts; S3 Platform, Urban Development Network, guidance for practitioners on how to avoid public procurement errors; training seminars; and the EU Competency Framework for managing and implementing the ERDF/CF together with its self-assessment tool, which identify and address competency gaps.

Box 1.3. Thematic Objective 11 and Technical Assistance for ESIF implementation

EU Cohesion Policy funding invests in institutional capacity building and reforms under Thematic Objective (TO) 11: "Enhancing institutional capacity of public authorities and stakeholders and efficient public administration." In addition to the investments under TO11, Technical Assistance (TA) is also available to authorities that administer and use ESIF. The purpose of this TA is to help them perform the tasks assigned to them under the various European Structural and Investment Fund Regulations. It is important to note that there are overlaps in the types of activities that can be funded under each instrument.

Thematic Objective 11

Thematic Objective (TO) 11 has a slightly different focus depending on which EU fund is involved. The European Social Fund (ESF) has a wide scope, supporting the efficiency of the public administration as a whole, whereas the European Regional Development Fund

(ERDF) and the Cohesion Fund (CF) focus on administration and services related to the implementation of the ERDF and CF respectively, or support of actions under the ESF.

Investments can focus on three broad dimensions of building institutional capacity:

1. structures and processes;
2. human resources;
3. service delivery (e.g. the provision of equipment and infrastructure, and reforming human resources processes and strategies to support the modernisation of public services in areas such as employment, education, health, social policies and customs).

In addition, as effective Cohesion Policy also depends on the abilities of beneficiaries in areas such as project development and monitoring, procurement, and financial management, beneficiaries are also eligible to receive similar capacity-building attention. Furthermore, funding can be used for capacity building for stakeholders delivering employment, education, health and social policies, and sectoral and territorial pacts to mobilise for reform at national, regional and local levels. This includes enhancing the capacity of stakeholders, such as social partners and non-governmental organisations, to help them deliver more effectively.

Technical assistance

Technical Assistance (TA) can take the form of separate TA OPs and/or of a Priority Axis in other OPs. Money for TA is made available through the ERDF, ESF and CF. EU rules place a limit on the proportion of funding from the OPs that can be allocated to TA. If TA is initiated by or on behalf of the European Commission, that ceiling is 0.35% of the annual provision for each fund. If technical assistance comes from the Member States, the ceiling is 4%.

The scope of TA at the initiative of the Member States is defined in Article 59 (1) of the Common Provisions Regulation, and more clearly specified in the Draft Guidance Fiche for 2014-2020 programming (European Commission, 2014[50]), stating that the scope is limited to:

- Actions linked to functions necessary for the implementation of the ESIF. In relation to the ERDF, CF and ESF, these functions are fulfilled by the MA, Certifying Authority, Audit Authority, IBs, and the Monitoring Committee. Although also other bodies can have responsibilities of these functions, they are not eligible for TA;
- Actions for the reduction of the administrative burden on beneficiaries linked to ESIF (including electronic data exchange systems);
- Capacity building of Member State authorities and beneficiaries solely linked to the administration and use of ESIF;
- Capacity building of relevant partners involved in the implementation of partnership and actions to support the exchange of good practices between such partners.

Source: (EC-DG REGIO, 2019[51]), also see Articles 58 & 59 of the Common Provisions Regulation governing ESIF (European Commission, 2018[52])

Designing Roadmaps for administrative capacity building with the OECD diagnostic framework

There are a number of proposed changes to the Cohesion Policy framework[6] for the 2021-2027 programming period, including simplification and fewer policy objectives (Box 1.4). Continuing to build administrative capacity, for example through simpler and stronger governance structures and mechanisms will be critical. One large change will be in how support to capacity building is funded. While Technical Assistance (TA) will still exist, there will no longer be a separate thematic objective (currently TO 11) dedicated to institutional capacity building. The Commission proposes two types of TA under Cohesion Policy: *a)* traditional TA, for which payments from the European Commission to the Member States is made on the basis of a flat rate; and *b)* additional TA to reinforce capacity of Member State authorities (MAs, Certifying Authorities, Audit Authorities, etc.), IBs, beneficiaries and other relevant partners for the effective administration and use of the Funds. For the latter type of TA payments to Member States will be based on results achieved or conditions fulfilled, and actions, deliverables and corresponding payments can be agreed in roadmaps for administrative capacity building [Recital 25 of the Regulation of the European Parliament and of the Council COM (2018) on the common provisions COM(2018) 375 final] (European Commission, 2018[52]). However, the Roadmaps can cover all capacity building actions under Cohesion Policy, including capacity building directly linked to investments which can be supported under the budgets for five policy objectives [Article 2.3(a) of the ERDF and CF Regulation COM(2018) 372 final] (European Commission, 2018[52]).

Box 1.4. ESIF 2021-2027: Simplified rules and more flexibility

The European Commission (EC) is now developing the framework for the 2021-2027 programming period in which it is proposing a smarter and simpler procedure for the use of ESIF and the enforcement of its regulations. This includes several initiatives to reduce administrative costs, introduce greater flexibility and strengthen an integrated approach to investment.

Simplification

The EC proposes **80 simplification measures** for the upcoming programming period, covering the legal framework, the application of conditionalities, OP programming and implementation, control and audit, and the use of financial instruments. For example:

- A Common Provisions Regulation (CPR) will set out a single regulation framework for seven shared management funds, namely ERDF, CF, ESF+, EMFF, the Asylum and Migration Fund (AMF), the Border Management and VISA Instrument, and the Internal Security Fund. In addition, five Policy Objectives (POs) are proposed, down from the 11 TOs in the 2014-2020 period, and with simpler wording.
- Reducing the number of conditionalities from 40 to 20 and to be called ‘enabling conditions’.
- Allowing the designation of the 2014-2020 MCS to be carried into the next period.

- Extending the use of Simplified Cost Options, meaning that instead of reimbursing actual expenditures based on invoices, more payments will be made based on a flat rate, unit costs or lump sums.
- Strengthening single audit arrangements.

Flexibility

The EC also aims to create a more **proportionate system** for the 2021-27 period by introducing greater flexibility in regulations and OP management processes. For example:

- Management verifications and checks will be carried out using a risk-based approach, differentiating projects and programmes.
- Simpler audit requirements will be applied to OPs with a good track record and MCS that are properly functioning.
- Reimbursing Technical Assistance can be done via a flat rate (between 2.5% and 6% of each interim payment, depending on funds and based on progress in programme implementation). This may be complemented with targeted administrative capacity building measures using reimbursement methods that are not linked to costs. Actions and deliverables as well as European Union corresponding payments can be agreed upon in a roadmap.

For more detailed information, please see

Simplification Handbook: 80 simplification measures in cohesion policy 2021-2027

https://ec.europa.eu/regional_policy/sources/docgener/factsheet/new_cp/simplification_handbook_en.pdf

Full text of the European Commission's Proposal

https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-common-provisions_en.pdf

Source: (European Training Centre in Paris, 2018[53]; European Commission, 2019[54]; De Falco, 2019[55]; European Commission, 2018[56])

To support EU Member States and their MAs adapt to this shift, DG REGIO's Unit E.1 Administrative Capacity Building and European Solidarity Fund launched a pilot project, with the support of the OECD, to give an initial shape and test an approach to designing Administrative Capacity Building Roadmaps that could eventually be used for more strategic use of technical assistance in the 2021-2027 ESIF programming period.

As part of the project, the OECD gathered information and documentation from five pilot MAs[7] through a questionnaire and an OECD study mission to each MA. During the mission, in addition to interviews with a wide range of MA and OP stakeholders, a full day, interactive workshop with stakeholders was held to jointly identify the challenges confronting the MA in the implementation of their OP, to highlight priorities for action, and to begin articulating potential solutions. An analytical framework designed by the OECD supported the workshop structure and discussions, and provided the basis for the Roadmaps that emanated from these discussions. While each Roadmap was tailored to the needs of the individual MA, all Roadmaps had the same structure (Table 1.1). Further details on the project background and methodology can be found in Annex A.

Table 1.1. Sample Roadmap for Administrative Capacity Building in Managing Authorities

Roadmap for the MA for the OP						
Challenge area 1: People and organisational management						
Goal/Sub-goal	**Action**	**Owner (responsible for action)**	**Implementing stakeholders**	**Timing / Date**	**Deliverable(s) (optional)**	**Milestones (optional)**
Goal (i) Sub-goals (optional)	Action (i)	e.g. MA, national authority	e.g. MAs, IBs, national authority	e.g. date by when action complete	e.g. meetings, reports	
	Action (ii)					
Goal (ii)	Action (i)					
	Action (ii)					
Challenges area 2: Strategic planning and coordination						
Goal (i) Sub-goals (optional)	Action (i)	e.g. MA, national authority	e.g. MAs, IBs, national authority	e.g. date by when action complete	e.g. meetings, reports	
	Action (ii)					
Goal (ii)	Action (i)					
	Action (ii)					
Challenge area 3: Framework conditions						
Goal (i) Sub-goals (optional)	Action (i)	e.g. MA, national authority	e.g. MAs, IBs, national authority	e.g. date by when action complete	e.g. meetings, reports	
	Action (ii)					
Goal (ii)	Action (i)					
	Action (ii)					

The OECD analytical framework for administrative capacity building

It is important to stress that each MA drove the development process of their Roadmap, identifying actions, timelines and stakeholders, and that the goals, ideas and solutions captured in the Roadmaps were elaborated with the active participation of OP stakeholders in each country. The OECD provided the framework for thinking through the issues, helped articulate the actions, and facilitated the discussions.

To assist MAs think through and design their administrative capacity building Roadmaps, the OECD developed a concentric framework that captures the various dimensions that MAs must work with and/or consider as they move forward in the design and implementation of their ESIF OPs (Figure 1.8). Each dimension moves upward through the organisational and governance structures supporting OP implementation and ESIF investment.

Figure 1.8. OECD Analytical framework for administrative capacity building

People

People are the backbone of any organisation. Thus the OECD has recently worked closely with member countries to develop the 2019 *OECD Recommendation on Public Service Leadership and Capability* (PSLC) which sets out 14 principles for a fit-for-purpose public service workforce. The People dimension of this framework follows the second pillar of the PSLC which promotes civil service capacity to achieve operational and strategic objectives, in this case by identifying the mix of skills and competences needed in a high performing MA. It looks at how skills gaps are identified and addressed, both by attracting and recruiting the skills and expertise needed from the labour market, and by using learning and development tools, including training, to build workforce capacity. It also looks at how the workforce can be motivated to put its skills to best use. This suggests a review of incentives and performance management systems to set goals and measure their progress towards them, as well as the role of leaders and managers to motivate their employees.

Organisation

Women and men with the right skills also require an organisational structure and support that enable and empower them to put their skills to work. Recent empirical research shows that low organisational complexity and high personnel stability are important indicators of organisational capability (Andrews, Beynon and McDermott, 2015[57]). Employee actions are shaped to a large degree by the system in which they operate. This is the second level of analysis. This dimension looks at the systems, tools, business processes and culture that influence how staff of the MAs work. It looks at whether these tools and systems are aligned to the MA's strategic objectives, and supported by agile governance structures to facilitate effective data-informed decision-making. HR systems bring in the right people and support them to contribute, and effective organisational development ensures people are able to deliver. ICT and information management systems are also essential, to facilitate communication and ensure that leadership is equipped to make data-informed decisions.

Strategic planning and co-ordination

The strategic planning dimension examines various aspects throughout the whole investment cycle, from strategy development, priority setting, coordination, project planning and selection, to project implementation, stakeholder engagement, and monitoring and evaluation. In a survey conducted by the OECD and Committee of the Regions (CoR) in 2015, poor strategic planning was identified one of the most important challenges for public investment, beyond the financing challenge (OECD-CoR, 2015[58]). *The OECD Recommendation on Effective Public Investment across Levels of Government* (OECD, 2014[29]) emphasises the pre-conditions for good strategic planning, in particular for the involvement of external stakeholders and private actors. The Principles also stress the importance of coordinating across levels of government, and across jurisdictions, as well as cross-sectoral coordination for effective investment strategies. The Recommendation, with 12 Principles, is complemented with an Implementation Toolkit that includes a set of indicators to help countries, regions, cities and other local authorities self-assess their strategic planning capacities, the bottlenecks they face, and the priorities for action (OECD, 2019[30]).

Framework conditions

Appropriate framework conditions are crucial for creating an enabling environment for all level of government to invest effectively. These conditions include a fiscal framework adapted to the investment objectives pursued, sound and transparent financial management, transparency, and the strategic use of public procurement, as well as consistent and clear regulatory and legislative systems.

The capacity of MAs to operate effectively is subject to many factors beyond their control: priority setting by the government, regulations such as EU rules, procedures, and conditionalities, budgetary allocations and fiscal rules to manage public investment, etc. Decentralisation frameworks can also affect the way regional authorities manage ESIF. Framework conditions determine the way the principle of partnerships work with the private sector (business community), non-governmental organisations (NGOs) and citizens. It is thus essential to take a holistic and comprehensive approach to understand clearly the bottlenecks hindering the effective and efficient functioning of the MA, and ways to address them. When doing so, the possibility of introducing some flexibility in the system, without changing the overall framework conditions, increases.

Notes

[1] The data for both 2007-2013 and 2014-2020 period exclude the funding for Instrument for Pre-accession Assistance (IPA).

[2] EU 12 countries are Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia. For the 2014-2020 period, Croatia is also included in the estimate.

[3] Social infrastructure refers infrastructure supporting social services including, for example in education services, social care, community support, emergency services, arts and cultural services in a community.

[4] The Thematic Objectives are: 1. Strengthening research, technological development and innovation; 2. Enhancing access to and use and quality of information and communication technologies (ICT); 3. Enhancing the competitiveness of small and medium-sized enterprises (SMEs); 4. Supporting the shift towards a low-carbon economy in all sectors; 5. Promoting climate change adaptation, risk prevention and management; 6. Preserving and protecting the environment and promoting resource efficiency; 7. Promoting sustainable transport and removing bottlenecks in key network infrastructures; 8. Promoting sustainable and quality employment and supporting labour mobility; 9. Promoting social inclusion, combating poverty and any discrimination; 10. Investing in education, training and vocational training for skills and lifelong learning; 11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration (European Commission, n.d.[59])

[5] Such mechanisms include monitoring and evaluation systems, grant conditionalities, financial instruments for regional development policies, and contracts or other agreements to support effective partnerships among different levels of governments.

[6] These are still under negotiation with MS and EP at the time of drafting this report.

[7] The five Managing Authorities are: the Managing Authority for the Regions in Growth Operational Programme in Bulgaria; the Managing Authority of the Competitiveness and Cohesion Operational Programme in Croatia; the Managing Authority of the Transport Infrastructure, Environment and Sustainable Development Operational Programme in Greece; the Managing Authority of the Regional Operational Programme for the Lubelskie Voivodeship in Poland; and the Managing Authority for the Regional Operational Programme for Extremadura in Spain.

References

Allain-Dupré, D., C. Hulbert and M. Vincent (2017), "Subnational Infrastructure Investment in OECD Countries: Trends and Key Governance Levers", *OECD Regional Development Working Papers*, No. 2017/05, OECD Publishing, Paris, https://dx.doi.org/10.1787/e9077df7-en. [41]

Andrews, R., M. Beynon and A. McDermott (2015), *Organisational Capability in the Public Sector: A Configurational Approach*, http://dx.doi.org/10.1093/jopart/muv005. [57]

Bachtler, J. and I. McMaster (2008), "EU Cohesion Policy and the Role of the Regions: Investigating the Influence of Structural Funds in the New Member States", *Environment and Planning C: Government and Policy*, Vol. 26/2, pp. 398-427, http://dx.doi.org/doi.org/10.1068/c0662. [38]

Boijmans, P. (2013), *The secrets of a successful administration for Cohesion Policy, RSA European Conference*, DG Regional and Urban Policy - Unit E1 "Competence Centre for Administrative Capacity-Building and the Solidarity Fund", https://3ftfah3bhjub3knerv1hneul-wpengine.netdna-ssl.com/wp-content/uploads/2018/07/The_secrets_of_a_successful_administration_for_Cohesion_Policy_-_Pascal_Boijmans.pdf. [49]

Brookings Insitution, New Climate Economy, and Grantham Research Insitute (2015), *Driving Sustainable Development through Better Infrastructure: Key Elements of A Transformation Program*, https://www.brookings.edu/wp-content/uploads/2016/07/07-sustainable-development-infrastructure-v2.pdf. [16]

Byrne, D. (2014), *Management and control systems , presentation organised by EIPA-Ecorys-PwC*, European Commission Publishing, http://www.europarl.europa.eu/RegData/etudes/STUD/2018/601972/IPOL_STU(2018)601972_EN.pdf. [23]

Charron, N., L. Dijkstra and V. Lapuente (2014), "Regional Governance Matters: Quality of Government within European Union Member States", *Regional Studies*, Vol. 48/1, pp. 68-90, http://dx.doi.org/10.1080/00343404.2013.770141. [34]

Crescenzi, R. and M. Giua (2016), "The EU Cohesion Policy in context: Does a bottom-up approach work in all regions?", *Environment and Planning A: Economy and Space*, Vol. 48/1, pp. 2340-2357, http://dx.doi.org/10.1177/0308518X16658291. [28]

Dabla-Norris, E. et al. (2010), *Investing in Public Investment: An Index of Public Investment Efficiency, IMF Working Paper WP/11/37*, International Monetary Fund, https://www.imf.org/external/pubs/ft/wp/2011/wp1137.pdf. [43]

De Falco, F. (2019), *Cohesion Policy and ESI Funds in 2021-2027: a policy debate, article on EULOGOS-ATHENA*, https://www.eu-logos.org/2019/05/22/cohesion-policy-and-esi-funds-in-2021-2027-a-policy-debate/. [55]

De la Fuente, A. (2002), “On the sources ofconvergence: A close look at the Spanish regions”, *European Economic Review*, Vol. 46/3, pp. 569-599. [31]

EC-DG REGIO (2019), *Directorate-General Regional and Urban Policy*, https://ec.europa.eu/info/departments/regional-and-urban-policy_en. [51]

EC-DG REGIO (2018), *Call For Expression Of Interest: For Managing Authorities To Participate In A Pilot Action On Frontloading Administrative Capacity Building To Prepare For The Post-2020 Programming Period*, European Commission Directorate-General Regional And Urban Policy, https://ec.europa.eu/regional_policy/sources/tender/pdf/expression/administrative_capacity_building.pdf. [46]

Ederveen, S., H. de Groot and R. Nahuis (2006), “Fertile Soil for Structural Funds?A Panel Data Analysis of the Conditional Effectiveness of European Cohesion Policy”, *Kyklos, International Review for Social Sciences*, Vol. 59/1, pp. 17-42, http://10.1111/j.1467-6435.2006.00318.x. [32]

Ederveen, S. et al. (2003), *Funds and Games: The Economics of European Cohesion Policy*, ENEPRI Occasional Paper No. 3, http://aei.pitt.edu/1965/. [33]

EIB (2016), *Investment and Investment Finance in Europe: Financing productivity growth - Key Findings*, European Investment Bank, https://www.eib.org/attachments/efs/investment_and_investment_finance_in_europe_key_findings_2016_en.pdf. [9]

European Commission (2019), *Data: % of cohesion policy funding in public investment per Member State*, https://cohesiondata.ec.europa.eu/Other/-of-cohesion-policy-funding-in-public-investment-p/7bw6-2dw3 (accessed on 6 August 2019). [22]

European Commission (2019), *ESIF 2007-2013 EU Payments (daily update)*, https://cohesiondata.ec.europa.eu/2007-2013/ESIF-2007-2013-EU-Payments-daily-update-/aqhg-azqx. [2]

European Commission (2019), *ESIF 2014-2020 Finance Implementation Details*, https://cohesiondata.ec.europa.eu/2014-2020/ESIF-2014-2020-Finance-Implementation-Details/99js-gm52. [1]

European Commission (2019), *New Cohesion Policy*, https://ec.europa.eu/regional_policy/en/2021_2027/. [54]

European Commission (2018), *Boosting investment in social infrastructure in Europe: Report of the High-Level Task Force on Investing in Social Infrastructure in Europe*, Directorate-General for Economic and Financial Affairs (European Commission), http://dx.doi.org/10.2765/794497. [14]

European Commission (2018), *EU Budget for the future: Cohesion Policy 2021-2027, presentation*, http://www.dgfc.sepg.hacienda.gob.es/sitios/dgfc/es-ES/ipr/fcp2020/fcp2020Demyo/Documents/CP_2021-27_Madrid_21.6.18.pdf. [56]

European Commission (2018), *Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial r*, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A375%3AFIN. [52]

European Commission (2018), *Quality of Public Administration - A Toolbox for Practitioners*, https://ec.europa.eu/digital-single-market/en/news/quality-public-administration-toolbox-practitioners. [48]

European Commission (2018), *Seventh report on economic, social and territorial cohesion*, https://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf. [3]

European Commission (2017), *Final conclusions and recommendations of the High Level Group on Simplification for post 2020*, https://ec.europa.eu/regional_policy/en/information/publications/reports/2017/esif-simplification-hlg-proposal-for-policymakers-for-post-2020. [37]

European Commission (n.d.), *European Structural and Investment Funds*, https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/european-structural-and-investment-funds_en (accessed on 31 July 2019). [59]

European Commission (n.d.), *European Structural and Investment Funds - Explore Project Stories*, https://cohesiondata.ec.europa.eu/projects. [21]

European Commission (n.d.), *Glossary - Thematic objectives*, https://ec.europa.eu/regional_policy/en/policy/what/glossary/t/thematic-objectives (accessed on 31 July 2019). [17]

European Committee of the Regions (2018), *Administrative capacity of local and regional authorities: Opportunities and challenges for structural reforms and a more effective European economic governance*, https://cor.europa.eu/en/engage/studies/Documents/Administrative-capacity/AdminCapacity.pdf. [45]

European Court of Auditors (2019), *Rapid case review: Allocation of Cohesion Policy funding to Member States for 2021-2027*, European Union, https://www.eca.europa.eu/lists/ecadocuments/rcr_cohesion/rcr_cohesion_en.pdf. [4]

European Court of Auditors (2013), *Taking Stock Of 'Single Audit' And The Commission'S Reliance On The Work Of National Audit Authorities In Cohesion, Special Report No 16*, European Court of Auditors, https://publications.europa.eu/en/publication-detail/-/publication/eff3ae5c-040b-4b44-a66e-8f457e926a93/language-en. [24]

European Investment Bank (2019), *EIB Investment Report 2018/2019: retooling Europe's economy - Key findings*, The European Investment Bank, https://www.eib.org/attachments/efs/economic_investment_report_2018_key_findings_en.pdf. [10]

European Training Centre in Paris (2018), *ESIF Common Provisions Regulation: what's new for 2020?*, http://etcp.fr/esif-common-provisions-regulation-whats-new-2020/ (accessed on 26 August 2019). [53]

European Union (2013), "Regulation (EU) No 1303.2013 of the European Parliament of of the Council", *Official Journal of the European Union*, p. L 347/320, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1303&from=en. [36]

Eurostat (2019), *GDP and main components (output, expenditure and income) (nama_10_gdp)*, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_gdp&lang=en (accessed on 2019). [12]

Eurostat (2019), *Government revenue, expenditure and main aggregates*, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_10a_main&lang=en (accessed on October 2019). [11]

Ferry, M. and L. Polverari (2018), *Research for REGI Committee – Control and simplification of procedures*, European Parliament, Policy Department for Structural and Cohesion Policies, http://www.europarl.europa.eu/RegData/etudes/STUD/2018/601972/IPOL_STU(2018)601972_EN.pdf. [25]

Fournier, J. (2016), "The Positive Effect of Public Investment on Potential Growth", *OECD Economics Department Working Papers*, No. 1347, OECD Publishing, Paris, http://dx.doi.org/10.1787/15e400d4-en. [18]

IMF (2018), *World Economic Outlook: Cyclical Upswing, Structural Change*, International Monetary Fund, https://www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018. [5]

IMF (2015), *Making Public Investment More Efficient, The OECD Senior Budget Officials Meeting*, International Monetary Fund, presented by Marco Cangiano, https://www.slideshare.net/OECD-GOV/making-public-investment-more-efficient-marco-cangiano-imf. [27]

IMF (2015), *The Macroeconomic Effects of Public Investment : Evidence from Advanced Economies*, International Monetary Fund, https://www.imf.org/en/Publications/WP/Issues/2016/12/31/The-Macroeconomic-Effects-of-Public-Investment-Evidence-from-Advanced-Economies-42892. [19]

McKinsey Global Institute (2016), *Bridging Global Infrastructure Gaps*, Mckinsey & Company, https://www.mckinsey.com/~/media/McKinsey/Industries/Capital%20Projects%20and%20Infrastructure/Our%20Insights/Bridging%20global%20infrastructure%20gaps/Bridging-Global-Infrastructure-Gaps-Full-report-June-2016.ashx. [15]

McKinsey Global Institute (2013), *Infrastructure productivity: How to save $1 trillion a year*, Mckinsey & Company, https://www.mckinsey.com/~/media/McKinsey/Industries/Capital%20Projects%20and%20Infrastructure/Our%20Insights/Infrastructure%20productivity/MGI%20Infrastructure_Full%20report_Jan%202013.ashx. [20]

McMaster, I. and V. Novotny (2005), *Implementation and management of EU cohesion funds*, EPRC Benchmarking Regional Policy in Europe Conference, https://pureportal.strath.ac.uk/en/publications/implementation-and-management-of-eu-cohesion-funds. [39]

Milio, S. (2007), "Can Administrative Capacity Explain Differences in Regional Performances? Evidence from Structural Funds Implementation in Southern Italy", *Regional Studies*, Vol. 41/4, pp. 429-442, http://dx.doi.org/10.1080/00343400601120213. [35]

Mizell, L. and D. Allain-Dupré (2013), "Creating Conditions for Effective Public Investment: Sub-national Capacities in a Multi-level Governance Context", *OECD Regional Development Working Papers*, No. 2013/4, OECD Publishing, Paris, https://dx.doi.org/10.1787/5k49j2cjv5mq-en. [40]

OECD (2019), *Effective Public Investment across Levels of Government: Implementing the OECD Principles*, OECD Publishing, https://www.oecd.org/effective-public-investment-toolkit/OECD_Principles_For_Action_2019_FINAL.pdf. [30]

OECD (2018), *OECD Economic Outlook, Volume 2018 Issue 1*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_outlook-v2018-1-en. [6]

OECD (2018), *Rethinking Regional Development Policy-making*, OECD Multi-level Governance Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264293014-en. [26]

OECD (2017), *Investing in Climate, Investing in Growth*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264273528-en. [13]

OECD (2014), *Recommendation of the Council on Effective Public Investment Across Levels of Government*, OECD Publishing, http://www.oecd.org/regional/regional-policy/Principles-Public-Investment.pdf. [29]

OECD (2013), *Investing Together: Working Effectively across Levels of Government*, OECD Multi-level Governance Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264197022-en. [8]

OECD (2011), *OECD Regional Outlook 2011: Building Resilient Regions for Stronger Economies*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264120983-en. [7]

OECD (2002), *Glossary of Statistical Terms: 'Capacity Building'*, https://stats.oecd.org/glossary/detail.asp?ID=5103. [47]

OECD-CoR (2015), *Results of the OECD-CoR Consultation of Sub-national Governments—Infrastructure planning and investment across levels of government: current challenges and possible solutions*, Commitee of the Regions of European Union and OECD, https://portal.cor.europa.eu/europe2020/pub/Documents/oecd-cor-jointreport.pdf. [58]

Rajaram, A. et al. (2010), *A Diagnostic Framework for Assessing Public Investment Management, Policy Research Working Paper 5397*, The World Bank, Africa Region, Public Sector Reform and Capacity Building Unit & Poverty Reduction and Economic Management Network, Public Sector Unit, http://documents.worldbank.org/curated/en/396891468330305148/pdf/WPS5397.pdf. [42]

Rodriguez-Pose, A. and E. Garcilazo (2013), “Quality of Government and the Returns of Investment: Examining the Impact of Cohesion Expenditure in European Regions”, *OECD Regional Development Working Papers*, No. 2013/12, OECD Publishing, Paris, https://dx.doi.org/10.1787/5k43n1zv02g0-en. [50]

Surubaru, N. (2017), “Administrative capacity or quality of political governance? EU Cohesion Policy in the new Europe, 2007-2013”, *Regional Studies*, Vol. 51/6, pp. 844-856, http://dx.doi.org/10.1080/00343404.2016.1246798. [44]

Chapter 2. Investing in People for Administrative Capacity

People matter: the capabilities, resources, working conditions, motivations and values of public servants affect the efficiency of public service delivery and the effectiveness of European Structural and Investment Fund management. This chapter analyses key people management challenges for Managing Authorities across three areas: reinforcing skills and competencies, attracting and recruiting the necessary expertise, and engaging and motivating employees to put their skills to work.

Introduction

People are the backbone of any organisation. The capabilities, resources, working conditions, motivations and values of public servants impact the quality of public governance, efficiency of public service delivery and the effectiveness of European Structural and Investment Fund (ESIF) management. OECD Member countries invest considerable resources in public employment. In 2015, an average of 9.5% of GDP was spent in OECD Member countries on general government employee compensation, making this the largest input in the administration of government programmes and services. However, many public administrations reduce the impact of this investment by providing sub-optimal public employment systems and resources that limit the impact of their employees. For this reason the OECD recently adopted the Recommendation on Public Service Leadership and Capability, which sets out 14 principles for a fit-for-purpose public service (Box 2.1).

Box 2.1. OECD Recommendation on Public Service Leadership and Capability

Recommendations of the OECD Council make clear statements about the importance of an area and its contribution to core public objectives. The Recommendation on Public Service Leadership and Capability (PSLC) is based on a set of commonly shared principles, which have been developed in close consultation with OECD countries. This included a broad public consultation, which generated a high level of input from public servants, citizens and experts from around the world. The Recommendation presents 14 principles for a fit-for-purpose public service under three main pillars (Figure 2.1):

- Values-driven culture and leadership,
- Skilled and effective public servants,
- Responsive and adaptive public employment systems.

Figure 2.1. Principles of the OECD Recommendation on Public Service Leadership and Capability

Source: (OECD, 2019[1]). The full text of the Recommendation can be downloaded at: https://www.oecd.org/gov/pem/recommendation-on-public-service-leadership-and-capability-en.pdf

The quality of people and the way they are managed sits at the core of the analytical framework developed by the OECD for this project. In terms of human performance, the well-established Motivation-Opportunities-Ability (MOA) framework states that people need three things in order to achieve their objectives: Motivation; Abilities; Opportunities:

- ***Abilities*** refer to the skills and knowledge contained within the workforce, and how different workforce development tools, such as training and recruitment, are used to build up the right workforce to deliver.
- ***Motivation*** can be intrinsic – driven by the desire to improve economic development in one's community and ensure prosperity for future generations – or it can be extrinsic – e.g. material rewards and sanctions. This puts focus on leadership and management, employee engagement, performance assessment systems and other incentives.
- ***Opportunity*** to put the skills and motivation to work is the third ingredient to human performance. Here, one can analyse workforce deployment and worker mobility, organisational structure and work design, access to knowledge and resources, etc. This is further discussed in Chapter 3.

