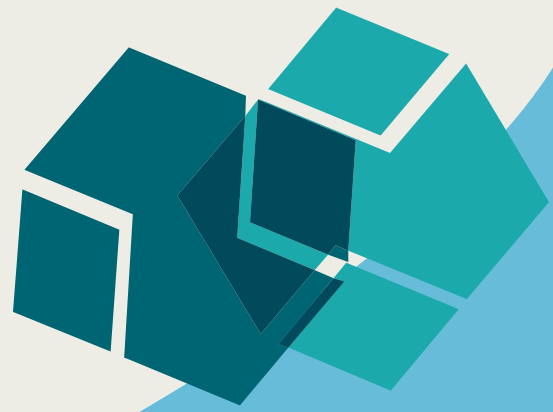




Working Paper Series GRINCOH

Growth-Innovation-Competitiveness
Fostering Cohesion in Central and Eastern Europe



Serie 8
Cohesion and its Dimensions

Paper No. 8.03

Cohesion Policy and its Components: Past, Present and Future. Synthesis Report

Martin Ferry*

*European Policies Research Centre, University of Strathclyde

2014

www.grincoh.eu

Martin Ferry, martin.ferry@strath.ac.uk
European Policies Research Centre, University of Strathclyde
www.eprc.strath.ac.uk

Please cite as:

Ferry M., (2014), 'Cohesion Policy and its Components: Past, Present and Future. Synthesis Report', GRINCOH Working Paper Series, Paper No. 8.03

Cohesion Policy and its Components: Past, Present and Future. Synthesis Report¹

Content

1. Introduction.....	2
2. Methodology	4
2.1 Case study selection and partners	4
2.2 Documentary analysis.....	7
2.3 Interviews	7
3. Achievements of the case study programmes	7
3.1 Financial performance	8
3.2 Physical performance	10
3.3 Added value	12
4. Cohesion policy achievements & institutional factors	18
4.1 Strategic quality and institutional factors.....	18
4.1.1 Quality of the programming process.....	19
4.1.2 Efficient negotiation and approval	21
4.1.3 Quality of programme documents	21
4.2 Administrative implementation and institutional factors	29
4.2.1 Management	30
4.2.2 Insights from specific stages in the implementation process	38
4.2.3. Project preparation and selection.....	38
4.2.4. Financial control, audit.....	40
4.2.5. Monitoring and evaluation.....	41
5. Conclusions.....	44
5.1. Assessing long-term impact of CP in CEECs.....	45
5.2. Implications for Europe 2020	48
Bibliography	51
Annex	57

¹ The research was coordinated by the following national experts: Kaisa Granqvist (Estonia), James Scott and Boglárka Szalai (Hungary), Daniela Constantin (coordinator of the Romanian team North East Romania), Marek Kozak (Podkarpackie), Martin Ferry (Śląskie) and Stefan Kah (Slovakia).

1. Introduction

The aim of this paper is to synthesise the results of Work Package 8, Task 3 of the GRINCOH research project, funded under the EU Seventh Framework programme. The objective of WP8 is to research and analyse how different aspects of Cohesion policy influence processes of economic, social and territorial cohesion in central and East European Countries (CEECs). Cohesion policy is a vital source of funding as CEECs seek to overcome persistent structural deficiencies and embark on new development paths. This brings with it opportunities to expand the scope and impact of economic development interventions. However, it also introduces constraints, putting pressure on institutional systems to develop structures and processes to absorb the funds, to ensure that they contribute to strategic economic growth, and to maintain a clear vision for development. Should priority be given to external convergence with the EU (implying support of national drivers of economic growth)? Alternatively, should a pro-equity emphasis be placed on internal convergence amongst regions? Moreover, issues remain to be resolved concerning institutional capacity and the allocation of policy competences and resource allocation decisions, including for Cohesion policy. Against this background, the objective of WP8 is to explore how the evolving Cohesion policy agenda, and particularly EU2020 priorities, influence the pursuit of new development paths in CEECs. The aim is to inform debates and policy reforms at EU and Member State levels.

Central to this research is Task 3 which assess the achievements and effectiveness of specific Cohesion policy programmes in selected CEE cases, particularly those actions emphasised by the Europe 2020 agenda and dealt with in other GRINCOH Work Packages (business development, R&D and innovation linked to research in WP3; labour market issues covered in WP4). Case studies are drawn from territorial typologies based on the database developed in GRINCOH WP6. This involves analysis of a single programme that is being implemented in the 2007-13 financial perspective. Six case study programmes from the 2007-13 period were selected, involving over 80 interviews with programme authorities, beneficiaries and academics, including a mix of national and regional programmes in Poland, Estonia, Slovakia, Hungary and Romania.

The case studies cover three main issues. First, the effectiveness or achievements of these programmes is assessed. This involves analysis of the achievements and performance of the programme both generally and under a selected Europe 2020 heading. As noted in Tasks 1 and 2 of WP8, the quality of monitoring data means that it is extremely difficult to quantify Cohesion policy achievements, particularly in policy fields related to the Lisbon or Europe 2020 agendas where impacts may become tangible only in the medium or long term. Data on achievements is uneven and expenditure data is time-consuming to collect. While taking these limitations into account, this analysis of Cohesion policy effectiveness has three dimensions (financial performance, physical performance and achievements under 'added value').

Responding further to these constraints, Task 3 assesses the relationship between CP and institutional factors in order to develop insights on the potential impact of CP over the longer term. The relationship between institutions and economic development has become

a fundamental issue in economic policy debate. This includes current regional policy debate. According to 'institutionalist' approaches, specific institutional endowments, both 'hard' or 'formal' institutions (laws and regulations, rights etc.) and 'soft' or 'informal' institutions (norms, traditions, conventions, networks etc.), can facilitate regional development processes and the prospects of long-term change (Rodríguez-Pose, 2013).

Building on this debate, the paper argues that assessing the relationship between Cohesion policy programmes and specific institutional settings in CEE provides important insights on the former's long-term impact on development while informing current conceptual and methodological debates in the institutionalist literature. The hypotheses are that: the impact of Cohesion policy on the economic development of specific territories can be assessed through the 'institutionalist lens'; that there are positive relationships at work between CP and specific institutional settings in CEE, and that, on the basis of this it is reasonable to conclude that over the long-term that Cohesion policy will encourage innovation, mutual learning and productivity growth. Thus, beyond an assessment of the current achievements of the case study programmes, the research included two additional headings designed to assess the relationship between CP and institutional factors in influencing development processes. The first involves the strategic quality of Cohesion policy programmes. From Task 2 research, it is clear that the quality of domestic and EU development strategies has a significant bearing on Cohesion policy effectiveness and achievements. There are some fundamental requirements for designing a good strategy and these pre-conditions need to be in place, especially if the Commission is expecting progress in policy areas highlighted by Lisbon/Europe 2020 agendas. The second concerns an assessment of the administrative capacity of Cohesion policy management and implementation systems in programme managing authorities (MAs) and implementing bodies (IBs). Administrative capacity is an important factor in accounting for Cohesion policy outcomes, particularly as programmes have shifted towards Lisbon/Europe 2020 policy themes that are more challenging to implement. Issues relate to human resources, including high levels of staff turnover in public administration, and organisational change, including the reorganisation of ministries, departments and agencies involved in Structural Funds. There is evidence that maturity and continuity in Cohesion policy administration has influenced effectiveness in the Member State cases.

The following paper synthesises the results of these case studies. Section 2 outlines the methodology, including an introduction to the case study programmes. Section 3 summarises the results of case study research on the achievements of Cohesion policy programmes (including financial performance, physical achievements and 'added value' effects). Section 4 explores the relationship between Cohesion policy achievements and institutional contexts in the case studies. This includes analysis of the strategic quality of Cohesion policy programmes and the capacity for their implementation and relates these to institutional factors in order to draw insights on the potential impacts of Cohesion policy in the longer term. The final section draws together key insights and conclusions.

2. Methodology

2.1 Case study selection and partners

The research for WP8 Task 3 is based on six case studies of Cohesion policy operational programmes (OPs) implemented in CEECs in the 2007-13 period. Different factors informed the case study selection:

- GRINCOH WP6 work on territorial typologies. EUROREG leads on this and has developed a list of NUTS 3 cases for its own work based on analysis of socio-economic and territorial data. Where possible, WP8 selections attempted to complement these cases.
- Geographical distribution - a 'balanced' representation of CEE Member states: e.g. Baltic, Visegrad, countries from the 2007 enlargement.
- Socio-economic profile and fit with cases selected in WP6:
 - Areas undergoing restructuring
 - border location hindering economic development
 - areas facing social challenges
- Mixture of national and regional OPs
- Practicality – with respect to the known quality of monitoring/evaluation data, known accessibility of archives and anticipated access to interviewees

Based on the above factors, the following case studies were selected (see Table 1):

Table 1: Case studies

Country	OP	Context	Europe2020 theme
Estonia	OP Human Resource Development (OP HRD)	Includes focus on OP experience in Kirde-Eesti, a restructuring area facing social cohesion challenges (covered in WP6)	Labour market modernisation
Hungary	Central Hungarian Region OP (CHR OP)	Includes Budapest metropolitan region (covered in WP6)	Entrepreneurship
Poland	ROP Podkarpackie (ROPP)	Border region (covered in WP6)	Innovation
	ROP Śląskie (ROPS)	Restructuring region	Innovation
Romania	Regional Operational Programme (ROP)	Includes focus on North East region and Suceava - border location hindering development (covered in WP6).	Entrepreneurship
Slovakia	Research and Development OP (R&D OP)	Includes focus on Banskobystricky region which is facing social challenges (covered in WP6)	R&D

Central Hungarian Region OP (ERDF). Central Hungary is the most prosperous Hungarian region, encompassing the Budapest agglomeration and the county (Megye) of Pest. The region generates 49% of the country's GDP (39% of which in the Budapest agglomeration alone) and 34% of Hungary's industrial production. With regard to all macroeconomic

indicators the Central-Hungarian region has in the past enjoyed impressive growth, broken only by the financial and economic crisis of 2008. The Budapest Agglomeration and the city of Budapest and several important suburban towns are the most dynamic areas of the country. At the same time, many of the more peripheral communities within the region suffer from high unemployment and are characterised by low development indicators. In terms of Cohesion Policy coverage, the Central Hungarian Region - as Hungary's most prosperous region despite great socio-economic disparities - lost its development area status after 2007 when it was designated a phasing-in area within the Regional Competitiveness and Employment objective. The case study focuses on the Europe 2020 theme of improving the business environment. The Hungarian economy is characterised by a few large export-oriented companies and a sizable number of SMEs and local businesses. SMEs have had a significant role in employment and the performance of the Hungarian economy in the last 20 years. However, their innovative capacity is low, they maintain a large workforce, but with low levels of capital investment.

Estonia OP Human Resource Development (ESF): Estonia has experienced rapid national economic growth since the 1990s. This growth has been led by the capital Tallinn, which accounts for around half of the national population and GDP. At the same time, some counties, particularly those in Southern and North-Eastern Estonia, have lagged behind in development. The Human Resource Development OP (HRDOP) aims to contribute to reorienting Estonia's growing economy towards more high-technology and knowledge based industries, using resources to help the workforce to adapt to the new needs of business. The case study includes a focus on Kirde-Eesti, a North-Eastern Estonian NUTS 3 region with an industrial past, which had the highest unemployment rate, the largest share of residents "at risk of poverty" and the highest crime rate in the country in 2010-2011. The case study focuses on the Europe 2020 theme of labour market modernisation. The Human Resource Development OP (HRDOP) aims to contribute to reorienting Estonia's growing economy towards more high-technology and knowledge based industries, using resources to help the workforce to adapt to the new needs of business.

Podkarpackie Regional Operational Programme (ERDF). Podkarpackie lies in the south-eastern corner of Poland and borders with Slovakia and Ukraine. The region is the least urbanised in Poland (41.3 percent of the population live in urban space against Poland's average of 60.6 percent in 2012). It is also characterised by the lowest GDP per capita in Poland, 62 percent of the EU average in 2012. Podkarpackie region had some experience of implementing development initiatives before 2007 under state budget and EU pre-accession schemes. However regional involvement intensified significantly after 2007 when responsibility for regional programme preparation and management was given to regional self-governments. The ROP 2007-13 became the main regional instrument to achieve development objectives. The main objective of the 2007-2013 Podkarpackie ROP is: "increase of domestic and international competitiveness of regional economy and improvement of the territorial accessibility of the region" (ROP, p. 45). The case study focuses on the Europe 2020 theme of innovation. On the one hand, innovation is important in the region's key development cluster 'Aviation Valley'. On the other hand, Podkarpackie as the least developed region of Poland needs to modernise its economy and strengthen its innovativeness.

Romania Regional Operational Programme (ERDF). This case study assesses the achievements of the Romanian Regional Operational Programme. The OP covers all eight of the country's NUTS 2 regions but focuses on in Suceava county (NUTS 3), located in the North-East region of Romania. The North-East region (one of the eight NUTS 2 regions of Romania) is the least developed Romanian region and ranks third from bottom among the 'lagging behind' regions of the EU. The economic development of the region depends on the ability to address a large range of obstacles: limited access to finance for small producers (such as farmers) and SMEs, insufficient support for innovation and entrepreneurship, de-industrialisation processes; inadequate use of agricultural land and a large share of subsistence farming; lack of tax incentives for new investment; lack of own funds for investment and expensive credit; limited vocational secondary education; and, poor infrastructure. Within this, the case study includes a focus on Suceava county which lies close to the border with Ukraine. Although in 2007 real GDP growth in Suceava was double the percentage growth at regional level, in 2008, in the context of the economic crisis, GDP dropped sharply, registering a negative growth well below the regional average and the gap has continued to grow. In line with the regional problem and the identified needs and strengths, enterprise support has been chosen as the policy heading for this study.

Śląskie Regional Operational Programme (ERDF). is the most industrialised area of Poland and one of the most industrialised areas in Europe. Until recently, this was mainly associated with mining and metallurgy but although these sectors still continue to maintain a significant position in the region others have also emerged: the automotive industry, energy, engineering, information technology, logistics and financial services. Nevertheless, the region has endured the collapse of traditional markets for its coal and steel in the former Soviet Union, it has a polluted environment, a relatively well-developed but worn-down infrastructure and a poorly educated and low-skilled work-force. For the 2007-2013 period, the region is responsible for managing its own Regional Operational Programme. The ROP 2007-2013 in Śląskie was seen as a crucial part of a complex programme of institutional change designed to renew the regional economy. The case study focuses on the Europe 2020 theme of innovation. The aim of regional policy in the medium and long term is to maintain the key role played by industry in the region while developing the service sector. This requires a redefinition of industrial activities, either through the modernization of production tools and processes, or through creating new economic sectors (particularly in high technology). One of the ROP's perceived roles was as the 'Śląskie version of the Lisbon strategy'.²

Slovakia Research and Development OP (ERDF). Slovakia has made significant progress in catching up with more-developed European countries. Nevertheless, Slovakia as a whole remains behind the EU average in economic terms, with GDP per capita standing at 75 percent of the EU average in purchasing power standards in 2012. The country is dominated by its capital city and the degree of regional institutional autonomy is low. Regional governments in the eight self-governing regions at NUTS III level were established only in

² Interview with policy makers Katowice, 16/4/2007, carried out by the author as part of the IQ-Net research network of regional and national partners from EU Structural Funds programmes.

2002. The selected Europe 2020 heading is improving the conditions of R&D investment. The country's performance in terms of smart growth stands out as being below average even in the context of CEE Member states. With R&D expenditure at 0.82 percent of GDP in 2012, Slovakia ranks only 22nd among EU Member states in terms of R&D intensity. In spite of recent significant increases, Slovakia is still well behind other CEE countries such as Slovenia (2.8 percent), Estonia (2.2 percent) or the Czech Republic (1.9 percent). The Slovakian Research and Development OP provides ERDF support to modernise and improve the efficiency of R&D and infrastructure of institutes of higher education learning schools in Slovakia. It supports cooperation between academia and businesses and aims to make research applicable for businesses. It operates in the entire country, under both the Convergence and the Regional Competitiveness and Employment (RCE) Objectives.

2.2 Documentary analysis

Case study desk research involved analyses of datasets on socio-economic development in the programme area [bear in mind work done under GRINCOH WP6 at NUTS 3 level in the case study regions, the identification of context indicators/datasets; analysis of development trends and a review of the programme context based on academic and policy sources. Analysis of the achievements and performance of the programmes, including under the selected Europe 2020 heading, involved desk research of financial and physical performance as reported in programme documentation of the 2007-13 period (e.g. Annual Implementation Reports, Closure Reports, Monitoring Committee Meetings reports, evaluations).

2.3 Interviews

Interview research was based on a checklist that provided an indicative list of questions for case study teams. A total of 91 interviews were carried out at national, regional and local levels with a range of interviewee types, including: officials involved in the development and implementation of programmes (41 interviews), project beneficiaries and associated interests (30 interviews); and, academic experts and consultants (20 interviews). The number of interviews varied between cases (see Table 2).

Table 2: Case study interviews

Case	Interviews
Central Hungary	21
Estonia	16
Podkarpackie	9
Romania	19
Śląskie	13
Slovakia	13
Total	91

3. Achievements of the case study programmes

The quality of monitoring data means that it is extremely difficult to quantify Cohesion policy achievements, particularly in policy fields related to the Lisbon or Europe 2020 agendas where impacts may become tangible only in the medium or long term. Data on achievements is uneven and expenditure data is time-consuming to collect. Given these

constraints, this analysis of Cohesion policy achievements in the case study programmes has three dimensions: financial performance; physical performance; and, 'added value'.

3.1 Financial performance

A basic approach to assessing efficiency involves analysis of the technical absorption of the maximum level of Cohesion policy funding available: efficiency as an 'EU receipts maximising instrument'. This can be seen as a 'blunt' instrument for measuring efficiency, revealing little about the quality of investment, the impacts or achievements of Cohesion policy beyond 'spending the money'. Nevertheless, assessments of financial performance under specific headings related to the Europe 2020 agenda can provide some important insights: what proportion of funds have been dedicated to these headings and what has the financial performance been? Based on interviews and analysis of programme documentation from the 2007-13 period the case studies included an assessment of financial performance of the programme as a whole and under the selected Europe 2020 heading (see Table 3).

