Key indicators for Candidate Countries to Effectively Manage the Structural Funds

Principal Report

Final Report

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

NEI Regional and Urban Development

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1 Introduction

Already for several years, Candidate Countries are preparing themselves for the Structural Funds, for which they will be eligible upon accession to the European Union. Due to the specific requirements for managing the Structural Funds, Candidate Countries are expected to have the administrative capacity to effectively manage these Structural Funds.

As part of the negotiations under Chapter 21, the Commission has expressed its concern regarding the administrative capacity of the Candidate Countries. The Commission holds the view that, while considerable progress has been achieved in establishing the overall legislative framework, many problems remain to be solved in several Candidate Countries in relation to the preparations for the Structural Funds and the Cohesion Fund. One of the problems consists in the lack of a definition of responsibilities in terms of programming and managing the Structural Funds, which would clearly reflect the requirements of Council Regulation (EC) 1260/99 laying down the general provision on the Structural Funds. [1]

Against this background, NEI and its partners have been asked by the Commission to prepare a defined set of benchmarks and baseline indicators for the Candidate Countries to know the administrative capacity requirements they have to fulfil to effectively manage Structural Funds. The results of the project are meant to support the design of the institution building programmes that will be needed by the Candidate Countries to enable them to implement Structural Funds effectively upon accession.

To this end, the study has focused in some detail on the administrative resources required to manage Structural Funds in four Member States (Ireland, Portugal, Spain and Germany – with particular attention to the new Bundesländer). The experiences of these countries are deemed relevant for the Candidate Countries for several reasons. Spain is the single largest beneficiary of the Funds from which useful lessons can be drawn. As a former socialist country, the new German Länder have a past, which is in many respects similar to the Candidate Countries. Ireland and Portugal are often quoted as good examples of effective and efficient management of the Funds.

In carrying out its tasks, NEI is fully aware of the differences between the four countries studied and the dangers involved in copying individual experiences to any of the Candidate Countries. The key indicators take this diversity into consideration.

This principal report is based upon a set of nine background reports, namely:
- Country reports for the New German Länder, Ireland, Portugal and Spain
- Sectoral reports on Management, Programming, Implementation, Monitoring & Evaluation and Financial Management & Control.

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[1] Council of the European Union (2001), Information Note on Chapter 21, "Regional Policy and Co-ordination of Structural Instruments" of Enlargement Negotiations, p. 5.

2 Approach

Administrative capacity within the context of economic and social cohesion
The administrative capacity needed for effectively managing the Structural Funds is to be seen as part of a wider challenge, namely the effective and efficient making use of the Structural Funds. Thus, making a maximum contribution to economic and social cohesion with the resources available. Experience from Structural Funds management demonstrates that fulfilling this challenge can be hindered considerably if absorption capacity is restricted. Absorption capacity can be defined as the extent to which a Member State is able to fully spend the allocated financial resources from the Structural Funds in an effective and efficient way. [2]

Administrative capacity within the context of absorption capacity
Absorption is a new condition in the allocation of Structural Funds. Based on past experiences, the Commission arrived at the conclusion that countries have a limited capacity to absorb external investment support effectively and efficiently. The upper limit has been generally defined as 4 percent of the GDP of the respective country (including the Cohesion Fund). [3] Absorption capacity in its turn can be determined by three main factors, namely macro-economic situation, the co-financing situation and the administrative capacity:
- *macro-economic absorption capacity* can be defined and measured in terms of GDP;
- *financial absorption capacity* can be defined as the ability to co-finance EU supported programmes and projects, to plan and guarantee these national contributions in multi-annual budgets, and to collect these contributions from several partners interested in a programme or project;
- *administrative capacity* can be defined as the ability and skill of central and local authorities to prepare suitable plans, programmes and projects in due time, to decide on programmes and projects, to arrange the co-ordination among principal partners, to cope with the administrative and reporting requirements, and to finance and supervise implementation properly, avoiding irregularities as far as possible.

Design, functioning and performance
The performance, the extent to which the Structural Funds have been managed effectively and efficiently, can be considered a *result* variable. Performance is to be determined at the end of a programming period (ex post). For this reason, performance of the Structural Funds cannot be measured in the Candidate Countries. In theory, the results of the pre-accession instruments could be measured. However, the measuring of their results and impact is difficult as these instruments are new (SAPARD and ISPA) or changing in character (PHARE ESC).

Functioning, the extent to which the Structural Funds are being managed effectively and efficiently, can be considered a *throughput* variable. The functioning of the Structural Funds cannot be measured in the Candidate Countries either. Yet, some indications
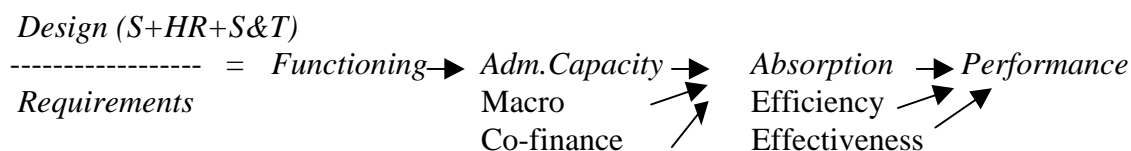
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[2] See e.g. NEI (2001): Absorption capacity for Structural Funds in the regions of Slovenia.
[3] EC Regulation 1260/99, Article 7.8.

about the functioning of the future system can be deduced from the functioning of the pre-accession instruments currently in place (Phare ESC, ISPA, SAPARD).

Most attention will therefore be given to the design, an *input* variable. Design variables can be considered to create the conditions for the effective and efficient management of the Structural Funds. For being able to gauge the future functioning and performance, this design capacity needs to be related to the actual requirements. In the field of Structural Funds, these requirements can be largely deduced from the Structural Funds regulations (notably 1260/99 and 438/2001). Therefore, both changes in design and requirements will have their impact on the functioning, and ultimately on the performance.