Building the capacity of public administrations for better use of EU funds (programming, implementing and verifying) covers a range of operational staff, political and executive leadership, senior management, and organisational structures/factors. The challenges discussed below examine the mix of skills and competences the Managing Authority (MA) seeks to attract and develop in pursuit of better ESIF management. It also looks at how managers and leadership influence workforce development in line with strategic objectives and key activities such as stakeholder management. Securing the timely availability of skilled and motivated staff is a key success factor in the management of public policies; and conditions within the public administration need to be favourable towards recruiting and retaining such professionals.

Issues such as those relating to human capital and the delivery of Cohesion Policy are at the heart of a key evaluation of the 2007-2013 Programming Period. This evaluation suggests that Technical Assistance (TA) was an important tool to improve people and organisational issues in MAs (European Commission, 2016[2]), and it offers interesting insights into the nature of the challenges faced by MAs:

- reinforcing human resources was an important dimension that received TA in all case study countries;
- in addition to direct financing of human resource development, remuneration and operating costs often dominated the spending structure of TA;
- higher remuneration, e.g. in the form of top-ups allowed to retain trained staff reduced staff turnover;
- the development of systems and tools with a focus on management, monitoring and reporting capacities was a key priority of capacity-building activities in almost all case studies, which is explained by the necessity to set up appropriate IT systems.

The most important developments were found to be:

- reduction of initially high staff turnovers;
- set-up of management and monitoring information systems;

- elaboration of tools and procedures for effective knowledge transfer;
- mitigating problems with complex public procurement rules;
- contributing to the development of evaluation culture.

The primary source for data is qualitative semi-structured interviews with stakeholders carried out in each of the MAs. As such, the conclusions below reflect the aggregate perceptions of staff across the MA in each of the five MAs. Each challenge may not apply directly and wholly to every MA. Nevertheless, each MA participating in the pilot project is affected to greater or lesser degrees by each of the challenges.

Reinforcing skills and competencies for a Managing Authority performance

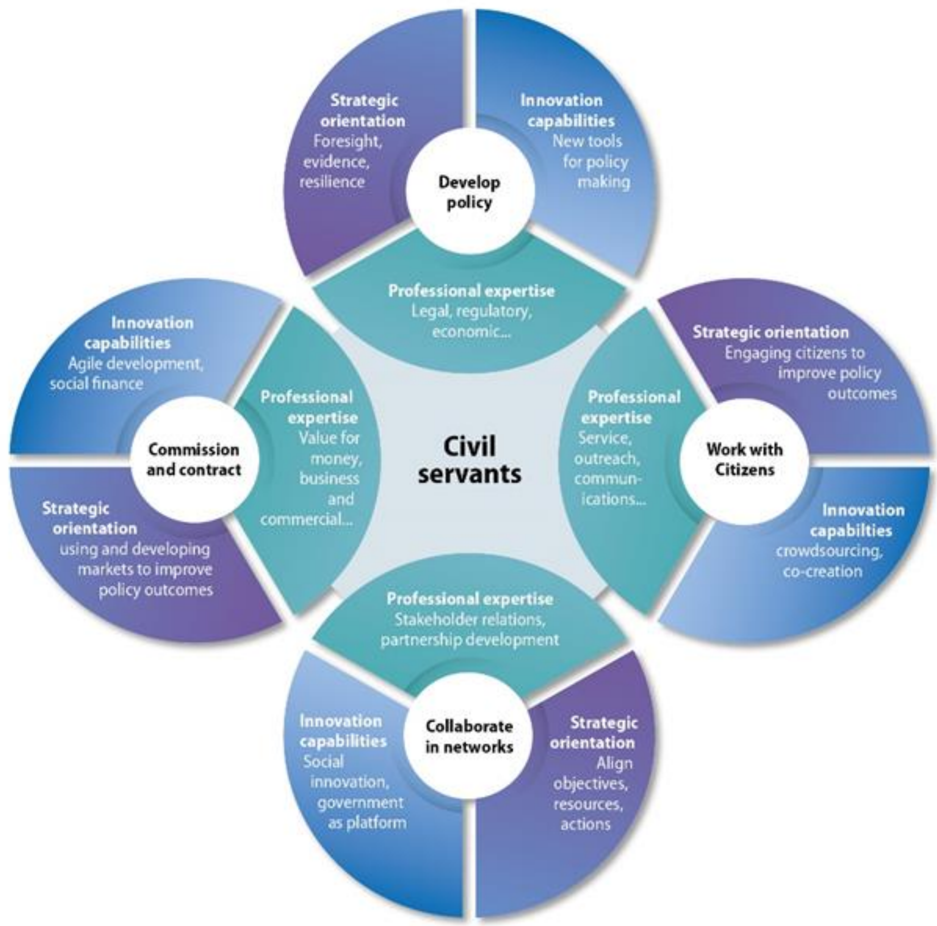
There is broad consensus that the ‘future of work’ will pose serious challenges to governments, firms and workers. The world of work is changing, skills needs are evolving, and automation has already begun to upend some industries and professions. Against this background, MAs and the public administrations within which they sit have a vital role to play in developing a workforce that is fit-for-purpose and able to adapt to uncertain and rapidly-changing circumstances. Recognising this challenge, the PSLC recommends that OECD countries *continuously identify skills and competencies needed to transform political vision into services which deliver value to society*, in particular through:

a. Ensuring an appropriate mix of competencies, managerial skills, and specialised expertise, to reflect the changing nature of work in the public service;

b. Reviewing and updating required skills and competencies periodically, based on input from public servants and citizens, to keep pace with the changing technologies and needs of the society which they serve; and

c. Aligning people management processes with identified skills and competencies.

Figure 2.2. OECD Skills Framework for a High Performing Civil Service



Source: (OECD, 2017[3]).

The OECD's 2017 report on Skills for a High Performing Civil Service outlines a generic skills mix necessary in all public sector organisations, which was then adapted to the needs of MAs (Figure 2.2) (OECD, 2017[3]). To assess changes in the skills needed in today's civil services, the OECD framework identifies four areas, each representing specific tasks and skills required in the relationship between the civil service and the society it serves:

- **Policy advice and analysis**: Civil servants work with elected officials to inform policy development. However, new technologies, a growing body of policy-relevant research, and a diversity of citizen perspectives, demand new skills for effective and timely policy advice. While MAs may not engage directly with elected officials for policy making, there is a need for policy-related skills in MAs to contribute, for example, to the design of OPs, and ensure that project selection is well aligned.
- **Service delivery and citizen engagement**: Civil servants work directly with citizens and users of government services. New skills are required for civil servants to effectively engage citizens, crowdsource ideas and co-create better

services. While MAs may not directly engage with a wide group of citizens, they work with a range of stakeholders, including beneficiaries.

- **Commissioning and contracting**: Not all public services are delivered directly by public servants. Governments throughout the OECD are increasingly engaging third parties for the delivery of services. This requires skills in designing, overseeing and managing contractual arrangements with other organisations. This is a core skillset in MAs since much of their work requires the establishment of complex funding and financing arrangements for complex projects.
- **Managing networks**: Civil servants and governments are required to work across organisational boundaries to address complex challenges. This demands skills to convene, collaborate and develop shared understanding through communication, trust and mutual commitment. MAs work as one part of a very complex delivery system, collaborating with other government departments, levels of government, NGOs, private sector entities and others.

Professional civil services are as important as ever to respond to complex challenges and to deliver public value. However, in addition to their professional qualities, civil services must also be strategic and innovative. The framework evaluates the four skills areas mentioned above in light of these three qualities:

- Civil servants in a **professional** civil service are qualified, impartial, values-driven and ethical. These are foundational and suggest the need to ensure civil servants are certified professionals in their area of expertise.
- Professional civil servants will also need to be future-oriented and evidence-based. This requires the acquisition of **strategic** skills, particularly at management levels, to encourage collaboration between areas of expertise and across the four parts of the framework discussed above. This includes skills related to risk management, foresight and resilience.
- Sometimes professional and strategic skills reach their limits due to legacy structures and systems of public sector organisations. In these cases, civil servants need to be **innovative** to redesign the tools of governance and develop novel solutions to persistent and emergent policy challenges.

The skills model identifies various gaps in MAs

Applying the skills model above to the five MAs that participated in this pilot action, the following strengths and gaps could be identified.

Policy advice and analysis skills: The need for a more strategic approach to MA management (discussed in Chapter 4) was often raised during the OECD missions to the five MAs. However, in some MAs, the MA was essentially divorced from any policy function, and instead was positioned as an operational delivery mechanism to various extents. In this way, there was insufficient concern for developing and leveraging policy skills in the MA that could contribute to the design and development of ROPs, and align the work of the MA to the regional development strategies that they advance. Given the proximity of the MA to the delivery of strategy, this raises risks around misalignment of MA activities (e.g. project selection) with strategic objectives. If an MA uses only operational KPIs (e.g. amount spent, number of financial corrections), for example, it may risk not achieving the objectives of the policies that guide their work. In addition, MAs have a lot of practical experience that could be leveraged for better ROP/regional development strategy development.

Service delivery and engagement: While MAs may not deliver services directly to citizens, they do so with beneficiaries. In all of the diagnostics there was a recognition of the need to better communicate and engage with stakeholders beyond the MA, and in particular with ESIF beneficiaries. Some MAs work very closely with their beneficiaries and count them as close partners in the operation of successful ESIF. There was often recognition that beneficiaries not only needed more information and support to prepare and implement projects, but also had insights that could be used to improve the design of strategies and processes by the MA. Part of the challenge is that stakeholder management and engagement tend not to be a professionalised function in most of the MAs that participated in this pilot action, and therefore is often undertaken by people who do not see it as core to their work, and who lack the necessary skills and time.

Commissioning and contracting: MAs carry out a range of actions related to the control, distribution and use of ESIF funds, such as ex-post control and reviewing the lawfulness of public procurement during verification of beneficiary expenses. This is a core function of the MAs and is an area of clear need for capacity-building on the skills and competencies required to carry out effective and efficient public procurement tenders. Rarely do employees of an MA have a background in engineering or other technical specialties that would enable them to fully understand the complexity of the projects they manage. With this kind of skills asymmetry, many MAs resort to rule-oriented process specialisation (e.g. ensuring that forms are filled out correctly) rather than substance and understanding (e.g. ensuring that what's in the forms really makes sense and is viable). A related challenge is that the rules they follow are often perceived to be somewhat vague and open to interpretation, and therefore require a high degree of legal understanding and authority. This is further discussed in Chapter 5.

Managing networks: Collaboration within the MA and across the Management and Control System (MCS) is another area which emerged as a common challenge, particularly when multiple ministries and agencies, levels of government or sectors are required to work together to develop and implement ESIF-funded projects. This kind of coordination function was also rarely centralised and professionalised, but rather dispersed across the MA and not always conducted systematically. This suggests the need to recognise this as a core skill and support its development and deployment.

Turning to the three dimensions (professional, strategic and innovative) of the framework also enables a discussion of the following gaps:

Professional: Most MAs struggle to find people with the right qualifications and knowledge. This is generally due to a combination of labour market limitations, unattractive pay and employment offers, and/or hiring constraints imposed across the civil service (e.g. hiring freezes). In order to find a solution, many MAs resort to hiring generalists who learn to follow complex rules without the professional skills needed to understand the complex projects and systems they are managing.

Strategic: Aligning MA operations with strategic objectives of OPs and development strategies requires effective leadership and management to link the various work streams in a coherent manner. Management and leadership skills were often identified as lower priority in many MAs. They were often not prioritised in recruitment and promotion. In some cases, senior managers are appointed by political leaders with little control in place to ensure they have the necessary skills and knowledge.

Innovation: With a rules-based system where employees only see their small part and have little time to consider improvements, it is not easy to identify the ways forward in terms of system improvements. Most employees interviewed felt a sense of powerlessness to make adjustments that they felt would improve operations and strategic impact of the MA.

To fill the skills gaps identified, MAs can use a combination of recruitment and training. The next parts of this Chapter look at those in turn.

Attracting and recruiting the necessary expertise

Recruiting candidates to fill skills gaps requires two interrelated functions. First, MAs need to be able attract candidates to apply for the positions they need. The OECD PSLC Recommendation suggests that public organisations *attract and retain employees with the skills and competencies required from the labour market*, in particular through:

1. Positioning the public service as an employer of choice by promoting an employer brand which appeals to candidates' values, motivation and pride to contribute to the public good;
2. Determining what attracts and retains skilled employees, and using this to inform employment policies including compensation and non-financial incentives;
3. Providing adequate remuneration and equitable pay, taking into account the level of economic development; and
4. Proactively seeking to attract under-represented groups and skill-sets.

Secondly, public sector organisations need to use an appropriate set of tools to assess candidate skills and ensure they choose the candidate most likely to perform well in the position. Hence, the PSLC recommends *recruiting, selecting and promoting candidates through transparent, open and merit-based processes, to guarantee fair and equal treatment,* in particular through:

a. Communicating employment opportunities widely and ensuring equal access for all suitably qualified candidates;

b. Carrying out a rigorous and impartial candidate selection process based on criteria and methods appropriate for the role and in which the results are transparent and contestable;

c. Filling vacancies in a timely manner to remain competitive and meet operational staffing needs;

d. Encouraging diversity – including gender equality- in the workforce by identifying and mitigating the potential for implicit or unconscious bias to influence people management processes, ensuring equal accessibility to under-represented groups, and valuing perspective and experience acquired outside the public service or through non-traditional career paths; and

e. Ensuring effective oversight and recourse mechanisms to monitor compliance and address complaints.

MAs were generally very restrained in their abilities to recruit candidates to fill skills gaps

Regarding attractiveness, many MAs report low numbers of qualified applicants to job openings. This is often due to a range of factors such as pay freezes and tightening labour markets. In cases where the pay is too low to attract the needed skills, MAs and their leadership should carefully consider options to provide a more competitive employment package. Many MAs do this by using their Technical Assistance budget to "top-up" the salaries of those working on ESIF. MAs report that this has helped reduce some problems related to staff turnover, although such problems still exist in many MAs due to heavy workloads and stress. It also affects internal salary equilibrium across the broader public administration.

In order to attract professionals, MAs could more clearly articulate the non-financial benefits of working in their organisation, appealing to candidates' desire to contribute to economic development and learn how ESIF processes work. This kind of employer branding effort has to be reinforced with real support, however. The use of on-boarding mechanisms or induction training and career development tends to be under-developed in MAs and these tools, if well developed and communicated about, can help to attract promising candidates.

In some MAs, the specific hiring process is conducted by the MA with approval from a central authority, and here steps could be taken to improve hiring processes to align with strategic orientations of the OP. Hiring criteria could be better aligned to the skills needed and/or the willingness and ability to develop them, and hiring managers could be more effectively trained in selection techniques. Another action that appears in some of the Roadmaps is to better coordinate with universities and leverage possible expertise among students and faculty for specific projects that could add value to the MA.

In most of the participating MAs, the biggest problem with recruitment were freezes imposed by central administration offices. In many cases, MAs were not free to hire new staff to meet operational needs without agreement from central authorities, even when funding was considered available. There was often a sense of frustration that the relevant HR authorities (e.g. the HR office of the ministry housing the MA, and/or ministry of public administration) did not understand the specific needs of MAs and were very slow to react to requests. MAs often felt captured in a public employment system that was not fit to their purpose.

Slow and ineffective public employment and HR systems, coupled with what appears to be an increased workload in many MAs, is creating high-stress working environments in which not even TA top-ups are enough to retain the best employees and keep them engaged and motivated. This generated in a sense of powerlessness among MA management and leadership, which lacked the tools and support necessary to make the changes needed to improve their workforce development situation. In that sense, most of the skills development focus was on training rather than on recruitment possibilities.

Nevertheless, there are examples of MAs that have developed innovative solutions to recruitment challenges. For example, in preparation for the 2021-2027 period, Calabria, Friuli-Venezia-Giulia and Umbria in Italy have collaborated to set up a registry of chartered accountants specialised in the management and control of programmes co-financed by ESIF (Agenzia per la Coesione Territoriale, 2019[4]). This project was extended to include other administrations, such as those in Emilia-Romagna, Liguria, Sicilia and Trento. The purpose is to facilitate access by MAs to candidates with sought-after skills but who can prove difficult to attract. The registry was be piloted until end 2019 and will be assessed by independent evaluations occurring as part of the Italian Plans for Administrative Reinforcement (PRA).

Table 2.1 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of taking a more strategic approach to recruitment.

Table 2.1. Sample Action Table: re-examining recruitment strategies

Goals/sub-goals	Identified potential actions
Encourage more people to apply for positions at the MA	✓ Greater effort to reach a broader range of prospective candidates through different media
	✓ Development of a competency framework for use in recruitment and performance assessment
Test a broader range of skills and competences during assessment	✓ More strategic use of temporary staff contracts where standard recruitment procedures are not possible
Identify ways to link recruitment to business needs	✓ Identify ‘offer’ to prospective candidates

Given the significant limitations placed on recruitment, most MAs aim to address skills shortages through training opportunities for their current workforce. In this area, assessment is not only needed in the quantity of training available to staff (cut back in most OECD countries following the 2008 crisis), it is critically important that the quality of training is aligned with organisational objectives and labour market needs. Training also goes beyond a tool for equipping staff with the know-how they need to perform tasks. Metsma argues that it plays a key role in staff motivation, and indeed surveys of recent graduates frequently cite the opportunity to learn as a key motivator (Gallup, 2016[5]). Moreover, training can also be seen as a tool to inculcate shared values and a positive organisational culture (Metsma, 2014[6]).

The PSLC takes a similarly expansive view of training and development and recommends developing *necessary skills and competencies by creating a learning culture and environment in the public service*, in particular through:

a. Identifying employee development as a core management task of every public manager and encouraging the use of employees’ full skill-sets;

b. Encouraging and motivating employees to proactively engage in continuous self-development and learning, and providing them with quality opportunities to do so; and

c. Valuing different learning approaches and contexts, linked to the type of skill-set and ambition or capacity of the learner.

Training in MAs meets some short-term needs but there is scope to take a more strategic and long-term approach to leaning and development

Two recurring themes in interviews with MA staff were (i) that training was insufficient to keep them abreast of the latest developments with legislation, regulations, procedures and processes; and (ii) that training was not perceived as something that added significant value to day-to-day work and longer-term career and personal development.

For example, in one MA, staff noted that training courses occurring abroad were seen by managers as ways to reward staff. While this may be considered a legitimate management technique designed to galvanise performance (and in some cases was perceived to be the only "reward" that the management team could offer to high-performers), the result was that part of the staff conceived of training as a 'perk' or bonus to be assigned by a hierarchical superior. In another MA, new staff are immediately entrusted with significant responsibilities but lack the training and guidance to carry them out effectively.

In some cases, managers volunteer to run training sessions based on their own experience. While this is a laudable effort to transmit knowledge, it is illustrative of the constraints the MA faces in developing a comprehensive learning and development strategy. In another MA, where staff were obliged to attend a minimum number of training courses each year, there was a clear signal in interviews that the training did not meet the expectations of staff or add value to day-to-day work.

What emerges from the above examples is that, on the whole, training initiatives are either un-coordinated or carried out on an ad-hoc basis. Or, where a training strategy exists, there is little evidence to suggest that it is systematically applied and reviewed.

Staff expressed a desire for training that could improve their skills, improve the work of their MAs, and improve the impact of the projects they manage. Training was often requested on specific legislative and regulatory/procedural requirements for ESIF administration because many staff felt that these complex requirements changed often, at short notice, and with little consultation on their design or impact. This sense of 'moving the goalposts' creates delays in programming due to the need to learn and adapt to new requirements. It increases the workload of staff, pushes up transaction costs in engaging with actors at various levels of the MCS, and over time can lead to demotivation and disengagement.

In most OECD countries, competency frameworks are used to align training and development to organisational and individual development needs, and link training to career progression. The lack of a competency framework in most MAs means training does not address the long-term needs of the organisation, nor of individuals. Instead, training is either seen as a perk or a burden rather than as a core staff and organisational development activity.

There also appeared to be very little investment in induction training for new hires or those recently assigned to new roles and tasks. Many of the staff in MAs recognised that formal induction programmes could help new hires to learn about the strategic importance of their jobs, and how they fit into the broader ESIF system. However, in the absence of such programmes, new hires and existing staff are expected to learn 'on-the-job' with little systematic support.

Work load pressure means training is rarely prioritised or encouraged. This is particularly true when learning is not well aligned to the needs of individuals and their organisations. If training is not appropriately tailored to local reality, it risks getting labelled as a waste of time and written off completely.

Targeted management/leadership training was particularly underdeveloped. This may in part be due to a sense that managers in some MAs have very little discretion, and senior leaders are sometimes political appointees with little long-term commitment and vision for the MA. However these perceptions suggest an even greater urgency for meaningful leadership interventions.

The Campania region in Italy may provide food for thought in this regard, as it carries out a gap analysis on skills for the senior management of the Regional Council of Campania (Agenzia per la coesione Territoriale, 2019[7]). The results of this analysis are shared with the National School of Administration, which then plans training accordingly. The process is governed by a special agreement between the SNA and the Campania Region.

There is also little engagement with beneficiaries to identify their training needs, despite broad acknowledgement that time invested in training beneficiaries on various programming procedures pays off in the long-term with fewer errors in paperwork. While training beneficiaries may not always be the MA's immediate responsibility, there was often recognition that the capacity of many beneficiaries urgently needed improvement, and investments in this area, by MAs, National Coordination Authorities or others, would be an investment with high return.

Towards a more strategic approach to learning and development

Training is a valuable tool in addressing skills and competency gaps. However, one of the key observations of this project is that the scope of much of the training carried out by MAs is relatively narrow. The analysis conducted of the five diagnostics reveals that the complexity of managing EU funds requires a broader perspective and range of professional competences. Rather than just playing a stop-gap role to ensure MA staff implement changes in legislation, learning and training should contribute to the strategic development of the MA and its employees. In this sense it should differentiate between the needs of staff at the operational and leadership levels. The operational and strategic challenges faced by MA staff require the development and deployment of a range of behavioural, cognitive and interpersonal competencies, such as creative problem-solving, strategic thinking and communication, negotiation and complex project management.

Ahead of the post-2020 period, this is a significant challenge. Success in channelling ESIF will depend not only on accumulated institutional expertise, but on the ability of MAs to develop a targeted, relevant and accessible learning and development strategy that goes to the heart of the operational and strategic challenges faced by staff. The main vehicle for MAs to reach the adequate level of skills and competencies to manage ESIF is a long-term "learning and developing strategy" which should also include an institutional link to hiring processes and job profiles in the MA.

To develop such a strategy, an important preliminary step, highlighted in many of the Roadmaps, is the need for an evidence-based gap analysis, to understand which skills and competences are available in the MA, and which ones should be developed in order to properly manage ESIF-financed projects. The European Commission's competency framework and self-assessment tool is designed to provide this kind of analysis (Box 2.2).

Box 2.2. EU Competency Framework for the management and implementation of the ERDF and the Cohesion Fund

The implementation of European Regional Development Fund and Cohesion Fund Programmes requires strong administrative capacity. Therefore, the European Union developed a tool that addresses the competencies of employees involved in the management of the funds. These include the following practical tools that support human resources development:

- The Competency Framework covering all institutions involved in the management of the funds.
- The competency Self-Assessment Tool based on the Competency Framework.
- A recommended training Blueprint.

The Competency Framework and Self-Assessment Tool are job-aids to help institutions managing the funds in strengthening their human resources capacity. The Competency Framework and Self-Assessment are flexible and customizable, so that they apply to the different organisational structures in the Member States. The Self-Assessment Tool allows for a competency assessment on individual and institutional level. The outcomes of the assessment provide an important base for individual development plans, overarching human resources strategies and training plans. The recommended Blueprint for a European Regional Development Fund and Cohesion Fund training provides guidance on the structure of a learning offer, which is functional to strengthening the competencies defined in the Competency Framework.

Source: (European Commission, 2016[8])

Based on an assessment of skills gaps, a learning strategy could then map out different learning opportunities that could be used to help fill those gaps. This may include courses offered locally, by national schools of government, by the national coordination authority, by the EC or private contractors. It could also include other forms of learning, such as mentorship and coaching, job shadowing, short-term assignments and secondments. This mapping of different learning opportunities is an essential step as often MA managers were unaware of training and development opportunities within their own administrations, and at the European level (Box 2.3).

The OECD has worked with several EU countries to map and develop capability in thematic areas. For example, the Public Procurement Unit of the OECD Directorate for Public Governance worked with local authorities in Bulgaria to support the development of administrative capacity, training and dissemination of information, ensuring the effective application of public procurement rules through appropriate mechanisms. This included a ‘Train the Trainers’ initiative where the purpose was to provide future trainers with high quality material on public procurement to enable them to train procurement officials effectively all around the country (OECD, 2016[9]).

Box 2.3. Regional Competence Centre for Simplification in the Friuli Venezia Giulia region in Italy

The Friuli Venezia Giulia (FVG) Region is one of 20 Italian regions. Located in the north east of the country, bordering with Austria and Slovenia, it established a Regional Competence Centre to meet training needs that cannot be met by the regional staff training programme. Under the programme, regional and local civil servants have formed a "community of innovators" to improve the analysis and design capacity of public services, focussing on improving skills, such as use of data, that are not traditionally tested for during recruitment, even at management level.

Since February 2018, the Centre for Regional Competence for Simplification has conducted around 40 interviews with regional managers and officials, to build an evidence base for future learning and development strategies.

Training actions are organized using the "agile" logic underlying the digital development, maximizing the learning process in experimental workshops of construction and team work. Classroom groups gather all the roles involved in the process and its digital review: service managers, officials and project managers, managers of other services, analysts and software developers. Originally designed for about sixty regional employees, the programme was enriched along the way with new requests from participants in the first modules.

The Regional Competence Centre is working towards the development of a 2020-2021 training plan focussing on equipping administrators and officials of municipalities with the competences to work flexibly and adapt to changing circumstances, and to engage better with stakeholders.

Source: (Centro di Competenza per la Pubblica Amministrazione, 2019[10])

Another focus of the learning and development strategy should be on managers, as they constitute a key group that should take part and benefit from training. In this sense, the strategy should be linked to organisational hierarchy, so that new managers and those who aspire to become managers can access learning opportunities that will maximise their impact and ensure they have the skills necessary to manage and motivate teams.

With a precise strategy, by defining their "starting level", managers could assign learning objectives to staff, which could access the strategy to understand how their skills and competencies can evolve and help their career and personal development.

Two other key elements of this strategy could also be the implementation of induction and mentoring programmes. Induction training is fundamental to accelerate the process of integration for new staff. Mentoring, which could be included as part of an induction programme, is crucial to avoid the loss of experience when staff leave for jobs outside the MAs.

A mentoring programme could also be applied to new managers to facilitate their transition to new responsibilities, as well as dedicated coaching or training sessions. The direction to pursue is the design of a common training and, eventually, a common competency framework.

Encouraging staff to take greater ownership of their own learning and development objectives, such as through creating a greater link with periodic performance assessments or the development of an 'on-demand' course catalogue for common training needs would be one way to shift the perception of training.

Table 2.2 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of taking a more strategic approach to learning and development initiatives.

Table 2.2. Sample Action Table: taking a more strategic approach to learning and development initiatives

Goals/sub-goals	Identified potential actions
Training that corresponds to day-to-day and strategic business needs	✓ Conduct a training needs analysis
	✓ Develop alternative formats to classroom-based training, such as interactive workshops, online courses, role-playing exercises, etc.
Training that caters for different levels, i.e. operational level and management	✓ Develop a plan or strategy to frame learning and development needs for the MA
Training integrated to performance management as part of a long-term training strategy or plan	✓ Pilot a short-term mobility programme to enable MA staff to experience the work of different units of the MA

Engaging and motivating employees to put their skills to work

Engaged employees are those who are "*committed to their organisation's goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being*" (Macleod and Clarke, 2009[11]). Levels of engagement matter significantly for an individual's performance and have proven to be one the best predictors of individual task performance and organisational citizenship behaviour (loosely defined as voluntary activities that go beyond the tasks required in a work contract and that support organisational effectiveness) (Rich, Lepine and Crawford, 2010[12]). Empirical evidence, for instance, links employee engagement to improved productivity and willingness to innovate. For example, employees with high levels of engagement are much more likely to:

- contribute to innovation by involving themselves and their ideas in their work (Salanova and Schaufeli, 2008[13])
- strengthen resilience and self-initiative by asking for feedback and support, if needed (Bakker, 2011[14])
- work energetically without suffering from burnout (Salanova and Schaufeli, 2008[13]), and;
- are able to detach from work (Sonnentag, Binnewies and Mojza, 2010[15]). This is relevant for HR policies that focus on the reconciliation of work and family, work-life balance and corporate health management.

These benefits can, in turn, translate into improved outcomes for organisations. Indeed, organisations with engaged employees report cost savings from higher levels of retention and fewer lost days from sick leave. They also have improved outcomes in the form of higher levels of citizen satisfaction with public services. For example, one study shows that 78% of highly engaged public sector employees say they are able to impact public service delivery, while only 29% of disengaged employees feel the same way. In Germany, the federal civil service agency has found a link between levels of employee engagement (as measured through a composite index) and levels of reported citizen satisfaction with public services.

Because of the importance of employee engagement, many governments closely monitor this factor through civil service employee surveys which enable public employment practitioners to identify areas of high and low engagement and thereafter take appropriate action. Most commonly, employee surveys are used to gauge engagement levels in individuals, teams and organisations.

When defining and measuring engagement, it is important to distinguish between an employee's commitment to the organisation (organisational commitment, or "organisational engagement") and engagement with their job (work engagement). **Organizational commitment** is defined as a psychological attachment of employees to their organisations. Allen and Meyer (1990[16]) developed a model of organizational commitment that conceptualizes commitment as consisting of three components: affective, normative and calculative.

- **Affective commitment** refers to a positive feeling of affection towards the organisation as reflected in a strong desire to remain and a feeling of pride in being part of the organisation.
- **Normative commitment** reflects a moral feeling or obligation to continue in the organisation. Employees with high levels of the normative component feel that they ought to remain, and they feel bad about leaving the organisation even if a new employment opportunity appears.
- **Calculative commitment** reflects an intention to remain in the organisation because leaving would have tremendous negative effects in terms of costs to the employee.

On the other hand, **work engagement** has been also described with critical elements such as work focus, energy and absorption in a job. Schaufeli et al. defined it as a 'positive, fulfilling, work-related state of mind that is characterized by vigour, dedication, and absorption' (Schaufeli et al., 2002[17]).

- **Vigour** refers to high levels of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence even in the face of difficulties.
- **Dedication** is characterized by a sense of significance, enthusiasm, inspiration, pride and challenge at work.
- **Absorption** consists of being fully concentrated, happy and deeply engrossed in one's work whereby time passes quickly, and one has difficulty detaching oneself from work.