Table 3: Assessment of financial performance

Case		Strong (A)	Significant (B)	Moderate (C)	Weak (D)
		Most or all funds committed, no decommitment, substantial level of payments made	Above-average commitment of funds, below-average decommitment, above average level of payments made	Average or below-average commitment of funds, above-average decommitment, payment levels below average	Significantly below average commitment of funds, and/or significantly above average decommitment, payments made significantly below average
C. Hungary	OP				
	EU 2020 heading				
Estonia HRD	OP				
	EU 2020 heading				
Romania ROP	OP				
	EU 2020 heading				
Podkarpackie ROP	OP				
	EU 2020 heading				
Slovakia R&D	OP				
	EU 2020 heading			n/a	
Śląskie ROP	OP				
	EU 2020 heading				

As can be seen from Table 3, financial performance at programme level is classed as strong or significant in most of the case studies. The only exception is the Slovakian R&D OP where the level of payments stood at 41% of funding allocated, slightly below the national average. According to the Managing Authority, the low payment rate of the OP R&D is likely to improve as spending accelerates towards the end of 2015. The Managing Authority also emphasised the complex implementation conditions of the OP, including for knowledge transfer activities, which require careful building of relationships between actors.³ Besides this, the significant or strong financial performance of OPs reflects the emphasis placed by managing authorities on absorption of EU funds. Across the case studies, there has been a clear emphasis on timely spending, auditing and monitoring in order to ensure fast and appropriate use and legitimate expenditures. This finding is in line with Sedelmeier's (2008: 806) argument that CEE Member states have been affected by the experience of pre-accession conditionality and thus may be more susceptible to 'shaming', which induces them to greater compliance with EU requirements in comparison to the old Member states. More specifically, Cartwright and Batory (2012, p. 319) argue that there has been political pressure on these countries to maximize their absorption of structural funds.

A final point to note is the influence of the financial crisis on the absorption of funds in these Member states. On the one hand, as domestic investment resources were constrained managing authorities increased efforts to make EU funds more accessible to potential beneficiaries (e.g. the crisis of 2008 redoubled efforts in the Central Hungary OP to make funds for SMEs more accessible). On the other hand, high demand for support and more flexible rules contributed to faster spending. In Estonia, the economic downturn had positive effects on the financial progress of the Human Resource Development OP, particularly on Priority 3 which has seen increased demand for measures addressing unemployment. The generally high absorption of funds can be partly explained by the decision to bring forwards funding from the HRDOP budgeted for the late programme period in order to mitigate impacts of the crisis.

Despite this, an important finding of the research is some variation between priorities within case study programmes. Some specific headings related to the Europe 2020 agenda are struggling in terms of financial performance. As noted above, the financial performance of the Slovakian R&D OP is below the national average. Also, priorities related to R&D and innovation are among the weakest in the two Polish regional OPs. In Podkarpackie, there was clear differentiation in the financial performance of priorities. The most advanced were under the public infrastructure priority (103%), environmental protection and risk prevention (93%) and tourism and culture (90%). Research and development, innovation and information society were among the less advanced priorities (Urząd Marszałkowski Woj. Podkarpackiego, 200: 131). On the one hand, interventions under Priority 7 Transport have performed well. By July 2013, 95% of funding allocated to Priority 7 had been contracted (compared to the then ROP average of 92%) and 65% of payments had been made (compared to the ROP average of 7%). On the other hand, Priority 1 Research and

³ Interview with policy-maker, Bratislava, 28/10/13.

technological development, innovation and entrepreneurship was moderate in terms of financial performance. As of July 2013, around 82% of its allocated resources had been contracted while only 48% of its allocated funding had been paid out. According to the Managing Authority, this is due in part to the fact that Priority 1 involves a large number of small, complicated projects with low levels of funding, involving a range of beneficiaries that often have little experience of these types of interventions.⁴ However, it is worth noting that financial performance under Priority 1 has accelerated since 2012.

3.2 Physical performance

Another basic approach involves analysis of the physical performance of interventions under the selected policy heading. That is the performance of interventions in terms of inputs, outputs and results according to indicators set out in the programmes. The information available is often uneven and of limited value in assessing the actual achievements or impacts of the programme, particularly while the programme is still being implemented. However, such data provides an important indication of programme performance in a given policy field. Again, based on interviews and analysis of programme documentation from the 2007-13 period (e.g. Annual Implementation Reports, Closure Reports, Monitoring Committee Meetings reports, evaluations), the case studies included an assessment of physical performance of the programme as a whole and under the selected Europe 2020 theme (see Table 4).

Table 4: Assessment of physical performance

Case		Strong (A)	Significant (B)	Moderate (C)	Weak (D)
		Targets exceeded, above average for the programme as a whole	Progress towards targets on track, average for programme as a whole	Progress towards targets behind schedule, below average for programme	Progress towards targets severely constrained, Significantly below programme average
C. Hungary	OP				
	EU 2020 heading				
Estonia HRD	OP				
	EU 2020 heading				
Romania ROP	OP				
	EU 2020 heading				
Podkarpackie	OP				
	EU 2020 heading				
Slovakia R&D	OP				
	EU 2020 heading			n/a	
Śląskie ROP	OP				
	EU 2020 heading				

⁴ Interview with policy maker, Katowice, 18/10/13.

In part, assessments of the physical progress of case study OPs mirror the analyses of their financial performance. Each of the case studies noted that analyses of physical performance must be accompanied by caveats. It should be stressed for instance, that comparisons between programmes are difficult as priorities and indicator definitions were developed in different ways (even within the same country, as in Poland). In retrospect, some targets were regarded by managing authorities to be either too ambitious (e.g. programme level targets in the Central Hungary OP) or too modest (e.g. under some priorities in the Estonian HRD OP). It should also be noted that OPs often used rather simplified indicators (e.g. number of projects) which reveal little of what is being achieved. This is the case for headings related to the Europe 2020 headings where definitions, indicators and associated targets for innovation-related projects were often simplistic (Kozak, 2013). Finally, assessment of physical progress must recognise that the research took place while OPs were still being implemented and it is difficult to assess physical performance, especially against result or impact indicators. Taking these caveats into account, case study analyses indicate a generally positive physical performance, albeit less so than financial progress. Most case study OPs indicated strong overall progress towards physical targets. The exceptions to this were the Central Hungary OP and the Slovakian R&D OP. In the former, job creation and innovation targets have been disappointing and while this can in part be related to the economic downturn, there is a realisation that a more strategic approach, proactive grant selection and monitoring process is needed in order to ascertain the relevance of interventions and the feasibility of targets. In the latter, there was perceived to be too much focus on financial absorption instead of tangible physical progress.

As under financial performance, there was some variation in physical performance according to different programme and priority headings. While Podkarpackie ROP and the Romania ROP noted significant progress under activities associated with Europe 2020, physical performance in these fields was below average in other cases. This was the situation in the Śląskie regional OP, for instance, where overall, physical progress is deemed satisfactory by the Managing Authority and reflected in Annual Implementation Reports while the performance of different priorities varies considerably. Priority VII (Transport) is among the best performing from this perspective: on average indicators within this priority will achieve 200% of the target value. On the other hand, physical progress under Priority 1 ‘Research and technological development, innovation and entrepreneurship’ is limited: on average indicators within this priority will achieve 31% of the target value. According to the Managing Authority, varied physical progress under these different priorities can be explained by the fact that *“infrastructure actions involved simple projects with limited legal or regulatory complications and tangible effects that were quick to emerge”*.⁵ Similarly, in Estonia the overall assessment of physical progress of Estonian OPs is positive but there were large variations in progress between individual indicators, as well as priority areas (e.g. Kalvet, 2012; OP HRD Annual Implementation Report, 2012). Achievements of the objectives of the whole operational programme are significantly influenced by Priority 4 (Knowledge and skills for innovative entrepreneurship) where the attainment of target levels has been

⁵ Interview with policy maker, Katowice, 18/10/13.

inconsistent. Only two of 14 indicators have achieved the target levels for 2013, and it is estimated that only around half of the indicators will reach the targets by the end of the programme period. Low fulfilment levels can be explained by setting fairly ambitious target levels and changes in the external environment. In addition, some indicators have proved to be difficult to measure and there is no information about the fulfilment of seven indicators. In the Central Hungary OP, physical performance has lagged considerably in contrast to financial progress. According to , one of the hindrances to better physical performance was the relatively modest focus on enterprise development and human capital in general.⁶

3.3 Added value

The third approach to assessing Cohesion policy achievements relates to the concept of ‘added value’. As noted in WP8 Task 2, although there are different definitions of this concept, the Commission interprets ‘added value’ as the “value resulting from the Community assistance that is additional to that which would have been secured by national and regional authorities and the private sector” (CEC, 2001b: 4). This involves a qualitative assessment of the extent to which Community intervention is likely to add value to interventions carried out by other administrations, organizations and institutions, i.e. in being complementary to, and coherent with, them.

Table 5: Assessing added value in the case study programmes

Added value		Central Hungary OP	Estonia HRF OP	Romania ROP	Podkarpackie ROP	Śląskie ROP	Slovakia R&D OP
Financial							
	Strong						
	Significant						
	Moderate						
	Weak						
Strategic							
	Strong						
	Significant						
	Moderate						
	Weak						
Operational							
	Strong						
	Significant						
	Moderate						
	Weak						
Accountability							
	Strong						
	Significant						
	Moderate						
	Weak						
Democratic							
	Strong						
	Significant						
	Moderate						
	Weak						

⁶ Interview with consultant, Budapest, 28/1/14.

Therefore, it broadly concerns the administrative learning and spillover effect on domestic systems and the related innovation and efficiency improvements (Bachtler et al., 2009). Desk research of achievements under the heading of 'added value' (e.g. based on evaluations, academic sources, policy reports etc.) was cross-checked and supplemented by the results of interviews with programme managers, stakeholders and beneficiaries. The concept incorporates various dimensions and Table 5 summarises the results of the research under different headings.

Financial added value refers to Cohesion policy's leverage of extra public and private resources for economic development, mainly through 'match funding' requirements. For the 2007-13 programmes, final data is not yet available on expenditure, but based on interviews and looking at the planned expenditure and public and private sector contributions, some insights can be provided. First, the financial contribution of Cohesion policy in key policy areas is important. In Estonia, in the period 2007-2011, approximately 80 percent of labour market and 90 percent of business development measures were financed by Structural funds (Estonia Ministry of Finance, 2013). This is despite the fact that striving for a knowledge-based economy has been an important domestic policy goal for Estonia and in this context, human resource development and competitiveness of enterprises were policy priorities before Cohesion policy support was available (Applica-Ismeri-wiiw, 2010). According to interview evidence in the Central Hungary OP, EU funds were vital as the city alone could not implement such major projects due to budget limitations and the consequences of fiscal crisis. In the Polish case studies, Cohesion policy significantly extended the level of funding available for the upgrading of public infrastructure in the country.

On the other hand, financial added value through leverage of extra sources of funding was considered moderate in all cases. On the one hand, it can be seen that EU expenditure is drawing in additional investment as it is being co-financed from other sources to contribute to total programme spending. In Podkarpackie, Cohesion policy has undoubtedly extended the level of funding available for the upgrading of infrastructure in the country and mobilised local resources through the co-financing requirement. In the Romanian ROP, the financial added value of the operation programme is seen as significant in directing increased public investment towards development. On the other hand, financial added value through co-financing is limited in comparison to older Member states. CEE Member states are covered mostly by the 'Convergence objective' and co-financing for this objective has a ceiling of 85% of the eligible costs of projects for the ERDF and ESF (compared to only 50% for mainstream projects under the Regional Competitiveness and Employment objective). It is also clear from operational programmes and implementation reports that this additional funding is almost exclusively leveraged from the public sector and investment from the private sector is very low. The economic crisis has had an impact in this respect as public sector budget cuts have made finding match funding very challenging across programmes. Financial engineering instruments are anticipated to play an increasingly important role in accessing new sources of investment funding but these are only gradually emerging in CEE operational programmes. Moreover, a basic problem affecting Cohesion policy leverage under Europe 2020 headings was the difficult business environment: a clear impact of the

crisis was increased risk aversion and conservative investment behaviours that limited private co-investment in Cohesion policy projects (e.g. in the Central Hungary OP).

However, it should be noted that within this general picture, there are some notable exceptions where there has been important leverage of private sector funding. In Estonia, the leverage of national public and private funding has been modest, although there are some positive examples related to private co-investment in building educational establishments and providing educational services.⁷ The situation is similar in the Slovakian case where the vast majority of domestic co-financing has been leveraged from the public sector but where there are also some recent examples of how the significantly improved Slovak research infrastructure managed to attract private funding. In one case, a research institute has been approached by a global biotechnology with funding explicitly because of the quality of its research infrastructure, which was strengthened through Cohesion policy support (TECHsme.sk, 2013). The ex post evaluation of the Śląskie ROP included analysis of the additionality and leverage effects produced by the programme. According to the study, each Polish zloty from the ERDF invested in an ROP project generated PLN 0.31 of additional investment effects. Such a high multiplier effect resulted from high percentage of projects which generate new investments. It found high levels of additionality as local government units in the region allocated greater means for investment than before the launch of the programme. This was particularly the case under Priority 7 Transport and Priority 9 Health and recreation but the study also identified some leverage of private funding under Priority 1 RTDI and entrepreneurship in which the amount of private investment due to ROP intervention was PLN 780 million (PSDB 2012).

Strategic added value concerns the diffusion of programme design and strategic development processes to domestic contexts. The introduction of general principles, such as multi-annual programming, strategic planning, and monitoring and evaluation can bring about a greater or altered strategic focus in domestic regional development than would have been apparent otherwise. Evaluations of some SF programmes contend that they have introduced some new ideas and approaches in Member states' policies, including a more strategic, long-term conceptualisation of regional development (ÖIR, 2006: 136).

For the case studies, added value under this heading was either moderate or weak with the notable exception of the Polish ROPs. Since the mid-1990s, regional policy systems in CEE have developed strategic frameworks, notably national regional development programmes in line with EU principles and objectives; first as part of the preparations for EU accession and subsequently as frameworks to allocate EU resources. The influence of EU aims and principles in these is manifested in several ways. Domestic policy strategies, plans and objectives were often developed as formal mechanisms to access EU funding. In Estonia, EU requirements for the preparation of national development plans and different sector strategies have been a significant push factors for strategic long-term planning, co-ordination of policies between different sectors and adopting principles of sound financial management (see Applica-Ismeri-wiiw 2010: 15; Kalvet 2012: 7). In Poland, significant

⁷ Interview with policy maker, Tallinn, 23/9/13.

progress was made in 2004-2006 terms of strategic planning and programming: “EU cohesion policy has undoubtedly led to improvements in the decision-making process and in the procedures and arrangements adopted for both determining and implementing policy in relation to both regional development and other areas” (Misiąg and Tomalak 2008). Cohesion policy has had a significant effect on the national policy framework in Hungary. The way that national regional policy objectives are expressed is modelled on EU Cohesion policy (operational programmes, a logic of objectives-priorities-measures etc.), suggesting that there has been a substantial EU impact (EPRC and Euroreg, 2010: 91). Another sign of the increasing influence of the EU regional policy model is the multi-annual perspective of domestic strategies and objectives. The influence of the EU has also been reflected in the type of objectives set out in these strategic documents and the language which is adopted to describe them. Over the past decade, there has been a clear thrust in Cohesion policy towards objectives that foster competitiveness, entrepreneurship and innovation, in line with the priorities set out in the EU’s Lisbon Agenda for Growth and Jobs (Bache, 2008). In CEECs, the language adopted in most strategic regional policy documents has increasingly reflected a strong Cohesion policy influence, with comparable objectives being expressed in similar ways. This refers to broad objectives such as ‘competitiveness’, ‘endogenous growth’ etc. that are emphasised in the Europe 2020 agenda.

However, the ‘depth’ of EU strategic added value beyond these formal requirements set by the European Commission for Cohesion policy implementation can be questioned. Cohesion policy strategic planning principles have had a significant impact on adopting strategic planning principles in CEEC and prompted the development of a number of domestic strategies. Nevertheless the quality of these domestic strategies is mostly weak. They are not based on previous experiences nor tied to a budget: Cohesion policy programmes are usually the only development strategies with substantial associated funding. Moreover, although CEECs have adopted a rhetoric that supports Lisbon and Europe 2020 agendas in programmes, it is important to distinguish between this and decisions on resource allocation (this point is dealt with in more detail in Section 4.1.3). It should be noted that the strategic added value is assessed to be ‘significant’ in the case of the two Polish regional OPs. Achievements in terms of added value have also been noted in the 2007-13 Cohesion policy programmes in Poland. According to evaluation evidence, Cohesion Policy funding has continued to help maintain the level of public investment in development. Moreover, with the regionalisation of ROP management and implementation responsibilities in the 2007-13 period, there has been increasing focus on the added value experienced at regional and local levels. The availability of Cohesion Policy funding has had a significant influence on increasing the mobilization of local communities around common development goals. Studies have indicated that Cohesion policy initiatives have increased awareness of potential responses to regional and local development issues and the role that regional and local authorities can play in these. In terms of strategic thinking, although there has been continued emphasis on the significance of investment in hard infrastructure for development, awareness of the potential of more innovative measures, linked closely to new development theories, has gradually increased (Gorzelać and Kozak, 2012). Here, regional authorities are OP managing authorities for the 2007-2013 period and have accumulated increasing responsibility and experience in steering strategic economic

development, a process prompted mainly by Cohesion policy management and implementation. Although Polish regional development strategies remain financially weak in comparison to regional OPs, there have been increasing efforts to align domestic and EU strategic frameworks.