The above notions can now be summarised in the following formula:

$$\frac{Design\ (S+HR+S\&T)}{Requirements} = Functioning \rightarrow \begin{array}{l} Adm.Capacity \\ Macro \\ Co\text{-}finance \end{array} \rightarrow \begin{array}{l} Absorption \\ Efficiency \\ Effectiveness \end{array} \rightarrow Performance$$

In summary, the formula demonstrates the importance of a proper design (structure, human resources, systems and tools) as an input for managing the Structural Funds, especially so in relation to the requirements. The ratio between design and requirements determines the actual functioning of the system (throughgput), or the supply side of administrative capacity. In addition, the actual ability by project applicants to generate projects is seen as the demand side of administrative capacity. *This study will focus predominantly on the supply side of the administrative capacity, and not on the demand side.* Other factors that determine absorption are the macro- and the co-financing situation. At the end, absorption capacity only leads to a strong performance of the Structural Funds if efficiency and effectiveness are taken fully into account.

The importance of design: the Capability Management Grid
The formula demonstrates the importance of a proper design for the Structural Funds, especially so given the increased requirements coming from the new Structural Funds regulations (1260/99 and 438/2001). Upon membership, these regulations will apply to the Candidate Countries as well. [4]

Measuring the administrative capacity starts with a distinction between structure, human resources, systems and tools. *Structure* relates to the clear assignment of responsibilities and tasks to institutions, or better at the level of departments or units within these institutions. This assignment refers to a range of Structural Funds tasks, including management, programming, implementation, evaluation & monitoring and financial

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[4] Council of the EU (2001) Information Note on Chapter 21: "Regional Policy and Co-ordination of Strcutural Instruments of Enlargement Negotiations", p.7.

management & control. Structure also relates to supervisory and ancillary bodies, such as Monitoring Committees, auditing tasks, partnership, etcetera.

Human resources relate to the ability to detail tasks and responsibilities at the level of job descriptions, to estimate the number and qualifications of staff, and to fulfil the recruitment needs. Securing the timely availability of experienced, skilled and motivated staff is a key success factor in the management of the Structural Funds. Clearly, the conditions within the administrative system need to be favourable towards recruiting and retaining such professionals.

Systems and tools relate to the availability of instruments, methods, guidelines, manuals, systems, procedures, forms, etcetera. In brief, these are all job-aids that can enhance the effectiveness of the functioning of the system. Systems and tools enable organisations to transform tacit and implicit knowledge (within the heads of individual people) into explicit knowledge that can be shared across organisations. Systems and tools therefore make organisations less vulnerable (e.g. when key staff is leaving), reduce the risk of malfunctioning and enhance overall effectiveness. Effective management of the Structural Funds requires that the above dimensions be taken into account: structure, human resources, systems and tools. Together these provide complementary elements of the management capability grid.

The policy life cycle
The administrative capacity requirements vary according to the various stages of the policy life cycle. During our work in the Candidate Countries, a recurring notion is that there is still much room for improving the application and functioning of the policy life cycle. In assessing the administrative capacity for managing the Structural Funds, it is therefore essential to distinguish between (general) management, programming, implementation, monitoring & evaluation, financial management & control. Together, they constitute the policy life cycle.

Towards the Structural Funds Management Grid
Combining the dimensions of the policy life cycle and the management capability grid results in the so-called Structural Funds Management Grid. The Structural Funds Management Grid provides an overall framework and checklist of topics that play a role in implementing sound management of Structural Funds throughout the policy life cycle. It emphasises the design aspects, but takes into account the functioning aspects as well.

Figure 2.1: The Structural Funds Management Grid

	Design			Functioning
	Structure	*Human resources*	*Systems & tools*	
Management				
Programming				
Implementation				
Evaluation & monitoring				
Financial man. & Control				

Towards key indicators

The Structural Funds management grid provides the basis for the systematic identification of key indicators. Each cell will be covered, resulting in 20 key indicators. These will be presented in the following chapters.

3 Management

3.1 Findings from Member States

The organisation of Management Authorities as a key issue
All countries studied have managed the Structural Funds through a Community Support Framework (CSF), with various Sectoral and Regional Operational Programmes (OPs) attached. The CSF Managing Authority (MA) therefore plays a key role in co-ordinating all actions across government and beyond. The location of this central MA varies from country to country, including the Ministry of Finance (Ireland and Spain), Ministry of Economy (Germany) and Ministry of Planning (Portugal).

The management of the Structural Funds can be placed either within the government or by parallel structures attached to it. In Ireland, Spain and Germany, most of the Structural Funds management is being carried out within the administrative system. In Portugal, extensions to the public administration have been created for the whole management of the Structural Funds, which has led to a dual system. Both approaches have their own advantages, depending on strengths and performance of the governmental system.

As a general rule, it is vital to locate the MAs of Operational Programmes in line with the position in the national hierarchy and the existing administrative structures. As these are different in each of the countries studied, it is logical that there is variety in the number of OPs and the balance between Sectoral and Regional Operational Programmes. For example, a federal country such as Germany attaches more weight to Regional Programmes than a more centralised country such as Ireland. At the level of Managing Authorities, a smaller number of OPs clearly leads to less requirements (which is not necessarily true for implementation issues, see Chapter 5).

Staffing of Managing Authorities: Quality versus Quantity
Although the regulations make only limited references to human resources, the staffing of MAs is perhaps one of the most central issues in the Management of the Funds. Numbers of staff vary widely from one MA to the other, depending on the type of programmes and the delegation of tasks. A minimum of 4-7 and a maximum of 12-14 dedicated staff are commonly required for carrying out the key tasks of OPs. However, MAs involved in the implementation of programmes can be considerably larger (up to almost a 100 staff for the Portuguese OP on Education), especially when it concerns labour-intensive operations deriving from ESF or EAGGF. Due to its nature, the management of the Cohesion Fund tends to be less laborious, while the management of Community Initiatives leads to relatively high staffing requirements.