It is important to note that both organisational and work engagement are distinct but related concepts in terms of impacting performance. That is, some employees in an organisation can be engaged with their work but not committed to the organisation. Or conversely, committed to the organisation but not engaged with their work. Of course, it is also possible for employees to be both committed and engaged (the ideal) or neither committed nor engaged.

Employee engagement is suffering in some MAs

It was beyond the scope of the diagnostic phase of this pilot project to conduct employee surveys to gauge and compare levels of engagement in MAs or Management Control Systems more broadly. As such, it is important to note that the following assessment has been made on the basis of (representative) multi-stakeholder workshops and interviews. For the same reason, it is also difficult to ascertain the exact drivers of low employee engagement, where it was reported. This lack of data on engagement, however, is perhaps the most important finding in and of itself, as this is an important metric that MAs and MCSs should be systematically monitoring.

Anecdotally, several (though not all) of the five participating MAs reported issues with low employee engagement stemming namely from: perceptions of poor management practices; lack of career development opportunities; perceived lack of fairness in the assignment of promotions, bonuses, or training opportunities; and high levels of workload (particularly during certain times of the year and for those dealing with both beneficiaries and other government institutions). A perception of highly bureaucratic procedures, and the implications this had on individual ability to carry out duties effectively, was also mentioned as a possible source of frustration for employees and of lower engagement. Unsurprisingly, the MAs reporting higher levels of employee turnover (churn) were those also reporting lower levels of engagement.

Performance management systems were also reported to influence levels of employee engagement. While well-intentioned, some fell short of individual staff expectations since they were not seen as being linked to career development opportunities or salary increases. On the whole, performance management regimes did not result in employees receiving constructive feedback, but rather they seemed to have a significant effect on the motivation of staff, who felt that their efforts are not being recognised or rewarded, causing some to eventually burn out and leave the MA.

As mentioned earlier, many countries actively manage employee engagement. This is usually based on a process of measurement through employee surveys, which enable public organisations to benchmark their results, identify areas of high and low engagement, and take appropriate action. Well-designed employee surveys enable an understanding not only of relative levels of engagement across and within organisations, but also the factors that drive low or high engagement, and thereby the levers available to management to address and improve engagement

The majority of participating MAs do not have in place a strategy for measuring or improving employee engagement, with little to no data from employees collected through perception surveys. As such, the Roadmaps focus on addressing this critical "information gap" through the development and implementation of their own employee surveys. This is a key first step to assessing where problematic teams/leadership might exist, as well as uncovering the specific drivers as per different entities within the MA or MCS. MA or MCS employees who are also civil servants might complete employee surveys implemented by their central or regional administrations, however given that many personnel working on ESIF may be public employees (i.e. without civil service status), or contractors, it was deemed important that MAs design and run their own surveys aside from these.

While collecting quality employee engagement data is one key first step, this is certainly not sufficient without adequate follow-up and action from leadership. Indeed, measuring employee engagement through employee surveys will not, in itself, contribute to improving employee engagement levels if nothing is done with the results. As such, several Roadmaps include actions to conduct leadership workshops or seminars around employee engagement to review and discuss results, with the ultimate goal of designing and implementing interventions that address pockets of low engagement.

Managers and leadership were targeted for the seminars for several reasons. First, middle to upper managers have the power to implement changes that may boost engagement. Issues like work-life balance and the working environment are areas where managers can have a high degree of influence. Additionally, managers' leadership styles can influence engagement – the way they communicate with employees, for example. The United Kingdom offers an example on the types of leadership behaviours that were found to increase engagement (Box 2.4). This places expectations on the skills and capacities of managers. Positive leadership traits and behaviours should be reflected in competency frameworks, which were also reflected in other Roadmaps actions to strengthen managerial capacities.

Box 2.4. Leading for engagement: Findings from the UK experience

While organisational hierarchies change over time, the metadata from the People Survey on team-level reports provides information that can link team-level results over time.

In 2014 and 2015, the Cabinet Office team linked team-level data from the 2011 to 2014 surveys to identify two types of teams: those that had maintained high levels of employee engagement or well-being over the timespan, and those that had seen substantial increases in the levels of employee engagement or well-being. Having identified these types of teams, case study interviews were undertaken with a selection of employees that represented the range of different activities in government (policy advice, corporate services, front-line service delivery, regulation, etc.). The results of these case study interviews identified eight common factors that support high or improved levels of employee engagement and well-being:

- Leaders who are passionate, visible, collaborative and welcome feedback.
- Prioritise feedback, involvement and consultation.
- Encourage innovation and creativity.
- Make time for frontline exposure.
- Challenge negative behaviours.
- Support flexible working approaches.
- Build team spirit and create time for people to talk to each other.
- Take action on People Survey results.

Source: (Government of the United Kingdom, 2015[18])

Second, in the Roadmaps, managers were chosen as the recipients of the workshops/seminars on engagement in order to create a sense of accountability around this important issue. Comparative data (i.e. benchmarking employee engagement results by team or organisational units) can be a powerful incentive for managers to make real changes. Countries like Australia, Canada, the UK and the US use Dashboards to communicate results, and employee engagement data are included in performance discussions.

Concerning performance management systems, MAs sometimes have a degree of flexibility on the application of these regimes, which the OECD often found to be misaligned to promoting engagement and motivation. Roadmaps therefore included actions focused on reviewing performance management systems to ensure that they are rewarding the kind of performance expected and encouraging employees, rather than focusing only negative consequences. The actions also emphasized improving communication around the tools, so that staff had a better understanding of what was being assessed and how the system was designed to work. Finally actions also emphasised the need to make sure that all of the managers had a common view of the system and could apply it evenly across their workforce.

Table 2.3 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of employee engagement.

Table 2.3. Sample Action Table: employee engagement

Goals/sub-goals	Identified potential actions
An engaged and motivated workforce	✓ Greater data-gathering through periodic employee engagement surveys
Senior management able to access and use data to inform change	✓ More strategic use of induction sessions for new staff
	✓ Review performance management system

References

Agenzia per la Coesione Territoriale (2019), *Piani di rafforzamento amministrativo (PRA): Rete dei responsabili PRA presentazione Buone pratiche*, http://www.pra.gov.it/wp-content/uploads/2019/01/Slide-Riunione_BP-PRA_25.01.2019.pdf. [4]

Agenzia per la coesione Territoriale (2019), *Relazione sulla progettazione, programmazione e realizzazione del percorso formativo manageriale denominato 'Gestione e svilippo delle risorse umane'*, http://www.pra.gov.it/wp-content/uploads/2019/09/2019.09.05_Relazione-best-practice-corso-manageriale.pdf. [7]

Allen, N. and J. Meyer (1990), "The measurement and antecedents of affective, continuance and normative commitment to the organization", *Journal of Occupational Psychology*, Vol. 63/1, pp. 1-18, http://dx.doi.org/10.1111/j.2044-8325.1990.tb00506.x. [16]

Bakker, A. (2011), *An evidence-based model of work engagement*, https://doi.org/10.1177%2F0963721411414534. [14]

Centro di Competenza per la Pubblica Amministrazione (2019), *Centro di Competenza per la Pubblica Amministrazione, Official website*, https://compa.fvg.it/ (accessed on 28 August 2019). [10]

European Commission (2016), *Delivery system final report - work package 12: ex-post evaluation of Cohesion Policy programmes*, https://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp12_final_report.pdf. [2]

European Commission (2016), *EU Competency Framework for the management and implementation of the ERDF and the Cohesion Fund*, https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/comp_fw/eu_comp_fw_report_en.pdf. [8]

Gallup (2016), *How Millenials Want to Work and Live*, https://www.gallup.com/workplace/238073/millennials-work-live.aspx. [5]

Government of the United Kingdom (2015), *Engagement and Wellbeing: Civil Service Success Stories*, https://coanalysis.blog.gov.uk/2015/07/08/engagement-and-wellbeing-civil-service-success-stories/ (accessed on 28 August 2019). [18]

Macleod, D. and N. Clarke (2009), *Engaging for Success: Enhancing performance through employee engagement*, https://dera.ioe.ac.uk/1810/1/file52215.pdf. [11]

Metsma, M. (2014), *The impact of cutback management on civil srvice training: the case of Estonia*, https://www.researchgate.net/publication/266373673_The_Impact_of_Cutback_Management_on_Civil-Service_Training_The_Case_of_Estonia. [6]

OECD (2019), *OECD Recommendation on Public Service Leadership and Capability*, OECD Publishing, https://www.oecd.org/gov/pem/recommendation-public-service-leadership-and-capability-2019.pdf. [1]

OECD (2017), *Skills for a High Performing Civil Service*, OECD Publishing, http://dx.doi.org/0.1787/9789264280724-en. [3]

OECD (2016), *Public Procurement Training for Bulgaria: Needs and Priorities*, OECD Publishing, https://www.oecd.org/gov/public-procurement/publications/public-procurement-training-bulgaria_EN.pdf. [9]

Rich, B., J. Lepine and E. Crawford (2010), *ob Engagement: Antecedents and Effects on Job Performance*, http://dx.doi.org/10.5465/AMJ.2010.51468988. [12]

Salanova, M. and W. Schaufeli (2008), *A cross-national study of work engagement as a mediator between*, https://www.wilmarschaufeli.nl/publications/Schaufeli/287.pdf. [13]

Schaufeli, W. et al. (2002), “The Measurement Of Engagement And Burnout: A Two Sample Confirmatory Factor Analytic Approach”, *Journal of Happiness Studies*, Vol. 3/1, pp. 71-92. [17]

Sonnentag, S., C. Binnewies and E. Mojza (2010), *Staying well and engaged when demands are high: the role of psychological detachment*, http://dx.doi.org/10.1037/a0020032. [15]

Chapter 3. Strategic, agile and responsive Managing Authorities

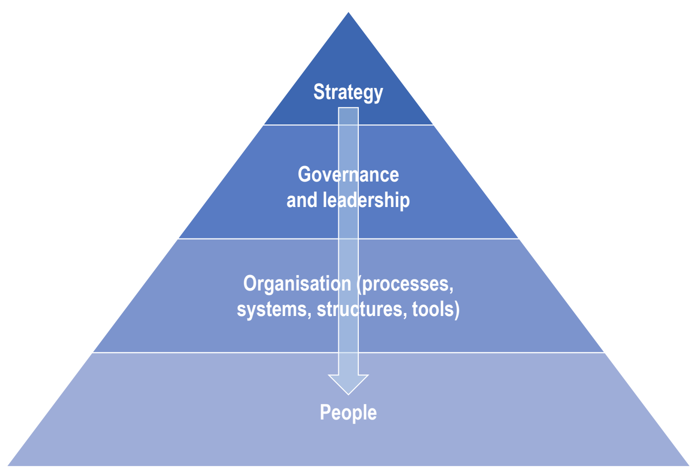
This chapter assesses how Managing Authorities and other organisations in the Management and Control System are strategically poised to get the most from European Structural and Investment Funds. Three elements in particular are examined: whether organisational arrangements and procedures are "fit-for-purpose" to carry out their roles; the mechanisms for knowledge management in order to build and maintain institutional capacity over time; and the capacity for resource flexibility in order to adapt to changing strategic needs and circumstances.

Introduction

The challenge for public sector organisations today is to align policies across organisations and units to meet strategic objectives and public expectations; as well as to anticipate and plan for future needs and challenges and redeploy resources quickly as needs change (OECD, 2015[1]). The same is true for implementing European Structural and Investment Fund (ESIF) programmes and projects: an evidence-based, forward-looking strategy that prioritises objectives and corresponding funding streams should be in place; programming and project selection should be aligned accordingly; and processes and procedures should facilitate the effective, timely and integral execution of projects. Management and Control System (MCS) and Managing Authorities (MAs) must be structured in ways that are conducive to implementing strategic objectives, with the right arrangements, processes, systems and tools. The role of leadership in ensuring these elements are in place is tantamount (Figure 3.1).

Figure 3.1. Agile, fit-for-purpose organisations

Organisations need to align their structures, processes and working tools to their strategic objectives



Source: Authors' illustration

Fulfilling these steps is a colossal undertaking, with governments having established complex "institutional machineries" to achieve objectives in compliance with European Commission regulations and deliver the best value-for-money for society. These include not only the institutional arrangements of MCS, but also the core set of policies underpinning their oversight and management functions: public procurement rules, internal control and audit oversights, budgeting and financial management procedures, monitoring and evaluation exercises, and of course human resources management (HRM) rules and practices.

This pillar of the diagnostic framework, therefore, sought to assess how MAs and other MCS organisations were strategically poised to get the most from Cohesion Policy funding. Three elements in particular were examined: whether organisational arrangements and procedures were "fit-for-purpose" to carry out their roles; the mechanisms for knowledge management in order to build and maintain institutional capacity over time; and the capacity for resource flexibility in order to adapt to changing strategic needs and circumstances.

Ensuring organisational structures and procedures are fit for purpose

A country's MCS, including MAs, is the "machinery" that public administrations use to deliver on their ESIF-funded development policies effectively. The European Union (EU) has issued extensive Guidance on ESIF, including on the set-up of MCS (European Commission, 2014[2]).

However, countries still have discretion in how MCS and MAs are organised. The OECD does not support a single "best practice" in terms of organisational set-up of public administrations (nor of MAs), respecting the different missions, activities and contexts of governments and cohesion strategies. At a minimum, administrations should be able to demonstrate, however, that they are organised in ways that avoid duplication and fragmentation of tasks; respect integrity (i.e. with sufficient accountability mechanisms and "arms-length" institutions to provide objective, independent oversight); and with adequate horizontal and vertical mechanisms for information-sharing and communication (OECD, 2019[3])

Also, while it should be emphasised that the European Commission and MCS clearly attribute functions to MAs and Intermediate Bodies (IBs) (at least in writing), in practice the application of these rules becomes less concrete. For example, when exceptional or project-specific problems occur, who should be responsible and how the problem should be addressed may not be well laid out in the MCS.

With regards to organisations' management policies and procedures, rationalisation is key. The OECD's Recommendation on Regulatory Governance supports "smart" regulation over "red tape" that can work against achieving goals effectively and efficiently (OECD, 2012[4]). Given the number of regulatory dimensions involved (from supranational to local), as well as the number of functional areas (HRM, budgeting, internal control and audit, public procurement), rationalisation and clarity can be difficult to achieve.

Complex institutional arrangements, including cumbersome processes and procedures, are perceived by stakeholders as hindering effectiveness and agility

The complexity of institutional arrangements was raised by several, though not all, MAs. In most cases the root or cause of the challenges were from the adoption of structures for historical reasons rather than for current or future needs. Common issues reported included:

- Complex institutional architectures in terms of the number of actors and hierarchal layers, causing uncertainty over roles, potential duplication and fragmentation, and a tendency for disconnects between "front-line" and "back-office" expertise meant critical knowledge about beneficiaries, projects, etc. did not feedback into management and strategy processes;
- Internal functional arrangements (of teams, units) caused duplication in tasks and uneven workflows and burdens amongst staff;
- Ineffective, weak or underused coordination mechanisms (working or thematic groups);
- Excessive and misaligned oversight mechanisms (too many external oversight actors), causing not only duplication but delays.

Concerning issues raised around specific processes and procedures, this was cited in all MAs and at all levels, from personnel to beneficiaries and external stakeholders. Many of these issues included:

- Lack of clarity in regulatory texts, and a lack of practical guidance (guidelines, manuals, etc.) for interpreting regulations accurately and consistently. Beneficiaries in particular faced the largest hurdles in accessing and applying regulations;
- Lack of coherence between supranational, national, and local regulations;
- Lack of consistency in the interpretation of regulations in ex-post audits and evaluations, at times requiring financial adjustments and losses for projects.

In short, while internal regulations for MAs and beneficiaries are considered "necessary evils" that must exist to ensure effectiveness, value-for-money, and integrity; if not developed and carried out correctly they can have the adverse effect of causing delays and increased costs. Moreover, they create a rigid set of constraints where MAs cannot adapt to changing externalities, such as changing societal needs, changing market conditions (including labour market conditions), changing or evolving technologies, etc. Ultimately, beneficiaries and citizens pay with unused funding, delays, or poorly-executed projects.

Ensuring structures are fit-for-purpose and simplifying processes and procedures

The Roadmaps highlight several actions for re-evaluating current structures in light of strategies and objectives. Roadmaps do not prescribe a "best practice" in terms of how MCS and MAs should be set-up, but rather focuses on analysing where existing issues of duplication and fragmentation lie, and considering a better balance of workflows and workloads across entities in the system. These analyses should also examine the current communication channels among entities in the MA/MCS, as well as regular coordination platforms where they can summarise lessons-learned from the exceptional/unusual cases and minimise the ambiguity in daily operations.

When recalibrating or refining the roles and mandates with respect to Operational Programme (OP) implementation is needed – from the strategic design process to project monitoring and evaluation – it is essential to consult and coordinate with all relevant actors. Proper analyses should be undertaken, based on internal and external discussion with IBs and beneficiaries to determine the actual needs, costs and benefits of any proposed adjustment(s). For example, when should dual IB/beneficiary functions be eliminated and how to accomplish this? To what extent should certain monitoring functions be contracted out? When the process is fit-for-purpose, it could alleviate some of the pressure on the MA staff, facilitate OP administration, and enhance the management of the investment cycle. In those cases where municipalities act as IBs and beneficiaries, adjustments to tasks or responsibilities could free up limited local authority resources by enabling them to concentrate on one function.

Table 3.1 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address complex organisational structures.

Table 3.1. Sample Action Table: improve the agility of MAs

Goals/sub-goals	Identified potential actions
An organisational structure that is fit-for-purpose and adjusted where appropriate	✓ Organise a retreat or 'away day' to discuss potential changes to the organisational structure ahead of the post-2020 period
	✓ Develop internal rules of procedure common to all MAs
Effective feedback loops between operational staff, mid-management and leadership on potential adjustments to organisational structure	✓ Carry out an organisational mapping exercise encompassing workflow analysis and/or network analysis
As little duplication of tasks or responsibilities as possible	

The complexity of rules and procedures (for HRM, audit, procurement, financial management, etc.) were raised universally across the MAs. They are perceived as perhaps one of the most important hindrances to productivity, and were a source of frustration for many. Actions related to these challenges are discussed more in Chapter 5 since, in the majority of the cases, changes required legal reforms which were outside the control of MCS and MAs. However, there are actions for MAs that are within their remit of influence, namely about providing more support to staff in the form of manuals, guidelines, and training (including induction training), to help staff as much as possible. In some Roadmaps, the innovative action (also featured in Chapter 5) of audit committees in order to establish more consistency in the interpretation of rules and procedures could, over time, help MCS and MA staff avoid unnecessary delays and losses. Intranets and other knowledge management tools centralising regulations in one place, with Frequently Asked Questions (FAQs) and other resources, also aim to support staff learn about and correctly apply procedural rules, and are discussed further in the following section.

Improving knowledge management and information sharing in the MA and MCS

Managing complex programmes such as OPs for ESIF requires, and generates, a great deal of information. Information related to rules and procedures, calls and proposals, project implementation and evaluation can all contain valuable insights that can help inform the work of all sectors within the MA and the broader MCS. This suggests a challenge related to systematic knowledge management: to improve the way MAs generate, organise, store and disseminate information so as to improve institutional memory, share knowledge internally and with external partners and stakeholders.

All organisations face challenges with knowledge management. This is because knowledge tends to be accumulated in small work units, or even in the heads of individuals, without being transferred to the wider organisation and made useable by others. This can often be seen in areas such as problem solving. Problems faced by certain individuals in an MA have likely also been experienced by others within this MA or among other MAs in the same MCS. Without effective knowledge management processes, each of these problems is a major challenge to productivity as they require starting from the beginning, rather than building on the accumulated experience of the MA. It can also present a problem for the MAs stakeholders and beneficiaries if they are not getting consistent information or solutions to the challenges they face.

Common tools used to improve knowledge management can include formal systems and informal networks. Information and Communication Technology (ICT) systems can be used to track MA activities and generate insights into work processes. They can function as an internal knowledge bank, where employees can find answers to their questions and build on the experience of others. On the informal side, staff mobility and networking can provide ample opportunities for sharing knowledge as long as organisational incentives promote knowledge-sharing behaviours.

Internal communications and information-sharing mechanisms could be strengthened

MAs tend to recognise the importance of internal communications and knowledge management. It was a core area that emerged in all of the workshops conducted as part of this pilot action. In most MAs, there was a sense from employees and others that jobs and roles in managing ESIF appear to be fragmenting into tasks and siloed work streams, requires more effective IT tools and communication structures to ensure coherence and productivity in operations.

The challenges related to knowledge management and internal communications are intrinsically linked to the challenges in organisational design highlighted earlier in this chapter. The more dispersed the operations of the MA are, the bigger the challenges with knowledge management. In MAs with many IBs, for example, there is a much greater challenges to ensure a common understanding of process, and to enable a common approach to information management. This is particularly challenging when these IBs are units in other agencies and ministries who may have their own knowledge management standards and procedures that may not align to those of the MA.

In one MA, which provides a useful example, it is often the responsibility of individual sectors to carry out the calls for proposals, to select projects, to reach out to beneficiaries and reply to their queries, to oversee the payment of funds and monitor the implementation of projects, etc. In short, they are on "the front line" of project implementation with considerable responsibilities. In these departments, however, few if any "specialists" in ESIF funds management exist. Some of these departments have assigned dedicated staff, with expertise in the specific rules and regulations governing the use of European Regional Development Fund (ERDF), to these projects, but others assign personnel on an *ad hoc* basis, often because there are insufficient staff to have dedicated resources. However, this practice, combined with often changing rules and regulations, resulted in a failure to build institutional knowledge and expertise in ESIF management over the longer-term. The MA has established an informal network of "contact points" in these departments, but more could be done to formalise, support and recognise personnel in these roles.

This is also a challenge in MAs where multiple units do similar kinds of work, such as those divided by sector or fund (e.g. European Social Fund vs ERDF). A recurring theme in stakeholder interviews at one MA was the lack of a harmonised team culture across the formerly separate parts of the MA, resulting in an inability to develop joined-up solutions to effectively manage the MA as one coherent organisation with common practices and organisational culture. This lack of organisational harmonisation was perceived to risk duplication of effort, miscommunication, and in some cases frustration as different teams allegedly approach key reporting requirements with differing degrees of urgency and method.

Similarly, MAs with central and regional presence have to ensure knowledge is shared among all the units in effective ways that enable an appropriate level of standardisation across all regions and between the central and local operations. One MA with various regional offices has created OP implementation guidelines and provided instructions to stakeholders, however information sharing is formal and centres on questions raised by IBs and beneficiaries and formally submitted (in writing) to the corresponding MA department. This approach can ensure clarity in response, but there does not appear to be a mechanism in place to share the knowledge imparted among the different regions and thereby enable them to answer more questions at source. In addition, the approach can cause delays in project implementation as formal written communications can take longer than informal but equally enlightening conversations. More flexible and responsive mechanisms for internal and external communication are needed, including between the MA's central and regional operations.

ICT systems and intranet sites exist in most MAs, and aim to provide some level of common information. However these were recognised by staff as being less effective than intended. In one MA, staff reported that they had to feed the same information into three separate IT systems to establish a correct audit trail. This illustrates an issue that appeared to be a challenge across all MAs. In another MA, staff involved in conducting internal audit have to ask relevant departments for specific documents rather than being able to access a central repository of documents required for audit, suggesting that the existing system is not meeting its full productivity potential.

When ICT systems exist, they tend to be under-used and ill adapted to the day-to-day realities of the MA's operations. In some cases, the ICT systems are designed by central coordination authorities in order to track MAs, rather than with the intention of facilitating MA knowledge management and sharing. In an ideal system, both of these objectives would be facilitated by one system, however this was rarely the case.

MAs are also using a range of committee structures and systems to enable knowledge sharing, usually among the executive management groups. While regular management team meetings across MAs and within the broader MCS are essential, there was often a sense that these tools were less helpful at the operational level. Employees suggested that important information was slow to trickle down to operations levels, and often felt powerless to raise issue and questions that could benefit from discussion in these kinds of bodies.

ICT systems and informal technical or thematic working groups could better be exploited to facilitate communication and information-sharing

No matter what organisational structure exists, divisions will always need to be overcome through effective knowledge management activities. As mentioned at the start, these may include formal mechanisms – usually structured ICT systems with operational protocols, supported by formal committees for information sharing and communications – and informal tools, such as networking opportunities across MAs and mobility schemes which can have a positive benefit on information sharing (discussed previously).

In cases where MAs work with a wide range of ministries and agencies, networks of contact points in those entities could be formalised and professionalised by establishing a distinct Community of Practice (CoP) comprised of staff working on ESIF funded projects. At a minimum, it would facilitate the sharing of information, offer continuity and improve knowledge management over time, as well as further professionalise the management of ESIF either through training of existing staff and/or recruitment of staff. Different forms of CoPs could fit different contexts. They may include the mapping of skills and competencies needed so that members can be trained together, building the community further.

Another common suggestion that emerged from the diagnostic phase of the Roadmap development process was for the creation of centralised electronic platforms for personnel working on ERDF-financed projects. These platforms could take many forms depending on the MA’s starting point. Ideally the content would be developed and tested jointly by the MA staff and the broader stakeholder community, including the National Coordination Authority, IBs and representatives of beneficiaries.

Whatever the final format of the platform, a platform can not only be a centralised location of essential information (i.e. rules, regulations, etc.), but should incorporate practical tools for project managers. These could include, for instance, a FAQs section, a user-created internal Wiki, guides, manuals, templates, calendars, contact points, consultants database, audit planning calendar and past audit decisions, etc. Given that such a tool would have benefits for all MAs and actors in a given MCS, this may be best developed centrally with input from various MAs across the system to ensure common standards and content.

The Greek MA has recently developed a new ICT system that is intended to enable greater harmonisation across its different sectoral operations and has the potential to support greater knowledge sharing and thereby improve the harmonisation of the MA. The work of the MA is supported by an Integrated Document Management system[1] recently developed to replace the previously operating intranet which was used for the daily communication between the staff and the Units, as well as between the Staff and the Management level of the MA. This system is a complete and integrated platform for the electronic management, digital signature and distribution of documents and handling of business processes, within a unified philosophy, compatible with the European regulatory framework with regards to document management and advanced qualified signature. Communication is a fundamental input to a harmonised culture. A practical approach to improving information and knowledge exchange could include a mechanism such as this, dedicated to recording problem-solving and decision-making processes or histories. This electronic platform could be expanded for knowledge dissemination is another option. Ensuring accessibility and proper use across the MA’s sectors and units is fundamental, as is ensuring it is regularly maintained and updated.

The rollout of such a system can, in itself, be an opportunity for communication and knowledge management by integrating face-to-face learning, networking and exchange as a priority in the planning and operational development of the MA. In that sense, group trainings and workshops could help to generate common understandings around project management processes, and exchange around working cultures in the different sectors and/or different functions with the MA and the broader MCS.

Table 3.2 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to make the most of internal communication and knowledge flows.

Table 3.2. Sample Action Table: making the most of internal communication and knowledge flows

Goals/sub-goals	Identified potential actions
Fit-for-purpose IT systems with a common understanding of their use and purpose	✓ Ensure proper implementation of new IT systems through sequenced rollout and testing ✓ Enhance communication capacity through specialised recruitment/training
Efficient structures for sharing information through mixture of top-down and bottom-up approaches	✓ Develop an internal intranet or platform to centralise information such as procedures, manuals, tools, FAQs, contact information, consultant database, clarification on interpretation of legislation/guidance, etc. and avoid duplication of work streams
Robust feedback loops between different parts of the MA and the broader Management and Control System	✓ Organise regular internal presentations/training/ targeted workshops on specific issues

Addressing resource flexibility through better workforce planning and mobility

In order to put strategic agility into practice, governments need to be able to quickly and flexibly reallocate resources from one priority to another. MAs are aware more than anyone that implementing ESIF projects does not always go according to plan. While an excellent strategy and planning process might be in place, unpredictable external factors can arise (economic downturns, elections, environmental challenges, etc.). Project managers reported during the diagnostic phase that unexpected issues often occurred – a shortage of suppliers to contract, price changes, unexpected (high or low) interest to certain calls for proposals, etc. Managers often found themselves in situations where they had to either fast-track or delay projects, but were met with high resistance from “the system” in terms of moving and shifting financial and human resources as needed. In short, strategic agility was lacking.

Many governments have greatly increased budget flexibility in recent years by decentralising the budget process and giving line ministries more freedom to manage their own resources. This practice provides line ministries with the means to reallocate resources between programmes under their sectoral responsibility. This decentralisation of responsibility has helped align the incentives for ministries to better manage their budgets and to innovate in order to make the best use of limited resources. Moreover, in recent years countries have facilitated managerial flexibility by permitting other practices including: re-appropriations within the same fiscal year (transferring funds between programmes or line items); allowing carry-overs (the shift of unused appropriations to future fiscal years); and the borrowing against future appropriations (spend their appropriation for the year in the knowledge that they will be able to borrow from next year’s appropriation if unexpected spending needs arise) (OECD, 2014[5]). However, as explained in the following section, these conditions have been restricted following the economic crisis.

Resource flexibility is not only about budgets, but also about ensuring that the right human resources can be acquired, developed, and deployed in line with shifting priorities. Strategic Human Resource Management (SHRM) means going beyond narrow conceptions of Human Resource Departments as mere transactional providers of administrative services relating to traditional HR operations such as recruitment and payroll. Over time, units adopting a SHRM model can build an evidence base to inform targeted interventions aimed at mobilising the right resources, skills and competencies and directing them where they are most needed – now and in the future.

MAs reported considerable difficulties in shifting (human and financial) resources where and when needed

As mentioned, MAs reported constraints in financial and human resource flexibility that limited their agility and capacity to respond to changing circumstances. It also ultimately limits the absorption of funds. In some MAs, recent fiscal austerity measures (increased top-down controls from Ministries of Finance) meant difficulties in re-appropriating funds in situations where projects were delayed. For example, if a project was delayed, managers felt they were unable to shift funds to another project or carry-over funds to future fiscal years for the initially planned project. Interestingly, some of these constraints may be perceived rather than actual. While MAs maintained the perception that budgetary rules were rigid, auditors and Ministries of Finance argued that flexibility measures were in place yet not used. It may that a lack of communication, a lack of training, or the high complexity of approval procedures are limiting the adoption of some of these practices.

With respect to human resources procedures, MAs also reported a lack of flexibility. Following the crisis, fairly recent reforms to downsize or limit the growth of the public service workforce through hiring freezes, coupled with constant pressures to contain costs and increase value for money, have limited the capacity of MAs to manage human resources in a more strategic way. This stemmed from hiring freezes that did not allow MAs to recruit the required skillsets needed, but also from rigid procedures that did not allow the re-assignment of personnel to match work demands across institutions. Staff seemed to sit in rigid hierarchies for many years with unclear promotion prospects and opaque criteria around the possibility and value of internal mobility. Furthermore, in some of the MAs, there appeared to be a lack of formalisation around job roles and hierarchical levels across MCS/MA systems, which resulted in people doing the same work but for different pay. This also limited mobility since standard roles and pay scales did not facilitate the movement of people across organisations within the MCS. Ultimately, these constraints limited the ability of MAs to carry out effective workforce planning. This approach to HR management – as a reactive process rather than a forward looking process – relegated HRM professionals to administrative roles rather than strategic roles.