The added value of Cohesion policy also relates to the implementation of regional policy. The operation of SF regional programmes may encourage the development of both institutional and technical capacities at different administrative levels. There is some influence in the case studies of the influence of EU implementation principles and practice. In the Polish regional cases, several elements of the OP design and implementation model are evident in the current generation of domestic regional development frameworks (e.g. the use of calls for proposals, project selection criteria, ex-ante feasibility studies etc.). In the rest of the case studies, however, operational added value is assessed to be moderate. While a process of learning is taking place, the generation of operational added value is limited either by the weakness or absence of domestic equivalents that could absorb implementation processes and models or by the separation of EU and domestic regional policy systems. For instance, in Romania, the regions do not have legal status and lessons learned from OP implementation and monitoring do not have a domestic regional implementation framework to add value to.

'Accountability and learning', is another area where the added value of Cohesion policy is recognised. The monitoring, reporting, financial management and evaluation obligations of Cohesion policy (which are in some cases more rigid and comprehensive than those in use in the domestic policies of Member states) can lead to a better understanding of the operation of policy. Case study assessments of added value under this heading vary considerably: there is no evidence of comprehensive adaptation of CP accountability mechanisms but some elements are informing change in domestic systems. For instance, in Estonia CP monitoring and financial management principles are widely adapted but evaluation has remained largely limited to Structural Funds programmes. In the Polish regions, the demonstrative or learning effect of implementing EU-funded programmes has also been a factor in improving accountability, though according to some studies this has been limited to those parts of the administration with direct involvement in Cohesion policy implementation (see Olejniczak, 2013).

Finally, added value can also concern democratic or participatory principles. The operation of Cohesion policy programmes can boost the role of a new range of actors, opening development policy to a range of sectors, national and subnational administrative tiers and private and voluntary spheres. Two principles are important here. First, based on the concept of 'subsidiarity', Structural Fund management responsibilities are supposed to be carried out as close to the territory they operate on as possible. It has been argued that this can increase the involvement of regional and local authorities in the administration of EU programmes and even stimulate the creation of regional-level frameworks in domestic administrative systems. The implementation of SF programmes has stimulated creation of specific frameworks and institutions which can fill an institutional void at regional level, provide practical experience in the design and steering of regional development programmes and encourage a multi-level perspective to the coordination of regional

development activities beyond those that are EU-funded (Hooghe, 1996). The second principle is partnership, which generally requires programmes to be delivered with partners from different institutions and organisational cultures, with varying priorities and interests, working together in pursuit of shared objectives. This refers not just to coordination of different levels of public administration but to the participation of partners from the private and voluntary spheres. Again, it has been argued that, through demonstration and learning and through the extension of networks of organisations and actors, this kind of partnership working can spill over from SF management and improve the inclusion and coordination of actors in the broader regional development process (Roberts, 2003:3).

Added value under this heading was assessed to be one of the strongest in the case studies. Beneficiaries of the Śląskie ROP noted an added value effect in raising awareness among actors and providing incentives to participate in the development of 'bottom up' initiatives, including in the field of innovation.⁸ Studies have indicated that Cohesion policy initiatives have increased awareness of potential responses to regional and local development issues and the role that regional and local authorities can play in these. (Gorzela and Kozak, 2012). Again, case study evidence indicates the importance of existing institutional frameworks and processes in dictating the extent of added value. For instance, democratic added value has remained limited in the development and implementation of the HRDOP in Estonia, largely due to weak regional and local level participation and centralised Cohesion policy administration.

Thus, the most positive views of CP achievements in the case studies come from qualitative assessments of how value has been added to the governance of economic development. Beyond the outputs and results generated by the CP programmes, there is evidence to suggest that implementation of EU Structural Funds has had a wider influence on the delivery of economic development policy in CEEC. This process is notable through the broadened range of actors involved, the empowerment of sub-national administrative levels and the introduction of CP management and implementation 'good practice' principles in domestic policy fields. Added value stems in part from direct obligations to fulfil or abide by EU regulations, such as State Aid guidelines on the spatial targeting of regional development support measures, the use of NUTS nomenclature and the requirement for domestic co-financing but policy learning, voluntary policy transfer and adaptation are also apparent. Nevertheless the case studies demonstrate that even where Cohesion policy impact is perceived to be strong, aspects of domestic institutional contexts are retained and promoted: domestic preferences and policy legacies have had a key role in shaping contemporary policy approaches, as opposed to them simply being overtaken by Cohesion policy. The following Section 4 of this synthesis report will explore this relationship between Cohesion policy achievements and institutional factors in more detail. It assesses the strategic quality of Cohesion policy programmes and the capacity for implementing the programmes and the relationship of these variables with institutional factors, drawing insights on the potential impacts of Cohesion policy in the longer term. By doing this, it aims to explain some of the information arising from case study assessments of programme

⁸ Interview with beneficiary, Katowice 15/10/13.

achievements thus far. More importantly, by exploring the relationship between Cohesion policy and institutional settings, it provides insights into the prospects for longer-term Cohesion policy impact.

4. Cohesion policy achievements & institutional factors

The relationship between institutions and economic development has become a fundamental issue in economic policy debate (Hall and Thelen, 2009). This includes current regional policy debate, prompted by disputes over the impact of regional development policies and the search for new factors or dynamics that can explain growth and development patterns beyond traditional analysis of physical and human resource endowments, trade or technology transfers (Rodríguez-Pose, 2013). Institutionalist literature argues that the contribution of regional policy to economic development is conditional on institutional settings: institutions are ‘the key enablers of innovation, mutual learning and productivity growth’ (Putnam, 2000). Specific institutional endowments, both ‘hard’ or ‘formal’ institutions (laws and regulations, rights etc.) and ‘soft’ or ‘informal’ institutions (norms, traditions, conventions, networks etc.), can facilitate development processes and the prospects of long-term change (Streek, 1991). But the role of institutions is not always and everywhere positive. Institutions can have a negative influence on regional development in a variety of ways. These include: unfunded mandates when they are given or accept responsibility without resources; excessive bureaucracy, institutional lock-in and rigidity hampering flexibility and responsiveness; duplication and fragmentation stimulating competition for resources; capture by elite actors and rent-seeking by particular interest groups; and, corruption (Pike, 2013).

Key headings to assess the interaction between Cohesion policy and institutional factors are strategic quality and implementation capacity (i.e. focusing on the strategic design and administrative implementation of development programmes). According to Rodríguez-Pose (2013), institutions ‘pave the way for the design and implementation of efficient economic development strategies across countries’.

4.1 Strategic quality and institutional factors

According to the literature, the quality of development strategy that is produced and the actual process of strategy formulation influence achievements. It is clear that a low quality or vague strategy can limit the achievements of Cohesion policy. Even good implementation cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort: the soup is only as good as the ingredients (Allio, 2005). A key problem can be that although significant economic development support is available, the development strategy is not closely connected to the underlying drivers of growth and development in the territory it covers. Territories need to prioritise the use of sometimes scarce resources. Often, the economic development process and governance system adopt a strategy of “spread betting” or “shopping list” economic development. Economic development investments are distributed across a wide range of activities and projects (property, business development, skills and HR, internationalisation, inclusion, prestige civic projects, environmental improvements, science parks, ICT, international marketing etc.). This often leads to: a reduction of impact; significant non-additionality; a waste of scarce public resources; and insufficient resources being targeted at the factors of competitiveness that will unlock

sustained economic growth. Such an approach leads to an economic development process that is unsustainable and deprived of credibility (Garden and Martin, 2005).

The argument linking the strategic quality of Cohesion policy with institutional factors is two-sided: Cohesion policy development strategies are anticipated not only deliver greater economic development but also transform the institutional setting itself (Rodríguez-Pose, 2013). Potentially, Cohesion policy programme strategies can have an impact on 'hard' and 'soft' institutional aspects (e.g. introducing new regulations or conventions for rigorous strategic analysis, strategic environmental assessments, feasibility studies or encouraging new norms, conventions or networks, 'new ways of doing things', a focus on multi-annual strategic perspective, participative approaches to programming etc.). However, existing institutional contexts impact on the quality of development strategies, conditioning how a strategy is developed and articulated. Existing institutional arrangements can determine the level of expertise and experience available for the articulation of the strategy. The institutional context has an impact on the quality of data available to inform the strategy and it can determine the input of different actors and interests into the development of the strategy. Institutions and strategy can undermine one another through 'mismatch': where strategies are developed with little regard to the institutional context.

In order to explore these issues, Task 3 research carried out interviews and analysis of programme documentation relating to the strategic quality of Cohesion policy programmes implemented in the case study regions. Informed by a review of the literature and the results of Task 2 research, fundamental pre-conditions for designing and implementing a good strategy, especially in policy areas highlighted by Lisbon/Europe 2020 agendas, can be identified: the quality of the programming process; efficient negotiation and approval; and, quality of the programme documents. These were used to structure the analyses (see Annex I, Table A).

4.1.1 Quality of the programming process

The first indicator refers to the quality of the process of strategic programming. The quality of development strategies depends not only on the plans themselves but on how they are produced: the inclusion of the relevant stakeholders, the generation of knowledge and the basis this can provide for managing risks over the course of the investment cycle and beyond (Mizell and Allain-Dupré 2013). In the context of Cohesion policy, where the principles of partnership and subsidiarity are emphasised in, effective programming arrangements are vital in order to bring together stakeholders, generate knowledge and co-ordinate inputs from different sources in a timely manner. Drawing a wide range of interests into the administration process creates a stronger sense of accountability or 'ownership' of and commitment to policies among stakeholders. Strategic quality is boosted by the explicit linkage between the strategy and those actors directly related to its objectives and priorities: 'In a "place-based" policy, public interventions rely on local knowledge and are verifiable and submitted to scrutiny, while linkages among places are taken into account . . . this strategy is superior to alternative strategies that do not make explicit and accountable their territorial focus'(Barca 2009, p. vii).

In comparison to the 2004-2006 period, across the case study programmes there was increased consultation and partnership-working in the programming process and this had a positive impact on strategic quality. For example, in the Slovakian R&D OP interviewees from the Managing Authority highlighted one of the main achievements of the programme as the establishment of policy networks.⁹ Partnerships were created and institutionalised between private (e.g. SMEs) and public institutions.¹⁰ Structural Funds made it possible for a wider range of actors to become involved in policy-making (e.g. universities are participating in the programme monitoring committee). Studies have indicated that Cohesion policy initiatives have increased awareness of potential responses to regional and local development issues and the role that regional and local authorities can play in these. In terms of strategic thinking, although there has been continued emphasis on the significance of investment in hard infrastructure for development, awareness of the potential of more innovative measures, linked closely to new development theories, has gradually increased (GorzelaK and Kozak, 2012). As a result of involvement in the ROP, regional and local actors are now taking more interest and responsibility in investment and development and improvement of quality of life. There is more emphasis on regional and local initiative rather than dependence on national or EU directives. This has been evident, for instance, in efforts to improve the state of the environment in the region. According to interviewees, the direct influence of Cohesion policy funding has produced positive examples of change: more responsibility for the upkeep of public spaces and more interest in quality of life. Cohesion policy provided the opportunity for this by raising awareness of the challenges facing the region and emphasizing that some of the responsibility to address this lies at the regional and local level. At the local level in Poland, the introduction of consultations of strategic documents for the purpose of implementation of the SF also had some spillover effects at the local level. For example, in Poland consultations of regional and local development strategies were made mandatory with the 2006 law on regional development (Dąbrowski, 2014). This effect in raising awareness among actors and providing incentives to develop initiatives has also been apparent in the field of innovation. The main innovation actors in the region now have experience in developing strategic initiatives and in working together to do this.¹¹

However, assessments of the quality of the programming process itself were not uniformly positive. In Śląskie and Slovakia, the quality of the process was moderate and a common criticism related to the level of active involvement of stakeholders and the input of information specific to the programme area. According to research carried out as part of the ex post evaluation of the Śląskie ROP, less than half of the eventual beneficiaries of the ROP actually participated in the consultation process. These results are surprising in the face of the comprehensive ROP consultation organised by the Managing Authority but this could in part be explained by weaknesses in communication and publicity (PSDB 2012). Moreover, according to interviewees, this participation did not always equate with an exchange of

⁹ Interview with policy maker, Bratislava, 5/11/13.

¹⁰ Interview with policy maker, Bratislava, by telephone, 13/1/14.

¹¹ Interview with beneficiary, Katowice, 15/10/13.

views on the region's strategic vision but rather a struggle to ensure that specific interests and agendas were represented. Workshops were organised as part of the programming process in all of the cases but these were not guaranteed to be helpful in the development of the programme strategy. Input was made from different interests as the programme was being developed but this input could be political rather than strategic. In other words, stakeholders often aimed to claim a share of the funding rather than contribute to strategic thinking. In Slovakia, although the formal establishment of partnership structures in the programming process is regarded as an important achievement, their actual input into the programme strategy was questioned. The working group for the preparation of the OP R&D was established in order to bring together relevant stakeholders. However, the programme design processes are seen by some academic observers to have not been participatory and inclusive enough. The partnership principle was perceived to have been applied in a formal way that did not encourage meaningful input from a wide range of interests.¹² Stakeholder contribution was limited: time pressures did not allow for a thorough discussion in the consultation process. Members of the working group usually only had an opportunity to comment on the final drafts of individual parts of the programme, so the scope for incorporation of their suggestions and comments was limited. In the case of the Central Hungary OP, partnership was a formal element of the system: according to policy-makers, when structuring and making up the OPs the IBs, NGOs and professional organisations had the possibility to express their opinions. However, while the formal requirements of partnership were met, the incorporation of the views of these organisations into the OP ultimately depended on the political will of the Managing Authority.¹³

4.1.2 Efficient negotiation and approval

Efficient programming is particularly important under Cohesion policy as it involves detailed negotiations between Commission, member states and, often, sub-national authorities with pressure to launch programmes as quickly as possible so that funding can be released (Mizell and Allain-Dupré (2013)). In the case study programmes, the process of programme preparation, negotiation and approval was generally successful from a formal point of view: the process was well organised, progressed with considerable purpose and pace and negotiations and approval took place without significant problems. A range of factors facilitated the process: experience gained from preparations for the 2004-2006 period; the detailed guidelines provided by the European Commission for the programming process; and, the fact that all parties prioritised finalisation of activities so that projects could be launched as soon as possible.

4.1.3 Quality of programme documents

Of course, the strategic quality of the programme documents themselves is crucial. Two qualities are emphasised in the literature: relevance of strategic objectives to the specific needs of the programme area; and realism and clarity about what can and should be

¹² Interview with academic expert, Bratislava (written), 23/1/14.

¹³ Interview with policy maker, Budapest, 6/3/14.

achieved. According to the literature, good quality strategies are tailored to the specific programme contexts. For instance, Milio (2007:438) contrasts the case of Cohesion policy in Sicily and Basilicata during the 2000-2006 programming period: in the former, the lack of correspondence between planned interventions and real territorial needs meant that the number of projects applying for funds under some headings was very limited; in the latter case, close adherence to regional needs corresponded to subsequent requests and investment of resources by private firms. Moreover, good quality development strategies include a focus on results: strategic quality relies on a realistic appreciation of what can be achieved. Attention should be given to ensure that priority-setting is not driven by the inertia of out-of-date previous plans and assumptions, or by narrow political considerations and clear, realistic and measurable indicators and targets should be set accordingly (Kaufmann and Kraay, 2008). A strong results-orientation is increasingly emphasised by the Commission in the development of Cohesion policy programmes, referring not just to the clarity of objectives but to the intervention logic and the indicators underpinning strategies (Mendez et al., 2013).

The case study research highlighted the benefit of sound and rigorous strategic planning. In the cases, the strategic quality of Cohesion policy programmes is evolving and, generally, improving (in terms of evidence base, analysis, strategic focus) with changes in policy and eligibility, learning effects (particularly between the 2004-2006 and 2007-2013 periods), and changes in domestic governance structures (e.g. strengthening the role of regions in Poland). Interviewees involved with programmes noted changes in approach to engaging with development issues among regional actors. Involvement in developing the programme strategy raised awareness of their potential role in development of the territory and improved 'steering'. The language of development policy has changed, reflecting CP emphasis on Europe 2020 themes. There is awareness among beneficiaries of new approaches to regional development beyond infrastructure support (e.g. concerning the development of labour force skills to match regional economies). This suggests a potential positive impact of Cohesion policy strategies on institutional settings in the longer-term.¹⁴

However, assessments of the strategic quality of the programmes themselves were moderate, with the exception of the Romanian ROP case which was assessed as significant (see Table 6). Examples of positive relationships between the strategic quality of programmes and institutional factors were outweighed by negative interactions.

¹⁴ Interview with beneficiary, Katowice 15/10/13.

Table 6: Assessment of strategic quality in case studies

Strategic quality		Central Hungary OP	Estonia HRD OP	Romania ROP	Podkarpackie ROP	Śląskie ROP	Slovakia R&D OP
Programming process							
	Strong						
	Significant						
	Moderate						
	Weak						
Negotiation and approval							
	Strong						
	Significant						
	Moderate						
	Weak						
Quality of programme documents							
	Strong						
	Significant						
	Moderate						
	Weak						
Treatment of specific policy heading							
	Strong						
	Significant						
	Moderate						
	Weak						na

Basic criticisms recurred across programme cases and these are linked to domestic institutional constraints. First, the majority of cases noted a lack of sound and rigorous analyses on which to base strategic programming. In this respect, positive interaction was constrained by the limited financial strength and legal status of domestic strategies in CEECs: Cohesion policy programmes are invariably the only strategic economic development documents with substantial associated funding. In part, the fact that Śląskie, Podkarpackie and Central Hungary are supported through region-specific programmes meant that there was scope for stronger strategic coherence. In the two cases involving national, sectoral programmes, (HRD OP in Estonia and the R&D OP in Slovakia) there were no domestic strategic equivalents to draw on or align with. Moreover, a common criticism of strategic quality concerned the failure to take into account regional or territorial differences. In the Estonian HRD OP, the interviewees stressed the lack of rounded strategy to address the development needs of regions. Although funding is evenly distributed between counties, the measures advancing creation of knowledge based society, mainly labour market and business support, concentrate on the main urban regions, Tallinn and Tartu, whereas the rest of the Estonia, including Kirde-Eesti, benefit mainly from funding for development of public infrastructure. As a result, business and employment related investments are not supported by investments in public services.¹⁵ Similarly, in Slovakia, the OP R&D only includes a relatively brief analysis of the situation, without an identification of the main problems and challenges to be addressed through Structural Funds support. Consequently, the strategic objectives of the programme are also rather general without any explicit links to the conclusions of the analysis.¹⁶ Within this, there was some criticism that the R&D OP

¹⁵ Interview with policy maker, Tallinn 24/9/13.