As a further example: in Spain, the Management Authority for the CSF Objective 1 along with the Regional Integrated Operational Programmes and the Single Programming Documents of Objective 2 Regions, is composed of three different

departments: ERDF Management Department, SF Programming and Coordination Department, and Cohesion Fund Department. It is made up of a total of 61 people: 1 Managing Director, 3 Deputy Managing Director, 36 experts and 21 administrative staff[5]. In the Irish case, each MA is managed by a principal officer and one or two assistant principal officers, supported by several (higher) executive officers and clerical staff. In the 1994-99 period, a total of 65 staff members were counted to work at the MA level. For the current programming period 2000-2006, this number is smaller (42).

Perhaps more important than the quantity is the quality of the staff. Overall, MAs are staffed by highly educated personnel, with a strong background in finance, law and/or economics. The ability to recruit and retain such personnel depends largely on the attractiveness of the government as an employer. Only limited staffing problems exist in the Irish administration, which has the features of a modern civil service. Prestige is attached to working in the public sector, the remuneration levels are comparable to the private sector, job mobility between Ministries exists as part of a career track for civil servants, and working relations between Ministries tend to be efficient. As a consequence, there is only a limited outflow of civil servants. In countries where the public sector is in less good standing (as in Portugal, but not only there), the need to create parallel structures becomes more pressing.

Arranging the delegation of tasks
No uniform concept regarding the delegation of tasks by MAs has emerged. To the contrary, every country has elaborated the role of MAs in a different way, reflecting the administrative structures, the planning traditions, the balance of power and the size of the country. Any comparison between staffing requirements of MAs between countries can be misleading if the delegation of tasks is not taken into consideration. The main responsibilities and tasks (flowing from Article 34 of Regulation 1260/99) are related to the establishment of proper systems, procedures and the monitoring of their operations. Overall, CSF MAs share these responsibilities with other MAs, Paying Authorities and related bodies. The CSF MA keeps final responsibilities.

Figure 3.1: Common division of responsibilities and tasks (Article 34)

	CSF MA	OP MA	PAs	Interme-diate bodies
a) Setting up a system for financial and statistical information	X	x		
b) Adjustments to the programme complement	x	X		X
c) Annual implementation report	x	X		x

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[5] Compare: the Managing Authority which has been set up for Community Support Framework Objective 3, is the Ministry of Labour and Social Affairs through the Administrative Unit of European Social Funds (UAFSE). It is made up of a team of around 75 civil servants, and this team consists of a Deputy Managing Director, Assistant Deputy Director of Management, Assistant Deputy Director of Payments and Supervision, Head of Payments, 45 experts, 3 data processor and 23 administrative staff. The support structure is diverse in nature, with a predominance of lawyers and economists. The administrative structure of the Rural Development General Unit consists of 19 people, of whom 6 are civil servants (1 with a higher degree, 2 with general degrees and 3 administrative).
In Portugal around 600 people are associated to the management of the previous (2nd) CSF. This reflects the fact that the Intermediary Structure in Portugal is underdeveloped as compared to , e.g. Ireland.

d) Organisation of mid-term review	X	X		
e) Ensure maintenance of accounting systems	X	X	X	
f) Ensure the correctness of operations	X	X	X	X
g) Ensure compliance with Community policies	X	X		X
h) Information and publicity requirements	X	X		X

X = main responsibility   x = shared responsibility

The nature of the above tasks is such that they tend to involve all bodies within the programme management chain. An extension of the chain can therefore lead to an increase in the requirements, with increased staffing needs as a consequence. Furthermore, it should be underlined that all activities related to the actual implementation of projects are not part of the above list.

3.2 Consequences for Candidate Countries

No standard model for organising the Structural Funds management
Candidate Countries should be careful in copying individual models, as circumstances are considerably different. For smaller Candidate Countries, it should be noted that none of the existing Member States has a Single Programme Document (SPD) covering the whole country. Furthermore, in countries which are expected to have a CSF (e.g. Poland, Hungary and the Czech Republic), the number of OPs (and therefore MAs) will most probably be relatively small. At the management level, this smaller number of programmes is an important simplification. In order to promote the smooth functioning of the system, it is important for the Candidate Countries to design the management of the Structural Funds in line with the existing national hierarchy and the administrative structures in place.

The actual designation of all Managing Authorities is a key priority, as this assignment will be a pre-condition for further preparations, including the staffing, training and the development of the necessary systems and tools, also for the other bodies.

Key challenges for recruiting and retaining qualified staff
In preparing for the Structural Funds, administrations in the Candidate Countries sometimes focus on quantitative requirements, in terms of numbers of staff required. Yet, experience from the Member States demonstrates that the secret of effective and efficient management of Structural Funds also lies in having highly qualified and motivated staff. Within most of the Candidate Countries, the public sector has been experiencing major problems in recruiting and retaining such highly qualified and motivated staff. The need to effectively manage the Structural Funds can then be seen as a support towards any public administration reform that aims to develop a modern civil service. Competitive remuneration levels and the existence of an attractive career track for civil servants are likely to reduce the outflow of civil servants. Promoting job mobility between Ministries and government departments can contribute towards more

efficient and smooth working relations between and within Ministries. Candidate Countries should assess whether the further development of a modern civil service is feasible within the short term. Alternatively, they should consider the creation of extensions to the administrative structures (e.g. as in Portugal). Anyway, the preparation of detailed organisation schemes and job descriptions is essential, including the way in which experience and know-how from the pre-accession stage is being utilised.