Strategic workforce planning

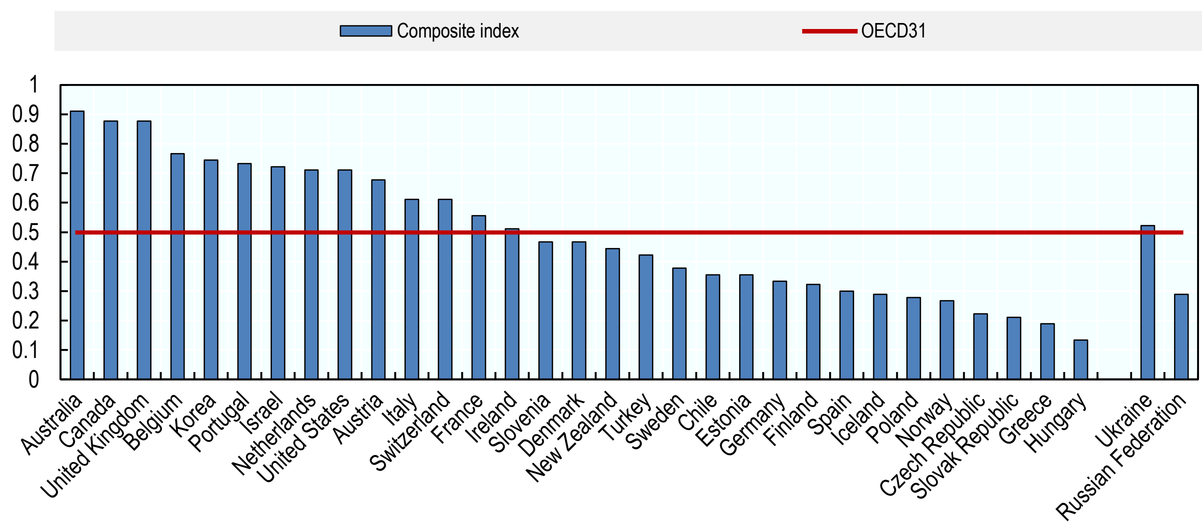
The OECD's Recommendation on Public Service Leadership and Capability (see Chapter 2) is based on a strategic orientation to Human Resources Management. For example, one principle recommends that OECD countries develop, "a long-term, strategic and systematic approach to people management based on evidence and inclusive planning." This includes evidence-based assessments of skills needed and skills available to meet current and future core business requirements; setting strategic direction and priorities with input from relevant stakeholders; ensuring alignment with organisational strategic planning processes and including appropriate indicators to monitor progress, evaluate the impact of HR policies and processes, and inform decision-making.

The second pillar of the same Recommendation also sets out a series of principles that are particularly relevant at an organisational level, such as an MA. They begin with an assessment of the skills and competencies needed to achieve the objectives of the organisation today and into the future. Once identified, the organisation can align its processes and policies to attract qualified candidates with these skills, recruit them using transparent criteria and objective selection methods. These skills can also be assessed among existing employees through well-calibrated performance management tools, and used to inform a strategic approach to learning and development. As such, many of the

Roadmaps include actions for skills gaps and competency assessments as a starting point for workforce planning mechanisms.

Strategic HRM is key to align people management with the strategic goals of public sector organisations. It allows governments to have the right number of people at the right place and with the right competencies. Such practices not only help governments meet strategic objectives, but also increase efficiency, responsiveness and quality in service delivery. Strategic HRM also encourages governments to look to the future, thinking strategically about the right mix of people and skills that will be needed to respond to changing societal needs. Common elements for strategic HRM are included in the OECD's composite index for this variable (Figure 3.2), and include such practices as: the systematic evaluation of HRM capacities; the inclusion of HRM targets/goals in senior managers' performance evaluations; consideration of changing social needs in workforce planning; and the consideration of outsourcing possibilities in workforce planning (Box 3.1).

Figure 3.2. OECD Strategic HRM composite index



Note: Data for Japan, Luxembourg and Mexico are not available.
Source: 2010 OECD Survey on Strategic Homan Resources Management in Central/Federal Government, (OECD, 2011[6]).

Box 3.1. More effective workforce planning

Tracking staff numbers in itself does not constitute workforce planning, rather it is only one facet of workforce planning. Workforce planning requires an accurate understanding of the composition of the public administration's workforce, including skills, competences and staffing numbers in the immediate, medium and longer term and how to cost-effectively utilise staff to achieve objectives. Generally, workforce planning models are comprised of similar elements, including:

- defining the organisation's strategic direction;
- scanning the internal and external environments;
- understanding the current workforce;
- assessing future workforce needs;
- identifying gaps in the required numbers and capability;
- developing and implementing strategies to close the gaps; and
- monitoring the effectiveness of strategies and revising them as required.

The time horizon for planning activities should cover in the short term, i.e. 0 to 2 years; the medium term, i.e. 3 to 5 years; and the long term, 6 to 15 years. However, in terms of workforce planning, long-term sector-based planning (e.g. the health sector workforce) should ideally extend to 30-year projections.

The efficiency and effectiveness of the public administration and of public service provision is greatly dependent on the effective use and deployment of its human resources. Workforce planning can elevate HR activities into a more strategic domain and ensure their relevance by providing greater awareness and control over staff numbers and costs, and better understanding of the required skills mix to ensure effectively targeted HR strategies.

Source: (OECD, 2012[7])

Mechanisms for mobility are also found in several Roadmaps. For example, in the MA where staff were managed in parallel structures, a frequent observation was that different parts of the MA were busy – to the point of being overloaded – at different parts of the programming cycle. A natural solution was to propose that staff with expertise in one area – preparing calls for tender, for example – move between teams temporarily and apply their expertise on projects funded through a different ESIF stream in order to ease the burden on their colleagues. Secondary benefits to such internal mobility would also include facilitating the cross-pollination of ideas and using secondments as an engagement and motivational tool. The possibility to facilitate secondments already existed and it had been used occasionally on an *ad hoc* basis. Yet, it had not been conceived of as strategic possibility, i.e. as a tool that, with appropriate investment and planning, could benefit the MA in the long run and make a tangible difference to day-to-day operations and work-life balance.

Finally, Strategic HR management cannot stay within the HR community but must also be embraced across an MA's management team. Therefore, networking and learning opportunities about strategic HRM are also encouraged in the Roadmaps. For example, in some MA's there is a sense that the HR community is fragmented and not sharing the type of information needed to provide a coordinated approach to people management across the MA, and/or across the agency that houses the MA. Regular meetings around certain strategic HR themes can provide a forum to discuss common challenges, share success factors, and coordinate responses.

Table 3.3 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address resource flexibility.

Table 3.3. Sample Action Table: improving resource flexibility in MAs

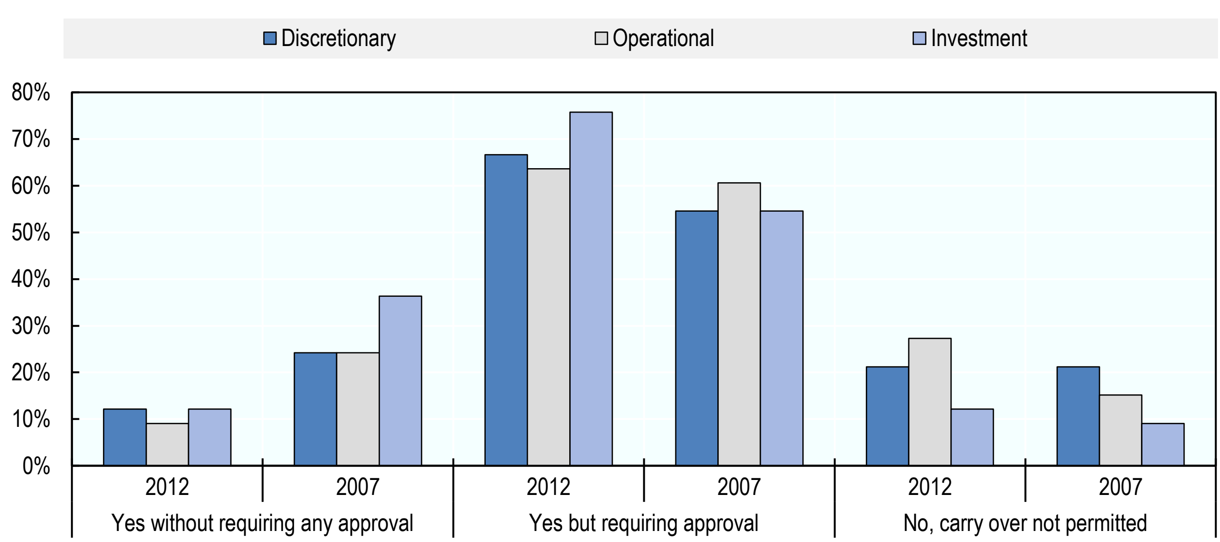
Goals/sub-goals	Identified potential actions
An organisational structure capable of adapting to change in response to business needs **Good institutional memory combined with fungibility of human capital** **Evidence base to inform change**	✓ Review communication strategies to make sure MA staff and managers are fully aware of what tools and procedures they have at their disposal ✓ Develop a talent pool of 'ready-to-move' staff for short-term internal mobility roles with some element of pre-screening/selection to ensure job fit and avoid conflict of interest ✓ Greater use of relevant European Commission tools and instruments to facilitate exchange of good practice between MAs ✓ More extensive use of the European Commission's Competency Framework as a benchmark for skills gap analysis

Introducing greater managerial flexibility in budgeting processes

As mentioned earlier, in several of the participating MAs financial flexibility has been restricted as part of austerity measures in place following the crisis. Spending ceilings and rules concerning the re-allocation of funding during the fiscal year have meant that, as priorities change or project delays occurs, implementing institutions are not able to shift funds as needed. Figure 3.3 below, for example, shows how austerity measures put in place following the crisis reduced managerial flexibility in many ministries through the requirement of approvals (usually from Ministries of Finance) for the carry-over of funds.

Figure 3.3. Carry-over regimes in 2012 and 2007

Percentage of participating OECD countries (33 in 2012 and 33 in 2007)



Source: (OECD, 2014[5])

Roadmap actions pressed MAs to discuss directly with Ministries of Finance how to improve budget flexibility for their projects, especially now since in many countries rules were beginning to ease. The possibility of setting single budget lines or envelopes for ESIF-funded projects was raised (see also Chapter 5). Overall however, better initial project planning and cost-estimates should be prioritised in order to avoid spending deviations if at all possible. Often this required more training of project managers (Chapter 2) on industry-standard methodologies. Finally, improved strategy and programming processes (Chapter 4) would also reduce unexpected issues for project managers, since there would be greater clarity in project selection and goals from the outset.

Note

[1] This system is provided by Docutracks®.

References

European Commission (2014), *Guidance for Member States on Designation Procedure*, https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_ms_designation_en.pdf. [2]

OECD (2019), *Draft Policy Framework on Sound Public Governance*, https://www.oecd.org/governance/policy-framework-on-sound-public-governance/. [3]

OECD (2015), *Achieving Public Sector Agility at Times of Fiscal Consolidation*, OECD Public Governance Reviews, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264206267-en. [1]

OECD (2014), *Budgeting Practices and Procedures in OECD Countries*, OECD Publishing, http://dx.doi.org/10.1787/9789264059696-en. [5]

OECD (2012), *Recommendation of the Council on Regulatory Policy and Governance*, https://www.oecd.org/gov/regulatory-policy/49990817.pdf. [4]

OECD (2012), *Slovenia: Towards a Strategic and Efficient State*, OECD Public Governance Reviews, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264173262-en. [7]

OECD (2011), *"Strategic human resources management" in Government at a Glance 2011*, OECD Publishing, http://dx.doi.org/10.1787/gov_glance-2011-22-en. [6]

Chapter 4. Generating a more strategic investment cycle among Managing Authorities

For governments to optimise their investment potential, it is important that they engage in strategic planning that is tailored, result-oriented, realistic, forward-looking and coherent with development objectives at different levels. This chapter identifies that there is room for Managing Authorities to take a more strategic approach to Operational Programme planning, programming and priority setting. They also need to optimise coordination for programme design and implementation, address information gaps, improve knowledge sharing and expand communication. Building beneficiary capacity is another common challenge to be addressed, as well as engaging with external stakeholders. The chapter also identifies that Managing Authorities should render the programme implementation processes more strategic, and expand performance measurement practices to better support outcome evaluations.

Introduction

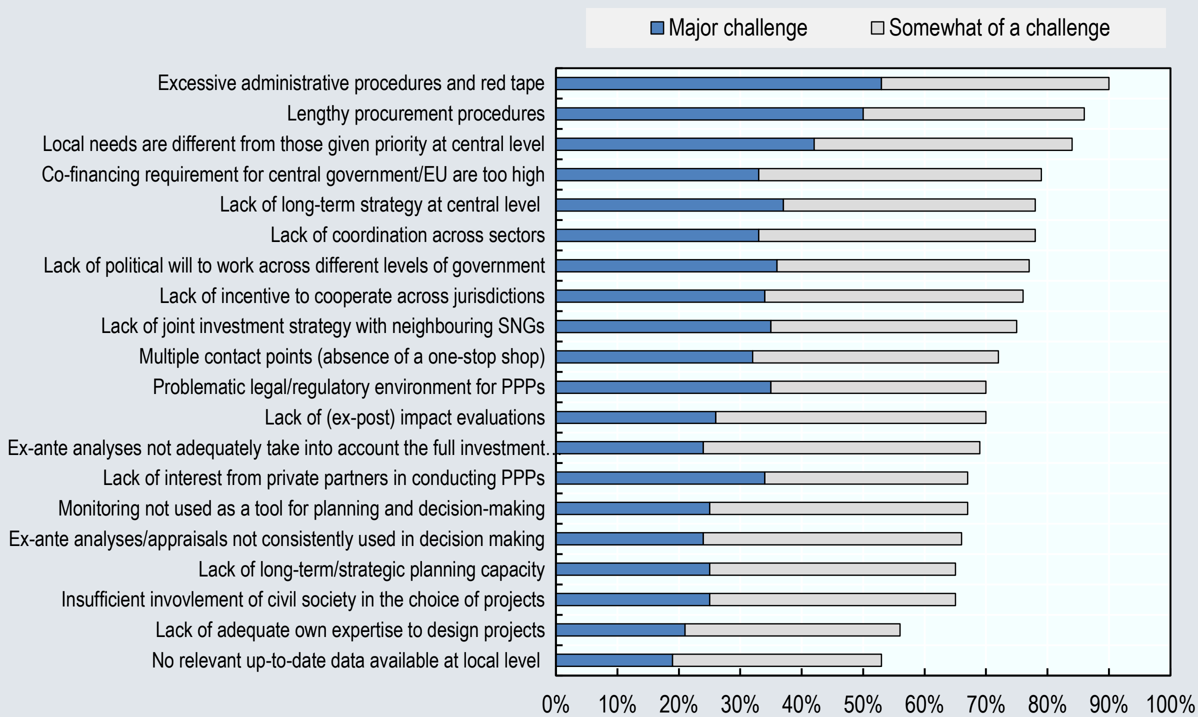
Strategic frameworks, planning and processes drive investment throughout the investment cycle, providing investment initiatives with an anchor into larger development objectives. For governments to optimise their investment potential it is important that they engage in strategic planning that is tailored, result-oriented, realistic, forward-looking and coherent with development objectives at different levels (OECD, 2013[1]). This is just as true for Managing Authorities (MAs) wishing to effectively manage and implement their Operational Programmes (OPs) as it is for other public sector bodies, as well as the private sector. Poor strategic planning, especially the lack of a long-term strategy at the central level, is considered among largest obstacles to ensuring effective public investment, particularly among European Union (EU) subnational governments (OECD-CoR, 2016[2]) (Box 4.1). The lack of long-term strategic planning capacity is also deemed a challenge by subnational EU governments, and a lack of adequate own expertise to design projects represents an important bottleneck in their ability to undertake infrastructure investments, specifically (OECD-CoR, 2016[2]).

Box 4.1. OECD-CoR survey: Identified challenges in the strategic planning and implementation of infrastructure investment in EU countries

Between March and July 2015, the OECD and the European Union (EU) Committee of the Regions (CoR) conducted a survey of subnational governments in the EU to assess the challenges linked to infrastructure investment. A total of 295 respondents from all EU countries (except Luxembourg) participated in the survey.

The survey's results show that governance challenges for infrastructure investment are prominent at the subnational level, essentially at the planning stage. At the core of planning, three quarters of respondents identified a lack of co-ordination across sectors, levels of government and jurisdictions as a top challenge. A large majority of respondents (90%) considered excessive administrative procedures and lengthy procurement to be a challenge. Sixty-six percent considered that a monitoring system exists, but that monitoring is pursued as an administrative exercise and not used as a tool for strategic planning and decision-making (Figure 4.1).

Figure 4.1. Identified challenges in the strategic planning and implementation of infrastructure investment



Note: *N*=295
Source: (OECD-CoR, 2016[2]).

While the CoR survey results cited above focused on the investment capacity of subnational governments, the findings are relevant for the MAs and European Structural and Investment Fund (ESIF) management for two reasons. First, there are MAs throughout the EU that operate at a regional level as regional MAs (e.g. in Germany, Greece, Italy, Poland and Spain) and thus invest at the subnational level. Second, and potentially more importantly, ESIF beneficiaries – especially for European Regional Development Fund (ERDF), which accounts for the bulk of the allocated financing – include subnational governments (either regional or local authorities) who must design and implement investment projects to be supported by these funds.

This pilot action highlights that despite contextual and structural differences, in the context of the administrative capacity for ESIF management, MAs appear to face a series of common strategy challenges. These challenges include ensuring a strategic approach to OP programming and implementation, and identifying the priorities that can best support achieving national and local development aims. Striking a balance between top-down and bottom-up input to OP design and implementation can also be challenging, as is building effective information flows and knowledge-sharing mechanisms, and ensuring that operational practices are optimised. Much of this requires refining exiting coordination mechanisms, which in broad terms are firmly in place. Equally important, more could be done to ensure that beneficiaries and other stakeholders are engaged and capacitated, and that performance measurement practices are more strategic, less cumbersome and contribute evidence bases for the development of future Partnership Agreements (PAs) and the OPs that support them. In the forthcoming programming period, these challenges may become accentuated among MAs that move to a greater delegation of functions to regional levels, unless mechanisms are in place to manage them at all levels of OP implementation.

Taking a more strategic approach to OP planning, programming and priority setting

The capacity of national and subnational institutions to design effective strategies, allocate appropriate resources and efficiently administer EU funds can have a positive incidence on the contribution of Cohesion Policy to the economic development of a territory (Bachtler, Mendez and Oraže, 2014[3]). While not the case for all MAs, in those instances where the links between higher-level strategic documents (e.g. national or regional development plans, sectoral development strategies, etc.) are weak, unclear or missing, the result is greater difficulty in seeing the "big picture" and a tendency to get entwined in the technical details and immediate needs of specific projects and OP implementation. Making sure the links between different levels of strategic documents are clear to staff can help better support their capacity to make decisions and undertake day-to-day activities that advance operations. Often, strategic gaps can be seen in project selection and appraisal, as well as in the monitoring and evaluation of OPs. For example, project appraisal indicators or the way MAs monitor the programme progress tends to ensure the degree of "formality" but not necessarily evaluate strategic impact (i.e. outcomes), be it of an individual project or the OP as a whole. Weak strategic underpinnings for OP implementation can lead an MA to focus primarily on the short-term (e.g. rapid absorption) and on technicalities. This can manifest by using the funds in ways that align most closely with past use (limiting the risk of non-compliance with technical guidelines), rather than taking a longer-term strategic approach and promoting investments that may be slightly more innovative (though may require more support to ensure compliance) and which may contribute more effectively to meeting national and regional development objectives.

Several obstacles impede a more strategic approach to OP planning, programming and priority setting among MAs. Among the pilot project MAs, in a few cases, a high-level strategic framework was not in place to guide the OP design and implementation. More commonly however, there appears to be a limited ability – or potentially limited opportunity – to capitalise on the complementarities and synergies among the different projects, programmes, or Priority Axes forming an OP, thereby affecting the MA's capacity to optimise existing resources. MAs can also face difficulties in setting priorities that reflect national and subnational development needs and align with the implementation capacity of beneficiaries.

Clear links to higher-level strategic frameworks can support strategic planning for OP investment

A strategic guideline for investment, often a higher-level strategic framework, can serve as an anchor and offer a long-term vision for development with clear objectives and development priorities. For ESIF, this strategic guideline is embodied in the PA between the European Commission and EU Member States, with OPs being the means to implement the strategy. PAs and OPs are frequently developed in parallel. An EU study indicates this to be the case about 60% of the time for Cohesion Policy OPs (EC-DG REGIO, 2016[4]). While it was frequently the PA that provided the strategic framework for OPs, thereby facilitating the ability to establish a clear hierarchy between the two frameworks, in the case of European Social Fund (ESF) particularly, strategic issues were often first decided through the OP (European Commission, 2016[5]). The reasons behind this may include a need to respond quickly to planning requests, as well as limited experience working within the Cohesion Policy and ESIF structures (particularly in the case of newer EU Member States).

At a national level, a clearly articulated long-term investment strategy, be it for overall development or for a specific sector, can help align priorities between the OP and national level objectives. Higher-level national strategies and an OP are mutually supportive. This is particularly important as an OP is, itself, not a strategic guideline for investment. Rather it depends on already established strategic guidelines to clarify long-term investment objectives, and guide the prioritisation of projects by sector, programme and level of government.

Ultimately, higher-level strategic frameworks offer MAs a clear path to follow or refer back to throughout the OP implementation. Even though in the current 2014-2020 cycle a clear and better linkage to EU 2020 goals as well as own national strategies was a conditionality for allocating ESIF funds, a lack of strategic guidance, and limited ability to go beyond the technical details was an often mentioned problem among pilot MAs. Despite links between ESIF allocations and the EU2020 strategy as well as other EU or national goals established in PAs, these may not be sufficiently evident and/or do not help guide the actions and operations of implementing staff.

Specifically with respect to national- or regional-level development strategies, these can help ensure that OP design and implementation takes a place-based rather than spatially-blind approach, potentially maximising the contribution of an OP to the growth potential of a specific territory. This is particularly important for regional MAs and Regional Operational Programmes (ROPs). ROP programming ideally should reflect territorial specificities, be aligned to regional development needs, and be adapted to different local contexts, such as the degree of subnational autonomy, market conditions, or institutional or beneficiary capacities. For example, national MAs can provide tailored support to regional MAs to improve their OP or ROP implementation capacities in cases where there is a misalignment between OP objectives and regional "market" realities. In addition, development strategies serve as additional guidance for ensuring that the OPs/ROPs help regional actors meet broader development and investment goals. For example, in 2011-2012, Poland introduced the Long Term National Development Strategy: Poland 2030: The Third Wave of Modernity. Before that, Poland put in place the Medium Term National Development Strategy (MTNDS), setting out strategic development objectives for the country from 2010 to 2020, and identifying key development activities, including those that could be supported by EU funds in the 2014-2020 period. Nine integrated strategies, including the National Strategy for Regional Development 2010-2020, were also developed under the MTNDS, aiming to assist the achievement of the development objectives (Polish Minstry of Economic Development, 2017[6]). Similarly, the Czech Republic is creating a National Investment Plan covering the period up to 2030, which aims to be financed by the state budget, ESIF resources, and private investors, among others. The Plan includes a long-term fiscal framework and, having gathered information on local needs, targets transport, energy and other infrastructure as primary national investment priorities based on identified local needs (OECD, 2019[7]).

Just as important as ensuring links between higher level strategies and OPs, is ensuring that MAs have input into their OP's design at the very early stages. An OECD study on the governance of infrastructure investment highlights that, in many countries, consultation with stakeholders tends to take place in the investment preparation phase but is less common in setting an overall vision, prioritising investments or assessing needs (OECD, 2017[8]). Responsibility for preparing the various framework documents that provide strategic guidance to OPs, be they national or sector strategies, or the country's Partnership Agreement with the EU, rests with the national authorities and line ministries. MAs are implementing agents who work under determined structures and framework conditions. Yet they have expertise and knowledge that is valuable for not only OP implementation, but for future programming as well. Thus, if they are not responsible for designing or structuring their OP, bringing their perspective into the early discussion phase is part of the strategic planning component of the investment cycle. Doing so helps responsible authorities tap into an MA's experience with OP implementation and their understanding of beneficiary needs, as well as what may or may not work. This, in turn, helps better align the OPs with sectoral and regional investment needs and specificities, and maximise coherence among policies and programmes. It can also help MAs identify, early on, where the synergies and complementarities lie within their OP to effective design Priority Axes programming in a way that harnesses these *ex ante*, rather than trying to accomplish the task e*x post*.

Setting OP investment priorities that reflect national and regional development needs

Strategic priority setting can be complex and require a sophisticated approach to balance different factors. It is, however, fundamental in order to focus programme implementation and avoid wasting resources on secondary issues, thereby supporting more effective and efficient absorption of ESIF. MAs must take into consideration the higher-level priorities established in the PA, as well as national and often regional priorities for development and their capacity (including resources) to invest. Balancing these various factors can be tricky. In a case study of Scotland's European Regional Development Fund (ERDF) and the European Social Fund (ESF) OPs (2014-2020), stakeholders stated that one of the challenges affecting policy efficiency and additionality was the discrepancy between the priorities set conceptually and strategically (e.g. a focus on research and development investment as part of the 'smart growth' agenda) and the availability of local match funding, as well as the match funding to be ensured by third sector organisations, to actually develop and deliver projects in specific areas (Dozhdeva, Mendez and Bachtler, 2018[9]). Investment priorities can also be influenced by different actors (e.g. government agencies, ministries etc.), whose objectives are supported by OP spending. This adds additional complexity to the MA's work when considering which investments may most effectively respond to national and subnational needs and aims. Balancing technical requirements established by the EU (e.g. eligible costs, ring-fencing, mid-term review based on performance framework, etc.) and strategic considerations associated with investment needs and capacity – be they national, sectoral or regional – is an intricate task for the MAs when setting priorities. In addition, care needs to be taken that priority-setting is not driven by the inertia of out-of-date plans, prior assumptions, or narrow political considerations (OECD, 2013[1]).

The importance of a multi-stakeholder or "partnership" approach to investment planning processes cannot be emphasised enough. Strong top-down processes in priority setting can weaken OP implementation by limiting stakeholder input and the ability to take into consideration the needs and capacities of beneficiaries, be they regional or local authorities, the private sector, civil society or others. There is evidence indicating that strategies combining top-down with bottom-up approaches are among the most effective (Crescenzi and Giua, 2016[10]). This pilot illustrated that top-down approaches could originate at a national level or at the MA level vis-à-vis beneficiaries. This was illustrated by instances where priorities are established at a central level based on the impact they are expected to achieve regionally; and instances where the contribution to priority identification and setting by subnational-government beneficiaries is limited. Regardless of where a top-down approach originates, bringing OP stakeholders into the process of defining and validating priorities (and investment needs) can help ensure priority robustness, add to evidence bases, and increase the potential for project take up when calls are made. Setting priorities, and acting on them effectively, requires fruitful co-ordination and communication within the MA and between the MA and other ESIF stakeholders, including regional governments (where applicable), the national government and the European Commission, as well as Intermediate Bodies (IBs), regional and local authorities and beneficiaries. This can help ensure that subnational specificities, beneficiary capacities and overall investment needs are further integrated into the process, thereby facilitating more effective OP implementation. It can also generate greater trust by lending a greater degree of transparency to the whole OP investment process – a process that may be considered opaque, particularly by private sector beneficiaries. For example, in London, the London Economic Action Partnership brings together entrepreneurs, businesses, the Mayoralty and the London Council in order to identify investment priorities and strategic actions of ESIF programmes to support job creation and economic growth in the capital. A Committee is also set up within this Partnership to oversee the ESIF programmes and ensure that they meet the strategic priorities of London (ECORYS, n.d.[11]).

Capturing complementarities and synergies across and within OPs

OPs are all, or almost all, composite structures, formed by a number of different Priority Axes. With composite structures, bringing together the various relevant sectors involved to contribute input into programme and project design and/or implementation can improve capacity to identify and capitalise on cross-sector synergies and strengthen strategic complementarities. While most Priority Axes and related programmes can benefit from cross-sector input, their design, priorities and associated projects can often and easily be organised by line ministries working vertically within their sectors, or central authorities responsible for ESIF programming. Many countries commonly apply this sector-oriented approach to infrastructure investment. In an OECD survey of infrastructure governance, 12 out of 27 respondents stated that infrastructure development was linked to sectoral plans and generally not developed in an integrated (i.e. cross-sector) fashion (OECD, 2017[8]). There is nothing inherently wrong in this, as sector strategies are very helpful, especially for sector driven MAs (e.g. MAs responsible for environment, transport, energy, education, etc.). However, its effectiveness also rests with cross-sector consultation and coordinated, mutually-reinforcing programming. Not doing so may accentuate a fragmented implementation approach where the priorities of individual ministries or relevant institutional bodies compete rather than complement each other, limiting the ability of MAs to achieve OP objectives in a strategic manner.

However, sectoral actors, including line ministries, often lack mechanisms and incentives to identify and capitalise on synergies and complementarities, or such mechanisms and incentives are not institutionalised, or they are insufficient. Introducing a horizontal or integrated approach when programming is designed and/or implemented by bringing together various sectors, can rapidly help identify and capitalise on complementarities or synergies, and national coordination bodies can play an important role in this regard. In Spain, for example, the public policy thematic network "Red de Políticas de I+D+I" focusing on R&D and innovation was established to exchange information on Cohesion Policy implementation across the country and promote the coordinated use of the Structural Funds with other policies, including coordination among different government levels. In the 2014-2020 period, the role of this network was formally included in the Partnership Agreement as well as in national and regional OPs (European Parliament - DG Internal

Policies, 2016[12]). In the current programming period, the European Commission has introduced some new features and instruments aiming to reinforce an integrated territorial approach to ESIF. These include Integrated Sustainable Urban Development (ISUD), Integrated Territorial Investment (ITI) (a tool to achieve ISUD) (Box 4.2), and Community Led Local Development (CLLD) financed by the Structural and the Rural Development Funds. These instruments permit combining resources from different funds. Thus, they are highly multi-sector and require strong coordination across the whole investment cycle.

Box 4.2. Integrated Territorial Investment (ITI) as a tool for promoting cross-jurisdiction cooperation

Integrated Territorial Investments (ITIs) offer one way to manage subnational (local) fragmentation and build scale for potentially greater returns on ESIF investment. ITIs allow Member States to implement OPs in a cross-cutting way and to draw on funds from several Priority Axes of one or more OPs, helping promote the implementation of an integrated strategy for a specific territory. They are one of the tools introduced to implement the Integrated Sustainable Urban Development (ISUD) initiative, a compulsory feature of ESIF 2014-2020, which requires a commitment of a minimum of 5% of ERDF resources.