¹⁶ Interview with consultant, Bratislava, 6/11/13.

strategic objectives do not reflect the country's regional disparities: according to interview evidence, support focuses too much on Bratislava and insufficient attention is paid to the needs of other parts of Slovakia. The support provided is not seen to be suitable for regions facing social and economic difficulties, as these often lack established research institutions that are able to absorb the funding. As a result, there has been debate about the usefulness of EU support in these regions.¹⁷

For the regional Cohesion policy programmes in Hungary, Poland and Romania, there are domestic regional development strategies in place but these were lacking in financial resources, statutory authority and strategic utility. The absence of well-resourced domestic development strategies is an institutional weakness in CEECs that deprived Cohesion policy programmes of a potentially important support in developing a clear vision of how to strategically allocate resources. An alternative source for informing the development of strategies is ex-ante evaluation. Over the past decade, CEECs have rapidly acquired evaluation experience, predominantly through Cohesion policy implementation. However, this has developed virtually 'from scratch', and in a relatively short time and at the start of the 2007-13 period there were still gaps in the capability to conduct evaluation studies and feed their results into the programming process (see Section 4.2.2). These gaps were particularly clear at sub-national level: ex-ante evaluations of regional OPs in Poland, Hungary and Romania were carried out by central governments, inevitably limiting their scope to address territorially-specific issues. In Śląskie, the team drafting the ROP had very limited research analysis or expert input on which to draw. The ROP had little connection with Śląskie's domestic Regional Development Strategy (which was in any case judged to be broad and vague). Most strategic analyses were generic and carried out at the national level: responsibility for the ex-ante evaluation of all Polish programmes, including the ROPs, was carried out by central government.¹⁸ Thus, there was no region-specific strategic element in the ROP; the drafting team looked at the headings set out under the template provided by the European Commission and developed priorities and text in a very general way that was not fully tailored to the regional context.¹⁹

Central government played a leading role in determining the strategic content of the ERDF Regional Operational Programmes for 2007-13 in Poland, including through provision of detailed guidelines for regions to follow as the ROPs were drafted. According to representatives of Managing Authorities, there was strong central guidance for ROP monitoring units which were given a list of indicators to choose from. These could not be altered significantly to reflect regional specificities, although this could be justified as the national level had to maintain an overview of overall progress.²⁰ In this context, it is worth noting that in 2008, the Ministry of Regional Development pointed out that the Regional Operational Programmes for 2007-2013 were very similar in terms of identified strategic development challenges and that the discussion of specific features and needs in particular

¹⁷ Interview with academic expert, Bratislava (written), 23/1/14.

¹⁸ Interview with policy maker, Katowice 18/10/13.

¹⁹ Interview with consultant, Katowice 17/10/13.

²⁰ Interview, policy maker, Katowice 18/10/13.

regions was very limited: in spite of significant regional differences the ROPs focus on supporting similar areas of strategic intervention. According to MID, this situation was only in part the result of MID requirements for the ROPs and was also due to the absence or weakness of strategic frameworks that allowed regions to link specific aims with national development goals (Polish Ministry of Regional Development, 2008).

Another basic criticism relating to the negative impact of institutional factors on strategic quality concerns the subordination of strategic considerations to the dictates of political will. There is an extensive literature in public policy research exploring the relationship between the political prerogatives of elected politicians and the administrative responsibilities of public policy managers (Matheson et al., 1996) including an increasing focus on tensions over strategic goals (Peters 2013). Such issues are evident in the case of Cohesion policy, including in CEEC contexts. Recent studies have explored the role of domestic 'pork-barrel' politics in influencing the strategic goals of Cohesion policy in CEECs (Bloom and Petrova, 2013) or how direct political intervention has been ensured by the organisational and regulatory system (e.g. through political chairing of Cohesion policy coordination and implementation bodies, political appointment of the Monitoring Committee members; the composition of NGO representatives etc. (Perger, 2009).

This politicisation was illustrated in the case study programmes in a number of ways. First, the mapping of CP programming onto domestic institutional systems had detrimental effects: rather than contributing to stronger strategic integration, domestic institutional characteristics and tensions undermined the strategic quality of CP programmes. Political rather than strategic priorities undermined quality and this was reflected in different case study OPs. The 'silo' mentality of ministries made it difficult to prioritise strategic objectives: CP objectives were often divided among ministries and departments according to traditional ministerial portfolios or political bargaining rather than strategic logic. This was the case, for instance, in Estonia. The HRDOP strategy was assessed to be very broad, lacking clear strategic focus and well-defined objectives. In part, this can be explained by the sectoral approach taken to programming. Each OP has a leading ministry, responsible for fulfilling the overall objectives of a specific programme but for each OP priority, other ministries act as dedicated first level intermediary bodies responsible for dealing with the implementation of the priority axis and with the development and implementation of specific measures. Thus ministries could be programme leaders in some cases and priority leaders in others. The three Estonian OPs were designed around the long standing national development objectives of a wide variety of sectors, set out in the various national policy documents. Although this can be considered as a strength of the Estonian OPs, it was done without clear prioritisation of either supported sectors or objectives. As the content of each priority area came from a different sector ministry, the financial pressures and ministries interest in addressing all the areas under their regime shaped the OP strategy. Furthermore, as the leadership was shared between bodies, none of them had the authority or willingness to make clear strategic choices.²¹ In the Slovakian case, the institutional setup for Cohesion policy led to strategic dualism, as the strongly related themes of R&D and innovation are

²¹ Interview with policy maker, Tallinn 24/9/13.

separated. For political reasons, there are two programmes run by two different Ministries. While the OP R&D is managed by the Ministry of Education, the OP Competitiveness and Economic Growth, which covers innovation, is managed by the Ministry of Economy.

Second, the subordination of strategic objectives to political goals was reflected in the emphasis placed on financial rather than strategic absorption. At least in part, this was conditioned by the 'decommitment rule', which stipulates that the Commission could withdraw funding if the finance committed to an EU-funded project was not spent within three years. As a result, strategic quality suffered as programme objectives and priorities were deliberately designed to be open to broad interpretation in order to encourage fast spending. The general aim was to achieve the most immediate and tangible results instead of ensuring real strategic impact Perger (2009) As Cohesion policy success was measured mainly by the level of expenditure, a 'catch all' approach dominated in order to access maximum funding. (Bachtler et al., 2013). According to interview evidence in the Estonian case, the OP strategy was left broad because of commitment of the Estonian Government to fast absorption: *"the thing is that no-one wants a concrete strategy and setting very specific targets because the number one priority is 'let's bring the money home'"*.²² In Śląskie, officials involved in the design of indicators at the outset of the programming period, noted a clear focus was on implementation and absorption rather than impact: indicators were designed to facilitate the implementation of projects rather than to measure strategic goals or impacts.²³ This emphasis on fast financial absorption rather than strategic impact was often reflected in the priority attached in programme strategies to building and modernising infrastructure. Programme managing authorities recognised that financial absorption under these headings was strong as they involved simple infrastructure projects with limited legal or regulatory complications: *"If you have to decide, which sector to invest in with Structural Funds and which with national funds, Structural Funds are used to fund large scale infrastructure projects because they are easier to manage"*.²⁴

The politicisation of the strategic programming process was also evident in the mismatch between programme rhetoric and resource allocation. Strategic documents prepared in CEE increasingly adopt a pro-Lisbon outlook referring to the need to modernise the economy, increase competitiveness, focus on innovation etc. However, in several cases there was a lack of direct correlation between the needs stated in programme documents (which are couched in Lisbon-type terms) and the direction of activities, outlined by the allocation of resources for particular tasks, which echo the traditional regional policy paradigm. For instance in Estonia, there was awareness of the disadvantages of using CP to support infrastructure in areas with low development potential, based on experience from southern European Member states, but this approach has persisted: *"In 2004, there was a lot of discussion that Estonia should not take the route of Southern European countries, which have*

²² Interview, policy maker, Tallin 25/9/13.

²³ Interviews former policy makers, Katowice, 16/10/13, 17/10/13.

²⁴ Interview with policy maker, Tallinn 24/9/13.

*built a lot of infrastructure in areas with low development potential, but we have done it anyway”.*²⁵

According to the assessment of the Podkarpackie ROP, the programme is based on a mix of elements of different paradigms, the old (industrial era) and new (typical for knowledge based economies, Europe 2020 etc). The main objective of the domestic regional development strategy for Podkarpackie is in line with the new paradigm, albeit in a very general way. Looking at the ROP objectives, it can be concluded that in this less strategic and more operational document elements of old paradigm are more evident. This is apparent also in the drivers identified in the ROP and in its SWOT analysis, where the role played by the Aviation Valley, academic resources and cadres is overestimated, but where the problem with accessibility is also overestimated as the main reason of lower investment attractiveness and of problems in sales and tourism development (Podkarpackie ROP: 38). The SWOT table in the ROP suggests that in the region it is difficult to decide what are key elements requiring intervention. In effect such an approach opens up space for a loose interpretation of objectives (there is no need to prioritise if everything is important as a strong or weak element).

In this respect, domestic policy paradigms have influenced CP strategies rather than vice versa. Rather than driving the evolution of domestic approaches to regional development, the shape and impact of EU Cohesion policy programmes themselves can be dictated by the domestic institutional setting (Ederveen et. al., 2002). This view corresponds with path-dependency theory in suggesting that national institutional frameworks and policy traditions are key factors in determining the development and evolution of policy approaches and structures (Blom-Hansen, 2005; Allen 2008, 2005; Hooghe 1996). For instance, according to the literature, the scope for institutional change varies according to different policy fields. Change is less likely where an established policy paradigm exists or when the difference between an existing policy paradigm and a potential replacement is significant. (Hall, 1993). Moreover, risk aversion varies according to issue area and, consequently, the speed at which institutional change takes place. Where risk aversion is high because the effects of policy decisions are uncertain and the stakes are also high, policy advocates may prefer incremental rather than radical change (Melo, 2004). In CEECs, Europe 2020 and Lisbon-type objectives are promoted in the OPs but differences between traditional, equity-based regional policy approaches and pro-competiveness Lisbon and Europe 2020 agendas are striking. The need to provide scope for other priorities that are less prominent in the Europe 2020 strategy, notably basic infrastructure support, has been emphasised in several CEE Member states (Bulgaria, Czech Republic, Latvia, Lithuania, Slovak Republic) (Council of the European Union, 2010). Thus, OP strategies allocate significant amounts for infrastructure rather than for ‘Lisbon type’ measures because this is where the interests of managing authorities and beneficiaries coincide: beneficiaries get support for projects which have immediate, tangible effects; authorities get assurance of substantial, timely expenditure.

²⁵ Interview with policy maker, Tallinn 24/9/13.

Related to this is the aforementioned overriding focus on financial absorption, conditioned by the EU's decommitment rule.

Politicisation was apparent at the micro as well as the macro level. Often, the participation of regional and local interests did not equate with an exchange of views on the strategic vision but rather a struggle to ensure that specific interests and agendas were represented. In Śląskie, there were a series of workshops but these were not always helpful in the development of the ROP strategy. There was input from different regional interests when the ROP was being developed but this input was often political rather than strategic. In other words, regional interests aimed to ensure a share of the funding rather than contribute to strategic thinking. This reflects the tendency for local elites to compete rather than cooperate in securing CP funding and restrictions to the potential for collective action, due to weak associative capacity (recognised in the literature as an institutional weakness). Associative and collaborative governance involves policy-making processes and institutional infrastructures that facilitate the participation of and interaction between a wide range of actors from public agencies, private enterprises, trade unions and the voluntary sector. Such processes are said to increase the capacity of communities in developing inclusive, responsive and strategic frameworks of economic governance. In short, collaborative economic governance is an important institutional vehicle for the promotion of 'progressive competitiveness' (Leibovitz, 2003). This research indicates some institutional limitations to associative governance in the case studies situated in CEE political economies, where traditions of this type of collaboration are not prominent.

Politicisation of the programming process and the desire to accommodate a range of needs and interests contributed to the fragmentation of funding across varied interventions, including a plethora of small projects, creating overlaps, administrative burden and scattered results. In Estonia, the HRD OP was assessed by an interim progress report to lack a robust intervention logic, mainly because of insufficient mapping of development needs and a great number of small and scattered measures (Estonian Ministry of Labour, Family and Social Protection, 2012). Interviewees agreed that the analysis of (regional) development needs was not comprehensive and that knowledge of the core problems and their links to potential OP actions was limited.²⁶ In Śląskie, interviewees noted that the distribution of funding widely across large numbers of beneficiaries limited effectiveness. Innovation support in the ROP is not concentrated on a restricted number of strategic areas. Grants are provided through competitive calls, making it impossible to channel funding to a limited number of strategic projects.²⁷ Research in Romania noted the need to shift the strategic perspective from the small, fragmented local scale to a more integrated, regional perspective. This fragmentation was strengthened by the use of competitive calls in CP programmes. These aimed to increase effectiveness by supporting the choice of 'best quality' projects. However, projects were often designed and submitted separately in competition with each other, weakening strategic coherence. Fragmentation undermined

²⁶ Interview with policy maker, Tallinn 25/9/13.

²⁷ Interview with policy maker, Katowice, 17/4/12.

RTDI interventions where emphasis is placed on collaborative links between local authorities, businesses, research centres and academia (see also Kasza, 2009).

A final criticism of the strategic quality of the case study programmes concerned the weak results orientation and incoherence with implementation arrangements. This was manifested in problems in setting target values and indicators, which could measure the results and impacts of the implemented actions. The link between programme strategies indicator sets was generally weak and uneven: some issues highlighted in the programmes' strategic analysis were not covered by indicators, several elements covered by a single indicator. Output indicators tended to involve basic information such as 'number of projects' that say little about the strategic impact of the programme. The ex-post evaluation of the Śląskie ROP identified elements of the programme strategy that have influenced the implementation and impact of the Programme. This included analysis of the regional strengths and weaknesses identified in the ROP and how these were related to a selection of indicators used for interventions in specific priorities and measures. The evaluation of these relationships concluded that the link between the ROP strategy and the indicator set was generally very uneven: "A problem linked with the analysis was that the SWOT did not provide the basis for developing context, programme and project indicators. Thus, strengths and weaknesses were not well reflected in indicator sets" (PSDB 2012). Similarly, in Estonia there have been problems in setting target values and indicators which could measure the results and impacts of the implemented measures (see Interim 2011). In the Central Hungary OP, research (e.g. Bartha, Matheika and Gyukics 2010) and interview evidence pointed out that high absorption rates themselves are the goal, and indicators used for measuring effectiveness, usually output indicators, are not proper tools.²⁸

4.2 Administrative implementation and institutional factors

The second heading concerns the quality of policy implementation: the ability to develop policy and produce and deliver public goods and services. Again, the argument relating Cohesion policy implementation quality to institutional factors is two-sided. Cohesion policy operates according to 'shared management' where implementation is delegated to the Member states (see Craig 2004). Thus, EU administrative principles inevitably have direct consequences for the Member states' own policy machinery and tools and not just those of the Commission. Cohesion policy can change or improve the quality of institutions. This can occur, for example, by: prompting changes to legal or regulatory frameworks, providing an overall boost to administrative capacity (new organisations, increased staff); improving coordination across and between institutional frameworks and administrative levels (through the model of multi-level governance and the principle of subsidiarity) by increasing transparency (through monitoring and reporting) by limiting clientelism and rent-seeking (through rigorous approaches to project generation and selection); and, by promoting openness to new ideas and agents (through the partnership principle). Pre-accession support provided through PHARE, ISPA (Instrument for Structural Policies for Pre-Accession) or SAPARD (Special Accession Program for Agricultural and Rural Development) provided significant financial and technical assistance administrative capacity building in CEE (Börzel,

²⁸ Interview with academic expert, Pecs, 25/07/2013.

2010). Such assistance had a particularly strong influence and impact as the CEECs lacked a strong tradition of regional policy and the institutions and practices associated with it (Sissenich 2007). The 'Europeanisation' literature notes the scope for transfer of institutional practices where Cohesion policy management and implementation systems are subsumed into domestic systems (Taylor et al., 2001). In CEECs, it is arguable that, rather than the domestic system subsuming Cohesion policy implementation practices, domestic regional policy systems are assuming them: domestic regional development activities are supplementing, or have already been supplanted by, EU organisational principles (Ferry, 2007). In the case of Hungary, Perger (2009) points out, an inverse institutional integration took place in which the national institutional system was conditioned by institutions that were created for receiving and administering EU funds. Conversely, an enabling domestic institutional framework and the existence or development of institutional capacity and leadership is crucial to successful programme implementation. Differences in domestic quality of governance, in the legal, regulatory and political environments and in the allocation of decision-making powers for development policy and Cohesion policy across different administrative levels, influence the capacity to implement programmes effectively. Poor institutional settings mean that development policies often fail to be implemented correctly or at all.

The definition and analysis of administrative capacity is challenging. There is no standard definition of administrative capacity, although it is generally interpreted as the ability of a public administrative system to perform specific essential functions (Addison, 2009). A number of potential measures and indicators can be used under this heading: the overall quality of public management, structures and human resources; and, administrative capacity for specific functions related to the implementation of Cohesion policy (project preparation and selection, monitoring and reporting, financial control and evaluation) (see Annex I, Table B).