Towards delegating tasks

Effective and efficient performance of the Structural Funds requires that interventions be embedded in national and regional policies and practices. The management of the Structural Funds can therefore never be limited to one or a few Managing Authorities. The inclusion of line Ministries is obvious in the case of complex CSFs with a large number of OPs. However, inclusion of line Ministries (e.g. in programming and implementation) is also important in simpler structures (such as SPDs) that cover a large number of policy fields. In addition to delegating various programming and implementation tasks, MAs can also consider the delegation of specific tasks, such as evaluation, monitoring and information & publicity to special bodies or units outside of the Managing Authority. Finally, consensus on the delegation of arrangements needs to exist among the stakeholders involved.

3.3   Key indicators

In the field of management, four key indicators have been distinguished. In line with the Structural Funds Management Grid, the aspects of structure, human resources, systems & tools and functioning have been included.

1A.   Designation of Managing Authorities (8 points – for CSF)
- Consensus and designation on CSF Managing Authority existing
- Location of CSF MA in line with administrative structure
- Consensus and designation on Sectoral OP Managing Authorities exists
- Location of SOP MAs in line with administrative structure
- Consensus and designation on Regional OP Management exists
- Location of ROP MAs in line with administrative structure
- Consensus and designation on MA Cohesion Fund
- Location of MA Cohesion Fund in line with administrative structure

1B.   Designation of Managing Authority (8 points – for SPD)
- Consensus and designation on SPD Managing Authority existing
- Location of SPD MA in line with position in national administrative structures
- Assignment of SPD Managing Authority within Ministerial structure
- Location of SPD MA in line with intra-ministerial hierarchy
- Clear overview of responsibilities and tasks of SPD MA existing
- Consensus and designation on MA Cohesion Fund
- Location of MA Cohesion Fund in line with position in national administrative structure
- Consensus and designation on MAs for Community Initiatives

2.   Staffing of Management Authorities (7 points)
- Estimates of staffing requirements available
- Estimates take account of programme size, characteristics and tasks delegated
- Responsibilities and tasks assigned to job descriptions
- Remuneration levels for MA-staff determined
- Competitiveness of remuneration levels (in relation to private sector)
- Proof of sufficient candidates for staffing of vacancies
- Proven efforts for utilisation of experience and know-how from pre-accession stage (including Structural Funds training)

3.   Arrangements on delegation of tasks (3 points)
- Arrangement on delegating specific tasks (evaluation, monitoring, information)
- Arrangement on delegating implementing tasks existing in detailed terms (tasks according to Article 34)
- Consensus on delegating arrangements existing among stakeholders

4.   Existence of a modern civil service (6 points)
- Prestige attached to working in the public sector (in relation to private sector)
- Competitive remuneration levels in national government (related to private sector)
- Job mobility between Ministries and government departments existing
- Efficient and good working relations between Ministries concerned
- Existence of a career track for civil servants
- Limited outflow of civil servants (< 10%, 10-20%, > 20% per year)

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4 Programming

4.1 Findings from Member States

The programming process is a demanding exercise
The whole process of programming in the Cohesion Countries is being assessed as labour intensive. It can take up to a year and a half to draft a programme, depending on the number and type of partners involved. A rough estimate from Germany is that 4-9 people are involved in programming in each MA. In Spain, at least 2 or 3 people in each managing (MA) and intermediate body (IB) were involved in the programming activities. It is the experience that programming is a task that should be started in time, especially the preparations for the higher level plans (such as NDP and CSF), which are the first to be taken up. In Ireland, the preparations for the NDP 2000-2006 started in early 1998.

One of the most difficult intellectual exercises is to reconcile the outcomes of a socio-economic or SWOT analysis with (sometimes politically pre-fixed) programming partners' ideas, wishes and shopping lists. Because this is what happens: all kinds of sectoral and regional stakeholders will try to fund as much as possible from their wish list from the CSF/SPDs and OPs. Another bottleneck in the programming process is the issue of developing reliable indicators for programming, which remains a problem for MAs in many Member States despite the experience of managing two previous CSFs. The formulation of usable, measurable and meaningful indicators, their subsequent quantification and their mutual consistency in the overall framework has proven to still be hard work.

Another new element in the current programming period was formed by the Programme Complements, in which CSF/SPDs and OPs have been detailed in terms of measures and organisation. The preparation of the Programme Complements has been time and resources consuming as well. In Ireland, considerably more effort was required for the preparation of the Programme Complements than for the OPs. IBs played a much more important role, which made the co-ordination task of the Programme Complement more demanding.

Partnership is in between co-operation and consultation
In Ireland, OP's have usually been prepared by a Principal or Assistant Principal in the Management Authority, following strategic discussions at senior government level. The CSF MA seems to be most fit to take the role of moderating this programming process. In Spain the programming process has been carried out according to a pyramid system, such that all of the bodies involved in the management of Structural Funds, Management Authorities, Intermediate Bodies and others have participated in the aforementioned planning process. In some of the Member States studied, the higher level IBs have been responsible for the production and editing of the physical and economic analysis and of the measures texts with the help of the different implementing (lower level) IBs.

It is the experience in the Cohesion countries that true partnership is hard to organise in a later stadium. It will also be less effective. The minimum form of partnership is that of consultation: asking stakeholders for their opinion on draft programmes, which is what often happens. In an extension of the Irish consultation process, an overview of the draft NDP was circulated to the social partners and the regional authorities. However, consultation alone is not very likely to yield real ownership among all relevant stakeholders, especially if there is no strong tradition of policy development on a partnership basis.