ITIs are currently used in 20 EU Member States. They are not compulsory and there is no extra financial incentive provided to encourage their use in this programming period. MAs in this pilot project indicate that ITIs have the possibility of being a very powerful instrument for co-ordinated investments between different Thematic Objectives, funding streams, priorities and programmes. In most cases, ITIs are used for large infrastructure investments that draw from ERDF and involve cross-jurisdiction cooperation. In spite of the potential benefits of ITIs, the uptake is limited for a number of reasons, including: limitations in national laws (e.g. with respect to creating joint municipal bodies or associations), complex implementation arrangements precisely due to legal obstacles, and limited capacity (at the local and/or MA levels). For example, while ITIs are often used in cross-jurisdictional co-operation investment, in some EU Member States, national legislation does not recognise the legal status of cooperative agreement among municipalities.

With respect to capacity, this includes the capacity to introduce and implement ITIs, and the ability to encourage their use. For example, local authorities often need to work together on designing and implementing an investment project, particularly ITIs. Thus, enhancing the capacity of MAs to promote effective cross-jurisdictional co-operation and co-ordination for public investment becomes essential. Starting the preparation of ITIs early in the programming cycle, and clearly identifying objectives and potential programmes to support these, can be valuable, as was the case of the Netherlands, where Dutch cities started to prepare ITIs and had discussions with the European Commission in 2012, two-years ahead of the 2014-2020 programming period.

Additional challenges associated with ITI use include establishing a coherent framework by which the mechanism can help address a variety of territorial challenges, reconciling territorial and sector polices, and ensuring solid territorial development strategies. While ITI use has been limited in the 2014-2020 programming period, mid-term evaluations were encouraging, and it is expected that in the 2021-2027 period there will be a greater reliance on ITIs.

Source: (European Commission, 2016[5]; European Commission, 2017[13]; European Commission, 2017[14]; European Parliament, 2019[15]; Council of European Municipalities and Regions, 2016[16])

Ideally, building on complementarities and synergies should take place across OPs with the support of central units responsible for coordinating ESIF programming. Barring this, at the outset of a programming period individual MAs could identify the complementarities or synergies that they wish to emphasise within their OPs and build on these through programming, project selection and evaluation mechanisms, and incentive structures. For example, more integrated outcome indicators can be introduced in the monitoring of projects, Priority Axes and programmes, beyond the sectoral output and impact indicators. This is particularly true for Priority Axes that are highly multi-sectoral and integrated. Incentives and rewards (e.g. bonus points) could be introduced to project selection and call process for projects that can contribute to meeting objectives in more than one programme area or sector. This can help create links between Priority Axes, especially those may have difficulty attracting projects. The Welsh Government has developed the Economic Prioritisation Framework (EPF) that highlights existing assets and investments in both thematic and spatial areas. It illustrates a broader investment context so that EU projects are not designed in isolation, and helps make sure each EU funding proposal adds something new and valuable to existing investment. Ultimately, the EPF helps identify potential links among projects, encourage collaboration, and avoid duplication (Welsh Government, 2018[17]; Welsh European Funding Office, 2019, unpublished[18]).

Table 4.1 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of taking a more strategic approach to OP planning, programming and priority setting.

Table 4.1. Sample Action Table: taking a more strategic approach to OP implementation

Goals/sub-goals	Identified Potential Actions
Establish clear links to higher-level strategic frameworks	✓ Undertake a strategic evaluation of the OP's Priority Axes, including typology of projects and budget allocation, to identify the synergies that could contribute to greater territorial development, especially among Priority Axes with low absorption rates.
	✓ Design and pilot, and evaluate a project selection process, with incentives, that requires cross-sector inputs under one or two Priority Axes or additional incentives for specific integrated projects and programmes.
Set OP priorities that reflect national and regional development needs	✓ Launch a pilot action (or experiment) to test mechanisms encouraging programmes and projects that build and promote complementarities and synergies across OPs
	✓ Experiment with identifying and structuring incentives for inter-municipal/cross-jurisdiction cooperation, and build pilot results into next period.
Capture complementarities and synergies across the OP and Priority Axes	✓ Develop trainings for MA, and IB officials on strategic planning, policy development, and strategic operational issues to support the programming, building on work and activities of other departments. Reinforce the learning by organising small team discussions on strategic planning and programming for the OP (particularly helpful for new staff).
	✓ Develop a modular series of educational seminars or hands-on workshops for beneficiaries, in strategic planning, priority setting, EU funding mechanisms, investment budgeting, project design and application requirements, etc.

Optimising coordination for OP design and implementation

Effective coordination among public investment actors – in this case among MA units, between the MA and its diverse stakeholders (e.g. IBs and beneficiaries), and among different government actors participating in the investment process (e.g. line ministries, subnational governments) – is fundamental to optimising public investment outcomes (OECD, 2014[19]). It is the first pillar in the OECD Recommendation for more Effective

Public Investment across Levels of Government, and a lack of coordination across sectors was identified as a challenge in the 2016 OECD/CoR survey highlighted in Box 4.1. A number of factors can affect coordination capacity. For example, cross-sector coordination can be stymied by a lack of political will or an administrative culture unaccustomed to working cooperatively across sectors or among different levels of government (OECD-CoR, 2016[20]). The lack of coordination among sectoral and territorial approaches, policies and programmes is a long standing problem in many countries, and affects ESIF management. Such a situation can arise if the coordinating ministry is deemed weak by line ministries who subsequently resist coordination efforts, or when the mix of instruments and programmes or calls lead to perverse or split incentives (Kalman, 2002[21]). It can also lead to a duplication of tasks and confusion in the system (Bachtler, Mendez and Oraže, 2014[3]). MAs with complex administrative structures can also find it challenging to ensure effective coordination arrangements between the MA, relevant ministries, IBs, beneficiaries and other relevant bodies in the OP implementation system.

Ensuring sufficient coordination in the OP implementation process by actively establishing partnerships among actors at different levels of government is key. This can help reduce information asymmetries and ensure the alignment of strategic priorities for the OP. Looking ahead, it promises to increase in importance among those countries that promote more integrated investment models, such as ITIs. Overall, coordination was not identified by the pilot MAs to be a significant challenge to administrative capacity and OP implementation. However, several points were underscored.

Striking a balance between "hard" and "soft" coordination mechanisms

First, "hard" coordination mechanisms[1], such as rules, regulations, standards, and formal agreements (e.g. PAs between individual EU Member States and the EC) are used to manage MAs, and used by MAs to manage OP implementation, structuring project selection and call processes, control and verification processes, etc. If poorly designed, unclear or improperly implemented, these can present practical challenges, such as excessive administrative burden (see Chapter 5), but are generally accepted as part of the process.

Second, "softer" mechanisms, including strategies, plans, and dialogue mechanisms, are easier for MAs to create and/or to use, and there appears to be a preference for dialogue mechanisms. Informal dialogue mechanisms include *ad hoc* meetings and informal exchanges – a format many MAs, particularly those in smaller countries, rely on. Informal dialogue is also valued by MAs in their relationship with the EC. A 2016 study[2] highlights that 85% of respondents (comprised of MAs and other stakeholders) agreed that informal dialogue between EU Member States and the EC is useful for programming issues, for example in terms understanding new requirements, while also granting the opportunity to give relevant feedback. In the end, this can contribute to better adherence (EC-DG REGIO, 2016[4]). Clear and regular communication and information exchange with the EC can also help minimise the impact of over- and unclear regulation, as well as ensure synchronisation in the work and agreements for the next programming period.

Formal dialogue mechanisms include stakeholder dialogue fora, thematic networks, committees, working groups, and communities of practice, for example. Effective exchanges between national government, MAs, regional MAs, and beneficiary local authorities, are particularly important in order to ensure that national strategies are sensitive to, or make room for, regional MAs to tailor regional-level interventions and investments to respond to local needs. Ensuring that the outcomes of these exchanges are integrated into the knowledge base and capacities of beneficiaries could be valuable for strengthening the partnership between the national and regional MAs and their beneficiary base.

Another popular dialogue-based coordination mechanism is thematic networks and working groups composed of MA and IB representatives, such as those established for procurement, state aid, anti-fraud, publicity, and evaluation, as well as inter-ministerial bodies focused on accelerating project implementation. These dialogue mechanisms bring participants up-to-date on challenges, issues and new requirements, as well as offer an opportunity to network, exchange experiences, and seek advice from peers and others. They are frequently used and generally highly valued by MA staff and stakeholders.

It is important to manage and, ideally, avoid dialogue fatigue, a fact also acknowledged by members of different MAs. While dialogue mechanisms are favoured by MAs, staff members highlight the number of meetings, working groups, committees and subcommittees for ESIF coordination and monitoring, etc. in which many of them already participate. They not only warned about spreading already limited human resources more thinly but also about duplicating effort. They also emphasised that not all such bodies are timely, regular or effective. Thus, often the need is not for a new dialogue body, but to use those that exist in ways that might better advance an MA’s coordination needs. This could mean expanding mandates or activities or adjusting agendas, for example. To manage dialogue fatigue is it is essential to be clear as to why the dialogue is being established before establishing it, the objectives for the dialogue, its expected results and next steps for action if relevant. It is also useful to identify and communicate beforehand if the dialogue mechanism is temporary and established for a specific purpose, or if it will be considered permanent. Rationalising existing dialogue bodies may occasionally be necessary, as well. Finally, it is important to avoid getting “stuck in the dialogue” – talking and meeting rather than using the dialogue mechanism as a tool to advance action (e.g. identifying priorities, discussing common problems or risks, establishing practical solutions, etc.) in a coordinated manner.

Third, there is room to strengthen stakeholder dialogue among actors within the Management and Control System (MCS), and to establish dialogue among a country’s different MAs, as well as IBs in many cases. In Spain, for example, the Economic and Regional Policy Forum brings together national and regional MA and IB authorities to discuss ESIF management. As an expert network it provides space for knowledge sharing on challenges, issues, and new requirements or regulations, while also offering participants an opportunity to seek advice and exchange experiences. These can be more thematic and concentrate on certain areas, e.g. procurement, *ex ante* project evaluation, etc. Such networks could also reinforce MA/IB coordination and collaboration, especially with respect to identifying and discussing real and potential programming and technical project problems, finding realistic solutions.

There is also significant room to expand dialogue with external stakeholders, especially beneficiaries, but also subnational government authorities, the consultants that support beneficiaries, associations of local authorities, private sector representatives such as chambers of commerce or trade associations, etc., which is explored in the section on stakeholder engagement.

Reinforcing coordination between national and subnational level authorities

Effective coordination mechanisms between national and regional levels need to be established early on, ideally in the OP design phase but also in the programming and implementation phases. These can be a driving factor behind successful OPs and ROPs and investment results, particularly since subnational level authorities are most knowledgeable about regional specificities, investment needs and beneficiary capacities. In addition, they are well placed to identify overlaps and synergies between national and regional programming *ex ante* to ensure that actions are mutually supportive and build on each other. Late identification of overlap in objectives, project types and possible beneficiaries during the launch of programmes and project calls can lead to disputes in jurisdiction, responsibilities and beneficiaries, causing complications and delays. In regions with a smaller pool of potential beneficiaries, a lack of vertical coordination can result in a form of competition for funds offered by the region and those by other national programmes. Undertaking a joint national/regional analysis exercise could be useful to identify areas of potential programming complementarities and overlap. The results could be used to collaboratively establish programming that pursues complementary development objectives, limits (and ideally avoids) national/regional overlaps, and fills in programming gaps. “Hard” mechanisms, such as national-level requirements for distributing and using EU funds in regional public investment projects is one technique to ensure that ROPs are consistent with central priorities. An OECD case study on Wielkopolska, Poland reveals that local authority investment projects may be financed using EU funds on the condition that they contribute to the implementation of a multi-annual development strategy. The study highlights that, generally speaking, there is a positive impact on regional programme effectiveness and the sustainability of project financing when there is room for subnational governments to negotiate and influence conditions set by the national level. This experience suggests that conditions around which the two levels agree may work better than those imposed by one side or the other (OECD, 2013[22]). In addition, coordination with regional MAs or IBs may be insufficient among some MAs, due at least in part to administrative obstacles embedded in a bureaucratic approach to dialogue and information exchange. In such cases, the high transaction costs for staff at the regional or local level to be in touch with MA officers inhibits more effective coordination.

Table 4.2 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of Optimising coordination for OP design and implementation.

Table 4.2. Sample Action Table: optimising coordination for OP design and implementation

Goals/Sub-goals	Identified Potential Actions
Making the most of existing coordination mechanisms **Optimising coordination between MAs and IBs**	✓ Establish or improve active and dynamic dialogue among OP stakeholders to identify strengths, risks, challenges, and implementation problems early on and to develop innovative, joint solutions, with an eye on building beneficiary capacity and reducing delays.
	✓ Organize a network or working group of expert technical officials across and within MAs and IBs to identify problems and develop collective solutions regarding OP implementation, exchange information, experiences, and build the overall knowledge base. (This can be done within one MA and its IBs, or among MAs in one country).
	✓ In consultation with IBs, strengthen the monitoring and feedback mechanism between the MA and the IBs and beneficiaries, with the aim of boosting IB ability to respond to problems in a timely manner and building ownership for results.
	✓ Ensure regular meetings across the Management and Control System with clear agendas and establish platforms for easy communication and knowledge sharing in general and on thematic issues.
	✓ Implement annual technical meetings with IBs to identify potential project problems, discuss necessary adjustments and to collaboratively develop solutions; exchange information experiences on specific projects or project types (e.g. environment); develop an advisory and consultative mechanism to identify and solve problems early on

Addressing information gaps, improving knowledge sharing and expanding communication

ESIF investment relies on effective information flows and knowledge sharing among multiple stakeholders at all levels of government, and beyond. Without good and timely communication among those responsible for OP implementation, large biases and information asymmetries may arise. To address this, building a stronger bottom-up approach to information and knowledge sharing as well as more targeted communications throughout the OP implementation system can be helpful. Good practices to manage information and knowledge gaps include those that create channels for clear and efficient information flows, as well as constant and regular knowledge sharing, be it among the different departments and units in an MA, between an MA and other bodies and authorities in the MCS, with other national and regional MAs in the country or abroad, or with beneficiaries and citizens. Currently, many MAs have participated in various networks to promote professional exchange on OP implementation processes (e.g. public procurement, evaluation, anti-fraud, risk management, etc.), which are deemed helpful for information exchange. This type of information and knowledge sharing could be furthered reinforced through regular opportunities and platforms for exchange across MAs in the EU. At the same time, it is important ensure the inclusiveness of these networks (i.e. the participation of operational-level staff and beneficiaries) and that the exchange outcomes contribute to the knowledge base for more effective OP management.

This pilot action highlighted that there is room for MAs to improve information flows and exchange throughout their OP programming and implementation system – generally by fostering greater consistency and fluidity of exchange, as well as ensuring that it is more timely and appropriately targeted. At the project implementation level, information gaps may lead to lower efficiency and effectiveness of OP implementation. For example, diverse stakeholders, and particularly beneficiaries, indicate information accessibility issues regarding the spectrum of support and funds available. Information on pros and cons, benefits and costs of using ESIF funds can be better clarified to beneficiaries, certainly for grants but especially for other, innovative financial instruments. In addition, introducing regular opportunities for two-way communication with IBs and beneficiaries regarding changes in regulations, processes or programmes might be helpful and contribute to reducing delays by enhancing capacity, especially at the beneficiary level. Ensuring regular and well-structured exchange with beneficiaries could offer additional insight into investment needs and the actual beneficiary capacity. This could help an MA better tap into the "on the ground" knowledge of beneficiaries, thereby supporting more effective OP design, monitoring, and implementation, while also building subnational capacity.

Information flows and knowledge sharing within the MA and throughout the MCS

Ensuring effective and smooth, clear and simple information flows within an MA as well as throughout the system (MA, IBs, beneficiaries, etc.) is part of effective OP implementation. Limited and/or irregular use of mechanisms to disseminate up-to-date information and knowledge is one obstacle to ensuring that relevant or new information is shared throughout the MA, or between MAs and other actors in the system. This can be particularly true with respect to two-way communication in hierarchical, top-down, or centralised administrative cultures. Within MAs, opportunities for different departments to meet, both at the department head and technical levels, can help keep information flowing across teams, and build institutional knowledge across sectors and activities. They also support a more transparent and accountable environment. Ensuring that such meetings happen on a formalised and regular basis (weekly, bi-monthly, monthly, etc.), with a clear agenda, free information exchange, articulated next steps or expectations, and responsibility for decision follow-up can smooth information flows and knowledge exchange throughout the OP investment process.

Easier information exchange and regular opportunities to exchange knowledge and good practices can also help actors involved in OP implementation share problems and jointly identify solutions. In Bulgaria, the Council of Ministers organises regular meetings among all Bulgarian MAs at which problems are discussed and solutions are sought. To optimise the impact of such meetings on OP implementation, including MA managers and technical experts in the discussion even if on an *ad hoc* basis, or at a minimum making sure the results of such meetings are received by staff involved in daily decision-making and execution is valuable. Effective two-way information exchange is also necessary. Embedding multi-directional (i.e. top-down, bottom-up, and across departments) knowledge-sharing mechanisms and practices throughout an MCS is one way to accomplish this. MAs can support such knowledge-sharing by establishing better two-way exchange with their IBs, beneficiaries and other stakeholders through periodic but regular interaction. Such interaction can help identify and mitigate possible administrative, operational or investment risks. It can offer insight into the impact of an OP, a Priority Axis or an individual project, thereby providing the MA with valuable insight on what might work well, and where adjustments may be needed to improve the OP implementation processes. It also facilitates dynamic feedback, helps create ownership among actors, and reinforces trust in institutions and processes.

Electronic tools and online sharing is an effective exchange channel not only for MA staff but also between an MA and other stakeholders. Information and knowledge exchange platforms for managerial and technical staff across MAs help improve information flows and promote greater knowledge sharing throughout the implementation system. For example, some MAs have established electronic systems (e.g. the Integrated Documents

Management system in Greece) or internal online platforms (e.g. the European Structural and Investment Funds Information Portal in Bulgaria) where information on the OP is regularly updated and it can be accessed by all MAs. This helps streamline OP investment management and implementation procedures.

Communication with beneficiaries and citizens

The European Commission establishes communications requirements for ESIF implementation. This can include signage for projects or other ESIF-financed initiatives, webpages for the various funds, manuals, and training for beneficiaries on communications requirements, for example. This is all very valuable for increasing the visibility of funds. What appears to be missing however, is an approach that actively communicates the benefit or value that the funds offer beneficiaries to realise their own goals, and to citizens more broadly. In other words, communication that can answer the "what is in it for me" question that can arise, especially when engaging with funds is or is perceived to be lengthy and burdensome, without guarantee (i.e. beneficiaries may respond to a call but are not guaranteed to receive funds through the call if their project is not selected), or risky (e.g. a need to secure co-financing, or the possibility of financial corrections). This is particularly important for non-government beneficiaries (i.e. the private sector, civil society organisations, academia, etc.).

To better communicate the value of an OP and its contribution to community needs, MAs could more frequently consider developing a communications strategy and a corresponding implementation plan that extends through the programming period and targets OP beneficiaries, as well as citizens. For beneficiaries, a contextualised communication strategy could include not only how to access funds but also the impact that an ESIF-funded initiative could have in terms of meeting their objectives according to their category of beneficiary (i.e. a local authority, a business etc.). It is important that the communication approach and message resonate with different types of beneficiaries (e.g. small versus large municipalities; urban versus non-urban centres; micro and small and medium enterprises (SMEs) versus large enterprises; private versus academic research facilities, etc.), use simple, every-day language and be disseminated through various forms of media (e.g. print, newsletters, social media, digital or online networks, etc.). Communication templates (including key messages, page layouts, simplified terminologies, visual supports, etc.) could be developed at the national level for adjustment at the local level according to need.

Consideration can also be given to tailoring such plans to communicate with citizens and potentially individual communities. This might be particularly useful in cases of large infrastructure investment, which can be disruptive and inconvenient for communities before the benefits are seen and appreciated. It would serve a dual purpose: first to explain the project and its objectives to community residents/citizens and second to highlight the role of EU funding in the project's realisation. It can also provide citizens with insight into how projects implemented with EU funds work, what they have helped communities accomplish thus far, and what the MA and the local authority aim to achieve in the future with such programming. The development of a communication strategy should incorporate the opportunity for citizens to express their opinions and understanding of local investment needs, proposed project results, or EU funds in general. Surveys or public consultation events are a means to obtain such information. This is fundamental to help build trust in the process and serve as an accountability mechanism, particularly in those places where citizens are distrustful of co-financed interventions due to a lack of trust in legislation and a perception of favouritism in the award system. Citizen communication can be managed centrally, among MAs in the country, by an individual MA or can be developed in collaboration with individual communities to tailor messages specific to community interventions. Any communication however should use simple, every-day language and be disseminated through various forms of media (e.g. print, newsletters, social media, digital or online networks, etc.). It should also be managed strategically, for example through periodic analysis on comments and feedback from the public in order to adjust the communications plan as necessary. Such analysis can also highlight early-on where there may be dissatisfaction or disagreement with investment initiatives, and provide the implementing authorities with the opportunity to address citizen concerns, explaining why something may be necessary or, conversely why something cannot be done. This goes beyond the regulated communication programmes that each MA must have in place, and becomes a more strategic activity to build awareness of the role and importance of ESIF investment in the development and quality of life of a country, region, city, town, area, etc. In Portugal, authorities from different programmes associated with EU funds created a network of communicators and launched several ground-breaking campaigns, such as the *"Have you heard of ... EU-funded project?"*, disseminated by printing the question and name of the participating projects on five million sugar packets. These campaigns, coordinated across MAs, successfully helped increase the awareness of EU funding among the citizens from 29% in 2015 to 44% in 2018 (European Commission, 2018[23]).

Table 4.3 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of addressing information gaps, improving knowledge sharing and expanding communication.

Table 4.3. Sample Action Table: addressing information gaps, improving knowledge sharing and expanding communication

Goals/Sub-goals	Identified Potential Actions
Improve information flows across the OP implementation system and within the MA **Strengthen knowledge sharing within the MA and throughout the Management and Control System** **Enhance communication with beneficiaries and citizens**	✓ Establish regular cross-sector meetings between the relevant MA departments (and among department heads), as well as with IBs and other key stakeholders as necessary. Ensure meetings have clear agendas, next steps, and responsibilities for decisions taken. ✓ Develop an information and communication strategy tailored to the OP and its beneficiaries, and implement a communications campaign that identifies and explains the full spectrum of support and funds available to beneficiaries and what they can gain from their use. Use clear, every-day language and target the message and communication challenges (i.e. newsletter, calendar, social media, networking events, surveys, etc.) according to beneficiary type. ✓ Create information material for beneficiaries (in clear, easy to understand language) that articulates what the OP aims to achieve, its concrete objectives, how it can be of value to their communities, and how to access funds. Enhance the visibility of the OP's objectives and successes to beneficiaries and the public, possibly via social media.

Building beneficiary capacity

Beneficiaries are key stakeholders in the whole ESIF investment cycle – certainly as project implementers on the ground, but also as essential resources for insight on prioritising investment needs, programme planning, establishing appropriate assessment and evaluation criteria, etc. A lack of appropriate skills is a key barrier to effective public investment (OECD, 2014[19]), particularly among smaller beneficiaries, be they local authorities or SMEs. Reinforcing expertise and capacity is essential to help them manage the complexities linked to financing public investment with EU funds. One of the larger capacity gaps confronting beneficiaries is limitations in effective project design. For example, the 2015 OECD-CoR survey found that around two-third of subnational governments reported failure to take into account the full life cycle of infrastructure investment when designing projects (Allain-Dupré, Hulbert and Vincent, 2017[24]). This is significant, particularly given that subnational authorities often act as beneficiaries. Other gaps include difficulties aligning with project selection criteria, engaging in the call process, and navigating procurement requirements, all of which can play a role in the application or avoidance of financial corrections.

Building beneficiary capacity throughout the investment cycle can help them become more effective partners in the ESIF investment process. This can include taking into account their capacity levels in the investment planning phase, supporting them in the investment implementation process, and helping increase their ability in project and programme data collection and reporting to support monitoring and evaluation. This means beneficiary support usually involves multiple departments, units and experts in the MA (or IBs), and beneficiaries may have difficulty in identifying the right interlocutor to help answer their questions. Ideally, a single point of contact is very helpful to address this problem, while also ensuring an efficient and user-friendly channel for beneficiaries to seek help. A single contact point can facilitate closer engagement and support between MAs/IBs and the beneficiaries through project development and delivery: from the development, assessment and approval of business plans, the ongoing monitoring of progress (reporting and meetings), and closing those projects. This practice has been adopted by many national and regional MAs, including in Slovenia (targeting enterprise beneficiaries), Malta (targeting the ICT-related investment priority, with a specific focus on providing information on various regulations), and Wales (targeting all OP beneficiaries) among others (European Commission, 2017[14]; Welsh European Funding Office, 2019, unpublished[18]; EU-Skladi, 2014[25]; Government of Malta, 2015[26]). However, such a mechanism has not been universally established among MAs. Thus, more consideration should be given to streamlining the process of interacting with and supporting beneficiaries in order to increase efficiency and effectiveness.

This pilot action highlighted that in the short and medium term, more attention needs to be placed on addressing the various capacity gaps among beneficiaries. Making sure processes and procedures are clear, and being able to closely support beneficiaries is a fundamental step towards addressing irregularities, optimising operations and enhancing fund absorption.

Meeting the challenges behind building beneficiary capacity

In most cases, beneficiaries reported that there is room for the participating MAs, and also IBs, to improve the frequency and quality of their guidance and support. Yet, providing sufficient and effective support to beneficiaries poses a significant challenge to the MAs and IBs for a number of reasons. First, the heterogeneity of beneficiaries as a group, and the differences in their needs, resources and investment practices means that capacities will differ and capacity gaps may be extremely diverse. This makes offering tailored support potentially more resource intensive, and calls on a significant degree of flexibility in the capacity of MAs and IBs to offer such support. It requires that MAs and IBs develop a comprehensive understanding of their OP's beneficiaries and their actual capacity at the start of a programming period. By doing so, the MA may be better able to tailor programming and calls to the ability of beneficiaries to respond, or to know early-on where capacity bottlenecks may arise in order to address them before they grow too large. This can be time and resource intensive.

Second, the very same challenges that confront MAs also confront beneficiaries, such as frequent changes to laws and regulations. MAs themselves must be able to manage such change before they can effectively help others.

Third, ineffective information and knowledge flows, be they in terms of frequency, the nature or type of information exchanged, the channel used, etc., is a limitation to beneficiary capacity building. In a survey carried out by a pilot MA, only 27.6% respondents[3] knew about the information meetings organised by the MA for explaining the project application and selection criteria, and only 15.6% participated in such meetings.

Finally, identifying the capacity gaps of a targeted group of beneficiaries offers the MA insight into the problems that need to be addressed and who should be responsible for/involved in building beneficiary capacity. Does the problem only exist among beneficiaries of a specific OP? In which case the relevant MA can address the matter. Or, is it a systemic issue requiring support from the national coordination body and a cooperative approach among all MAs? Then the question arises of how to reach beneficiaries in a coordinated and efficient manner as they may face similar difficulties. Is it through associations targeting a beneficiary type (e.g. associations of local authorities) or a specific investment sector (e.g. transport)? In most cases there is room for multiple bodies to contribute to the capacity building effort, but it must be clear who is responsible for which aspect. For example, many small municipalities may lack capacity in data collection and reporting. To address this problem, a data task force can be created with experts from the national statistical authorities or relevant units, MAs, and representatives from line ministries and municipalities to understand beneficiary difficulties and seek for solutions. It could also help identify incentive structures that would improve municipal data reporting. This approach can be applied to tackling other capacity issues as well.

In general, organising training programmes is a common way to provide support to beneficiaries. Optimally, trainings should include both general explanations on EU funding mechanisms, objectives and benefits, financial and administrative requirements etc., and specialised topics and procedures in implementation. For the latter, thematic workshops can be useful, focussing on effective project design, implementation and results monitoring, identifying the most common procurement challenges confronting SMEs, or emphasising specific capacities necessary at the local authority level to generate integrated projects or ITIs. MAs and IBs can also collaborate with other institutions to design and deliver these workshops. Making sure that current and future workshops or training programmes are well targeted is a basic step towards supporting beneficiaries. For example, the Croatia Agency for SMEs, Innovation and Investments (an IB) delivered a very fruitful stakeholder workshop focused on identifying the most common errors leading to irregularities. Ideally, such workshops should cover topics that the beneficiaries themselves highlight as important or of interest, such as regulatory issues, state aid, etc. There are a number of ways to obtain such information, including through direct communication with beneficiaries or through surveys carried out to identify the needs of the targeted groups. Doing so can also help provide tailored assistance to different beneficiaries.

Promoting ongoing information exchange with and among beneficiaries

The importance of effective and ongoing information exchange with beneficiaries cannot be emphasised enough. Creating opportunities for regular and constant knowledge exchange is an effective way to manage capacity building, which takes time. Workshop and trainings, as mentioned above, serve a dual purpose – to share information and to build expert and practitioner networks, promoting exchange among beneficiaries themselves, including on good practices and techniques to avoid financial corrections. Regular working meetings or interactive workshops, distinct from trainings or broader networks, are also an option, as are communication materials targeting specific beneficiary concerns. Online platforms can also be mobilised as complementary mechanisms. Regular and clear updates regarding procedural changes, as well as information generated from workshops (e.g. frequently asked questions, pitfalls to avoid, common experiences and good practices), can be provided in an electronic format via OP websites, as well as the websites of organisations that beneficiaries may frequently visit (e.g. chambers of commerce, association of local authorities, etc.). Free online tutorials for beneficiaries that cover common questions, mistakes or misunderstandings, the ins and outs of applying to and implementing ESIF-funded projects, including questions of eligibility, etc. are also an option.

Partnering with beneficiary-support organisations

Professionals, professional organisations or associations, such as consultants, business chambers, and subnational government associations closely associated with targeted beneficiaries, should be included in capacity support practices. They can help MAs identify areas of particular weakness among their beneficiary constituents and contribute to workshop design and delivery, for example. Conversely, they are also important to include as participants in any beneficiary capacity building initiative in order to ensure that they are up to date on financial and administrative requirements, as well as opportunities associated with ESIF investment. This is particularly important since private beneficiaries, in particular SMEs, often rely on consultancies to help them with applications and managing projects financed by ESIF. MAs can regularly share updated information with the groups and associations who work closely with beneficiaries, while also gathering insight from them regarding OP design and implementation.

Table 4.4 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of building beneficiary capacity.