4.2.1 Management

A general indicator of administrative capacity relates to the quality of public management staff and structures. This assesses technical competence, the availability of trusted and professional state employees, coordination mechanisms, and effective reach across the territory concerned and social groupings. In particular, Weber (1978) emphasizes the importance of autonomous and professional bureaucracies that legitimize the authority of the state, manage complex issues and ensure efficiency, including the control of corruption. Research conducted by the Gothenburg Quality of Government Institute in Sweden based on data from the World Bank (measuring government effectiveness, regulatory quality and control of corruption). Administrative capacity is assessed by the Government Effectiveness rating from the Worldwide Governance Indicators and the International Country Risk Guide's (ICRG) Bureaucratic Quality rating (Political Risk Services, 2010). The OECD has noted institutional challenges that are relevant in this context: lack of continuity and coherence in the implementation of policies by institutions, institutional instability, lack of capacity, gaps in multi-level governance frameworks (OECD, 2012). A study of administrative capacity in Central and Eastern Europe examined three aspects: policy -performance management, strategic planning, policy coordination and formulation; people – human resource

management practices; and systems – such as the use of e-governance (Verheijen, 2007). This type of approach was also followed in the ex post evaluation of the management and implementation of Cohesion policy in the new Member states in the 2004-06 period, which assessed administrative capacity on the basis of human resources, skills and tools, and procedures (Bachtler et al, 2009).

There is evidence from the case studies that the transfer of EU principles can contribute to stronger more integrated institutional systems for the delivery of regional policy. This is demonstrated in regulatory changes introduced at the prompting of Cohesion policy. For instance, the Strategic Report of Hungary (NFÜ, 2012) notes that a reconsideration of the legal environment took place concerning rules regulating EU financing resulting in the integration of regulations under one law; and one handbook has been made by the ministry in order to improve transparency of the legislation. Hungarian law on public procurements has also been simplified and tendering became less complicated and deadlines shortened. In Poland, following on from Cohesion policy approaches, new domestic legislation requiring feasibility studies and obligatory ex-ante evaluations for all large domestic development initiatives has been introduced.²⁹

The process of implementing CP has contributed to expanding the size of public administration, including at sub-national levels where capacity was traditionally weak, increasing the level of technical capacity and skills. This is particularly noticeable in Poland, the largest beneficiary of Cohesion policy funding in the 2007-2013 period where an increasingly sophisticated management and implementation system has emerged (including strengthened sub-national involvement). According to OECD, significant progress has been made in strengthening the government's policy-making capacity. Polish administration now has a strategic framework for the country's long-term development, the capacity to coordinate and lead is developing in public administration and there is a committed, dynamic public service workforce in government ministries and agencies (OECD, 2013). Polish government reports note that Cohesion policy funding and the management and implementation of programmes have been influential in improving the quality of public institutions' performance and the expansion of partnership mechanisms. Generally, the size of Polish public administration has expanded as a result of Cohesion policy administration, especially between the 2004-2006 and 2007-2013 periods. An Action Plan for increasing the administrative potential of units involved in the implementation of Operational Programmes in 2007-2013 was published in 2007 (Polish Ministry of Regional Development 2007). It included estimates of the anticipated increases in posts and staffing levels across different units. Cohesion policy implementation accounted for 877 posts in central ministries in 2004-2006 but by 2013 this had almost doubled to 1,633. At regional level the expansion has been even more substantial, reflecting the regionalisation of management tasks in 2007: in 2004-2006, 1018 jobs involved Cohesion policy implementation but by 2013 the figure was around 4,000 (Polish Ministry of Infrastructure and Development, 2013). The Marshal's Office in Śląskie estimated that the human resources required to administer one year of the ROP was the equivalent of its involvement in the administration of the IROP for the entire period

²⁹ Interview with academic expert, Katowice, 16/10/13.

2004-2006.³⁰ Under the World Bank's measurement of the efficiency, transparency and legitimacy of public administration, Poland's rating improved from 0.41 in 2007 to 0.68 in 2011 and the Polish government attributed this to Cohesion policy influence in its 2012 strategic report on Cohesion policy achievements (Polish Ministry of Regional Development, 2012). It should also be noted that Cohesion policy management and implementation systems are often at the forefront of new technology and innovative approaches to public management. For instance, in Hungary Cohesion policy has been prominent in the expanding use of e-governance: electronic procedures have made the tendering system become more paperless and user-friendly; e-signature and electronic application has been introduced. Simultaneously an electronic interface has been set up by the national Cohesion policy coordinating body so that applicants can get up-to date information regarding their projects.

However, case study research identified examples of domestic institutional constraints on CP implementation (see Table 7).

Table 7: Assessment of implementation capacity in case studies

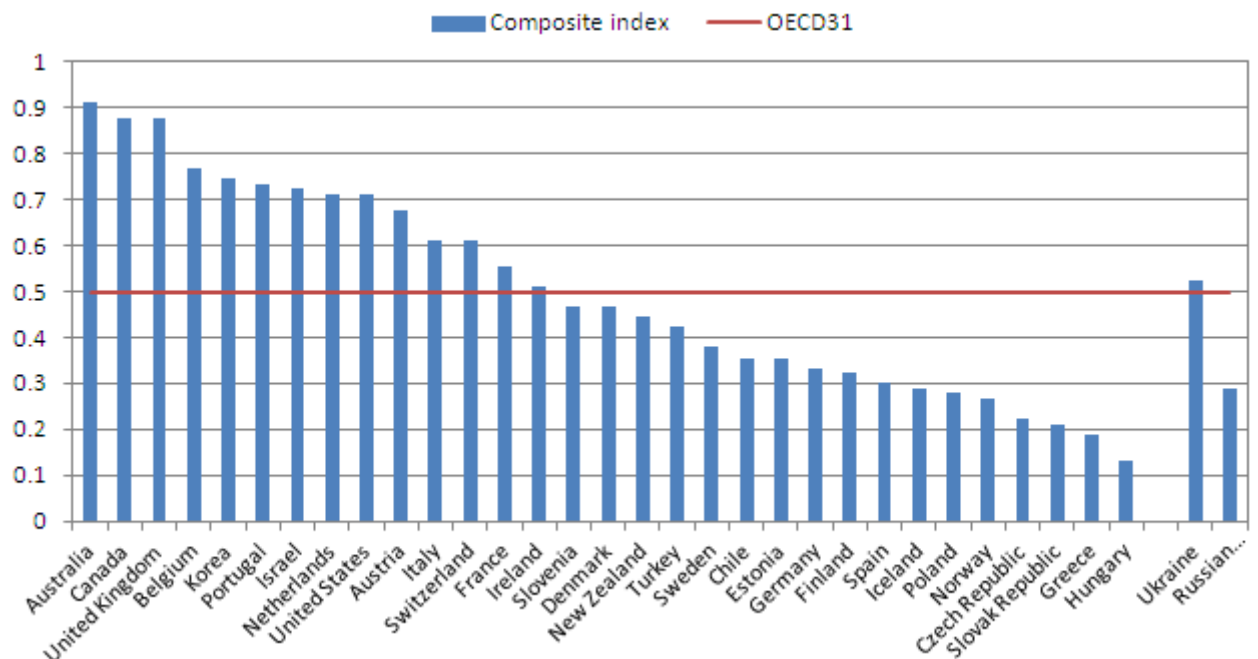
Implementation capacity		Central Hungary OP	Estonia HRD OP	Romania ROP	Podkarpackie ROP	Śląskie ROP	Slovakia R&D OP
Allocation of management tasks							
	Strong						
	Significant						
	Moderate						
	Weak						
Coordination as part of multi-level system							
	Strong						
	Significant						
	Moderate						
	Weak						
Organisational stability							
	Strong						
	Significant						
	Moderate						
	Weak						
Staff qualifications and continuity							
	Strong						
	Significant						
	Moderate						
	Weak						
Human Resource Management systems							
	Strong						
	Significant						
	Moderate						
	Weak						
Administrative adaptability							
	Strong						
	Significant						
	Moderate						
	Weak						
Project generation							
	Strong						
	Significant						
	Moderate						
	Weak						

³⁰ Interview, policy maker, Katowice, 16/4/2007, carried out by the author as part of the IQ-Net research network of regional and national partners from EU Structural Funds programmes.

Project selection							
	Strong						
	Significant						
	Moderate						
	Weak						
Processing payment claims							
	Strong						
	Significant						
	Moderate						
	Weak						
Approach to decommitment issue							
	Strong						
	Significant						
	Moderate						
	Weak						
Financial management and control systems							
	Strong						
	Significant						
	Moderate						
	Weak						
Indicator system and monitoring procedures							
	Strong						
	Significant						
	Moderate						
	Weak						
Data availability							
	Strong						
	Significant						
	Moderate						
	Weak						
Evaluation reports							
	Strong						
	Significant						
	Moderate						
	Weak						
Evaluation methods, culture							
	Strong						
	Significant						
	Moderate						
	Weak						

Notably, although the potential role Cohesion policy can play in strengthening human resource management systems has been made in the literature, the evidence highlights a counter-argument: key success factors in the management of Cohesion policy are existing conditions within administrative systems. HRM systems need to be geared towards recruiting and retaining experienced, skilled and motivated staff. Previous studies on Cohesion policy administration indicate the importance of stability for efficient implementation, emphasising the need for timely reorganisation and continuity of personnel whatever the organisational changes (Wostner, 2008). Administrative stability affects the policy's ability to deliver the intended goals, as it encourages the pursuit of long-term (rather than short-term, discretionary) development policies and strengthens administrative continuity and efficiency (Milio, 2010). Recent OECD work on strategic workforce management reveals the extent to which governments use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning (see Figure 1). This shows that midway through the 2007-2013 period, the use of strategic HRM practices in central governments was below the OECD average in CEE member states.

Figure 1. Use of strategic human resource management practices in central government (2010)



Source: OECD (2011)

Other recent research has looked at the issue of staff turnover in public administration bodies implementing Cohesion policy (specifically ERDF and the Cohesion Fund) (Radzyner et al., 2014). Staff fluctuation referred to the variation of the number of staff over the period from 2007-2013. In the survey, the authorities were asked to describe the levels of staff fluctuation in the ERDF/CF management and implementation structures. Interviewees were asked to estimate the staff fluctuation rate (i.e. the variation of the number of staff in percentage terms) and the direction of variation (whether the staff fluctuation has decreased or increased over the period) (see Table 9). To a certain extent, this research complements the varied findings of the case study research covered in this report. Countries from CEE were mainly assessed as moderate or high in terms of staff fluctuation, reflecting institutional factors highlighted in the case study research: relatively low civil service wages (in comparison to private sector); the politicisation of the civil service (political flux is often tied to changes in staff); and, lack of continuity between pre-accession and post-accession periods. For instance, in Hungary interviewees from the Managing Authority noted that existing training programs and salary levels were insufficient to challenge the outflux of staff to EU-level organisations and the business sphere.³¹ In the Slovakian R&D OP, although the the Annual Implementation Report (AIR) for 2012 considered the level of staff turnover to be at an appropriate level, several interviewees in the Managing Authority identified staff fluctuations to be one of the main reasons for implementation problems. Staff turnover had two main causes: staff leaving to more attractive positions outside State administration and, more importantly, political changes.³² Staff involved in implementing the Estonian HRD OP

³¹ Interview with policy maker, Budapest, 6/3/14.

³² Interview with policy maker, Bratislava, 28/10/13.

are assessed to be experienced and sufficiently qualified. Staff turnover is high although personnel tend to move around in Structural Funds administration rather than leave it entirely. To an extent, this practice compensates for the absence of a comprehensive HRM system.

Table 9: Level of staff fluctuations in ERDF/CF implementation structures

Member States by level of staff fluctuation in 2013		
0%-5% Very low	Austria national	↓
	Belgium (OP Flanders)	↑
	Germany (OPs Hessen and Saxony)	↓
	Ireland	↓
	Italy (OP Governance and TA)	↓
	Malta	↓
	Poland	↓
	United Kingdom	↓
5%-10% Low	Bulgaria	↓
	Greece	↓
	Italy (OP Puglia), Italy (OP Bolzano), Italy (OP Research and Competitiveness)	↓ ↑
	Netherlands	↑
	Portugal	↓
10%-25% Moderate	Czech Republic	↓
	Germany (OP Brandenburg)	↓
	Estonia	↓
	Finland (OP Aland Islands)	↓
	Hungary	↑
	Lithuania	↑
	Romania	↑
	Slovenia	↓
United Kingdom (OP West wales and the Valleys, OP East Wales)	↓	
25-50% High	IT (OP Friuli Venezia, Giulia)	↓
	Luxembourg	↓
	Romania (OP Increasing Economic Competitiveness)	↑
	Slovakia	↑
Over 50% Very High	Austria (OPs Vienna and Burgenland)	↑
	Belgium (OP Brussels-capital Region)	↑
No information on fluctuation in % terms but on trends	Cyprus	↑
	Finland (national)	↑
	Latvia	↑

Source: Radzyner et al. (2014) p59.

Poland provides an exceptional case, where staff turnover is judged to be low. In Poland, for example, due to an increase of salaries for EU funds for employees who are co-financed through TA resources, the staff fluctuation decreased from 20-25% at the beginning of the period to less than 5% by the end of the period (Radzyner et al., 2014). However, this research notes the scope for significant sub-national variation. In Śląskie, administrative and staffing arrangements have been consistent during the 2007-2013 programming period. However, staff turnover was an important issue between programming periods.³³ According to an OECD review, relatively low levels of remuneration in sub-national governments in Poland limited their ability to recruit and retain qualified staff. Staff have often left when

³³ Interview with academic expert, Katowice, 16/10/13.

offered positions in the private sector, creating a problem with turnover that increased the costs of hiring and training (OECD, 2013). In Śląskie, experience gained in implementing the Integrated ROP in 2004-2006 both in the regional government was undermined by organisational and personnel flux. According to the ex post evaluation, three out of four staff members in the Managing Authority tasked with implementing the ROP 2007-2013 had no experience of implementing the funds in the 2004-2006 period. The situation is repeating itself in preparations for the 2014-2020 period: none of the team responsible for developing the ROP 2007-13 strategy is working on the new ROP in the Managing Authority now.³⁴

Although implementing Cohesion policy should improve coordination and the efficient division of tasks across and between institutional frameworks and administrative levels (through the model of multi-level governance and the principle of subsidiarity), case study results again indicate significant challenges. Efficient Cohesion policy delivery has been challenged by coordination issues between national and sub-national tiers of public administration. This is particularly apparent in cases involving regional OPs. In order to avoid duplication, the Polish government introduced a so-called 'demarcation line'. This was based on a table of common areas of EU funds intervention and introduced different criteria to avoid double financing of projects in different operational programmes. Identification criteria included the type of project beneficiary, the value of the project and its location. The demarcation line between the national Innovative Economy OP and the Śląskie ROP has created some problems for the implementation of support for innovation and R&D activities in micro-enterprises and SMEs in the region. The demarcation line determines the level of eligible funding from national and sub-national levels. In practice, this means that the maximum amount of grant in the ROP is 750,000 PLN (around €180,000) for all types of companies (micro, small and medium sized). This is not seen as a sufficient incentive to achieve significant results, especially given the higher levels of funding available in the national OP. Moreover, the demarcation line differentiates by type as well as size of project: at the regional level ERDF can only support research infrastructure not research itself. Consequently, potential ROP beneficiaries have looked to the national Innovative Economy OP for support.³⁵

In the case of the Central Hungary OP, interviewees stated that no workable regional strategies and synergy effects are possible at the NUTS 2 level without a commensurate level of institutionalisation. This is lacking in the Hungarian case where the trend has been to recentralisation and national coordination of all regional programming and toward project competition between municipalities. Thus the fact that the Central Hungarian Region has very little coordinating capacities results in a highly fragmented pattern of project development, particularly with regard to smaller projects of local impact. According to a representative of the OP Managing Authority, without a strong regional-level administrative tier to support coordination, municipalities compete against each other for individual

³⁴ Interview with former policy maker, Katowice, 17/10/13.

³⁵ Interview with academic expert, Katowice, 15/10/13.

measures that are not strategically related, often despite close proximity, resulting in a costly and wasteful duplication of investment.³⁶

Coordination is less challenging in a smaller country, such as Estonia, where administration is centralised. Here, there is greater scope for the use of informal communication channels and regular meetings. Nevertheless, the Estonian management system has encountered coordination challenges: there are a large number of sectoral intermediaries and the tasks of different bodies sometimes overlap. The limited success of efforts to coordinate different policy fields caused by 'silo' mentalities in member state ministries and departments has already been noted (see Section 4.1.3). Weaknesses in central coordination have led to the 'atomisation' of development programmes, restricted synergies, and limited harmonisation between national and EU sources and between Cohesion policy programmes and funds. Although much less priority was attached to national/sub-national coordination in cases involving national, sectoral programmes, uneven sub-national administrative capacities were also noted as an institutional weakness.

An important coordination issue concerns the extent to which managing authorities implement Cohesion policy programmes in conjunction with external agencies and actors. Delegation of responsibilities for implementation can be both an asset and a problem. On the one hand, performance can be improved by drawing on the specialist expertise and experience of organisations outside of the Managing Authority. This reflects the growing role of networks, division of responsibilities, NGO and social participation and multi-level governance principles in contemporary Cohesion policy and regional policy theory. Moreover, the growing complexity of the development situation and drivers in globalised economy suggests the need for more flexibility and a wider distribution of powers. On the other hand, delegation inevitably creates issues of control and the importance of financial absorption and performance management in Cohesion policy must be considered in this context.

In the case studies, a general trend has been to limit the involvement of external organisations in the implementation process. Evaluations of the implementation system in Hungary have noted the focus on speed and compliance with no "time-consuming" coordination between different stakeholders (other MAs or ministries responsible for related policies). This implementation system is considered a financial allocation mechanism rather than a strategy-led model. The changes introduced after 2007 reflect this overall approach as all MAs were centralised to a single government agency (the National Development Agency - NDA). Implementing Body tasks were concentrated in a reduced number of bodies (15 instead of the previous 22) and they were granted more responsibility to carry out technical rather than strategic issues (e.g. regarding the eligibility of project applications). The aim of these reforms was to improve efficiency and control by limiting fragmentation and duplication. Reflecting this, Service Level Agreements (SLA) between MAs and IBs were introduced in 2012 to make the performance of the IBs measurable. Although the introduction of the SLA system was evaluated as a success by the NDA, the response of

³⁶ Interview with policy maker, Budapest, 6/3/14.