SOP or ROP? A question of traditions and structures

One of the most difficult discussions in programming concerns the co-existence and reconciliation of regional and sectoral angles. The guiding rule should be that those issues that are priorities from a national development point of view be dealt with in sectoral programmes (SOPs) and those that are sub-national in nature (e.g. those that are a priority only for certain regions) in regional programmes (ROPs). In elaborating this point, it is crucial that there is a close connection with both the administrative structure and the policy culture in a Member State. For instance, ROPs play a more important in larger states with established competencies at the regional level, such as in Germany and in Spain. These regional competencies are also required for identifying co-financing from regional budgets. In Ireland and Portugal, countries with weak or young regional governments, finding regional co-financing can be more burdensome.

4.2 Consequences for Candidate Countries

Organising ownership by connecting to existing structures

A central issue for programming is the existence of partnership. If the programme is written from behind a desk, or even by a few central ministries together, it will not enjoy wide support and will therefore lack ownership of parties that are important for the implementation of a programme. In that case, a programme will not be effective. Several levels of partnership can be established, ranging from only consultation afterwards among a limited group of stakeholders to full-fledged and wide-ranging partnership, involving social partners, regional partners and NGOs. Traditions vary in inter-ministerial co-ordination and the involvement of stakeholder representatives in the socio-economic planning process. The programming process will benefit from building upon these experiences and structures.

The programming phase also prepares the ground for more formal structures of partnership, e.g. the Monitoring Committee. Involvement of politicians from the very beginning is also indispensable. They will give the programming process the priority, momentum and status, and support in the allocating of the proper resources. It helps to make the NDP a truly national programme, including nationally-funded measures

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The programming process needs to be carefully designed
From the beginning, a clear delineation of timing and desired input from each actor is important. The input from different ministries with competing and sometimes even conflicting interests calls for a carefully designed programming process. The organisation of (a series of) workshops is very helpful in creating the necessary 'ownership'-feeling for the programme among the various stakeholders in the programme. Each participant of these workshops and of the programming process in general needs to have a clear mandate from the entity it is representing.

Programming requires specific skills and tools
In order to be successful in programming, specific skills need to be available. One group of skills is analytic in nature (SWOT, socio-economic, statistical, strategy development, indicator systems, quantification of targets), but a second important one is process-related. Having a substantial group of people with experience in designing and managing the programming process can make a difference. This experience is not necessarily related to the framework of the Structural Funds.

Next to skills, programming requires systems and tools: the design of a programming process which is agreed upon by the most important stakeholders and (methodological) programming guidelines drawn up by a national MA on the basis of EC regulations and guidelines so that every MA or participant of a programming process knows what is expected and what is going to happen.

The programming process never seems to be really finished. In fact, there are always improvements possible and always new remarks or comments to be made. Therefore establishing and keeping deadlines in the programming process is important.

4.3   Key indicators

In the field of programming, four key indicators have been distinguished. In line with the Structural Funds Management Grid, the aspects of structure, human resources, systems & tools and functioning have been included.

1.   Partnership already present in existing economic development policy (4 points)
-    Systematic and effective interministerial co-ordination of socio-economic policies
-    Social partners systematically involved in design of socio-economic policies
-    Regional partners systematically involved in design of socio-economic policies
-    NGOs systematically involved in design of socio-economic policies

2.   Capacity to carry out programming is available quantitatively and qualitatively (4 points)
-    Analytic skills
-    Process skills
-    Expertise to create Indicator systems
-    Experience in Programming

3.   Guidelines for programme preparation exist and disseminated (2 points)
-    National programming methodology/process description exists
-    Methods for creating partnership established

4.   Existence and quality of NDP document (and supporting documents) (5 points)
-    High share of national NDP expenses as a % of national budget (comprehensiveness)
-    National co-finance available for funding the NDP
-    NDP includes quantification of targets
-    NDP has been debated and agreed upon in parliament
-    NDP is widely supported among socio-economic actors

5 Implementation

5.1 Findings from Member States

The importance of Intermediate Bodies
The administrative structure of implementing Structural Funds can be very complicated. MAs remain present in the implementation process by providing advice and information on EU policies and rules, by promoting the use of guidelines and procedural manuals, and by strict monitoring, evaluation and financial control. But the larger part of the implementation process is delegated to intermediate bodies (IB). The number of IB per OP can then easily amount to 30 or 40 and there can be 500 IBs in one (larger) Member State[6]. Implementation of the Structural Funds is in many cases only a part of the daily tasks of these IBs. In addition to various agencies and bodies, Ministries can be involved as intermediate bodies as well. The existence of implementing Ministries or Departments often coincides with a 'multi-tier' implementation system in which tasks are delegated further by such a 'first level' IB to 'second level' IB.

The administrative structure of the country involved is highly determining for the organisation of the implementation of Structural Funds. The implementation of Structural Funds operations is firmly rooted in national, regional or local organisations that are part of the mainstream of economic development. In many cases, the staff of the IB is also involved in other duties, and there is not always a specific separation of EU-specific tasks. By integrating the Structural Funds practice in everyday regular work and tasks at the level of IB, the project pipeline will be more easily started up.

There is a difference between sectorally oriented IBs and regionally oriented IBs. For the implementation of SOPs, recourse is often taken to national development agencies, foreign investment agencies, tourism agencies and development banks. ROPs can have as implementing bodies: municipalities, associations of municipalities and civil society organisations such as regional development agencies, development associations and other non-profit organisations.

The lower-level IBs are the first recipients of applications and the first level at which compliance with eligibility rules is analysed and improved. They are in charge of defining the content of measures and of developing project pipelines, since they are closer to the final beneficiaries and are supposed to know best the main problems and needs to be solved. They are also responsible for the different tasks ranging from evaluation, selection, and monitoring of co-financed projects to the production of certifications of expenditure and six-monthly and annual performance reports.

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[6] In Ireland, we found 92 IBs for the 5 OPs together. 36 of them can be called 'first tier' IBs, or *Implementing Departments* within Ministries.