Table 4.4. Sample Action Table: building beneficiary capacity

Goals/Sub-goals	Identified Potential Actions
Increase beneficiary awareness and understanding of ESIF financing processes and opportunities	✓ Reinforce current beneficiary training programme activities with a module specifically focused on ESIF based on reported needs; update the scope of the training during the programming period.
	✓ Increase the availability and targeted focus of workshops for beneficiaries of all Priority Axes, for example, to support the application process, data collection needs and requirements, and practical tips to avoid financial corrections. Develop mechanisms to support information and knowledge exchange, e.g. by making information available on frequently asked questions, common experiences, good practices, common errors, etc.
Increase beneficiary capacity to respond to project calls and implement ESIF financed projects	✓ Develop and launch a "knowledge workshop" series for beneficiaries on a specific theme and sponsored by the MA (or group of MAs, or national coordination body), targeting specific topics and bringing together relevant stakeholders to learn about managing or resolving issues surrounding the selected topic
Promote ongoing exchange with beneficiaries	✓ Create a single contact point, or develop and distribute a clear contact list of different departments, with description of their responsibilities, to direct beneficiaries to reach the right interlocutor easily

Actively engaging with a broad-base of external stakeholders

Active engagement with stakeholders throughout the investment cycle is an obligation in the Common Provisions Regulation for ESIF (Box 4.3). It is also the fifth of the 12 Principles forming the OECD *Recommendation on Effective Public Investment across*

Levels of Government. It can help validate priorities and targeted actions, for example (OECD, 2019[7]). External stakeholders in ESIF funding and OP implementation are those outside of the MCS. While "internal" stakeholders include the MA, IBs, national coordinating bodies, and the EC, "external" stakeholders represent a broad range of interests within a country or region – from national authorities (e.g. line ministries and agencies) and subnational authorities (e.g. regional and local governments), to the private sector, professional organisations, civil society organisations, academia, etc. They also include beneficiaries, and those who support beneficiaries, such as consultants, professional or business associations, subnational government associations, etc.

Box 4.3. Stakeholder engagement and the partnership principles in ESIF regulation

Establishing partnerships with stakeholders throughout the investment cycle is an important component in managing ESIF. In recognition of this, it is included in Article 5 of the ESIF Common Provisions Regulation (1303/2013) as an obligation, and it is further elaborated in the European Code of Conduct on Partnership in the Framework of ESIF.

These regulations apply a broad scope to defining the stakeholders that should be considered partners, ranging from national, regional, local and urban authorities, and economic and social partners, to relevant civil society bodies (e.g. environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, gender equality and non-discrimination, etc.), among others. The principles cover the whole investment cycle, including promoting transparent procedures in partner identification, timely disclosure, ensuring appropriate channels for consulting relevant partners when preparing the Partnership Agreement and OPs, involving partners in the preparation of calls and evaluation, and strengthening the institutional capacity of relevant partners.

Source: (European Union, 2019[27]; European Union, 2014[28])

Developing a strong, trusting, and cooperative relationship – a partnership – between the MA and external stakeholders, as well as with internal stakeholders, can facilitate the alignment of policy objectives and priorities, contribute to needs assessments, build programme legitimacy, support feedback and evaluation processes, and improve project quality overall. Not only does engagement generate a greater understanding of the different needs and interests among the various stakeholders involved, it contributes to improving the uptake of and compliance with programming, while boosting investment and project quality (OECD, 2019[7]). Building such partnerships with external stakeholders appears to be a challenge for many MAs, regardless of their years of experience in OP implementation. The European Network of Civil Society Associations indicates that non-government organisations (NGOs) in a variety of EU Member States do not consider themselves to be treated as active or "equal" partners, not having received MA feedback on comments made during the OP preparation process. In other cases there is a strong perception that communication with the MAs is "one-way", steered by the national level and not fully inclusive of different types of subnational authorities (European Commission, 2016[29]).

Strengthening OP design and delivery through stakeholder engagement

Effective stakeholder engagement can help MAs build stronger evidence bases for programming, ensure that projects reflect beneficiary needs and – ideally – take into consideration beneficiary capacity to submit relevant and well-designed proposals. It works both ways however, as such engagement can also introduce greater understanding regarding the OP's objectives and priorities and the MA's expectations among external stakeholders, which contributes to building a common understanding between the parties. In addition, introducing an external perspective into the OP design, management and implementation processes can help identify risks and problems before they grow too large, and contribute to fostering more innovative solutions.

Stakeholder engagement also contributes to a sense of OP ownership – certainly among internal stakeholders, but among external stakeholders. By bringing stakeholders into the objective and priority setting process, for example, it can encourage stakeholders to articulate, agree on and then work to meet "their" investment objectives and to comply with constraints, thereby contributing to a more effective investment process. For example, in Wales many ERDF programmes support investments in place-based infrastructure, e.g. tourism, business sites or other infrastructure assets that support regional development. Developing programmes that accomplish this involves a process of regional prioritisation through which projects are (or should be) prioritised by regional bodies, providing advice to the Welsh European Funding Office (WEFO) that also directly informs the relevant investment decisions (Welsh European Funding Office, 2019, unpublished[18]). Ownership of objectives and initiatives however, develops over time and through constant interaction between implementation authorities and external stakeholders, particularly beneficiaries. An EU report on increasing the engagement of partners in ESIF implementation pointed out that in some cases, while stakeholder engagement is formally implemented it does not allow for real participation in the governance process, potentially hampering the development of a sense of policy ownership on the ground (regionally and locally) (European Parliament, 2017[30]). Greater simplicity, greater flexibility, and better relationships between internal and external stakeholders can help foster a stronger sense of ownership.

Stakeholder engagement should be undertaken throughout the OP investment cycle, from the planning and implementation process to the monitoring and evaluation phase. Such engagement is fundamental on two fronts. The first is to ensure that the approach taken to programme design, and the expectations associated with it, align with the realities of implementation capacity (be it of the MA, IBs, or beneficiaries), which is often limited in terms of administrative, political, financial and information resources. This is particularly true at the local authority level (Andreou, 2010[31]), as well as among beneficiaries that are SMEs. The second is to build ownership for OP-related projects among beneficiaries, including regional and local authorities. In the case of regional authorities, regional MAs can act in the interest of their regional OP and also as IBs for national OPs, and so they need to "buy-into" or "own" the objectives of the national OP and agree with the implementation process. In the case of local authorities, they not only face weak capacity, they also may face a citizenry (i.e. electoral base) that is sceptical of EU funds, often valuing other social or national funds for projects in their community. Making sure these stakeholders are part of the strategic process can contribute to smooth OP implementation in the long term. However, strategic engagement between the MAs and local authorities or third sector organisations appear limited in most cases.

MA capacity to manage the stakeholder engagement process can be limited. A study by the EC identified some cases where relevant stakeholders were not involved in drafting the OP nor did they receive information about it (EC-DG REGIO, 2016[4]). This may be due to a lack of time or resources on the part of an MA, just as it may imply a lack of understanding among stakeholders as to the strategic aspects of their participation, or a lack of interest.

Regardless of the reason, it leads to limited stakeholder input into questions of strategic direction.

Building multi-stakeholder dialogue platforms for broader and more effective stakeholder input

Introducing a multi-stakeholder perspective into the investment cycle helps the MA gain greater insight into the needs, priorities and capacities of communities and businesses by tapping into stakeholder experience, expertise and insights relevant to priority setting, project design and implementation. It can also unlock the potential for innovative projects. Well-managed stakeholder consultation processes can also help limit corruption, capture and mismanagement, particularly for large infrastructure projects (OECD, 2017[8]). They also improve legitimacy, strengthen trust in government and cultivate support for and adherence to specific investment projects (OECD, 2017[8]; OECD, 2014[32])).

To make such broad stakeholder engagement practicable, establishing an ESIF dialogue forum that includes external stakeholders could be beneficial. Such an ESIF forum can be cross-sector and with a broad participant base from other public sector, private sector and civil society bodies in order to ensure that regional and local perspectives are incorporated into the initial strategy setting process and OP strategic implementation. A forum of this sort can be complemented by various activities, such as study tours for external stakeholders to understand the daily operation of the different bodies in the MCS, citizen panels to discuss specific topics, etc. The Monitoring Committee can serve as a platform to discuss how such a forum could be structured, and in broader terms, the Forum could play an active role in developing and improving stakeholder engagement activities.

Table 4.5 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of actively engaging with a broad base of external stakeholders.

Table 4.5. Sample Action Table: actively engaging with a broad base of external stakeholders

Goals/Sub-goals	Identified Potential Actions
Strengthen OP design and delivery through stakeholder engagement	✓ Increase engagement across stakeholder groups by introducing a regular forum for multi-stakeholder, multi-level interaction and input. One option is to organise working groups (potentially based on existing Thematic Working Groups) with representatives from different levels of government and beneficiaries, to support the strategic planning and programming process, including priority setting. This can be expanded to encompass all OPs/MAs, as well as line ministries, municipal associations, etc. in order to identify broad challenges and solutions for ESIF management.
Build multi-stakeholder dialogue platforms for broader input	✓ Carry out a survey or analysis of municipalities, counties and enterprises, including those that do not use ESIF, to understand their needs and their financial models, using the information as an evidence base to design future programming and calls.
	✓ Establish a strategic dialogue forum for the OP that includes internal and external stakeholders, and which could support vision setting, strategy design and investment priorities, as well as serve as an opportunity for information and knowledge exchange

Rendering OP implementation processes more strategic

Launching, managing and implementing the projects selected for ESIF financing often requires a more strategic approach than what may be currently practiced. This is true for a variety of reasons, including the large number of actors involved (i.e., the MA, IBs, beneficiaries, evaluators, Certifying Authorities, auditors, consultants, etc.), the general complexity of the ESIF investment process, and the pressure associated with a need to efficiently and effectively absorb funds at a certain pace. ESIF investment for Cohesion Policy, presents a series of implementation challenges to MAs, prominent among which are the potential for project or investment delays, for low absorption rates in one or more Priority Axes, and for financial corrections.

Effective management of public investment rests significantly on well selected projects, solid planning, and strong project appraisals (OECD, 2019[7]). The experience of the MAs in this pilot illustrated the importance of ensuring that project calls and selection processes not only support OP objectives but also align with beneficiary capacity; the difficulty but need to minimise the risk of carrying projects forward from one programming period to the next; and the necessity for more strategic performance measurement practices.

Aligning project calls and selection with beneficiary capacity

There are a number of issues arising from project call processes (Box 4.4) that challenge MA capacity to implement an OP and to absorb funds in an effective and timely manner. The first challenge is low response to a project call due to call criteria (i.e. what types of projects are being called) that does not align with or reflect beneficiary capacities or needs. In other words, the project-call design does not simultaneously support the OP and beneficiaries. This can arise from insufficient consultation among the MA, IBs, and relevant sector bodies or other beneficiaries. Behind this issue may be a larger misalignment between Priority Axes and the realities of the beneficiary pool to which the funds are addressed (e.g. a Priority Axis that targets SME competitiveness or R&D and innovation may not fare well were the business eco-system does not support these). This can be a sector or thematic issue, or it can be a regional one. Regardless, the call does not effectively match the market need or the resource capacity of beneficiaries to respond.

Box 4.4. A basic description of the project call process

The design, appraisal and selection of EU-funded projects involves series of steps, from informing potential applicants of a project call to the final approval of selected projects. This requires the preparation of relevant documents for calls, transparent and objective appraisals, the definition of selection criteria and the preparation of templates for applications and contracts. MAs and IBs generally make considerable efforts to inform potential applicants about the application requirements in advance of programme launch.

There are several typology of project calls: they can be designed on a first-come-first-served basis, on an "open" basis permitting potential beneficiaries to apply until the funds are exhausted, or on a competitive selection system. These are not mutually exclusive approaches, and MAs may use a combination in their OP.

Source: (Bachtler, Mendez and Oraže, 2014[3])

A subsequent and somewhat related challenge arises when call typology is misaligned with beneficiary capacity to respond. Calls with short windows, that are competitively-structured, or that only come around once, can be confronted with limited response. This may be particularly true in smaller beneficiary pools– which may be more frequently the case in smaller countries or in certain types of regions. In some instances the window for the call itself may be insufficient for beneficiaries to complete the project application process on time due to limited project design capacity and/or documentation requirements that are ill-suited to the size of a project or size of a beneficiary (i.e. small projects with low values have the same documentation requirement as large projects of high value, although some of these requirements might be set at the EU or national level). In other cases, the problem is the same, but arises because beneficiaries are unaware of the call, or become aware very late in the call period. To optimise the call design, MAs can seek more flexible and complementary solutions to address the mismatch.

In some cases, the call process challenge is associated with gaming the system. This can occur if an MA schedules calls only to programming period's mid-term, emphasising programme objectives in the mid-term perspective in order to be fully prepared for the mid-term review. Doing so allows for a certain degree of flexibility and helps the MA design subsequent calls that can reflect shifts in socio-economic conditions or changing priorities or needs. However, it can also lead to ineffective spending by allowing investment potential to accumulate in the market in a short period of time. If this happens and if beneficiary pools are small, there is the potential to create space for inflated cost projections given limited market competition and the market's awareness that the MA itself is under pressure to spend. The result can be that the MA overpays for project implementation and at the same time reduces future spending capacity.

The impact of these various challenges are diverse. They can affect absorption rates across or within Priority Axes by creating an imbalance in the attractiveness (to beneficiaries) of initiatives within Priority Axes. They can also lead to an OP uptake mismatch across a territory, where some parts of a country or certain regions can take advantage of the opportunities offered and others cannot. This in the end can work against Cohesion Policy's objective of reducing regional disparities. These challenges can also result in limited innovation among projects presented, particularly if call processes are short, which leaves less time for beneficiaries to design more innovative projects. Overall, the result is that ESIF financing for projects may be less attractive to certain targeted beneficiaries, which in turn affects MA absorption capacity. In general, a more strategic and flexible approach to call design processes may contribute to mitigating the impact of such challenges.

Improving communications channels for calls is another way to alleviate part of the problem. This means improving engagement with beneficiaries early in the investment cycle to ensure projects respond to needs and calls are structured in a way to hold broadest appeal, and building beneficiary capacity to respond to calls when they are launched. It can also mean communicating calls more effectively. Certainly, for example, through relevant websites, but also via social media, specific apps, business chamber meetings and professional associations or through universities and NGO networks depending on beneficiary types, eligibility criteria, etc. Developing, publishing and disseminating a 'call calendar' for better call predictability can also be an effective and clear communication tool for IBs and beneficiaries to make sure calls to reach all possible applicants. This can be an online calendar which centralises all calls for proposal for a specified period of time (e.g. upcoming 1-2 years) with a minimum number of days/weeks prior to application deadlines required for announcing adjustments or changes. A "deeper" approach to addressing the problem can be in the form of a pilot initiative to test new avenues for call processes and project selection. This can include working with an MA's Monitoring Committee, stakeholders and beneficiaries to set project parameters, testing new channels to communicate calls, defining eligibility criteria that reflects project size, beneficiary type (e.g. local authority versus private sector) and capacity; adjusting call typologies by extending the duration of a call, increasing the number of open calls, or launching non-competitive calls for certain projects or beneficiary types.

Minimising the need to carry projects forward into the subsequent programming period

One fundamental operational problem that many, if not all, MAs face is the carrying forward of projects from one programming period to the next. The extension of projects, and recourse to the N+3[4] rule is understandable, particularly given the complexity and duration of certain initiatives, especially those that involve large infrastructure projects, as well as other delays that may originate at the project or beneficiary level. However, carrying over projects from a previous programming period can delay starting projects in the new programming period, and can exert an additional burden on an MA and its IBs. This in turn affects the implementation of OPs in both programming periods, the ability of the MA to effectively manage the funds in a timely fashion, and of beneficiaries to absorb the financing.

Given a likely upcoming shift in the N+3 rule, reducing it to N+2, better managing carry-overs and ideally limiting the need for them will be critical. Doing so will require active and concerted effort by all parties. At the European-level, timely adoption of regulations can better support timely drafting, negotiation and approval of programming documents. At a national level, it is important that the Partnership Agreement is in place with sufficient time for MAs and OPs to be designated and operational as early into the period as possible. At the same time, a pipeline of ready projects should be in place so that once the new period is launched, programmes/projects can get underway as rapidly as possible. In addition, MAs can and should continue to ensure effective risk management and the early identification of projects at risk of implementation problems throughout the investment cycle. Effective and continual risk management is one way to manage this challenge. The Greek MA for the OP Transport Infrastructure, Environment and Sustainable Development has introduced a number of risk management tools for the 2014-2020 programming period. These include the OP Risk Assessment, the Project Risk Assessment and the Fraud Risk Assessment. The OP Risk Assessment tool is an “umbrella” tool, that is applied annually or every two years. The Project Risk Assessment is bi-annually applied and its results are one of the parameters that define on-the-spot-verifications each semester. Continually ensuring that projects are closely monitored and risk mitigation measures are adopted early on would be valuable.

Table 4.6 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of rendering OP implementation processes more strategic.

Table 4.6. Sample Action Table: rendering OP project implementation processes more strategic

Goals/sub-goals	Identified Potential Actions
Aligning project calls and selection with beneficiary capacity	✓ Use a pilot initiative to test new approaches to project selection and call processes, including working with the Monitoring Committee, stakeholders and beneficiaries to set project parameters; expand the channels used to communicate calls; define eligibility criteria reflective of the project size and beneficiary type and capacity (public/private); extend call duration and/or launch of non-competitive calls.
	✓ Develop, publish and disseminate an online calendar centralising all calls for proposals for the upcoming 1-2 years with announcements or changes made a minimum number of days/weeks prior to submission deadline
	✓ Develop a clear plan for project selection criteria for each measure, including the principles, rationale(s), and benchmarks. Beneficiaries should be engaged in the plan development processes
Minimising the carry forward of projects into future programming periods	✓ Identify potential adjustments to the MCS structure and revise responsibilities and accountabilities.
	✓ Revise and adjust the delegation of functions, especially to clarify bodies responsible for selection and bodies for verification, towards a more uniform distribution of responsibilities and tasks.
	✓ Design and launch an internal and external stakeholder consultation process (e.g. focus-group, complemented by questionnaire) to identify the capacity gaps of IBs, especially in project selection and evaluation, applicable in the 2021-2027 programming period.
	✓ Design and implement a consultative process to reassess control procedures, evaluate findings and determine cost/benefit of OP implementation, applicable to the OP. Participants in the consultation should include MA officials (managerial and operational/technical level), IBs and beneficiaries.

Expanding performance measurement practices to better support outcome evaluations

Performance measurement of investment decisions contributes to robust evidence bases that support decision-making throughout the investment cycle. Focusing on performance improves the efficiency and effectiveness of public investment by linking policy objectives with outcomes, and revealing information that should feed into future investment decisions (OECD, 2019[7]). Governments are increasingly adopting key national indicators to help identify performance in achieving higher-level strategic goals, and disseminating monitoring and evaluation results that are comparable and available between government entities and government levels. Performance measurement can be undertaken through monitoring and evaluation practices supported by effective indicator systems.

This pilot project highlighted that while MAs undertake the required monitoring for their OPs, there appears to be less emphasis on identifying if and how an OP contributes to meeting higher-level development or sector outcomes, i.e. what is the OP’s impact on its sector (e.g. environment) or theme (e.g. competitiveness)? While this can take time to ascertain, it is unclear whether existing monitoring and evaluation systems are used in such a way to facilitate the exercise, or if there is an intention to do so. Moving forward, it would be valuable for MAs to build their ability to go beyond programme and project monitoring, particularly if EU regulations post-2020 offer the possibility that the eligibility of funds is linked to performance indicator results, or even require establishing indicators to receive some technical assistance financing.

Monitoring and evaluation requirements and the EU Performance Framework

MAs are required to undertake two types of monitoring. One is programme-level monitoring that focuses on the OP's attainment of its objectives and its progress, using its negotiated programme-specific indicators to determine this. One role of Monitoring Committees (Box 11) is to complement programme-level monitoring by overseeing the quality, efficiency and effectiveness of OP implementation. The second type is project-level monitoring, which ensures that projects deliver expected outputs as well as comply with rules and regulations for grant implementation through documentation processes, financial audits and site inspections. These systems are established in the EU regulations and are essential for understanding if an OP is meeting its objectives. These systems place significant emphasis on what is or has been done (i.e. the policy actions associated with programme implementation), but consider less the performance or outcomes associated with the policy (Barca and McCann, 2011[33]) or investment action.

The EU Performance Framework offers guidelines for financial, output and results indicators for performance measurement. Results indicators relate to priorities aligned to the thematic objectives established in the Partnership Agreement for Europe 2020 (European Commission, 2018[34]). Very logically, it is up to the individual Member States to determine the precise indicators that measure output and results. This system can be effective in determining OP performance, but may fall short measuring the territorial effects and investment impact of an OP's implementation, or its contribution to broader aims. Possible reasons for this include that the output indicators often can be sector specific, making it even more difficult to measure impact on higher-level objectives. Additionally, the indicators developed may not be sufficiently robust, requiring a more granular level of measurement that itself calls for capacity building in terms of data collection and reporting, frequently at the local/beneficiary level.

Enhancing the strategic role of Monitoring Committees

European legislation gives the Monitoring Committees responsibility for ensuring the effectiveness of ESIF implementation, suggesting a crucial role in providing oversight and ensuring societal input into how these funds are used. In practice, Monitoring Committees are required to meet at least once a year and be comprised of various stakeholders from public, private and non-profit institutions (Batory and Cartwright, 2011[35]). They are tasked with deciding on changes to programme documents, approving the annual implementation report for the European Commission, and discussing programme implementation (European Commission, n.d.[36]). Some Monitoring Committees also play a role in identifying and establishing priorities for investment (OECD Interviews, 2019[37]).

Monitoring Committees could play an important role in improving programme monitoring, including by discussing evaluation results at their meetings and providing feedback to the MA. Given the composition of Monitoring Committees they could also play a role in influencing resource allocation. Yet this does not seem to be the case, as most often they appear to fulfil a compliance function, with strategic discussions being rare (Bachtler, Mendez and Oraže, 2014[3]).

Boosting the strategic input of Monitoring Committees could offer MAs additional insight into investment needs and priorities and into the impact of programmes and projects, for example. It could also help the MA course correct after a mid-term review, and in preparation for subsequent programming periods. This, however, could require adjusting the structure of and representation on Monitoring Committees, as in some cases they are very large (e.g. more than 80 representatives), with limited interaction between representatives beyond their annual meeting, and an unclear or incomplete notion of what is expected of the body (OECD Interviews, 2019[37]).

Building more robust measurement systems for OP investment performance

One of the main constraints MAs may face with respect to measuring OP performance vis-à-vis higher-level strategic and investment objectives may that indicator sets are inappropriate for capturing outcomes. Time is another factor, as results may be measurable only after several months or years. The current system focuses on financial and technical indicators, with limited attention to measuring and evaluating strategic outcomes. A number of factors may be behind this. First, indicator systems may be out of date or not suitable to measure project impact and OP outcomes. Indicators should be relevant – in this case linked to both OP and national objectives – valid, reliable, and useful. They should also be clear, and manageable in number. Indicators that are imprecise and/or too many in number do not support effective analysis and evaluation, and can limit the ability to capture performance that is within the control of the MA in the timeframe being measured (OECD, 2019[7]). Second, the relationship between inputs, outputs, and outcomes may not be sufficiently clear and measurable to those who need to provide the information. The problem should be addressed at the early stage of project or programme development – for example, project applicants for ESIF in Denmark are required to describe the chain of effects of their projects in contributing to the Priority Axis or OP objectives, which is intended to provide a good basis for evaluation (Polverari, 2014[38]). Third, there may be limited capacity, incentive or perceived need for more robust indicators and undertaking outcome-oriented monitoring and evaluation exercises. At the MA level, this can require strengthening the quality and use of indicators and performance measurement practices. At the beneficiary level, there may be resource or other constraints limited in data collection and reporting. Alone or combined, these factors affect an MAs ability to undertake more strategic performance measurement that can contribute to defining programming throughout the investment cycle and future programming periods.

There are a number of ways that MAs could enhance their capacity to measure performance outcomes. For example, training programmes or workshops that include how to design robust output and outcome indicators, data and action evaluation techniques (e.g. identifying what works and what does not), and understanding how to apply what is learned to OP design and programming can form the basis of performance measurement workshops.

Another option is to build information/data gathering and statistical reporting capabilities, as well as the analytical capabilities to support data evaluation, at the MA and IB levels. This would also be important at the beneficiary level, particularly if beneficiaries are subnational authorities. In the case of the latter, designing appropriate incentive systems to report data is just as important as the data collection. Strictly quantitative data gathering can be complemented with qualitative mechanisms that offer insight into results and impact. These can include surveys, opinion surveys, focus group research, and evaluation studies, for example. In Poland’s Lubelskie region, a series of long term results indicators associated with ESF are measured by evaluation studies. A manual was developed to clarify definitions and measurement methods for all indicators in the national guidelines, and it is regularly updated in response to beneficiary comments regarding the clarity of definitions or problems with measurement that may arise as projects are implemented. Finally, there is also an established methodology to use project indicators to determine the impact of projects on strategic/programme objectives. These in turn are verified as part of impact evaluations forming the Lubelskie ROP Evaluation Plan for 2014-2020. MAs from different OPs could pool resources to carry out such qualitative studies to generate insight into results and the impact of ESIF investment in their country overall, as well as with respect to their OP. Such a study could also be instigated or coordinated by a country's national coordination body for EU funds.

Many MAs already have extensive indicators systems, and it may be a question of revisiting these to determine whether they are fit-for-purpose with respect to outcome evaluations – an ongoing process in a number of countries. In Denmark, significant improvement has been made to ESIF monitoring systems in the 2014-2020 period by scrutinising indicators, producing 'indicator guidelines' for applicants, working with beneficiaries on how to select and interpret indicators and how to establish realistic target values (Polverari, 2014[38]). In France, a new system for ERDF programmes, SYNERGIE, was adopted to collect information throughout the full project cycle, in addition to tracking the indicators required by the EU Performance Framework (Polverai, 2015[39]). Basilicata, Italy offers an example of an institutionalised approach to evaluating policy impact at the sub-national level. Its regional Public Investment Evaluation Unit, situated within the Department for Structural Funds, is responsible for monitoring and evaluating all public investments in the region and for checking the consistency of strategic projects with respect to the Regional Development Plan and the annual financial plan. The unit also performs impact evaluations of public investment projects, with their effects on regional employment and production (OECD, 2013[1]).

Table 4.7 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address the challenge of expanding performance measurement practices to better support outcome evaluations.

Table 4.7. Sample Action Table: expanding performance measurement practices to support outcome evaluations

Goals/Sub-goals	Identified Potential Actions
	✓ Introduce a training programme or workshop to build capacity in performance measurement, including establishing robust output and outcome indicators, evaluating data, identifying what works and what does not and applying findings to OP design and programming.
Building more robust measurement systems for measuring performance outcomes	✓ Pilot an OP objectives monitoring and evaluation system with a small, high quality set of indicators for one Priority Axis or one or two specific investment priorities. This could be done first by creating a subset of performance indicators based on indicators that already exist within the performance framework.
	✓ Improve data collection and information technology systems, and/or complement existing data collection tools with qualitative mechanisms (e.g. surveys, evaluation studies, etc.) to enhance project performance measurement systems.
Supporting data collection capacity	✓ Consider developing or adjusting a small set indicators to better measure results (outcomes).
Adjusting indicator sets to support outcome evaluations	✓ Tap into existing groups or establish a dedicated network with officials in other OPs to exchange regularly on good practices in assessment, monitoring and control processes
	✓ Create a document to identify data shortcomings, build information/data gathering and statistical reporting capabilities at the local and regional level, and identify incentive structures that would improve municipal data reporting.
	✓ Design and implement trainings for Monitoring Committee members in order to increase their capacity and improve their understanding of their role and functions in the OP monitoring process.

Notes

[1] The range of coordination mechanisms for effective governance of public investment is broad, ranging from "hard" tools to "soft" ones. A non-exhaustive list, beginning with the "hard" end of the spectrum, includes rules, regulations, standards, and formal agreements (e.g. Partnership Agreements between individual EU Member States and the European Commission), to strategies and plans ("medium"), to dialogue mechanisms and ad hoc meetings ("soft"). Many, if not all, of these are tools in the MA coordination toolkit.

[2] The study collected data from 28 Partnership Agreements and 292 programmes.

[3] *N*=1 888, respondents are ERDF and ESF applicants.

[4] N+3 rule means that the part of committed funding to an OP that has not been spent by the end of the third financial year since the year of commitment will be decommitted or withdrawn by the European Commission.