IBs was more critical: according to interviews, the introduction of the SLA demonstrated the overly bureaucratic perspective of the NDA.³⁷ Evaluation research concluded that the changes exacerbated the above-mentioned lack of co-ordination in development policy: the cost of good performance in absorption and compliance was bad performance in strategic results and impacts (Balás and Kiss, 2011).

In Poland, the view is that programmes can best be managed and controlled by one institution and the tendency to centralise is clear in regional self-government bodies. For instance, a major change introduced for the 2007-2013 shifted responsibilities for the implementation of the measure in support of entrepreneurship from the Upper Silesian Regional Development Agency (GARR) to the Śląskie Centre of Entrepreneurship, a body set up by and responsible to the regional government. For the 2007-13 period, GARR oversees the implementation of six support measures of the Innovative Economy OP. This is indicative of fragmentation and duplication in the regional business support environment. Similarly, in Podkarpackie, interviewees argued that a change in management outlook is needed in order to obtain more strategic results from Cohesion policy in the field of innovation and R&D. Administrative capacity is judged to be sufficient for the management and implementation of the ROP 2007-2013 but this is because the ROP strategy takes a relatively simplified approach to development support with a broad interpretation of 'innovation' that allows investment in relatively straightforward infrastructure projects. However, there are doubts about whether capacity is sufficient to pursue a more sophisticated development path. If more focus is to be placed on the strategic contribution of Cohesion policy investment (rather than financial absorption) administrative capacity would have to be boosted through the training of administrative staff and the introduction of a less centralised approach with the coordinated input of regional stakeholders.³⁸

4.2.2 Insights from specific stages in the implementation process

These institutional challenges and dilemmas were evident at different stages of the CP implementation process:

4.2.3. Project preparation and selection

The process of project preparation and selection is crucial in deciding the achievements of Cohesion policy: it is at this stage that decisions are made on the interventions that Cohesion policy funding will support. However, according to previous research, impact in terms of adding value to domestic institutional arrangements is limited: there is a feeling that complex processes mean that "Structural Funds subsidies are not worth the effort" (ÖIR (2003) Institutional factors are crucial to the functioning of Cohesion policy processes of project preparation and selection: domestic regulatory contexts can either facilitate or complicate the selection of specific project types; the allocation of responsibilities and coordination between central and regional levels can add extra complexities to the process; limits in capacity can have an impact on the quality of the process and there can be

³⁷ Interview with policy maker, Budapest, 4/3/14.

³⁸ Interview with academic expert, Rzeszów, 24/6/13.

fundamental problems linked to the prevailing administrative and political culture (e.g. degree of political influence, levels of trust among policy-makers and stakeholders etc.). The learning period also seems to be very important for the improved functioning of project preparation and selection processes. Countries and regions with longer experience, better know-how, as well as longer democratic traditions and therefore greater trust in politics, seem to accept more subjectivity in the project selection processes, i.e. they are more conducive to open calls, which allow for more innovation and less administratively intensive procedures. Where this is not the case, preference seems to be given to stricter, more quantified approaches (Wostner, 2008). All of these factors are relevant to CEEC and are prominent in the research case studies.

The quality of Cohesion policy project preparation and selection systems in the case studies has generally improved over time in terms of accountability and transparency. For instance, in Slovakia selection criteria frameworks are becoming more transparent, there is more involvement of stakeholders in preparing project calls and external evaluators and experts are increasingly involved in the selection process. (Rambøll Management Consulting, 2012) Similarly, in Estonia the systems and capacity for effective project selection were viewed positively. For example, the open calls project applications were assessed by 2-5 experts or discussed in measure level committees, and selected according to measure level criteria defined in decrees. Management and implementation in Hungary are also assessed to have functioned relatively well in terms of assuring an efficient process of project application, selection and funding.

Nevertheless, there was common criticism of the capacity for project generation and selection processes to contribute to the strategic impact of Cohesion policy. Generally, there has been high demand for projects. The problems relate to extensive use of open calls and varying quality of project applications. Open calls, the broad objectives of programme strategies and mainly poor quality of domestic local and regional strategies do not support the strategic steering of interventions. In several cases gaps or uncertainties in CEEC domestic regulatory frameworks complicated the process. This applied in particular to state aid rules and public procurement requirements that potentially limited the types of beneficiary and/or interventions eligible for support. Public sector needs for accountability and transparency on the face of this uncertainty led to extensive checking, revisions and bureaucracy. There were also problems in setting target values and indicators which could measure the results and impacts of the implemented measures. This is due to lack of experience and expertise. Output indicators tend to involve basic information that captures little of the strategic impact of the programme. This is an issue in particular for complex, innovative interventions, including those supporting RTDI. In part, this issue related to capacity deficits. For example, in the case of Podkarpackie R&D projects presented a challenge in terms of their assessment: in general in Poland before 2007 there were very few evaluators able to assess the value and quality of R&D (innovation) projects. This resulted in rather simplified indicators of what is or what is not a high quality innovation or innovation related project (Kozak 2013). The capacity of beneficiaries to produce high quality project plans was also variable in the cases. In Estonia, the capacity of local administrations to manage project proposals varied: some had a professional team of specialists who developed innovative, competitive project applications while financially weak municipalities

lacked little the administrative capacity to prepare applications. In Śląskie, there are plans to set up local structures to support applicants, particularly those from disadvantaged areas.

This in turn is linked to the institutional context and prevailing administrative and political cultures. Capacity issues, combined with low levels of trust between public administration bodies and the different levels of the implementation structure mean that priority is attached to projects that will ensure absorption and avoid decommitment and fraud. In Romania, project approval was based on strict financial considerations.³⁹ Preference is given to formal, administrative rather than substantive criteria for project selection. The vagueness of selection criteria also stems from the fundamental tension between setting institutional arrangements for regulatory compliance and financial absorption, on the one hand, or for strategic development on the other. The need to measure and give evidence of performance over the short term (i.e. the programme period) prevents funding projects with the potential to initiate real change, notably risky and more complex interventions. In Podkarpackie and Śląskie, the view is that a new understanding must be reached between the Managing Authority and beneficiaries, to move away from expectations that are still based on traditional development models (e.g. high spending on infrastructure, support for relatively simple projects at the expense of development-oriented interventions): a careful balance needs to be struck between the risk a programme can take and the need for financial performance and regulatory certainty.⁴⁰ It should be noted that although these concerns are prominent in CEEC, they are apparent in other Member states: a DG REGIO study has pointed to similar issues in Greece and urged for a change in thinking.

4.2.4. Financial control, audit

The emphasis placed on the financial management, control and audit of Cohesion policy offers operational benefits, potentially boosting the administrative capacity of bodies implementing the programmes. The Commission's stated approach to financial control and audit that it sought to improve effectiveness, focus on performance and provide more 'value-for-money' training in financial management, audit and control (Knill and Balint 2008). However, rather than a 'performance model' of audit that would assess the efficiency and effectiveness of public programmes by complementing financial accounting with output-oriented, qualitative indicators, a 'compliance model' dominates, focusing on legal and administrative compliance, and the probity and propriety of administration, financial systems and systems of management control. The implications of this approach for long-term strategic development are perceived to be largely negative: additional administrative burdens and increasing staff resources are dedicated to 'policing' systems, rather than in improving performance (a 2008 survey of managing authorities in 15 Member states concluded that financial management, control and audit were the 'primary focus of programme staff', Davies et al. 2008) ; the emphasis on audit and control may exacerbate distrust; programme priorities can be influenced, stifling risk-taking and innovation. As Mendez and Bachtler note "these effects are not isolated to the EU level, but are being

³⁹ Interview with beneficiary, Bucharest, 14/11/2013.

⁴⁰ Interview with policy maker, Rzeszów 27/6/13.

transmitted to delivery systems in the Member states through the system of shared management during the implementation of Cohesion policy” (Mendez and Bachtler, 2011).

Previous research indicates that although apparent across the EU, this behaviour was most evident in the Member states acceding to the EU in 2004 where institutional weaknesses, stemming from lack of knowledge, experience and capacity prompted an excessive emphasis on “compliance” in administering the Funds. The priority was often to spend the money correctly (Bachtler et al. 2009). Systems in CEECs were designed to ensure procedural correctness rather than facilitating access to EU funds by applicants; double and triple sets of checks were required for payment requests, slowing down the disbursement of grants. (Oraze 2009). These findings are confirmed by evidence from the case study programmes. Generally, processes are clearly defined and have facilitated fast absorption. Financial management is tightly regulated and bureaucratic. In the Central Hungary OP, the focus on compliance has led to excessive bureaucracy, a constant awareness of a possible audit at every level and a risk-avoiding modus operandi. As a result of this fear of chastisement and/or rejection of internal operating procedures, neither the National Development Agency nor IBs were able to operate in a flexible manner: *“we tried to play a 120% safe game (...) we wanted to be doubly sure of everything”*..⁴¹ Similarly, in Estonia tight financial control and commitment on absorption has facilitated fast financial progress of HRDOP and there has been very limited misuse of funding. However, the emphasis placed on absorption was found to make the implementation of OPs and projects over-controlled and monitored as well as administratively burdensome. The financial control procedures were also criticised for being formalistic in nature, placing emphasis on correctness of financial documents rather than appropriateness of OP and project goals (see Applica-Ismeri-wiiv 2008). One of the main reasons for burdensome financial management and audit procedures was the overlaying of Commission directives with domestic control processes.⁴²

4.2.5. Monitoring and evaluation

The monitoring and evaluation obligations of Cohesion policy (which are in some cases more rigid and comprehensive than those in use in the domestic policies of Member states) is increasingly seen as crucial to its long-term impact. A range of benefits can be identified. By stimulating a process of learning, identifying aspects of Cohesion policy that deliver added value and feeding this information back into the policy process, monitoring and evaluation activities provide a means through which to improve the quality, relevance and impact of programming. The transparent provision of periodic and up-to-date information on the performance of programmes also contributes to ensuring the accountability, and, ultimately, legitimacy of EU expenditure. Finally, in some countries monitoring and evaluation capacity is being extended to strengthen ownership and partnership amongst actors with a stake in programmes. In fact, monitoring and evaluation is seen as one of the clearest examples of policy learning between Cohesion policy practice and domestic policy systems. In several cases, Cohesion policy has been credited with growth in the status attached to monitoring and evaluation, reflected in the number and quality of studies carried out and the expansion

⁴¹ Interview with policy maker, Budapest, 6/3/14.

⁴² Interview with policy maker, Tallinn, 25/9/13.

of overall evaluation capacity (Bachtler and Wren, 2006). The capacity to monitor and evaluate Cohesion policy has grown over the past two decades across EU Member states. This can be seen in the increasing level of human resources dedicated to these activities in public administration, growing awareness of the benefits this offers to public administrations, the accumulation of experience and skills within public authorities, and the quality of monitoring data on which evaluations can be built. Overall, the wider administrative environment in Member states has become more conducive to, or enabling of, monitoring and evaluation (Polverari et al., 2007).

Growth in monitoring and evaluation capacity as a result of Cohesion policy is prominent in CEECs and this is reflected in case study evidence. The emergence of a monitoring and evaluation systems in CEECs is directly connected to the management and implementation of Cohesion policy. At the time of accession to the EU, monitoring and evaluation were virtually non-existent in public administrations in these countries but since then systems have developed rapidly. This includes the establishment of monitoring systems and the evolution of the demand and supply side of the evaluation market.

There are now increasingly sophisticated monitoring systems and dedicated evaluation units at central level and, increasingly, in the managing authorities of sectoral and regional operational programmes. Evaluation markets are expanding, drawing in domestic as well as international participants. This expansion is based largely on growing demand for studies of EU-funded programmes through successive programme periods. Contracting Authorities and evaluators are developing a wider range of methodological techniques. A more participative approach to evaluation is emerging: there is growing awareness that interaction between administrators, experts and various partners can inform the design and delivery of studies, increase the sense of ownership amongst policy-makers and other interests and strengthen responses to evaluation results.

Among the case studies, the expansion of evaluation capacity is most noticeable in Poland. This is arguably due to Poland's status as the largest net beneficiary of Cohesion policy funding and the complex management and implementation system that incorporates a large number of sectoral operational programmes and regional programmes that are allocated an increasing share of overall funding. The National Evaluation Unit (KJO) in the Ministry of Infrastructure and Development undertakes increasingly sophisticated studies and has cooperated with the Central Statistical Office to strengthen the monitoring system. According to new legislation being finalised in 2014, the unit will in future be responsible for coordinating the evaluation of all development policies (i.e. not just Cohesion policy). Capacity is also expanding rapidly at the regional level in Poland, reflecting the increasing share of Cohesion policy funding implemented at that level. There are now 58 regional evaluation units in the country. In Śląskie, there is a dedicated monitoring unit in the MO and the monitoring system is strong, allowing data to be analysed in a variety of ways. The Managing Authority evaluation unit has a staff of 4-5 people who are well-trained in evaluation practice: progress in in terms of the quality, technical and methodological complexity of evaluations has been very fast.

In the other case studies capacity for monitoring and evaluation has also grown. In Estonia, for instance, this expansion is related to a strong commitment to absorption, the financial (and physical) progress of the OPs was actively monitored and, in particular, the financial information in the monitoring system was accurate. There is a strong emphasis on presenting financial information in the AIRs and this has been used to detect implementation problems. According to the interviewees, emphasis was placed on adopting evidence and evaluation based policy making during the programme period and the capacity for policy learning had significantly improved during the programme period. For example, Enterprise Estonia had hired new evaluation personnel during the programme period and some personnel responsible for evaluations of the Structural Funds were moved to State budget Departments so that evaluations would feed directly into policy planning (Kalvet 2012: 22).

Nevertheless, in all the case studies, experience of monitoring and evaluation is still limited and institutional weaknesses continue to hamper the use of monitoring and evaluation to boost the impact of Cohesion policy. In this respect, it is important to differentiate between the rapid establishment of formal monitoring and evaluation structures and the long-term development of a culture that utilises the results produced to improve policy-making. Evaluation units are still building capacity to commission, lead and coordinate a rapidly growing number of studies, often in fluid institutional environments. A high number of evaluations are being produced, ranging from measure and policy specific studies to 'meta evaluations' covering all OPs. However, the emphasis remains on evaluations of process (although more impact evaluations are now being carried out). The quality of evaluations can be uneven as new consultancy companies develop evaluation experience. The involvement of academia in evaluation theory and practice remains limited in these countries, with negative implications for the quality of research. A basic obstacle to the utilisation of evaluations in public administrations is the weakness of monitoring and indicator systems for measuring the impact of Cohesion policy and public policy in general. Additionally, although evaluation cultures are emerging in these countries, this is tied to those parts of public administration involved in the management of Cohesion policy. There is need to ensure that the function of evaluation as a tool for policy learning and management is broadly understood. There is still a lack of experience and understanding of 'evidence-based' policy, reflected in the weak connections between those responsible for programming and those responsible for monitoring and evaluation. This meant that programmes were not designed with monitoring and evaluation of effectiveness in mind. In Estonia, despite the active monitoring of programme progress, decisions were not actively based on monitoring information. This also applies to use of evaluations as input for policy making. Evaluation is still often regarded as a means of responding to the most pressing current needs rather than from a long-term perspective. In Poland, the short-term perspective limits the scope to fully evaluate effectiveness. According to evaluation consultants, there is very little policy learning from evaluation as the culture of evidence based policy making has yet to become established.⁴³ Cost is still an important criterion in the contracting of evaluations and this clearly has an impact on the quality and depth of the

⁴³ Interview with evaluation expert, Katowice 17/10/13.

methodological approach adopted to evaluate effectiveness. In Slovakia, criteria to select an evaluator are predominantly focused on price rather than quality. Public procurement regulations can also have a negative impact on the timing and quality of evaluations.⁴⁴ The experience and quality of research available on domestic CEEC evaluation markets is still limited, including lack of engagement from academic/scientific communities (although the situation is gradually improving (Kot, 2014)).

5. Conclusions

The extent to which Cohesion policy (CP) delivers true and long-lasting socio-economic transformation is very challenging to assess and its impact has been questioned from the beginning. There are several reasons for this: the shifting objectives of Cohesion policy over time, notably the shift toward growth and competitiveness over equity and cohesion; the multi-dimensional character of cohesion, incorporating economic, social and territorial components; the need to consider the fundamental role played by domestic socio-economic contexts, institutional settings and policies in the achievement (or hindrance) of the goals of Cohesion policy; and, the difficulty of obtaining complete, comparable and quality data on programme achievements.

According to data analysis and case study research, the **financial and physical performance** of Cohesion policy programmes in the 2007-2013 period in CEEC is generally strong. Emphasis is placed by managing authorities on absorption of EU funds: timely spending, auditing and monitoring in order to ensure fast and appropriate use and legitimate expenditures. CEECs have been affected by the experience of pre-accession conditionality which induces them to greater compliance with EU requirements in comparison to the old Member states. Moreover, the financial crisis has driven the absorption of funds. Despite this, an important finding of the research is some variation between priorities within programmes. Some specific headings related to the Europe 2020 agenda (including investment in Research & Development, technology and innovation) have struggled in terms of performance. This is often due in part to the involvement of a large number of small, complicated projects with low levels of funding, involving a range of beneficiaries that often have little experience of these types of interventions.

The achievements of Cohesion policy in CEECs can also be considered under '**added value**' i.e. the value resulting from the Community assistance that is additional to that which would have been secured by national and regional authorities and the private sector. The most positive views of CP achievements come from qualitative assessments of how value has been added to the governance of economic development. There is evidence to suggest that implementation of EU Structural Funds has had a wider influence on the delivery of economic development policy in CEEC. This process is notable through the broadened range of actors involved, the empowerment of sub-national administrative levels and the introduction of CP management and implementation 'good practice' principles in domestic policy fields.

⁴⁴ Interview with evaluation expert, Bratislava 6/10/13.