Variations in staff requirements

Analysing projects and candidatures is a major task and time consuming, with a large claim on resources. For example, a little under 100 people work for the ESF-pipeline in just one of the German Länder. But the actual number of human resources needed to implement projects co-financed by Structural Funds depends much on the type of projects they manage. Across the board, one IB staff member manages €3,75 million Structural Funds every year. However, at a more detailed level, large variation exists among the types of measure concerned. Staffing requirements are relatively modest in the fields of infrastructure (roughly €15 million per staff member), moderate in the case of business support (about €3 to 5 million per staff member), and high in human resource development or small scale farm support (up to €0.1 million per staff member for the latter). Bodies responsible for the implementation of activities related to SME support schemes, vocational training or agricultural grants need the highest level of human resources. This means that not only the funding level but also the number of projects appears to be determining staffing requirements.

Staffing requirements are in particular very high in the EAGGF field, where small-scale projects to farmers are being supported. For instance in the case of the Irish *Farm waste management scheme*, an extensive use of the regional and local bodies of the Department of Agriculture are being used. Calculations led to an overall annual requirement of 33 for implementing a measure of roughly Euro 30 mln. a year, or Euro 100,000 per staff. At the end, not the funding level but the number of projects appears to be decisive for the staffing requirements, as every project needs to be processed according to a similar format, irrespective of its size.

Tools for implementation: the project pipeline

Effective and efficient implementing of Structural Funds requires experience and practice. Over time, gradual improvements in the handling of projects are being made. The precise organisation of project pipelines depends largely on the type of assistance. In infrastructural measures the project pipeline has a top-down character, derived from national or regional strategies, policies and programmes. Project pipelines for smaller scale measures, however, tend to be derived through a bottom-up process. In all Member States, an important role exists for public relations and project mobilisation, in order to establish and maintain a properly functioning project pipeline.

5.2   Consequences for Candidate Countries

Assign and include intermediate bodies in the pre-accession preparations

The role of Intermediate Bodies (IB) is crucial for an efficient and successful implementation of the Structural Fund programmes. They play a pivotal role between the Managing Authority (MA) and the final beneficiaries. Therefore, it is important to not only spend attention to establishing MAs and PAs but definitely also to the IBs. Enough attention should be paid to the timely selection, creation and assignment of a sufficient number of suitable and well-regarded IBs, rooted in the everyday

implementation of existing economic development policies and having frequent contact with potential project applicants.

Furthermore, in a second stage, it is important that quite refined ideas about the future types of measures already exist. And what is more, it should be clear which IBs will be responsible for the implementation of which (types of) measures. Of course, identification and assignment of IBs alone is not enough: IBs will have to agree and identify themselves with the implementation of that particular measure.

Embedding the Structural Funds organisation in the existing administrative structure of the country is one of the critical success factors. This includes the competencies of and balance of power between the different actors. Therefore, it is important that the relationships between MA and IBs are in line with the existing national hierarchy of organisations. If necessary, an extra intermediate layer should be introduced (second-tier IB) in order to get the correct lines of delegation. As an example may serve the observation that a Ministry of Finance (MA) is mostly not in a position to delegate directly to a Tourism Agency (IB) that may resort under a different Ministry (e.g. the Ministry of Economy). A line Ministry is likely to be needed as a first-tier intermediate body. The assignment of intermediate bodies should culminate into agreed working relations and mutual understanding between each of the IB and the MA (including relationships with second-tier IBs via first-tier IBs).

Timely preparation of IB staff
In terms of human resources, the first step in the preparation is of course a clear picture of how much staff exactly will be needed overall. First, two parameters determining this staffing level, notably size and type of support expected will have to be estimated. A second step is to let the IB estimate their specific need for staffing based on the measures expected to be implemented by them. This will happen on the basis of the same two parameters. It should be checked whether the staffing of all IBs together matches the overall estimate. It is important to involve IB staff in Structural Fund preparations as soon as possible, preferably already in the preparation of the NDP. Other possibilities to draw the IB into the preparation process are the pre-accession instruments (PHARE, ISPA, SAPARD) and pre-accession training programmes.

Preparing job-aids
Just as important as the right structure and sufficient human resources is the existence of an operational project development and management system. It has to be clear how the project cycle will function: how will projects be identified, formulated, implemented and evaluated? What will be the project selection criteria? One of the criteria could be the cost-effectiveness of potential projects. Tools to carry out Cost Benefit Analyses (CBA) should then be available and IB-staff should be familiar with these manuals or guidelines. The same holds true for Project Cycle Management (PCM) tools in general. In order to be able to facilitate the process of submitting project proposals, clear, simple and easy to understand application forms should be prepared, if necessary including measure-specific features but standardised where possible. From the form, it should be clear what the project selection process will be.

NEI

Coherence with existing national or regional policies in the field of economic development is vital for the success of Structural Fund programmes. This means that existing national policies and strategies should be mentioned in the SPDs or OPs wherever they are related and will influence each other's success. This can be made even more concrete by taking into account existing national schemes and instruments in CSFs, SPDs and OPs. Concreteness of these documents can at the same time be enhanced by already mentioning concrete project possibilities.

Finally, checking the compliance with existing EU legislation is likely to be a challenge. Knowledge about themes as varied as EU competition policy, public tendering, environmental policy and equal opportunities all needs to be accessible for project managers on the ground. A manual for compliance with EU legislation is very helpful.

5.3   Key indicators

In the field of implementation, four key indicators have been distinguished. In line with the Structural Funds Management Grid, the aspects of structure, human resources, systems & tools and functioning have been included.