References

Allain-Dupré, D., C. Hulbert and M. Vincent (2017), "Subnational Infrastructure Investment in OECD Countries: Trends and Key Governance Levers", *OECD Regional Development Working Papers*, No. 2017/05, OECD Publishing, Paris, https://dx.doi.org/10.1787/e9077df7-en. [24]

Andreou, G. (2010), "The domestic effects of EU cohesion policy in Greece: islands of Europeanization in a sea of traditional practices", *Southeast European and Black Sea Studies*, Vol. 10/1, pp. 13-27, http://dx.doi.org/10.1080/14683851003606747. [31]

Bachtler, J., C. Mendez and H. Oraže (2014), "From Conditionality to Europeanization in Central and Eastern Europe: Administrative Performance and Capacity in Cohesion Policy", *European Planning Studies*, Vol. 22/4:, pp. 735-757, http://dx.doi.org/10.1080/09654313.2013.772744. [3]

Barca, F. and P. McCann (2011), *Outcome indicators and targets–Towards a performance oriented EU cohesion policy*, https://ec.europa.eu/regional_policy/sources/docgener/evaluation/doc/performance/outcome_indicators_en.pdf. [33]

Batory, A. and A. Cartwright (2011), "Re-visiting the Partnership Principle inCohesion Policy: The Role of Civil SocietyOrganizations in Structural Funds Monitoring", *Journal of Common Market Studies*, Vol. 49/4, pp. 697-717, http://dx.doi.org/10.1111/j.1468-5965.2010.02159.x. [35]

Council of European Municipalities and Regions (2016), *Cohesion policy: Simplification and cutting red tape in European Structural and Investment Funds*, https://www.ccre.org/img/uploads/piecesjointe/filename/CEMR_Simplification_and_cutting_red_tape_EN.pdf. [16]

Crescenzi, R. and M. Giua (2016), "The EU Cohesion Policy in context: Does a bottom-up approach work in all regions?", *Environment and Planning A: Economy and Space*, Vol. 48/1, pp. 2340-2357, http://dx.doi.org/10.1177/0308518X16658291. [10]

Dozhdeva, V., C. Mendez and J. Bachtler (2018), *Cohesion policy implementation, performance and communication Scotland case study*, European Policies Research Centre, University of Strathclyde, https://strathprints.strath.ac.uk/64693/1/Dozhdeva_etal_EPRC_2018_Cohesion_policy_implementation_performance_and_communication.pdf. [9]

EC-DG REGIO (2016), *Implementation of the partnership principle and multi-level governance in 2014-2020 ESI Funds: Final Report*, European Commission Directorate-General Regional and Urban Policy, DGA1 Policy Performance and Compliance, Unit DGA1.01 Policy Development, Strategic Management and Relations with the Council, https://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/impl_partner_report_en.pdf. [4]

ECORYS (n.d.), *London ESF 2014-2020 'Phase 1' Programme Evaluation: A final report to the Greater London Authority*, https://lep.london/sites/default/files/London%20ESF%20%27Phase%201%27%20Programme%20Evaluation%20final%20report.pdf. [11]

European Commission (2018), *Guidance for Member States on Performance framework, review and reserve*, https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/gn_performance_framework_review_and_reserve.pdf. [34]

European Commission (2018), *Summary of The Inform And Inio Networks Meeting Of Eu Cohesion Policy Communicators*, https://ec.europa.eu/regional_policy/sources/informing/events/0519-palermo/minutes.pdf. [23]

European Commission (2017), *Integrated territorial and urban strategies: how are ESIF adding value in 2014-2020? Final Report*, European Commission, Directorate-General for Regional and Urban Policy, Unit 03 – Inclusive Growth. Urban and Territorial Development, https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/integrated_strategies/integrated_strategies_en.pdf. [13]

European Commission (2017), *Strategic report 2017 on the implementation of the European Structural and Investment Funds {SWD(2017) 452 final}*, European Commission, https://ec.europa.eu/regional_policy/sources/docoffic/official/reports/strat_rep_2017/strat_rep_2017_en.pdf. [14]

European Commission (2016), *Implementation of the partnership principle and multi-level governance in 2014-2020 ESI Funds, Final Report, Sweco & Spatial Foresight & Nordregio*, Directorate-General Regional and Urban Policy, https://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/impl_partner_report_en.pdf. [29]

European Commission (2016), *The Use of New Provisions During the Programming Phase of the European Structural and Investment Funds, Final Report*, European Union, https://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/new_provision_progr_esif_report_en.pdf. [5]

European Commission (n.d.), *Glossary - Monitoring committee*, https://ec.europa.eu/regional_policy/en/policy/what/glossary/m/monitoring-committee. [36]

European Parliament (2019), *Integrated Territorial Investments as an effective tool of the Cohesion Policy*, http://www.europarl.europa.eu/cmsdata/162823/25032019_CONT_Briefing_ITI_Final.pdf. [15]

European Parliament (2017), *REPORT on increasing engagement of partners and visibility in the performance of European Structural and Investment Funds*, http://www.europarl.europa.eu/doceo/document/A-8-2017-0201_EN.pdf. [30]

European Parliament - DG Internal Policies (2016), *Maximisation of Synergies between European Structural and Investment Funds and other EU instruments to Attain Europe 2020 Goals*, Directorate General for Internal Policies - Policy Department B: Structural and Cohesion Policies, http://www.europarl.europa.eu/RegData/etudes/STUD/2016/585872/IPOL_STU(2016)585872_EN.pdf. [12]

European Union (2019), *Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013*, Official Journal of the European Union, https://eur-lex.europa.eu/eli/reg/2013/1303/oj. [27]

European Union (2014), *COMMISSION DELEGATED REGULATION (EU) No 240/2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds*, Official Journal of the European Union, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0240. [28]

EU-Skladi (2014), *Operational Programme for the Implementation of the EU Cohesion Policy in the Period 2014-2020*, https://www.eu-skladi.si/sl/dokumenti/kljucni-dokumenti/operational-programme-english-version.pdf. [25]

Government of Malta (2015), *COHESION POLICY 2014-2020 Operational Programme I Fostering a competitive and sustainable economy to meet our challenges*, https://eufunds.gov.mt/en/Operational%20Programmes/Programming%20Period%202014%20-%202020/Operational%20Programme%201/Documents/Adopted%20OPI(ff).pdf. [26]

Kalman, J. (2002), *Possible Structural Funds Absorption Problems – The Political Economy View with Application to the Hungarian Regional Development Institutions and Financial System*, Open Society Institute/ Local Government and Public Service Reform Initiative. [21]

OECD (2019), *Effective Public Investment across Levels of Government: Implementing the OECD Principles*, OECD Publishing, https://www.oecd.org/effective-public-investment-toolkit/OECD_Principles_For_Action_2019_FINAL.pdf. [7]

OECD (2017), *Getting Infrastructure Right: A framework for better governance*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264272453-en. [8]

OECD (2014), *Principles for Action: Effective Public Investment across Levels of Government*, OECD Publishing, https://www.oecd.org/effective-public-investment-toolkit/Effective-Public-Investment-Brochure.pdf. [32]

OECD (2014), *Recommendation of the Council on Effective Public Investment Across Levels of Government*, OECD Publishing, http://www.oecd.org/regional/regional-policy/Principles-Public-Investment.pdf. [19]

OECD (2013), *Investing Together: Working Effectively across Levels of Government*, OECD Multi-level Governance Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264197022-en. [1]

OECD (2013), "Public investment across levels of government: The case of Wielkopolska, Poland", in *Poland: Implementing Strategic-State Capability*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264201811-10-en. [22]

OECD Interviews (2019), *OECD interviews with five Managing Authorities and other stakeholders for the Project Frontloading administrative capacity-building for the post-2020 period*. [37]

OECD-CoR (2016), *Results of the OECD-CoR Consultation of Sub-national Governments: Infrastructure planning and investment across levels of government: current challenges and possible solutions*, OECD, EU Committee of the Regions, https://portal.cor.europa.eu/europe2020/Documents/publi-file/2016-oecd-cor/2016-oecd-cor.pdf. [2]

OECD-CoR (2016), *Results of the survey on regional and local obstacles to investments*, Committee of the Regions, European Commission, https://portal.cor.europa.eu/europe2020/news/Pages/survey-results-obstacles.aspx. [20]

Polish Minstry of Economic Development (2017), *Decentralization and multi-level governance in Poland. Ensuring coherence between national and subnational development strategies/policies*, https://www.oecd.org/regional/regional-policy/Decentralisation-and-multi-level-governance-in-Poland.pdf. [6]

Polverai, L. (2015), *The monitoring and evaluation of 2014-2020 EU Cohesion Policy programmes, IQ-Net Thematic Paper 3692)*, European Policies Research Centre, http://www.eprc-strath.eu/public/dam/jcr:4250beef-395c-400a-a029-53a97bd136b6/ThematicPaper36(2).pdf. [39]

Polverari, L. (2014), "2014-20 EU Cohesion Policy: Resultsorientation Through Better Monitoring", *European Structural and Investment Funds Journal*, Vol. 4/1, pp. 26-34, http://estif.lexxion.eu/article/ESTIF/2016/1/6. [38]

Welsh European Funding Office (2019, unpublished), *Welsh European Funding Office, OECD interviews*. [18]

Welsh Government (2018), *The Economic Prioritisation Framework*, https://gweddill.gov.wales/funding/eu-funds/2014-2020/wefo-guidance/epf/?lang=en. [17]

Chapter 5. The impact of framework conditions on Managing Authorities

This chapter discusses the impact of framework conditions on the administrative capacity of Managing Authorities, and offers possibilities for working within their constraints. Analysis shows that ensuring sound, consistent, and transparent legislation and regulation, including those related to procurement processes, can reduce administrative burden and increase investment stability, thereby contributing to investment management capacity.

Introduction

Framework conditions that affect public investment (i.e. higher-level parameters that support or constrain investment operation and processes) can include budgetary, regulatory and procurement legislation and practices. Ensuring that these conditions are sound, consistent, transparent, and adapted to the objectives pursued (OECD, 2019[1]) contributes to a Managing Authority's (MA) investment management capacity. If poorly designed, unstable, or improperly explained or understood, framework conditions can negatively affect investment processes and results, causing unnecessary delays and increasing project costs. At the same time, framework conditions can be complex, and may not be consistent or stable over time, among levels of government or even within a single level of government.

An MA's operational context is framed by legislation and regulations established at the European Union (EU) and national levels, as well as through the Management and Control System (MCS) (Chapter 1, Box 1) that sets the institutional framework as well as the common rules, procedures and monitoring mechanism that govern operations for all MAs in a country. EU-level regulations govern the allocation and use of European Structural and Investment Funds (ESIF), including control, verification, monitoring and audit processes. These can change significantly over successive programming periods and are consistently perceived as complex by MAs and other Operational Programme (OP) stakeholders. MAs, Intermediate Bodies (IBs), beneficiaries and other OP stakeholders participating in this pilot action generally cited EU regulations as one of the leading impediments to more efficient and/or effective ESIF investment processes. In addition, EU Member States establish their own national regulations governing the management of EU funds in their territory. These regulations can vary according to country context, institutional parameters, and level of government. MCS, usually established by the bodies responsible for managing EU funds in an EU Member State, can differ according to national governance practices. Thus, while EU regulations are consistent across Member States, national-level frameworks and MCS vary from country to country, each characterised by different levels of stability and complexity, rendering ESIF implementation easier for some MAs than for others.

With the exception of public procurement frameworks, in general the greatest difficulties seem to be not in the existence of framework conditions themselves (there is general agreement that rules, regulations and standards can be valuable), but rather in their characteristics. Top among the challenges highlighted in this pilot project involved national legislative/regulatory practices for ESIF and associated administrative burden; a lack of clarity and/or a lack of consistency in interpreting rules or practices surrounding controls, verifications and audits; and difficulties working within public procurement parameters. Combined, these can generate excessive administrative burden, instability and uncertainty in the investment process, which in turn affects absorption capacity. This can lead to a risk that resources are not deployed in the most effective and efficient manner. For example, MAs may tend to focus on complying with regulations and take a risk-adverse approach when designing calls, or selecting and assessing projects. In addition, there is the potential to lose sight of overall objectives, and cause unnecessary delays and increased project costs.

It is important to recall that many, if not all, framework conditions take time to change and are outside of an MA's direct control. In light of this, the European Commission has acknowledged that framework conditions pose challenges and has made moves towards greater simplification for the post-2020 programming period. Thus, the discussion below intends simply to highlight the main issues and their implications. It should be noted, however, that some MAs do take matters to hand and play an active role in proposing amendments of relevant legal and regulatory frameworks, putting pressure where it is needed when red tape appears to be causing significant problems in OP implementation. Many MAs are also quick to respond and offer guidance to beneficiaries seeking clarifications on legal frameworks, as well as finding ways to communicate how other beneficiaries addressed similar obstacles. Overall, with respect to framework conditions, MAs and other parties must work together to set realistic and effective parameters and proactively manage difficulties as quickly and efficiently as possible. It is also important to consider active consultation with MAs when designing the framework conditions that structure their work.

Regulatory changes create instability and generate administrative burden

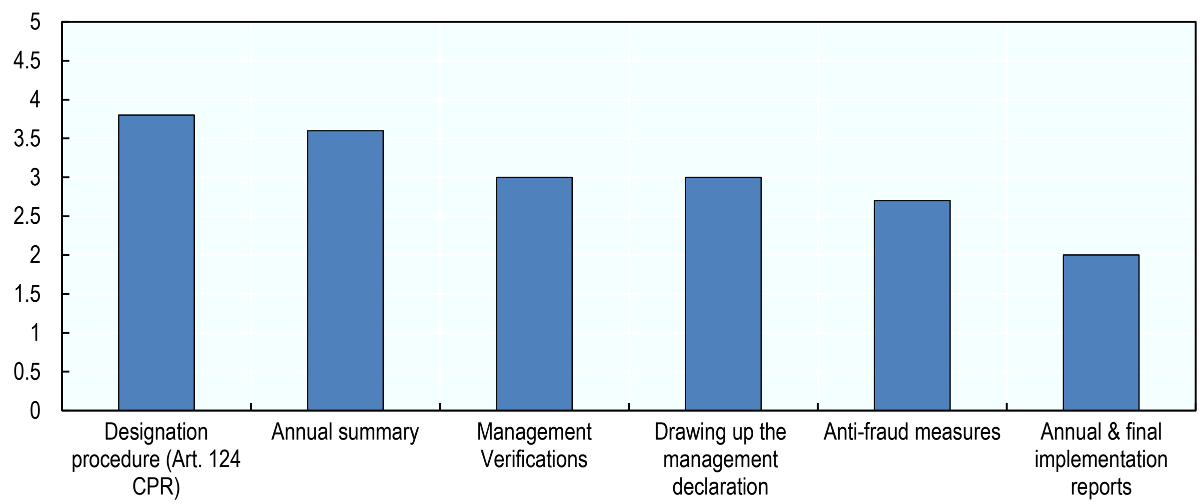
Stakeholders across different MAs tend to consider that the rules and regulations associated with OP implementation – be they stemming from the EU, from the national government or part of the MCS – can be unclear, unstable, excessive, and generate unnecessary administrative burden for OP implementation. European-level regulations and requirements, which are complicated, are often incorporated into national legislation, adding another layer of complexity, reducing the room for manoeuvre and potentially increasing red tape. Simplifying procedures is crucial to promote effective public investment, in particular where capacities are low, a point that the European Commission is reinforcing through greater simplification in the next programming period. An excessive amount of legislation and guidance or the proliferation of multiple conditions coupled with weak capacities can lead to inefficient investment. Moreover, administrative burden combined with unequal capacities within countries, risk deepening pre-existing inequalities (OECD, 2018[2]). Pilot MAs report difficulties arising from unclear, complex or frequently changing legislation, as well as a "one-size-fits-all" approach to programming requirements.

Unclear, complex and changing regulations at the EU and national levels

A lack of clarity and a high degree of complexity in the rules governing ESIF use, be they EU or national-level rules, is a common theme brought up among OP stakeholders in each participating country. MAs in some countries note that in order to counter any uncertainty, different national control bodies respond by introducing new or additional control activities for ESIF, often stricter than those established in EU or national regulations. This can generate more administrative burden for the MAs, and higher transaction costs for IB and beneficiaries. One of the causes of complexity identified by MAs and other OP-implementing authorities is the untimely and fragmented provision of EU guidance, which further leads to legal uncertainty and ambiguity (Ferry and Polverari, 2018[3]). For example, designation procedures (i.e. ensuring that the MA and CA have the necessary and appropriate MCS set up) are considered by some MAs the most complex tasks in ESIF management for this programming period (Figure 5.1). Initially in this period, the European Commission intended to simplify these procedures by allowing Member States to carry out the designation without direct Commission review. However, in practice, following the various guidance and checklists from the European Commission increased the workload of Member States. In addition, Member States tend to establish a 'heavy' procedure to guarantee compliance and limit the scope of retroactive audit measures. The implication is that MAs, national authorities and the European Commission (EC) need to work together to find the right balance between systems that are sufficiently rigorous to detect irregularities and yet not too demanding or complex for administrations (Ferry and Polverari, 2018[3]).

Figure 5.1. Complexities facing MAs in the 2014-2020 programming period

1=limited complexity, 5=extreme complexity



Note: This is the survey result from 15 MA staff from seven different OPs. The designation procedure means ensuring that the MA and CA have the necessary and appropriate MCS set up. Management verifications include administrative verifications and on-the-spot checks. Annual summaries are those of accounts on the expenditure that was incurred as well as audit and control procedures.
Source: (Ferry and Polverari, 2018[3]).

Changes, sometimes frequent, to rules, regulations, and occasionally to key national strategic documents (e.g. national development strategies or sector strategies), are another trouble-spot for MAs. They require an on-going effort to interpret and understand potential impact, especially as such changes can lead to increasingly complex controls in order to avoid financial corrections. There are different reasons behind such changes. For example, they can arise if policies and rules are insufficiently robust and need to be adjusted; due to political influence or political change; or they can be the result of limited learning opportunities and/or insufficient evidence of regulatory or policy effectiveness, with decisions taken well before the conclusion of an expenditure cycle (Crescenzi and Giua, 2016[4]).

In some countries, eligibility rules can change midway through a project implementation cycle, and the new rules will apply to already-approved projects (rather than "grandfathering"[1] the old rules). In Romania, for example, stakeholders strongly criticised frequent changes to national-level procedures and documentation by the government as a practice of "changing the rules during the game". Such changes, although often necessary, had strong implications for the management of the funding and frequently triggered other unforeseen problems (Surubaru, 2017[5]). In other instances, line ministries may change their sectoral strategies every two or three years, or with the entry of a new government, which can then affect investment priorities at the OP level. In some MAs, OPs are linked to sectoral budget plans instead of overall sectoral strategies, or national budgets, or as part of an overall national ESIF budget line, when possible. This, too, can affect the stability of OP implementation, for instance if sector budgets are annual with limited year to year forecasting, or if circumstances generate limited budget predictability and severe adjustments, and/or if the MA depends on line ministries for co-financing. Single budget lines for ESIF can be helpful in this respect. In addition, greater recourse to financial instruments, in line with the European Commission recommendations, may also be valuable, though MA and beneficiary capacity to better capitalise on the opportunities afforded by using financial instruments may need to be built.

Frequent changes can also generate additional administrative work and insecurity (i.e. the possibility of financial corrections), which may lead to delays and can potentially discourage beneficiaries from responding to calls due to limited appeal of ESIF co-financed projects. It can also discourage innovation – not only in OP management processes but in the project proposals submitted by beneficiaries. By creating additional uncertainty and room for error in the project implementation process, such changes affect the consistency, stability and certainty that supports effective OP implementation and ESIF investment.

Such changes, especially those relating to regulation and legislation, also affect beneficiaries; and contributes to the ongoing need for effective and clear communication regarding changes and their practical implications, as well as support to properly implement them. This means that the MAs themselves must be clear about what the changes mean and how they should be applied.

The frequent changes to rules and regulations underscores the importance of accessible training, efficient information flows and active knowledge sharing throughout the OP management system. Regular opportunities for training at the technical and expert level – i.e. among those most involved in applying and explaining the rules – is fundamental. This can be in the form of hands-on workshops where staff learn how to better understand/interpret and apply new rules and regulations, for example. Such learning opportunities should be offered regularly and ideally tailored to different MA departments, as well regional MAs, IBs and beneficiaries. Establishing a working group or network of OP stakeholders (ideally across MAs) to act as a consultative body that can evaluate the impact of proposed legislative changes governing the use of ESIF could help identify potential difficulties in interpretation.

Adjusting Management and Control Systems to minimise one-size-fits-all approaches

Many MAs and OP stakeholders in this pilot project described approaches to the regulatory framework for ESIF as "inflexible". While this may be inherent to the concept of regulations in general, it can depend on how they are designed, and when greater or lesser degrees of flexibility may be appropriate. What was evident in many cases is a "one-size-fits-all" approach to the rules governing administration and management procedures for project implementation. In more than one case, these are set without distinguishing between project type, sector or size (e.g. ERDF vs ESF, environment vs infrastructure, large and long term vs small and quick, high value versus modest value, etc.).

Generally speaking, OPs demand the same amount and type of documentation and licenses, number of approvals, and obligations for large, long-term and expensive projects as it does for small, short-term and less expensive ones, or regardless of the size of the beneficiary (e.g. a large company versus an SME, or a metropolitan area or Integrated Territorial Investment (ITI) versus a small, remote local authority). While this standardisation can facilitate higher-level management, control, and coordination, it leaves little room for an MA's operational and implementation levels to tailor responses to specific challenges. It can lead to an ineffective use of already tight resources, as small projects demand the same amount of time and attention as larger ones that may have greater economic and development impact. In addition, there is the potential to lose sight of overall objectives, and cause unnecessary delays and increased project costs – particularly difficult for small projects with limited resources. This is a particularly significant issue for MAs whose OPs can involve multiple sectors or themes and projects of fundamentally different natures. One option is to introduce a greater degree of proportionality in checks and controls placed on projects based on the level of associated risk.

In the 2021-2027 programme period, more cross-sector and integrated programmes, measures and projects are expected. Introducing greater flexibility or room for MAs to adjust the procedures according to projects and beneficiaries could help further strengthen the integrated approach in OP implementation. This may require adjustments to the MCS. For countries that might consider this, to determine whether recalibration of the system is necessary and ensure that adjustments promote an improved system, consultation with MAs, IBs and beneficiaries is fundamental for determining perceptions and needs regarding greater flexibility.

Bringing MAs together with other key authorities to identify, discuss, adjust and solve matters inherent to the MCS could prove valuable. For example, in Greece, the National Coordination Authority is planning to introduce a Management and Control System Network to help address some of the rigidities in the MCS and in regulatory frameworks that affect all Greek MAs. This kind of network could serve as an information/experience sharing platform, as well as a consultative forum for MAs on critical matters such as system amendments, legal framework amendments and their impact, etc.

The impact of such a network could be boosted by the creation of an EU-wide network of MAs and coordinating bodies, sponsored by the EC, and open to national and regional level MAs. An EU-level network could serve as a powerful forum for information and knowledge exchange among MAs, discussion of common problems, identification of potential solutions, and sharing of good practices that could then be adapted and applied by MAs to their own country contexts. It could also be a useful source of information and a coordination mechanism for the EU as well, particularly when it is preparing strategy documents and programming initiatives.

High administrative burden can slow investment processes

Administrative burden and excessive red tape is a central challenge to effective investment (OECD, forthcoming[6]; OECD, 2018[2]), and one that MAs, IBs and beneficiaries consistently emphasised during this pilot project. ESIF investment rules and control activities that change often or which are excessively strict can result in higher day-to-day administrative burden for the MA and greater transaction costs for the IBs and beneficiaries, particularly if the rules adopted impose new, additional or more stringent requirements. For example, it is not unheard of for contracting authorities, and sometimes other control bodies, to require not only the necessary documentation per European directives, but also documentation requested in national legislative framework(s), and additional supporting documents to further verify the projects (including, on occasion, documentation that was relevant in past periods). This intensification of bureaucracy, while on the one hand potentially trying to minimise the possibility of financial corrections, on the other substantially increases the workload/management cost for everyone in the system – from the MA to beneficiaries – and particularly in sectors where there are many small projects. Ultimately, the result is lower OP implementation efficiency. If taken to an extreme, it also can mean less absorption due to a system that discourages investors (e.g. private sector) from applying to co-financed project opportunities given the associated transaction costs. MAs have some tools available to them to help streamline processes and alleviate the administrative burden in daily operations. Bulgaria, for example, introduced the electronic tendering and e-monitoring of public contracts systems in 2017. The central purchasing body in Italy, Consip S.p.A[2], defined a framework contracts for the ESIF programmes, to standardise and centralise the process for all MAs, CAs and AAs, as well as IBs, to request and select expert support services and technical assistance (Consip, 2016[7]).

For the 2021-2027 programming period, the European Commission has proposed several reforms aiming to reduce administrative burden in ESIF implementation. These include establishing one single rulebook, the Common Provisions Framework, to cover all ESIF management; reducing the number of TOs to enable synergies and flexibility between various strands within a given objective; streamlining and reordering *ex ante* conditionalities according to their priority level; as well as simplifying access to funds for beneficiaries through fewer rules and lighter control procedures (European Policies Research Centre, 2019[8]). In addition, the European Commission is proposing that Simplified Costs Options be applied to small projects. Doing so would permit OP authorities and beneficiaries to agree on a specific budget and expected outcomes on a case-by-case basis and increase support of smaller projects. If well-implemented, these initiatives could have significant potential in reducing administrative costs and introducing greater flexibility for MAs and other authorities in ESIF management, as well as for beneficiaries (European Training Centre in Paris, 2018[9]).

Inconsistent control, verification and audit interpretations generate uncertainty

The procedures and guidelines for OP project selection, control and verification, and audits appear to be open to a degree of interpretation. This creates uncertainties with respect to eligibility criteria among project applicants, complicates the application process and affects monitoring and control mechanisms. The problem can be particularly acute with respect to control and audit activities. The problem arises when a controller interprets an application or procurement process in one way (e.g. nothing wrong), and a subsequent controller in another point of the monitoring and control process interprets it in another (e.g. something is incorrect). In some OPs, there are reportedly up to eight controls for large European Regional Development Fund (ERDF) projects, entailing a high likelihood of different control results. This type of uncertainty contributes to insecurity among beneficiaries, adds to the administrative burden of the MA (as each point of control can require additional documentation), and can result in financial corrections that may be highly onerous, particularly for smaller beneficiaries with small budgets and/or limited liquidity for project implementation. Ultimately, inconsistency in control processes can lead to delays, affect absorption, and limit the attractiveness of ESIF co-financing for beneficiaries. Different interpretations in audits also contribute to the lack of clarity, or degree of unpredictability, associated with project implementation. The problem that arises in audits is similar to the one described for monitoring and control processes: audit approaches (and sometimes findings) can differ by auditor or by on-the-spot verification teams.

To reach a satisfactory level of certainty within an MCS's monitoring and verification process, instructions regarding all main issues/risks should be clear and easy to understand, free from vagueness or ambiguity, based on specific regulations as well as general guidelines. This may call for an agreed upon approach between the European Commission and Member States regarding a number of specific challenging issues requiring further clarification, in order to attain common understanding between all relevant stakeholders [i.e. beneficiaries, MA, national coordinating bodies, Certifying Authority (CA), and Audit Authority (AA)]. Doing so could permit parties to request the same evidence and reach the same conclusions upon specific issues, regardless of where within the MCS the control, verification or audit is being carried out. A consistent interpretation of rules by EU and national level auditors and evaluators and clear and agreed upon interpretation guidelines established among them, may be one step towards mitigating the problem. Nevertheless, after having clearly defined the interpretation on crucial topics and having arrived at a common understanding, the need to adapt to new guidelines should be expected from time to time.

There are number of activities that could be undertaken to help minimise the incidence or impact of an inconsistent interpretation of rules and regulations for control, verification or audit purposes. For example, annual meetings of an EU Member State's national coordinating body for EU funds, its CA and AA could be organised in order to share experience and information, and formulate/promote a common understanding on specific cases. Incorporating MA perspectives and/or proposals in the preparation of such meetings (e.g. agenda setting) could be useful. It should be noted that such meetings are not intended to compromise the independence of the institutions involved, particularly in terms of undertaking their activities and reporting relevant findings. Rather, the aim is to gather as much expertise and perspective as possible to identify what is and what is not possible in specific cases. Opening these meetings to an observer from the European Commission/Audit bodies, as well as MAs even if on an *ad hoc* basis, may be valuable.

Another, potentially firmer, option is to pilot an Audit Committee. It could be composed of representatives from national (and regional where appropriate) audit bodies that could set interpretation standards, promote consistency for how rules are interpreted, establish who is responsible for auditing what, and avoid audit overlapping, ideally helping build stability and predictability into the system. If such a committee already exists at a national level, then consideration should be given to establishing a working group or sub-committee dedicated to establishing and agreeing upon a standard set of interpretations for ESIF project selection and control processes, and setting an audit plan that could be published and disseminated among stakeholders. While the upfront resource commitment may be high, in the medium to long run greater consistency and predictability in how rules are interpreted could help minimise problems, translating into greater stability in OP implementation and contributing to more efficient fund absorption.

At a minimum and if not already done, a reference of "control and audit precedents" should be published (electronically and/or on paper) and available to all stakeholders (e.g. IBs, beneficiaries, consultants, etc.). This could help guide project designers and applicants in understanding what may generate a red flag in the selection and implementation process, and help reduce the potential for irregularities and audits. It also could help controllers (and auditors) harmonise their interpretations.

Reinforcing capacity to manage public procurement processes

Clear and effective procurement laws and processes are integral to ESIF management and implementation, as well as to public investment in general. Improving the quality and reliability of public procurement systems can foster large savings: even a 1% efficiency gain could generate a savings of approximately EUR 20 billion per year in the EU (European Commission, 2019[10]). At the same time, procurement practices represent one of the largest framework challenges for MAs and beneficiaries alike. In many instances, particularly among smaller beneficiaries, there may be limited capacity in terms of resources and technical knowledge to effectively participate in and/or manage procurement processes (OECD, 2019[1]). Poor procurement practices, unclear or often-changing procurement laws, or lengthy procurement processes can all impede the effective implementation of ESIF projects. When these are combined with limited institutional capacity, inadequate knowledge of good procurement practices, or insufficient human resources to deal with procurement procedures, there is significant margin for procurement processes to lead to higher transaction costs and financial adjustments in the case of EU funds.

Procurement legislation is often complex and subject to constant updates and adjustments in order to address new issues and circumstances. For example, it is not unheard of for procurement laws to be adjusted six to eight times in a seven-year period (Surubaru, 2017[5]). One pilot MA experienced more than 280 amendments, modifications or additions to a new procurement law over a two year period. Keeping up with the changes, understanding their implications and how to apply them, then communicating these to IBs and beneficiaries, and actively helping ensure compliance is a fundamental yet resource intensive task of the MAs. Ensuring compliance, however, can be more difficult due to room for legal interpretation, particularly when the law is unclear or frequently changed. The Commission, under the coordination of DG REGIO, has developed the *Guidance for practitioners on the avoidance of the most common errors in public procurement of projects funded by the European Structural and Investment Funds* (2018[11])*,* which MAs and other authorities in the MCS can consult. The OECD has also developed a set of principles for good public procurement practices which could help MAs reinforce the strategic and holistic use of public procurement (Box 5.1).

Box 5.1. OECD work to promote better procurement practices

According to the European Court of Auditors, a significant part of EU Cohesion Policy funding, particularly for the European Regional Development Fund and the Cohesion Fund, is spent through public procurement. Meanwhile, failure to comply with public procurement rules is still a significant source of error in implementing Cohesion Policy. Nevertheless, systematic analysis of public procurement errors is limited in EU Member States.

The OECD has developed policy tools, case reviews and various research to help countries and regions improve their public procurement systems and practices. For example, the Methodology for Assessing Procurement Systems provides a tool for all countries to assess the quality and effectiveness of procurement systems. Country reviews have been conducted, ranging from special focus on competitive tendering, e-procurement system, to comprehensive analysis on the whole procurement system of the country.

In addition, the OECD *Recommendation on Public Procurement* was developed as a reference for modernising procurement systems and can be applied to procurement at all levels of government. It addresses the entire procurement cycle while integrating public procurement with other elements of strategic governance such as budgeting, financial management and additional forms of service delivery. The Recommendation is complemented by an online toolbox offering policy tools, specific country examples, and indicators for governments to assess and enhance the public procurement system.

- Ensure an adequate degree of **transparency** of the public procurement system in all stages of the procurement cycle.

- Preserve the **integrity** of the public procurement system through general standards and procurement-specific safeguards.
- Facilitate **access** to procurement opportunities for potential competitors of all sizes.
- Recognise that any use of the public procurement system to pursue secondary policy objectives should be **balanced** against the primary procurement objective.
- Foster transparent and effective stakeholder **participation**.
- Develop processes to drive **efficiency** throughout the public procurement cycle in satisfying the needs of the government and its citizens.
- Improve the public procurement system by harnessing the use of digital technologies to support appropriate **e-procurement** innovation throughout the procurement cycle.
- Develop a procurement workforce with the **capacity** to continually deliver value for money efficiently and effectively.
- Drive performance improvements through **evaluation** of the effectiveness of the public procurement system from individual procurements to the system as a whole, at all levels of government where feasible and appropriate.
- Integrate **risk** management strategies for mapping, detection and mitigation throughout the public procurement cycle
- Apply oversight and control mechanisms to support **accountability** throughout the public procurement cycle, including appropriate complaint and sanctions processes.
- Support **integration** of public procurement into overall public finance management, budgeting and services delivery processes.