5.1. Assessing long-term impact of CP in CEECs

Assessing the long-term influence of Cohesion policy on development in CEECs is more challenging. An obvious point is the limited timescale of Cohesion policy implementation in CEECs in comparison to EU15. The potential for impacts to become apparent is obviously constrained. It is also arguable that tensions and trade-offs intrinsic to Cohesion policy are particularly acute in the CEE context, making it more challenging to identify the most important CP goals. Notably, Cohesion policy prioritises 'convergence' but this can mean convergence of member state economies with the EU average or convergence of regional economies with the national average. CEE Member states continue to face the dual challenge of economic catch-up with EU development averages while tackling entrenched internal regional economic disparities.

Responding to these constraints, the relationship between the strategic quality and implementation capacity of Cohesion policy and institutional factors can be assessed in order to develop insights on potential impact over the longer term. The impact of Cohesion policy on the economic development of specific territories can be assessed through the 'institutionalist lens'; hypothesising that there are positive relationships at work between CP and specific institutional settings in CEE, and that, on the basis of this it is reasonable to conclude that over the long-term that Cohesion policy will encourage innovation, mutual learning and productivity growth. Key headings to assess the interaction between Cohesion policy and institutional factors are strategic quality and implementation capacity (i.e. focusing on the strategic design and administrative implementation of development programmes).

An assessment of CP programmes shows that **strategic quality** is evolving and, generally, improving (in terms of evidence base, analysis, strategic focus). Approval of the 2007-2013 programmes was straightforward across cases. There is also evidence of CP transfer as the programming process had some impact on institutional settings. This is apparent in the emergence of new regulatory frameworks (e.g. relating to ex-ante evaluations, public procurement etc.). There is also broader stakeholder involvement in developing programme strategies, raising awareness of the potential role of actors in development of a territory. The language of development policy has also changed, reflecting CP emphasis on Europe 2020 themes. There is awareness of new approaches beyond infrastructure support in strategic thinking (e.g. concerning the development of labour force skills to match regional economies). This suggests a potential impact of CP strategies on institutional settings in the longer-term.

However, these examples of CP transfer to institutional contexts strengthening strategic quality were outweighed by negative interactions. Domestic institutional conditions have had adverse impacts on the quality of CP strategies themselves. CP programmes are often the only strategic economic development documents with substantial associated funding. In effect, there is often no important domestic framework for CP objectives to be transferred to. These limitations are compounded by weak institutional arrangements to coordinate CP strategies and their domestic equivalents. Efforts to transfer CP programming onto domestic institutional systems had detrimental effects: rather than contributing to stronger strategic integration, domestic institutional characteristics and tensions undermined the strategic

quality of CP programmes. The 'silo' mentality of ministries made it difficult to prioritise strategic goals: CP objectives were often divided among ministries and departments according to traditional ministerial portfolios or political bargaining rather than strategic logic. The division between national and regional administrative levels imposed limits on the size and type of projects at sub-national levels, constraining their strategic scope. The process of improving strategic quality through CP transfer was also impeded by the fragmentation of funding across a range of interventions, including a plethora of small projects, creating overlaps, administrative burden and scattered results. This reflects the tendency for local elites to compete rather than cooperate in securing CP funding and restrictions to the potential for collective action, due to weak associative capacity (recognised in the literature as an institutional weakness). This constraint on CP transfer of strategic quality was strengthened by the use of competitive project calls in programmes.

There was also a mismatch between programme rhetoric and resource allocation. Strategic documents prepared in CEEC increasingly adopt a pro-Lisbon outlook 'on paper', referring to the need to modernise the economy, increase competitiveness, etc. However, when specifying the direction of activities (outlined by the allocation of resources for particular tasks), they echo the traditional regional policy paradigm, prioritising investment in infrastructure. Strategies allocate significant amounts for infrastructure rather than for Europe 2020 priorities because this is where the interests of managing authorities and beneficiaries coincide: beneficiaries get support for projects which have immediate, tangible effects; authorities get assurance of substantial, timely expenditure. Related to this was an overriding focus on financial absorption, conditioned by the decommitment rule, which stipulates that the Commission can withdraw funding if the finance committed to an EU-funded project was not spent within three years. The process of transferring CP principles to improve strategic quality suffered as programmes were left broad to encourage fast spending. A 'catch all' approach dominated in order to access maximum funding. CP success was measured mainly by the level of expenditure not strategic quality. This emphasis on absorption, alongside strategic vagueness and the rigidity of control, has produced scattered effects and the overall impact has been diminished at both regional and national levels. Greater effectiveness could be achieved by reversing these emphases: more autonomy and flexibility in implementation should be ensured within a focused and well defined strategic framework.

There is some evidence that the transfer of EU **administrative principles** can contribute to stronger more integrated systems for the delivery of regional policy. This is demonstrated in regulatory changes introduced at the prompting of Cohesion policy. Overall, the process of implementing CP has contributed to expanding the size of public administration, including at sub-national levels where capacity in several CEECs was traditionally weak, increasing the level of technical capacity and skills. There is also evidence of the transfer of operational approaches from CP to equivalents in the administration of domestic interventions (e.g. use of monitoring systems, growth of evaluation capacity). Moreover, the transfer of EU principles of subsidiarity and partnership were evident as some sub-national administrations and regional-level economic and social organisations are more embedded in the process of regional policy-making, although this is most evident where pre-accession reforms included the establishment of self-governing intermediate units. It should also be noted that

Cohesion policy management and implementation systems are often at the forefront of new technology and innovative approaches to public management.

However, the research also identified examples of domestic institutional weaknesses that constrained the implementation of Cohesion policy, limiting the developmental impact of the funds. These included: lack of continuity and coherence in the implementation of policies by institutions; institutional instability; lack of capacity, and gaps in multi-level governance frameworks. There were problems with understaffing and high turnover of employees. This was caused by low civil service wages in comparison to private sector; the politicisation of the civil service (political flux was often tied to changes in staff); and, lack of continuity between pre-accession and post-accession periods. The research also indicated institutional barriers that created coordination issues between central ministries and departments, between national and sub-national tiers and between Cohesion policy managing authorities and stakeholders: political rivalries, sub-optimal allocation of tasks and resources between administrative tiers and limited trust and associative capacity.

These institutional challenges were evident at different stages of the Cohesion policy management and implementation process. Overall, the quality of Cohesion policy project preparation and selection has improved in terms of accountability and transparency. However, the capacity of these systems to strengthen the strategic impact of Cohesion policy is undermined by weaknesses and uncertainties in domestic regulatory frameworks, lack of experience in programme authorities and low levels of trust and risk aversion in prevailing administrative and political cultures. The emphasis placed by the European Commission on the 'compliance model' for the financial management of Cohesion policy, reflected in multiple audit procedures, is evident across the EU. However, it is particularly noticeable in CEECs where institutional weakness has prompted an excessive preoccupation with compliance at the expense of strategic performance. This in turn has led to increased bureaucracy and administrative burdens for programme authorities and beneficiaries and a tendency to avoid risky or innovative projects. Finally, significant developments are apparent in monitoring and evaluations systems for Cohesion policy. The capacity of these systems has grown rapidly over the past 5-10 years, demonstrated by the increasing level of human resources dedicated to these tasks and the quality of monitoring data and evaluation studies. Moreover, there is evidence from the case studies that these practices are being increasingly applied to domestic, non-Cohesion policy fields. Nevertheless, experience of monitoring and evaluation is still limited. There are problems in setting target values and indicators which could measure the results and impacts of some interventions. This was an issue in particular for complex, innovative interventions, including those supporting Europe 2020 aims. Capacity deficits were also evident in project preparation and selection and there are examples where the CP implementation system and the domestic institutional context have combined to create an inefficient, fragmented implementation system. It is also important to differentiate between the rapid establishment of formal monitoring and evaluation structures and the long-term development of a culture that utilises the results produced to improve policy-making. Although evaluation structures are formally in place there is as yet little learning from evaluation as the culture of evidence based policy is not yet part of domestic institutional traditions.

5.2. Implications for Europe 2020

The research confirms recent studies that have focused on the role of institutional endowments in enhancing development investment. For instance, Resmini and Casi (2013) conclude that the impact of FDI in regions is constrained by the variable endowment of regional human and social capital, behavioural modes, values and trust. Fratesi and Perucca (2014) arrive at similar conclusions in their conceptualisation of 'territorial capital' and their empirical analysis of its role in CP impact in CEE: CP impact depends on the type and amount of territorial capital possessed. Labour market policies are only effective when there is in the region a presence of high value functions; entrepreneurship, innovation, information and telecommunication policies are only effective when the region is endowed with human capital, while their impact in regions not endowed is not positive. These findings have implications for Cohesion policy's support for Europe 2020 objectives and in turn for long-term sustainable development in CEECs. Financial and physical performance under specific Europe 2020 themes has been moderate in comparison to other interventions in the 2007-2013 period. 'Innovation' is often defined broadly to allow spending on infrastructure. There is a similar focus on research infrastructure, technology parks, research centres and buildings or fixed assets. This can absorb investment and is beneficial in boosting 'demand side' growth and higher consumption. However, there are sustainability issues as infrastructure will have to be maintained after Cohesion policy investment ends. Moreover, this approach means less emphasis on 'supply-side' impacts that arise through the gradual build-up of "stocks" of infrastructure, human capital and R&D, reducing the beneficial output and productivity spillovers that can be generated both during and after the Cohesion Policy programmes. Problems with strategic quality and lack of a strategic vision mean that funding has tended to be distributed widely across large numbers of projects and this has had a particularly detrimental impact on some Europe 2020 headings where emphasis is placed on collaborative links between local authorities, businesses, research centres and academia.

The significance of Cohesion policy for regional development is evident in all cases and argues for a continued role for investment in these countries. However, Cohesion policy funding is often spent according to short-term considerations, either responding to urgent problems or political considerations rather than long-term strategic development. Administrative staff are trained in the mechanisms of spending Cohesion policy funding efficiently (e.g. meeting eligibility requirements, regulations and 'decommitment' rules etc.) but often do not possess the knowledge in specific fields or policy areas that would allow them to assess the innovative worth of project ideas. Moreover, the focus has been on areas where authorities had implementation experience and where impacts are immediate and tangible, particularly infrastructure. Moves to more sophisticated interventions, particularly RTDI, and entrepreneurship but authorities have struggled to implement actions in this field. This highlights issues of strategic quality: stronger thematic concentration around Europe 2020 headings; strategic guidelines for the programmes should be more concrete and clearly specify objectives, structure of finances allocated, selection criteria etc.; a clear justification and logic to ensure that a learning process is also taking place; more autonomy and flexibility in implementation should be ensured within a focused and well defined strategic framework. In terms of implementation, there should be: simplification of the regulations

(particularly around financial control); administrative capacity building for programme managers and stakeholders, particularly at sub-national levels; more flexible administrative processes for more complex, innovative projects. Experts are involved in the project selection process but there is insufficient weight given to strategic, innovative aspects. There is very limited tolerance of risk and there has to be a stronger emphasis on risk assessment in innovative projects. This requires more training for staff in the Managing Authority or implementing body.

This poses fundamental questions for the spatial and thematic orientation of future Cohesion policy investment in CEECs. Who is Cohesion policy for, where should it be invested, what should it be invested in and how should it be implemented? On the one hand, if European Structural and Investment Funds are more effective where existing institutional conditions are strong, there is an argument for concentrating funding on those more developed locations. However, this move would raise the broader issue of the function of Cohesion policy and have important implications for Central and East European Member States. Clearly there would be potential short-term gains from funding flowing only to poorer countries and regions as these would be mainly located in Central and Eastern Europe. However, the fastest-growing areas in these countries could lose out. This could relate to Mazowieckie, Budapest, Prague, etc., which are areas currently being targeted by development policy as vital drivers of national economies and convergence at EU level. This move would mark a downgrading of Cohesion policy within the EU budget and possibly less interest in EU15 Member States in how the funding is spent. The likelihood is that Cohesion policy funds would be diverted to other budget headings which are not pre-allocated to specific areas.

On the other hand, the case for retaining Cohesion policy across all regions, including in richer areas, has been made in several other contributions to the debate on geographical targeting. The European Commission and European Parliament have always argued for a pan-EU Cohesion policy to support all Member States, with a higher concentration of funding in the less-developed EU regions. There are positive implications for Central and East European countries of retaining EU-wide coverage for Cohesion policy. First, this would confirm the status of Cohesion policy generally and ensure that all Member States are part of it. Thus ensuring continued interest in and commitment to the policy. Second, it would avoid Cohesion policy being seen as a kind of 'welfare policy' aiming mainly to compensate less prosperous countries and with fewer resources available. The universality of spatial coverage would ensure that faster-growing CEE regions continue to benefit from the policy even though they no longer qualify for less developed region funding. Finally, it would also maintain a common framework for sharing experience and knowledge exchange on regional development across the EU which is important for Central and Eastern European countries.

On the other hand, there are still some issues and challenges with this scenario for countries in Central and Eastern Europe. If Cohesion policy continues to account for a sizeable share of the EU budget, there would undoubtedly be pressure for a continued shift of spending away from redistributive and regional development goals to using the policy for the thematic investment objectives of the EU (as has happened with respect to the Lisbon Agenda in 2000-06 and 2007-13, and Europe 2020 in 2014-20). This stresses the trade-off between

external convergence with the EU (implying support of national drivers of economic growth) and a pro-equity emphasis be placed on internal convergence amongst regions. This in turn raises questions of social and territorial cohesion as spatial disparities are on the rise in many CEECs (particularly between major urban centres and rural hinterlands). Compromises are possible but this requires strategic quality and implementation capacity. Cohesion policy can simultaneously contribute to enhancing the competitiveness of regions and hence create growth in the short-medium term, but can also be used to strengthen institutional factors (including economic, political, entrepreneurial procedures and norms as well as public policy administration). This enriched endowment will eventually enhance the long run growth of the poorest regions. Fundamental to this is the quality of development strategies: crucial to shaping institutions for local and regional development is a sharper understanding of what they can and can't do as well as moulding their features to work effectively within particular regional and local contexts.

Similarly, attention must be paid to the capacity to implement development programmes. A defining feature of EU Cohesion policy is its multi-level governance model of implementation. This is codified in the partnership principle in the Regulations, not only relating to the distribution of management tasks between the EU and Member States, but also wider participation among private and societal stakeholders at all governance levels. As demonstrated by the research, the partnership principle is often identified as one of the main areas of EU added value in Cohesion policy in Central and Eastern Europe and is credited with having a significant impact on regional policy practice in the Member States. However, the implementation of the partnership principle is uneven, and our study highlighted substantial challenges to effective implementation of the principle. These include: limited experience of partnership-working; lack of resources to effectively participate in programme decision-making and administrative tensions between different tiers of government. Moreover, the higher the number of actors involved, the greater the complexity of management and potential for politicisation of decision-making and deadlock. Beyond these governance effects and tensions, the contribution of Cohesion policy's multi-level governance model to regional development is uncertain. Various OECD reports and the Barca Report have argued that multi-level governance is the most effective approach for regional and national development policies because it allows for top-level priorities to be tailored to local needs and potentials. However, there is a lack of robust, credible and quantified evidence of the impact of multi-level governance on economic outcomes. In terms of administrative costs, studies of comparable policy fields have found that the Cohesion policy governance system has roughly similar or lower general administrative expenses. Nevertheless, the (in)efficiency of the multi-level governance model is one of the most frequent criticisms by national policy-makers and stakeholders. This particularly applies to financial management and control requirements. In several richer countries, beneficiaries are avoiding applying for Structural Funds if alternative funding sources are available. Thus, although shared management is a fundamental Cohesion policy principle there is some discussion about whether a more devolved approach – that provides more scope for nationally determined policy frameworks and domestic administrative systems – could be used to achieve EU objectives. A move towards greater devolution would have implications for CEECs. On the one hand, as our case study research demonstrated, the

administrative expenses involved in Cohesion policy management and implementation are felt in these countries, particularly where administrative capacity is still being built. Notably, the focus on control and micro-management has an impact on Managing Authority's ability to take risks and to support innovative or complex projects with scope to achieve greater results. This encourages programme managers to select operations in line with the status quo to respond to absorption pressures or to ensure certainty of achieving results. On the other hand, problems with excessive administrative cost compared to levels of related EU funding are most prominent in EU15 Member States where Cohesion policy investment is relatively low. The influence of Cohesion policy on the development of administrative capacity at national and sub-national levels in CEECs is generally valued. A more devolved approach would limit this influence and potentially place extra strain on these systems.

Bibliography

Addison, H. J. (2009). *Is administrative capacity a useful concept? Review of the Application, Meaning and Observation of Administrative Capacity in Political Science Literature*, Department of Government, London School of Economics. Available at http://personal.lse.ac.uk/addisonh/Papers/AC_Concept.pdf

Allio, M.K. (2005), 'A Short, Practical Guide to Implementing Strategy. *Journal of Business Strategy*, 26, 12-21.

Allen, D. (2008) 'Cohesion Policy Pre- and Post-Enlargement' in Baun, M. and Marek. D. (2008) *EU Cohesion Policy after Enlargement*, Palgrave MacMillan, pp. 15-33.

Applica, Ismeri and WIIW (2010) *Ex Post Evaluation of Cohesion Policy Programmes 2000-2006 financed by the European Regional Development Fund in Objective 1 and 2 Regions Synthesis Report*

Bache, I. (2008) *Europeanization and Multi-level Governance: Cohesion Policy in the European Union and Britain*, Lanham/New York: Rowman and Littlefield.

Bachtler, J., Mendez, C. & Orazé, H. (2013) From conditionality to Europeanization in Central and Eastern Europe: Regional policy performance and administrative capacity, *European Planning Studies*, doi:10.1080/09654313.2013.772744

Bachtler J, Polverari L and McMaster I (2009) The added value of EU Cohesion policy (2000-2006) in the EU15. Comparative Report, Task 3, Ex post evaluation of Cohesion policy programmes co-financed by the ERDF (Objectives 1 and 2), Work Package 11: Management and Implementation Systems, Report to the European Commission, DG Regio, August 2009.