1.   Assignment of intermediate bodies (7 points)
- List of intermediate bodies available (both first and second tier if applicable)
- Intermediate bodies are well-regarded within their domain of work
- Assignment of intermediate bodies to individual measures carried out
- Agreement from intermediate bodies obtained
- Assignments in line with main responsibilities of intermediate bodies
- Authority of MA over implementing body in line with national hierarchy
- Good, established working relations between MAs and Intermediate bodies

2.   Staffing of intermediate bodies (6 points)
- Staffing requirements for intermediate bodies clarified
- Staffing for intermediate bodies secured
- Proven efforts for utilisation of experience and know-how from pre-accession funds
- Experience in project generation and project preparation obtained
- Experience in project selection and evaluation obtained
- Knowledge about EU legislation at operational level (rules on state aid, public procurement, environment, equal opportunities)

3.   Existing operational project development and management process (5 points)
- A coherent set of project selection criteria exists
- Standardised application forms exist
- Cost/benefit manual for large projects exists and is known
- Frequent reference to national policies, existing schemes, instruments and concrete projects in Structural Funds-related planning documents (NDP, OPs, PC's)
- Manual for compliance with EU legislation exists

4.   Absorption of and project pipeline for pre-accession funds (7 points)
- Absorption rate of Phare ESC
- Project pipeline for Phare ESC
- Absorption rate of ISPA
- Project pipeline for ISPA
- Accreditation of SAPARD agencies carried out
- Absorption rate of SAPARD
- Project pipeline for SAPARD

6 Monitoring & evaluation

6.1 Findings from Member States

The Functioning of Monitoring Committees: Composition and beyond
The Monitoring Committee is the highest decision-making body in each OP, SPD or CSF (Article 35, 1260/99). Due to their straightforward link with OPs, the total number of Monitoring Committees (excluding Cohesion Fund and Community Initiatives) ranges from 7 (in Ireland) and 10 (in the New German Länder) to 20 (Portugal) and 25 (Spain). The larger the number of Monitoring Committees, the more reporting requirements need to be fulfilled. Consequently, a large number of OPs calls for a larger administrative capacity to monitor the programmes[7].

The number of members per Monitoring Committee can vary considerably, despite the similar membership-structure of Monitoring Committees (including MAs as a Chair, other Ministries, implementing bodies, social partners, NGOs and regional partners). Overall, CSF Monitoring Committees are larger with up to 80-100 Members in Spain, Portugal and Ireland alike. The Monitoring Committees for individual OPs tend to be much smaller, with an average of 20-30 members. Yet, a wide-ranging OP (e.g. the Productive sector in Ireland) touches upon a larger number of stakeholders than a narrower OP (e.g. Fishery in Portugal). Therefore, a simple CSF-structure with few OPs can also lead to top-heavy Monitoring Committees and some additional claim on the administrative capacity of the supporting MAs, usually acting as Monitoring Committee secretariats.

In their functioning, Monitoring Committees tend to be rather formal and political in nature. The inclusion of various Ministries, social and regional partners and NGOs requires a careful preparation and skilful chairing of Monitoring Committee meetings.

A complex task: developing and implementing monitoring information systems
Monitoring complex programmes such as a CSF, OP or SPD cannot be properly done without a well-functioning IT-based monitoring information system. Various solutions for this challenge could be found in the countries studied. An important issue in that respect is the choice between a central (top-down) model to be imposed upon each OP and IB versus a bottom-up model starting from the operational level. The latter option often results in several monitoring systems, which are however more adjusted to the particular operational needs. The four selected countries show different models, although in all four of them some type of centralised monitoring system has been developed. The systems are not fully in place yet and it cannot be assessed how they will function in practice.

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[7] There are also people in IB involved in M&E. For example, in Spain in every implementing department from 1 to 3 people involved in this process can be found.

Financial monitoring is the primary focus of the monitoring function in the selected countries. The automatic decommitment or 'n +2' rule is reinforcing this function. Nevertheless, more advanced versions of monitoring systems are becoming available that are able to combine financial and physical progress data.

In addition to the general staff needed for collecting and processing of the data, a specialised monitoring staff is in charge of the development, maintenance and upgrading of the system. IT-staff is in particular necessary during the development and programming of the system.

Evaluations: relying on the outside professional community
In almost all countries studied, evaluations are to a small or large extent being contracted out to private independent entities. Ex ante, mid-term and ex post evaluations can be carried out by private consultants, universities or individual scholars. Commonly, the CSF MA provides the Terms of Reference and the evaluation method to be used, while OP MAs contract out the work. The use of a standardised approach is essential, in order to be able to compare and sum up the impact of all interventions. In addition, internal evaluations are also being carried out. In Ireland, the key organisation regarding the execution of internal evaluations is the CSF Central Evaluation Unit.

6.2   Consequences for Candidate Countries

Establishing structures for monitoring
As with all other functions, it is essential to assign responsibilities and tasks in the field of monitoring and evaluation, and to build upon the programming phase. At the level of both CSF and OPs, the identification of Monitoring Committee members is a time-consuming process. Upon their start, Monitoring Committees need to be well balanced, up to the level of key persons within the bodies represented. Also, it will be important to present the advantages of MC-membership to identified bodies, as it will lead to an additional workload for their organisation. In addition, day-to-day monitoring tasks will need to be assigned as well, both at the institutional and at the individual level.

Building up evaluation competencies
The existence of an evaluation culture is a clear advantage when fulfilling the evaluation requirements of the Structural Funds. The Structural Funds themselves actively promote such an evaluation culture. But Candidate Countries, where such a culture is often still missing, cannot await the arrival of the Structural Funds. They should actively encourage the development of local, independent evaluation expertise wherever it is not sufficiently in place, at least not in accordance with international quality standards. The evaluations of PHARE policies (OMAS) provide a learning experience. In addition, evaluating national, regional and local policies can be very useful, for instance as part of the preparations of NDPs.