Source: (OECD, 2015[12]), https://www.oecd.org/gov/public-procurement/OECD-Recommendation-on-Public-Procurement.pdf

Ineffective coordination mechanisms between a national public procurement administrative body and the ESIF management system actors can lead to time-consuming and inefficient procedures for resolving procurement issues arising from OP implementation, particularly given that the necessary communication to resolve problems will likely be *ad hoc*. Managing this situation will require better defining the procurement approach, and potentially better codifying how to address (or avoid) common problems in order to avoid procurement irregularities. This is particularly important for small and medium-sized beneficiaries that often lack the necessary technical knowledge to deal with complex procurement procedures (e.g. local authorities conducting and monitoring the whole procurement processes, or SMEs responding to a tender). Some MAs are introducing mechanisms, such as guidelines and early actions as a form of assistance, as well as thematic working groups dedicated to public procurement. Procurement challenges are an issue that MAs are acutely aware of and take what steps they can to support beneficiaries.

EU Member States are actively introducing practical mechanisms to better support procurement processes, which can be of value to MAs, IBs and beneficiaries. Such support includes procedure guidance, help desks, IT tools, and so on. For example, in France, the Ministry of Economy and Finance publishes an extensive manual on public procurement that includes methodologies for different procedures, examples of good practices, and Frequently Asked Questions (FAQs). It also operates a call centre and an e-mail inbox that helps handle questions from public buyers at local and regional levels. This type of tool serves as useful operational support for public buyers. Slovenia operates a telephone hotline, while Finland uses a one-stop-shop website, and in the Netherlands a help-desk offers guidance and help to any public authority undertaking a public procurement process. In the Czech Republic, a civil society organisation, the Association for Public Procurement, developed an online case-law collection on public procurement in a Lexicon on Public Procurement Law. It allows contracting authorities and bidders to better understand and interpret public procurement law. Meanwhile, Croatia has introduced IT tools such as electronic public procurement plans, prior market consultations for draft tender documents, and e-contract registers (European Commission, 2016[13]).

Table 5.1 below highlights some possible actions identified by the five MAs participating in this pilot project, and their stakeholders, to address these framework condition challenges.

Table 5.1. Sample Action Table: striving for simplicity, stability and clarity for OP implementation

Goal/Sub-goals	Identified Potential Actions
Reduce complexity, instability and administrative burden in the system, and build greater flexibility into the parameters for programmes **Ensure more consistent interpretation of rules to build greater predictability and stability into the system** **Ensure greater clarity in procurement legislation and better manage uncertainty generated by governance practices and the procurement process**	✓ Support regular and accessible training and knowledge sharing mechanisms for technical/expert MA officials in understanding and applying new rules and regulations.
	✓ Introduce a Management and Control System Thematic Network of the MAs, the Certifying Authority and (other) national/regional bodies as well as the National Coordination Body/Authority to serve as an information/experience exchange platform. The participation of an observer from the Audit Authority, even on an *ad hoc* basis, could be considered. This network can also act as a forum to build the overall knowledge base and for consultation among MAs on system amendments, to discuss proposals for amendments to the legal framework, etc.
	✓ Organise annual meetings with national bodies, the Certifying Authority and the Audit Authority to share experiences and information, and enhance common understanding on specific cases.
	✓ Support the active participation of regional MAs in current or newly created networks dedicated to identifying common challenges and speaking to national and EU authorities in negotiation, legislative, regulatory and other rule-setting processes.
	✓ Pilot an Audit Committee with representatives from relevant national, regional, MA/IB auditing bodies that can disseminate planned controls and an audit calendar to relevant stakeholders, and establish and share consensus around the interpretation of regulations to avoid duplication in audits and create greater certainty for implementing bodies and beneficiaries. Such a committee could be modelled on one at the national level, or be a sub-group (i.e. a regional subcommittee) of the existing national level body.
	✓ Publish a reference of "control and audit precedents", electronically and/or on paper, and make these available to IBs, beneficiaries, consultants, etc.
	✓ Test/pilot the inclusion of auditors in the full investment strategy design and programming cycle (i.e. OP design, priority setting, project design, selection and evaluation criteria, and selection process) to see if evaluations improve and irregularities decrease.

Notes

[1] Grandfathering refers to regulations or legislation that is applied to cases only after the legislation has passed, rather than to all cases before and after the regulatory change.

[2] Consip S.p.A. is a company exclusively held by the Italian Ministry of Economy and Finance. It serves only the public administration sector and operates as a central purchasing body through the use of ICT and innovative procurement tools.

References

Bachtler, J. et al. (eds.) (2016), *Different approaches to the analysis of EU Cohesion Policy - Leveraging complementarities for evidence-based policy learning*, Routledge, http://dx.doi.org/10.4324/9781315401867. [4]

Consip (2016), *Gara Servizi di assistenza tecnica per le Autorità di Gestione e di Certificazione PO 2014-2020*, http://www.consip.it/bandi-di-gara/gare-e-avvisi/gara-servizi-di-assistenza-tecnica-per-le-autorita-di-gestione-e-di-certificazione-po-2014-2020. [7]

European Commission (2019), *Public Procurement, Internal Market, Industry, Entrepreneurship and SMEs*, https://ec.europa.eu/growth/single-market/public-procurement_en (accessed on 23 August 2019). [10]

European Commission (2018), *Public Procurement Guidance for Practitioners on on avoiding the most common errors in projects funded by the European Structural and Investment Funds*, European Commission, https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/public-procurement/guide/. [11]

European Commission (2016), *The Use of New Provisions During the Programming Phase of the European Structural and Investment Funds, Final Report*, European Union, https://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/new_provision_progr_esif_report_en.pdf. [13]

European Policies Research Centre (2019), *Reforming the MFF and Cohesion Policy 2021-27: pragmatic drift or paradigmatic shift?*, European Policies Research Centre. [8]

European Training Centre in Paris (2018), *ESIF Common Provisions Regulation: what's new for 2020?*, http://etcp.fr/esif-common-provisions-regulation-whats-new-2020/ (accessed on 26 August 2019). [9]

Ferry, M. and L. Polverari (2018), *Research for REGI Committee – Control and simplification of procedures*, European Parliament, Policy Department for Structural and Cohesion Policies, http://www.europarl.europa.eu/RegData/etudes/STUD/2018/601972/IPOL_STU(2018)601972_EN.pdf. [3]

OECD (2019), *Effective Public Investment across Levels of Government: Implementing the OECD Principles*, OECD Publishing, https://www.oecd.org/effective-public-investment-toolkit/OECD_Principles_For_Action_2019_FINAL.pdf. [1]

OECD (2018), *Rethinking Regional Development Policy-making*, OECD Multi-level Governance Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264293014-en. [2]

OECD (2015), *The OECD Recommendation on Public Procurement*, OECD Publishing, https://www.oecd.org/gov/public-procurement/OECD-Recommendation-on-Public-Procurement.pdf. [12]

OECD (forthcoming), *Monitoring Report on the Implementation of the Recommendation of Effective Public Investment across Levels of Government*, OECD Publishing. [6]

Surubaru, N. (2017), "Administrative capacity or quality of political governance? EU Cohesion Policy in the new Europe, 2007-2013", *Regional Studies*, Vol. 51/6, pp. 844-856, http://dx.doi.org/10.1080/00343404.2016.1246798. [5]

Chapter 6. Conclusions and Recommendations

This chapter emphasises that effective capacity building may start with individual Managing Authorities, but must be supported by including a broader variety of actors as well, including other Managing Authorities, national coordinating bodies and beneficiaries. This is reflected in a series of concrete recommendations for European Structural and Investment Funds management stakeholders at all levels.

Although this project focussed principally on administrative capacity-building actions for Managing Authorities (MAs), the complexity of European Structural and Investment Funds (ESIF) administration is such that MAs have to be seen as one actor in a broader Management and Control ecosystem. Frequently, MAs do not have the legal or institutional authority necessary to make substantial changes to how things are done – from organisational re-structuring and adjusting recruitment procedures and contractual modalities, to investment strategy design and implementation processes, etc. As such, it is insufficient to focus only on MAs on the assumption that they are autonomous actors capable of designing and implementing wholesale changes. The OECD considers that effective capacity building for better ESIF outcomes needs to take into account a much broader variety of actors. In addition, despite legal or regulatory constraints – MAs *do* have margin for manoeuvre to make positive changes, and often more than they think.

This project highlighted that MAs are working hard, as best they can, often in challenging and unpredictable circumstances. The staff are dedicated and keenly interested in making improvements where necessary. MA leadership is aware of the strategic challenges facing the MAs, particularly ahead of the post-2020 period, even if coordination and communication could be stepped up to 'surface' issues sooner with decision-makers. Much of what has been written in this report focusses – necessarily – on the challenges. But the comments from intermediary bodies, beneficiaries and other related stakeholders demonstrated broad appreciation of the role of the MAs in working in difficult circumstances. The OECD wishes to record its thanks and appreciation to the members of the various MAs participating in this pilot, particularly the core project teams, who coordinated the logistics and interviews for the meetings on which this report, the recommendations below, and the individual country Roadmaps are based.

Recommendations for Managing Authorities

Many of the constraints MAs face relate to the regulatory and legislative framework in which they operate. Often, MAs have little say in the institutional structures in which they function. For example, with regards to people management, MAs must comply with broader public sector Human Resource Management (HRM) policies and rules that can limit their abilities to be more agile in meeting work demands. They also operate and implement their Operational Programmes (OPs) within the guidelines established through higher-level objectives and the Management and Control System (MCS), which can affect their ability to modify or adjust priorities and processes according to circumstances.

Yet, while MAs cannot reform legislation, change national priorities, or alter the MCS, they can generate positive change in their administrative capacity to support effective management of ESIF investment opportunities. Doing so, however, may require being more proactive in looking for opportunities to implement changes that are possible. This pilot revealed that, at least in some cases, the inability to implement change was only a matter of perception. For example, MAs should consider change beyond that embedded in legislative reform. It was observed that pilot MAs often propagated the legalistic culture of public sector organisations by only implementing changes mandated through legislation and regulations. In general, however, public sector legislation leaves some room for managerial discretion, the challenge is to find it and use it in ways that encourage innovative thinking. Often what is most needed is internal discussion, consensus and agreement to pilot a new approach, something that MAs may not always feel empowered to initiate. One key lesson is that MAs should not underestimate their "soft power". They are pivotal actors in ensuring successful ESIF investment in their countries, and their capacity to do so and to push for change should be supported and promoted by actors and stakeholders throughout the system.

The individual country Roadmaps and accompanying diagnostic analysis provide MA-specific recommendations for distinct administrative capacity-building actions to be taken as from mid-2019. The Roadmaps cover operational aspects relating to people and organisational structure, as well as longer-term strategic planning and framework issues.

While the number of MAs participating in the pilot project (five) is limited, making it difficult for recommendations to be directly applicable to all MAs across the EU, these five MAs represent a diverse sample in terms of type of OP (thematic or sector), level of government (national or regional), and years of experience in managing ESIF. This, combined with the participatory nature of the pilot and co-designed approach to creating Roadmaps, means that the recommendations may speak to challenges faced by a wider group of MAs. The recommendations presented for MAs below focus on the first two challenge areas, as framework conditions, the third challenge area, are more difficult for them to directly affect. Overall, the recommendations presented were developed based on the information shared by the MAs and the diagnoses of challenges and practices in each pilot MA, the workshops conducted with each MA, as well as input from experts on ESIF, and desk research. Key inputs that framed the recommendations include:

- OECD *Recommendation on Public Service Leadership and Capability*
- OECD *Recommendation on Effective Public Investment across Levels of Government* and the forthcoming Monitoring Report of the implementation of the Recommendation
- *OECD Recommendation on Public Procurement*
- European Commission, *Implementation of the Partnership Principle and Multi-Level Governance in 2014-2020 ESI Funds: Final Report*
- European Commission, *Strategic Report 2017 on the Implementation of the European Structural and Investment Funds, COM(2017) 755 final*

Recommendations for Challenge Area 1: People and organisational management

To develop a skilled, adaptable workforce with the right mix of competencies for effective ESIF administration, MAs 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 MAs.
- 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 to thrive in ESIF administration, MAs 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, MAs could:

- Build an evidence base on skills needs (e.g. for public procurement) 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, MAs 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 post-2020 period, MAs could:

- Position Human Resource 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 HR 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 MAs 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 match employees with workflows, MAs 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 MA.
- 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, MAs 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).
- Invest time in developing a common culture in how staff use document tracking or other such systems where they exist, as often differences of approach can mitigate the effectiveness of a system.

Recommendations for Challenge Area 2: Strategic implementation of Operational Programmes

To take a more strategic approach to OP planning, programming and priority setting, MAs could:

- Examine the impact of each step of the OP implementation process to identify how to manage the OP so that it supports meeting OP and Partnership Agreement objectives, while also contributing to national sector or regional development ambitions.

- Set OP investment priorities that reflect national and regional development needs by bringing OP 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 OPs across MAs or among Priority Axes (within an MA) at the start of a programming period and develop project criteria that could contribute to meeting cross-sector/cross-Priority Axes objectives.
- Introduce incentives to capture synergies within and across OPs, for example by introducing bonus points for projects that help met objectives in more than one OP Priority Axes or for integrated projects contributing to more than one OP.

To optimise coordination for OP design and implementation, MAs 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 OP, or one that supports dialogue among the country's different MAs. 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 MAs could:

- Build a stronger bottom-up approach to information and knowledge sharing throughout the OP implementation system, including by introducing regular interaction opportunities for two-way communication with IBs 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 or business 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, MAs 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 MAs or IBs by developing a comprehensive understanding of their OP's 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, MAs could:

- Ensure stakeholder engagement is undertaken throughout the OP 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 OP implementation processes more strategic, MAs 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 MA 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, MAs 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 OP design, programming and adjustments. Such workshops can be designed and implemented at a national level for all MAs (e.g. by a national coordinating body in conjunction with a statistical agency) or at the EU level for national coordinating authorities and MAs.
- Complement quantitative data gathering with qualitative data gathering, including in surveys, focus group research, and evaluation studies.

Recommendations for national authorities

ESIF investment is a multi-institutional, multi-level endeavour. National level authorities – be they Centres of Government, ministries of finance, of public administration, of regional development, or national coordinating bodies for EU funds – have a key role to play in effective ESIF investment and ensuring the solid administrative capacities of their MAs. It appears, however, that actors often place substantial emphasis on planning how funds should be spent and ensuring compliance with regulations and guidelines and relatively less time taking a more strategic focus on implementation and outcomes. The impact of administrative capacity-building or other support actions may be lost when designed and implemented individually by MAs rather than in broad concertation. In many cases, MAs sit in different ministries from where projects are actually implemented, and therefore their influence can be weakened unless the "implementing ministries" are aware of potential differences in policy and proactively support MAs in their work. In addition, addressing many of the challenges and implementing the potential solutions identified by the pilot MAs with respect to their ESIF administrative and investment management capacity requires support or action taken by national bodies beyond the MA's organisational structure. Thus, without adequate support, it can be difficult to implement identified capacity building actions, especially in very siloed or hierarchical structures, unless higher-level actors actively promote a strategic partnership with and among their MAs, and between MAs and beneficiaries.

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 MAs operate and in the practical implementation of their OPs. Structures and processes that facilitate ESIF administration are designed to minimise risk and mitigate the potential for fraud or error. This is sensible. However, a potential downside to such a risk-averse approach is that MA leadership and staff at operational levels have little incentive to test new approaches. Moving into a new programming period, it would be opportune for national bodies to work with MAs and consider how and where to encourage experimentation and innovation within the bounds of existing – and proposed – legislation and regulations. It would be useful to involve the European Commission in such deliberations, as well. Giving MAs more autonomy to innovate could be a first step to testing potential good practices. For example, if an MA wishes to trial a new way of recruiting staff, there should be scope to trial it under certain time-bound conditions, on a small scale and with appropriate care given to monitoring and evaluating. Successful approaches could be well documented and scaled to other MAs in the MCS and throughout the EU. Risk-aversion can characterise an MA’s approach to project selection and appraisals, as well, as there is often is a tendency to apply funds in ways that mirror past use rather than taking a longer-term more strategic approach. The support for greater innovation in MA operations can also trickle down to beneficiaries, for example by encouraging them to develop investment projects that may be (slightly) more innovative.

Building the administrative capacity of Managing Authorities should be undertaken at the appropriate scale. While much can be done by individual MAs to boost their administrative capacity, there is also a need to consider which actions and initiatives are more effective (i.e. have greater impact) when applied at a higher-level. For example, many of the actions contained in the Roadmaps developed through this pilot may be better leveraged at the MCS level than at the individual MA level, as the implementation could be easier and have greater impact. In this respect, it will be important for national coordination bodies and others to be active partners in the development of Roadmaps and plans given the limitations for individual MAs to build administrative capacity. In some cases, it may be beneficial to coordinate the future development of MA Roadmaps with higher-level bodies (e.g. national coordination bodies). This could help balance stakeholder roles and responsibilities, and encourage synergies and economies of scale for some initiatives that could be implemented and coordinated across multiple MAs. Care should be taken to ensure that such coordination occurs at an appropriate level based on the type of MA – national or regional for example.

Reconsidering the approach to national-level regulations and laws governing ESIF could boost timely investment implementation. Frequently changing regulations governing the use of ESIF can create an unstable investment environment and dissuade potential beneficiaries (particularly in the private sector) from tapping into the funds. The five pilots also showed how these changes were often not well managed in MAs, and therefore created heavy work burdens that slowed processes and reduced organisational productivity. In addition, rules or regulations for ESIF-use that go over and above what is established in EU regulations or national status add to administrative complexity and burden, and can compound the uncertainty associated with controls, verifications and audits. Such uncertainty may also discourage beneficiaries from responding to calls or designing innovative projects. While regulatory changes may be necessary during a programming period, minimising the need would be optimal, and consideration could be given to "grandfathering" rules or regulations for projects already in the OP implementation system, i.e. only applying changes to new projects calls.

There is room to re-evaluate and possibly recalibrate the institutional arrangements for MCS, and Monitoring Committees to make them more fit-for-purpose. The MCS provides the architecture for MA and OP operations. If it is too complex, too rigid, or inappropriate for implementing a particular OP, it can limit an MA's capacity to do its job. It appears that a significant amount of the administrative burden associated with ESIF stems either from EU or national regulations, or from the MCS in its effort to avoid financial corrections. With respect to project implementation processes, for example, MAs highlight that often the same amount and type of documentation is required of projects regardless of size, value or scope. While the standardisation facilitates higher-level management, there is little room for MAs to tailor responses to specific challenges. Consideration could be given to introducing a greater degree of proportionality in checks and controls, and/or to permitting MAs to adjust procedures according to project size or beneficiary type. This could be developed with a cap or ceiling, permitting MAs to adjust procedures for projects up to a certain value. More generally, bringing MAs together with other key authorities in an MA/MCS dialogue forum or network to identify, discuss, adjust and solve matters inherent to the MCS could be beneficial for all actors, and support taking a more systemic approach to meeting OP and Partnership Agreement objectives. For such dialogue to be genuinely fruitful, however, it requires a shift in mentality about the role of MAs from simply an issuer of guidance or an implementing body to one that can genuinely push for change and take follow-up action. MAs can (and should) use their convening power to consult with stakeholders – within the MCS and beyond, including beneficiaries – to discuss their difficulties and the concrete tools that could support change, including Roadmaps for administrative capacity building.

The need for re-consideration and re-calibration also extends to the practical engagement of the Monitoring Committees. There is significant room for Monitoring Committees to be deployed in a more strategic fashion. Currently, they seem to be fulfilling a compliance function, established because of requirements but often without a clear mandate or distinct role. Their role as a multi-stakeholder forum could be boosted, as could their role in providing "practitioner" or "on the ground" insight into investment needs and priority setting. In addition, they could actively contribute to project selection and support qualitative (and even quantitative) monitoring and evaluation, and to provide input into reporting if they do not already, taking appropriate care to manage potential conflicts of interest. All of this, however, may require reconsidering the Committees, their objectives, structure, and size in order to more effectively deploy them in the ESIF strategic implementation process and support MAs in the management of their OPs.

Greater participation and input from MAs in strategic and operational considerations could be more actively sought or encouraged. Audit procedures, procurement processes, HR rules and processes, organisational structures, and strategic directions are set by higher-level bodies outside of the MCS or MA. These activities fundamentally frame an MA's daily operations, and represent a significant degree of constraint and/or uncertainty for MAs and their beneficiaries. National authorities may need to work together with national coordinating bodies and MAs to better understand the challenges and identify solutions or common interpretations that facilitate operational improvements and problem solving. In all cases, it is important to ensure that MA perspectives are incorporated into decision-making, as they have strong insight into what is practical and what is not, and how certain changes impact operational delivery. Consideration should also be given to including the beneficiary perspective as well, even if on an *ad hoc* basis.

Recommendations for the European Commission

There is little doubt that the European Commission's aims to recalibrate the rules, regulations and practices framing ESIF investment in the 2021-2027 period through greater simplification and flexibility will be welcome by EU Member States and the bodies responsible for implementing ESIF investment.

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. As discussed in the recommendations for national authorities, there is a need to consider which administrative capacity-building actions and initiatives are more effective (i.e. have greater impact) when applied at a higher-level. For example, many of the actions contained in the Roadmaps developed through this pilot may be better leveraged at the national/MCS level than at the individual MA level, as the implementation could be easier and impact greater. In this respect, it will be important for the European Commission to recognise the limitations for individual MAs, and consider how Roadmaps linked to technical assistance funding in the next programming period can promote an integrated view of administrative capacity building that includes national-level initiatives when necessary and appropriate. The European Commission could consider developing tools to help MAs self-assess their capacity gaps, as well as conduct a pan-EU survey to understand common needs among MAs and potential capacity-building actions.

Managing Authorities could benefit from more targeted support that takes into account the variety of institutional actors and constraints they face. During stakeholder interviews and the workshops conducted with each MA, the OECD observed that not all the MAs considered communication with the European Commission smooth and sufficient. On the one hand, MA staff broadly felt that the European Commission was not always fully aware of the day-to-day challenges they faced in administering ESIF. On the other, the European Commission felt that existing tools available to address some of these issues – such as peer exchange through the TAIEX Peer-to-Peer tool and the Competency Framework – were not yet being utilised to their full potential. Thought may need to be given as to how to narrow this gap. More targeted or more frequent formal and informal dialogue to help national and regional MAs address implementation challenges as they arise, could be valuable. To this point, and as noted in Chapter 4, MAs value informal dialogue in their relationship with the European Commission. A large majority of them find it very useful not only for understanding new requirements but also for the opportunity it affords to give feedback. There is scope, therefore, to complement the formal guidance provided by the European Commission, with increased interaction between its representatives responsible for programming, rules and regulations and the MAs in order to understand the practical challenges MAs face. It is important to ensure that exchange is reinforced at operational levels, i.e. with MA staff who are closest to day-to-day challenges, just as it should occur between senior DG REGIO staff and MA leadership.

National authorities could be further encouraged to consult Managing Authorities in designing the MCS and the processes required to implement OPs. There are a number of issues outside of an MA's control that can cause delays in programme and project implementation. Changes to regulations or higher-level strategy documents, unclear rules or guidelines, strict or "one-size-fits-all" procedures in an MCS, all contribute to a degree of uncertainty surrounding the use of ESIF financing as well as to programme and project implementation delays. While the European Commission does not control these activities or impose strict rules on how national administrations regulate or structure ESIF management, including for MCS, it does establish the regulatory framework and guidelines for OP implementation bodies (MAs, CAs, and AAs). To make the most of the practical knowledge in MAs, such guidelines could further encourage that national authorities to consult MAs when transposing EU guidelines into national regulations or operational frameworks (e.g. the MCS). Incorporating the MA perspective could offer a practical dimension to how such frameworks may operate in practice and contribute to reducing unnecessary red tape. For example, it could help find ways to work through strict documentation requirements applied to all projects regardless of size, type, value, etc., arriving at more tailored, flexible solutions.

Establishing a forum for exchange among Managing Authorities would be welcome and useful. Given the enthusiasm among MAs to learn from each other, the European Commission should consider how it can structure opportunities to promote learning and cooperation among MAs (national and regional) on a more regular and permanent basis. Building on the Peer-to-Peer learning tool, DG REGIO could spearhead an international forum that provides a mix of exchange of good practice and training at regular intervals (e.g. every 12 or 24 months). This could be a valuable step toward building MAs capabilities to make improvements to their administrative capacity. Knowledge generated from these exchanges should be documented, accumulated and widely disseminated across Member States (including MAs but also relevant national bodies) by the European Commission, through a particular webpage, online brochure, etc. Also to consider is developing a practical toolkit(s) to support administrative capacity building and self-assessment tools for MAs to monitor their progress.

Annex A. Project background and methodology

The Directorate-General for Regional and Urban Policy (DG REGIO) of the European Commission supports Member States in their efforts to strengthen their administrative capacity through a number of tools and concrete actions. In this framework, the Unit E1 "Capacity Centre Administrative Capacity Building, Solidarity Fund" is reflecting on the way to better support managing authorities and strengthen their administrative capacities for the next programming period.

Taking inspiration from the Italian experience of Administrative Reinforcement Plans (PRA) (Box A.1.), it was proposed to test this type of approach by developing an EU-wide Pilot Project. The project consists in selecting five pilot Managing Authorities (MAs) of European Regional Development Fund (ERDF) and/or Cohesion Fund programmes wishing to enhance their administrative capacity to be better prepared for the 2021-2027 programming period. The experiences of the five pilot cases will be disseminated and feed into reflections on how to strengthen the administrative capacity of ESIF Managing Authorities for the use of regional policy funds for the post-2020 programming period.

Box A.1. Italian experience of Administrative Reinforcement Plans

Italy's Administrative Reinforcement Plans (PRAs) are strategic planning documents designed to address key weaknesses among Managing Authorities in the 2007-2013 programming period, such as persistently low absorption linked to administrative complexity, and inefficient use of Technical Assistance funding to address this. Among other aspects, PRAs aim to contribute to structural change, reduce the administrative burden for beneficiaries and promote legal and procedural simplification. The principle is that they should be compulsory and require simple management with no additional or unnecessary burden.

PRAs are officially adopted by the relevant Minister or regional executive, and administrative responsibility is assigned to high-level officials outside the MA. A steering committee, which meets twice a year, is formed for each PRA comprising representatives of the European Commission, relevant Ministers and a regional delegation. A technical secretariat supports the steering committee and the PRA is monitored quarterly, both quantitatively and qualitatively. After two years there is an evaluation of each PRA.

Overall, 30 PRAs (21 Regions and nine Central Administrations with Operational Programmes) were developed and are fully operational. The overall governance and coordination of all activities are ensured by the Steering Committee for PRAs, coordinated by the Secretary General of the Presidency of the Council of Ministers and by the Technical Secretariat of the Committee coordinated by the Agency for Territorial Cohesion.

Source: A. Naldini (2016), 'The Italian Administrative Reinforcement Plans: the process, challenges, and initial results' (presentation), Ismeri Europa.

DG REGIO has approached the OECD to provide the technical support for the pilot project in two phases:

I. Preparation of a comprehensive roadmap for administrative capacity building;

II. Implementation of selected actions of the roadmap.

Phase I of the project was launched with a kick-off meeting in June 2018 with representatives from the five selected MAs, DG REGIO and the OECD. The OECD then sent a questionnaire and request for key documents/policies/legislation to each MA. Reviewing this material allowed the OECD team to develop initial hypotheses on possible challenges facing the MAs. These hypotheses were tested during a week-long mission to each MA carried out between September 2018 and January 2019. The missions were structured around an intensive series of semi-structured interviews with people from across the MA at leadership and operational levels, as well as with representatives from other bodies involved in the Management and Control System (MCS), such as Intermediary Bodies (IBs), beneficiaries, and members of the Monitoring Committee.

The missions concluded with a day-long workshop where preliminary conclusions were presented to staff from across the MCS. The purpose was to use these conclusions as the basis for an extensive SWOT analysis by all the participants at the workshop. The first half of the workshop focused on developing the SWOT around several themes that emerged from the series of interviews – people strategy, strategic planning, etc. – and the second half focussed on developing potential solutions to these issues. As noted above, the OECD analytical framework was applied at each stage of the missions to structure questions and contextualise responses.

Following the missions, the OECD developed a draft Roadmap of administrative capacity-building actions for each MA, supported by a detailed analysis of the strengths and weaknesses supporting these suggestions. The draft Roadmaps formed the basis for a mid-term review meeting between the European Commission, the OECD and MA leadership in Brussels in March 2019. The OECD revised the Roadmaps based on feedback received at this meeting, and developed a final draft version to use as a basis for discussion during a second round of missions intended to finalise and validate the Roadmaps.

The Roadmaps were finalised in July 2019 and implementation of selected administrative capacity-building actions is expected to begin in January 2020. The timeline of the project Phase I is shown below in Table A.1.

Table A.1. Project timeline

Timing	Action
	2018
March	Kick-off meeting among the OECD, the European Commission and the five MAs
May-June	Review of key documents provided by MAs
September-January	OECD/EC missions to each MA
	2019
February-March	Drafting of diagnosis and development of draft Roadmap
March	Mid-term meeting between EC, OECD and MAs in Brussels
March-May	Review of MA comments
May-June	Second round of OECD missions to MAs to present Roadmaps and prioritise actions
July	Finalisation of Roadmaps
August	Finalisation of Synthesis Report
	2020-2021
Q1-Q4	OECD support for implementation of selected actions

This pilot project also tests the new approach proposed by the Commission for the 2021-2027 programming period, which would allow Member States to develop Roadmaps for administrative capacity-building measures. The experiences will be disseminated to other MAs, feeding into preparatory work for the upcoming Programming Period.

OECD Multi-level Governance Studies

Strengthening Governance of EU Funds under Cohesion Policy

ADMINISTRATIVE CAPACITY BUILDING ROADMAPS

Successfully managing and administering European Structural Investment Funds (ESIF) rests on the effective governance of the investment process, on the administrative capacity of Managing Authorities, and on the engagement of a diverse range of stakeholders, including beneficiaries. The OECD has developed an analytical framework with four dimensions – people management, organisational management, strategic planning, and framework conditions – to analyse the challenges and capacity gaps confronting Managing Authorities in the administration and management of these funds. Based on a pilot project with three national- and two regional-level Managing Authorities, the study identified a series of common challenges. These include being more strategic and innovative in how staff, processes and programmes are managed; managing the impact of framework conditions on stability and certainty in administrative and investment processes; and needing to ensure that capacity building among Managing Authorities and/or beneficiaries is undertaken at the appropriate scale. Capacity-building Roadmaps were built with each participant. This report recommends concrete actions for actors in the ESIF governance system to build and reinforce the administrative and investment management capacity of Managing Authorities throughout the EU. The findings can also benefit non-EU public actors in managing public investment.

Consult this publication on line at ***https://doi.org/10.1787/9b71c8d8-en***.

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases. Visit ***www.oecd-ilibrary.org*** for more information.

OECD*publishing*
www.oecd.org/publishing

European Commission

ISBN 978-92-64-62183-1

9 789264 621831