Bachtler, JF & Wren, C 2006, 'The evaluation of EU cohesion policy: Research questions and policy challenges' *Regional Studies*, vol 40, no. 2, pp. 143-153

Balás, G. and Kiss, G. (2011) *Expert Evaluation Network Delivering Policy Analysis On The Performance Of Cohesion Policy 2007-2013 Year 1 – 2011 Task 2: Country Report On Achievements Of Cohesion Policy Hungary*, Report to the European Commission, Directorate-General Regional Policy

Barca, F. (2009) *An Agenda for a Reformed Cohesion Policy, A place-based approach to meeting European Union challenges and expectations*, Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy.

Bartha, A., Matheika, Z. and R. Gyukics (2010) *Expert Evaluation Network Delivering Policy Analysis of the Performance of Cohesion Policy 2007-2013, Task 1: Policy Paper on Innovation, Report to the European Commission*, European Commission Directorate for Regional Policy.

Blom-hansen, J. (2005). 'Principals, agents, and the implementation of EU cohesion policy', *Journal of European Public Policy*, 12(4), 624-648.

Bloom, S. and Petrova, V. (2013) 'National Subversion of Supranational Goals: 'Pork-Barrel' Politics and EU Regional Aid', *Europe-Asia Studies* Volume 65, Issue 8

Börzel, T. (2010) 'The Transformative Power of Europe Reloaded The Limits of External Europeanization', KFG Working Paper Series, No. 11, February 2010. <http://www.polsoz.fu-berlin.de/en/v/transformeurope/publications/working_paper/WP_11_February_Boerzel1.pdf

Cartwright, A. and Batory, A. (2012) 'Monitoring Committees in Cohesion Policy: Overseeing the Distribution of Structural Funds in Hungary and Slovakia' *Journal of European Integration*, Vol. 3, No. 4, pp. 323–40.

Council of the European Union (2010) *Presidency Conclusions, Informal Meeting of the Ministers in Charge of Cohesion Policy, 22-23 November 2010, Liege.*

Craig, P. (2004) 'A new framework for EU administration: the financial regulation 2002', *Law and Contemporary Problems* 68: 107–33.

Davies, S., Gross, F. and Polverari, L. (2008) 'The financial management, control and audit of EU cohesion policy', IQ-Net Thematic Paper 23(2), Glasgow: University of Strathclyde.

Dąbrowski, M. (2014) 'Towards place-based regional and local development strategies in Central and Eastern Europe? EU cohesion policy and strategic planning capacity at the sub-national level' *Local Economy* 2014, Vol. 29(4–5) 378–393

Ederveen, S., J. Gorter, R. de Mooij and R. Nahuis (2002) 'Funds and Games: The Economics of European Cohesion Policy' *CPB Special Publication* No. 41.

EPRC and Euroreg (2010) *The Objective of Economic and Social Cohesion in the Economic Policies of Member States*, Final Report to the European Commission

Estonia Ministry of Finance (2013) *Strategic report 2012: Estonia.*

Estonia Ministry of Labour, Family and Social Protection (2012) *Annual Implementation Report on HRD OP, 2011.*

Ferry, M. (2007) 'Comparing the influence of Structural Funds programmes on regional development approaches in Western Scotland and Silesia: Adaptation or Assimilation?', *European Journal of Spatial Development*, no 23.

Fratesi, U. and Perucca, G. (2014) 'Territorial Capital and the Effectiveness of Cohesion Policies: an Assessment for CEE Regions' *Investigaciones Regionales*, 29 (2014), pp165-191.

Garden, C. and Martin, R.L. (2005) A Study on the Factors of Regional Competitiveness: A Draft Final Report for the European Commission Directorate-General Regional Policy, 2005, http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/3cr/competitiveness.pdf

Gorzela G., Kozak M.W., (2012), Regionalny wymiar strategicznego programowania rozwoju, (Regional dimension of the strategic development programming) [in:] J. Górniak, S. Mazur (red.), Zarządzanie strategiczne rozwojem, Warszawa: MRR

Hall, P.A. (1993). 'Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain', *Comparative Politics*, 25 (3), 275-96

Hall P.A. and Thelen K. (2009) 'Institutional change in varieties of capitalism' *Socio-Economic Review*, 2009; 7:7-34.

Hooghe, L. (ed.) (1996), *Cohesion policy and European integration: building multi-level governance*, Oxford: Oxford University Press.

Kaufmann, D. and Kraay, A. (2008), 'Governance Indicators: Where Are We, Where Should We Be Going?', *The World Bank Research Observer*, Volume 23:1.

Kalvet, T. (2012), *Expert Evaluation Network Delivering Policy Analysis on the Performance of Cohesion Policy 2007-13, Task 2: Country Report on Achievements of Cohesion Policy, Estonia*.

Kasza, A. (2009) 'Two Ends of a Stick? Regional Strategic Planning and Operational Programming in Poland in the Context of EU Membership' *Regional Studies*, 43:4, 625-63.

Knill, C., and T. Balint (2008), "Explaining variation in organizational change. The reform of human resource management in the European Commission and the OECD", *Journal of European Public Policy*, 15:2,

Kot, T (2014) Mocne i słabe strony procesu ewaluacji 2007-2013 Pożądane kierunki zmian na lata 2014-2020, presentation at Akademia im. Leona Koźmińskiego Warsaw, 6 March 2014

Kozak M.W. (2013) 'Paradygmat polityki spójności 2014-2020: między zamiarem a rzeczywistością' in J. Olbrycht, G. T. Grosse, M.W. Kozak, F. Kuźnik, L. Palmén, M. Sapała, J. Woźniak, *Wyzwania polityki spójności w Polsce 2014-2020 – opinie ekspertów*, Gliwice: Wyd. „Wokół nas”

Leibovitz, J. (2003) 'Institutional Barriers to Associative City-region Governance: The Politics of Institution-building and Economic Governance in 'Canada's Technology Triangle'' *Urban Studies*, Vol. 40, No. 13, 2613–2642.

Matheson, A., Scanlan, G., & Tanner, R. (1995). *Strategic management in government: extending the reform model in New Zealand*. State Services Commission, New Zealand.

Melo, M.A. (2004) 'Institutional Choice and the International Diffusion of Policy Paradigms: Brazil and the Third Wave of Pension Reforms' *International Political Science Review* 25(3): 320-341.

Mendez C, Kah S and Bachtler J (2013) *Preparing for 2014-20: Programming, Concentration and Performance*, IQ-Net Thematic Paper, 32(2) , European Policies Research Centre, University of Strathclyde , Glasgow .

Mendez, C & Bachtler, J 2011, 'Administrative reform and unintended consequences: an assessment of the EU Cohesion policy 'audit explosion'' *Journal of European Public Policy*, vol 18, no. 5, pp. 746-765

Milio S., 2010, 'Twenty years of European funding. Italy is still struggling with implementation', in Mammone, A. and Veltri, G. A. (eds.)(2010) *Italy the Sick Man of Europe*, Routledge, London, pp. 213-228;

Milio, S. (2007) "Can Administrative Capacity Explain Differences in Regional Performances? Evidence from Structural Funds Implementation in Southern Italy," *Regional Studies*, Taylor & Francis Journals, vol. 41(4), pages 429-442.

Misiąg W., Tomalak M., 2008, *Wpływ wydatków z funduszy strukturalnych i Funduszu Spójności na stan finansów publicznych w latach 2004-2006, ekspertyza dla Ministerstwa Rozwoju Regionalnego* (presented in the Ministry on April 22, 2008)

Mizell, L. and Allain-Dupré, D. (2013) "Creating Conditions for Effective Public Investment: Sub-National Capacities in a Multi-Level Governance Context," *OECD Working Papers on Regional Development*.

NFÜ/National Development Agency (2012) *Nemzet Stratégiai Jelentés a 1083/2006 EK 29 alapján*. Magyarország (National Strategic Report), NDA: Budapest, available at: http://ec.europa.eu/regional_policy/how/policy/doc/strategic_report/2012/hu_strat_report_2012.pdf, last access 01 August 2014.

OECD (2013), 'Poland: Implementing Strategic-State Capability', *OECD Public Governance Reviews*, OECD Publishing. <http://dx.doi.org/10.1787/9789264201811-en>

OECD (2012), *Promoting Growth in All Regions*, OECD Publishing.

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

ÖIR (2006) *The leverage effect of the European cohesion policy under the SF*, Draft Final report, Commissioned by the Committee of the Regions.

ÖIR (2003) *A Study of the Efficiency of the Implementation Methods for Structural Funds*, Commissioned by European Commission, DG Regional Policy

Olejniczak K. (2013), *Organizacje uczące się. Model dla administracji publicznej*, Warszawa: Wydawnictwo Naukowe Scholar

Oraze, H. (2009) 'Ex post evaluation of Cohesion policy programmes 2000-2006: The effectiveness, continuity and spillovers of management and implementation systems in the EU10', Final Report, Brussels: European Commission.

Perger É. (2009) 'Az EU kohéziós támogatások felhasználásának intézményrendszere és a forrásfelhasználás hatékonysága, eredményessége', *ECOSTAT — Kormányzati Gazdaság- és Társadalom-stratégiai Kutató Intézet*, Budapest. www.kozigkut.hu

Peters, B.G. (2013) 'Politicisation: What Is It and Why Should We Care?' in Neuhold, C., Vanhoonacker, S. and Verhey, L. *Civil Servants and Politics* pp.12–24. [Online] Available at: <http://www.palgraveconnect.com/pc/doi/10.1057/9781137316813.0008>.

Pike, A. (2013) *Institutions, institutions, institutions..* Centre for Urban and regional Development Studies (CURDS) blog entry 3/6/2013. <https://blogs.ncl.ac.uk/curds/2013/06/03/institutions-institutions-institutions/>

Polish Ministry of Infrastructure and Development (2013b) Potencjał Administracyjny Systemu Instytucjonalnego Narodowych Strategicznych Ram Odniesienia na lata 2007 – 2013 (stan na 30 czerwca 2013 r.)

Polish Ministry of Regional Development (2012) *Raport Strategiczny 2012*.

Polish Ministry of Regional Development (2008) *Polityka Regionalna: refleksje do dyskusji*, Warsaw, April 2008

Polish Ministry of Regional Development (2007) Plan działań na rzecz zwiększenia potencjału administracyjnego jednostek zaangażowanych w realizację Programów Operacyjnych w Polsce w latach 2007-2013 Warsaw April 2007.

Polverari L, Mendez C, Gross F, Bachtler J, 2007, "Making sense of European cohesion policy: 2007-2013 on-going evaluation and monitoring arrangements", *IQ-Net Thematic Paper No. 21(2)*, European Policies Research Centre, University of Strathclyde, Glasgow

PSDB (2012) Wstępna ocena realizacji i efektów Regionalnego Programu Operacyjnego Województwa Śląskiego na lata 2007-2013. http://www.ewaluacja.gov.pl/Wyniki/Documents/Wstepna_ocena_realizacji_i_efektow_RP_OWS_14022013.pdf, accessed 1.12.2013).

Putnam, Robert D. (2000), *Bowling Alone: The Collapse and Revival of American Community*, Simon & Schuster, New York, NY.

Radzyner, A., Frangenheim, A. and Tödting-Schönhofer, H. (2014) *Co-financing salaries, bonuses, top-ups from Structural Funds during the 2007-2013 period*, Final Report to DG Regional and Urban Policy

Rambøll Management Consulting, 2012, *Comparative Study of the Project Selection Process Applied in Cohesion Policy Programmes 2007-2013 in a Number of Member States*. Final Report

http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/selection/selection_process.pdf

Resmini, L., and Casi, L. (2013): 'FDI and growth in Europe: the role of territorial capital', *ERSA conference papers*.

Roberts, P. (2003) 'Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the SF regional programmes' *Progress in Planning*, Volume 59, Number 1, January 2003, pp. 1-69.

Rodríguez-Pose, A. (2013) 'Do Institutions Matter for Regional Development?' *Regional Studies*, 47:7, 1034-47.

Sedelmeier, U. (2008) 'After conditionality: post-accession compliance with EU law in East Central Europe' *Journal of European Public Policy*, 15 (6). pp. 806-825. ISSN 1350-1763.

Sissenich, B. (2007). *Building States Without Societies. European Union Enlargement and the Transfer of EU Social Policy to Poland and Hungary*, Lanham, MD: Lexington Books.

Streeck, W. (1991) 'On the institutional conditions of diversified quality production' in E. Matzner and W. Streeck (eds.) *Beyond Keynesianism: Socioeconomics of production and full employment*. Aldershot: Edward Elger, pp. 21-61.

TECHsme.sk, 25 October 2013, Keď firma zaplatí slovenský výskum, <http://tech.sme.sk/c/6983366/ked-firma-zaplata-slovensky-vyskum.html> (accessed 22 January 2014).

Taylor, S., Bachtler, J. and Rooney, M.L. (2001) 'Implementing the New Generation of Programmes: Project Development, Appraisal and Selection' *IQ Net Thematic Paper 7.2*, University of Strathclyde, Glasgow

Tödting-Schönhofer, H., Hamza, C. and Kronberger, A. (2013) *EU Member states' preparedness for cohesion policy 2014-2020*, report for European Parliament, Directorate-General for Internal Policies of the Union

Urząd Marszałkowski Woj. Podkarpackiego (2007) *ROP (Regionalny Program Operacyjny Województwa Podkarpackiego na lata 2007-2013)*, Rzeszów, <http://wrota.podkarpackie.pl/pl/rpo>, accessed 12.02.2014.

Verheijen, T. (2007) *Administrative Capacity in the New EU Member States : The Limits of Innovation?* Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/6752>

Weber, M. (1978) *Economy and Society*, Vol. 2, University of California Press.

Wostner, P. (2008) "The Micro-Efficiency of the EU Cohesion Policy", in *European Policies Research Centre, European Policy Research Paper*, N. 64, http://www.eprc.strath.ac.uk/eprc/documents/PDF_files/EPRP_64_Wostner.pdf.

Annex

Table A: Framework for assessment of strategic quality

Strategic quality	Assessment of strategic quality			
Specific indicators	Strong (A)	Significant (B)	Moderate (C)	Weak (D)
Programming process	Processes clearly defined and implemented well	Processes clearly defined and implemented adequately	Processes defined, but implemented inadequately	Processes poorly defined and implemented inadequately
Negotiation and approval	Efficient and speedy negotiation and timely approval	Minor delays in negotiation/approval	Major problems with negotiations but minor delays in approval	Major problems with Negotiations, significant delays in approval
Quality of programme documents	Well-structured Documents, clear strategic focus	Programme documents with some deficiencies in strategy	Programme documents without a clear strategic focus	Programme documents with major deficiencies in strategy

Table B : Framework for assessment of administrative performance

Administrative performance		Assessment of administrative performance			
	Specific indicators	Strong (A)	Significant (B)	Moderate (C)	Weak (D)
Management	Structures	Clear allocation of tasks	Clear, formalized allocation of competencies and responsibilities but operational weaknesses	Partially formalized allocation of competencies and responsibilities. Significant operational weaknesses	Unclear or largely informal allocation of competencies and responsibilities. Major operational weaknesses
		Strong, open coordination, with good use of formal and informal channels and periodic review	Good coordination but limited openness. Use of formal and informal channels	Modes of coordination evident. Emerging formal channels for dialogue and decision-making	Poor coordination. Lack of formal and informal channels for coordination
		Stable structures and responsibilities throughout the programme period	Largely stable structures. Minor internal reorganization	Some instability, with episodic reallocation among ministries or implementing bodies	Unstable structures with frequent/substantial reorganization of responsibilities among ministries or implementing bodies
	Human resources	Sufficiently qualified and experienced staff available.	Staff available with some constraints in qualification,	Staff available, but major constraints in qualification or	Severe lack of sufficient and qualified staff

		Low turnover	experience or turnover	experience, or turnover	
		Well-developed HR management system. Effective performance assessment and staff development	Developed HR management system. Operational weaknesses in performance assessment and staff development	HR management system with limited performance assessment and staff development functions	No HR management system
	Administrative adaptability	Flexible mechanisms for ongoing adaptation and use of staff experience	Some mechanisms for adaptation, partly using staff experience	Cumbersome, inflexible mechanisms for adaptation	No mechanisms for adaptation established
Project preparation and selection	Project generation	Sufficient demand, high quality of project applications	Sufficient demand, quality of project applications needing improvements	Mostly sufficient demand with some delays, project applications of low quality	Low demand
	Project appraisal and selection	Defined criteria, including well-developed and applied quality criteria, short decision times	Defined criteria with deficiencies in quality criteria, partly long decision times	Mostly defined criteria, lengthy procedures with focus on formal criteria	Lack of defined criteria for appraisal and selection
Financial control	Processing of payment claims	Clearly defined and quick processing of payment claims, efficient checks	Clearly defined processing of payment claims, partly multiple checks and delays	Defined processing of payment claims. Frequent delays. Multiple checks	Processes not clearly defined. Major processing problems
	Financial (de)commitment	Strategic approach to programme management to avoid decommitment	Measures in place to manage financial flows to avoid decommitment	Passive approach, case-by-case response to decommitment	No management mechanisms for decommitment
	Financial management and control	All systems effective	Some systems partially effective	Some systems ineffective	All systems ineffective
Monitoring and reporting	System of indicators and monitoring procedures	System and procedures fully operational, with coherent indicator system	System operational, procedures established, but not fully operational; some indicator weaknesses	System exists but is only partly operational; indicator and procedural weaknesses	No monitoring system
	Availability of financial, physical and procedural data	High-quality and comprehensive data, easily available and used for programme	Good quality data, with some gaps, and/or imperfect procedures	Partial data available, mostly cumbersome procedures	No data available

		management			
Evaluation	Evaluation reports	Developed evaluation system with regular reports	Ex ante, interim and/or thematic reports produced	Only ex ante report(s) produced	No reports produced
	Evaluation methods and culture	Evaluation embedded. High level of capacity and utilisation	Evaluation system established, good capacity but utilisation is mixed	Evaluation undertaken but capacity constraints or limited utilisation	Evaluation is not considered useful. Limited or no capacity