Monitoring systems: learning from Member States

In the Member States studied, the status of the monitoring systems was often less advanced than one would expect on the basis of the rich experiences gained in managing the Structural Funds. It can be troublesome to develop a system which is useful for all actors, reliable, and at the same time user-friendly and up-to-date. Rather than re-inventing the wheel, Candidate Countries should benefit from the experiences gained within the Member States, for instance by using straightforward and proven software. Thereto, it is essential that monitoring officials be attached to the pre-accession Funds (PHARE, ISPA, SAPARD), that provide an excellent opportunity for developing the necessary competencies in this field.

6.3   Key indicators

In the field of monitoring & evaluation, four key indicators have been distinguished. In line with the Structural Funds Management Grid, the aspects of structure, human resources, systems & tools and functioning have been included.

1.   Designation of monitoring responsibilities (5 points)
- Responsibilities and tasks assigned at the level of institutions (departments/units)
- Responsibilities and tasks assigned at the level of job descriptions
- Existence of an approved document containing an overview of all organisations that are represented at all relevant Monitoring Committees (CSF and OPs)
- Existence of a document containing an overview of representative persons that are Member of all relevant Monitoring Committees
- Broad composition of Monitoring Committees (social and regional partners, NGOs)

2.   Availability of independent evaluation expertise (4 points)
- Evaluation expertise sufficiently available from university institutes or private consultants
- Independence of this evaluation expertise secured
- Local evaluation expertise has international quality standards (e.g. experience with MEANS)
- Spreading of an evaluation culture through evaluations of domestic policies

3.   Existence of computerised monitoring information system(-s) (3 points)
- Status of the system(-s) (under development versus functioning)
- Reliability of the system secured (e.g. by using existing or proven software)
- Access to system (broad-based and user-friendly)

4.   Functioning monitoring system for pre-accession funds (4 points)
- Monitoring responsibilities for each pre-accession fund clearly assigned at level of job descriptions
- Existence of qualified monitoring officials for each pre-accession fund
- Existence of a functioning computerised monitoring system
- Full utilisation of the computerised monitoring system

7 Financial management & control

7.1 Findings from Member States

Financial management as a top priority: Paying Authorities established
In all Member States studied, the importance of financial management and control has increased significantly for the programming period 2000-2006. In particular Regulation 438/2001 lays down the specific requirements for the administration and control systems. The establishment of separate Paying Authorities is one of the manifestations of this priority. According to Article 9, (1260/99), Paying Authorities are "one or more national, regional or local authorities or bodies designated by the Member States for the purposes of drawing up and submitting payment applications and receiving payments from the Commission. The Member State shall determine all the modalities of its relationship with the Paying Authority and of the latter's relationship with the Commission".

The functioning of the Paying Authorities (PAs) is rather comparable across the countries studied. Across the board, PAs have been established for each of the Structural Funds (ERDF, ESF, EAGGF and FIFG). The ERDF-PA tends to be joined with the Cohesion Fund-PA, and often located within the co-ordinating Ministry (also housing the CSF-MA). The PAs for the ESF, EAGGF and FIFG tend to be located within the respective line Ministries.

The precise assignment and division of responsibilities in the field of financial management requires much attention. The delineation between the tasks of MAs, PAs and intermediate bodies is not always evident by itself. Main tasks of the PAs include:
- Managing the payment of the Funds
- Submitting certified payment applications to the Commission
- Ensuring final beneficiaries receive EU contributions quickly
- Recover sums due to the Funds
- Keep a record of recovery orders
- Repay recoveries to the Commission
- Make available to the Commission detailed records on payments
- Supply expenditure forecasts to the Commission

In general, PAs in the countries studied have a staff of a minimum of 2 to a maximum of 7 persons.

In demand: auditing skills
The increased requirements in the field of financial management and control have resulted in a sharp rise in the demand for staff with accounting and auditing skills. Equally, responsibilities in the field of financial control need to be assigned carefully. One of the complications in assigning responsibilities in this field lies in the fact that each level of the cascade has its own responsibilities. For instance, system-based audits

are required under Article 10.1 (a) of Regulation 438/2001. It is the responsibility of the Member Sate to organise checks on operations on an appropriate sampling basis, designed in particular to verify the effectiveness of the management and control systems in place.

Member States tend to reply to this requirement by establishing Internal Audit Units, at least at the top of the cascade. These tend to be staffed by regular civil servants, who have received auditing training. Lower in the cascade, auditing functions tend to be contracted out to private firms. In order to fulfil the requirements from Article 15 (438/2001), Member States often have independent financial control units that are in charge of winding up declaration at closure of interventions. These financial control units perform checks on the system as well[8].

Promoting systems and tools
Within all Member States studied, the enforced requirements for financial management and control have raised attention and concerns. Their appropriate reaction is to enforce the development of systems, tools, manuals and procedures. These systems and tools are being designed in close co-operation with the stakeholders in the cascade, and sometimes accompanied by awareness raising activities.

7.2   Key issues for Candidate Countries

Timely designation of responsibilities is important
The designation of Paying Authorities is an important issue. Although it is common to distinguish the Paying Authorities by Fund in the Member States, it can be advantageous for Candidate Countries to simplify and to concentrate activities into one PA. This is certainly a likely solution for countries that will follow the SPD-model. The timely designation of Paying Authorities is important as there will be much work to be done in the field of financial management prior to the smooth functioning of the system. In particular, a good division of labour with the Managing Authorities and with the internal and external auditing functions is needed.

Building up accounting and auditing expertise
Both financial management and financial control requirements lead to considerable claims on expertise. Firstly, responsibilities in both fields need to be translated into individual tasks at the job-level. Generally, auditors can be recruited from the general staff that should be trained in auditing. Although accounting skills are commonly available from large international accounting firms, it is also important to secure the staffing of the independent body responsible for winding up declaration at closure of interventions.

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[8] As an example of practice, it serves the fact that in the Autonomous Region of Murcia in Spain, during the year 2000 a total of 245 controls were undertaken of which 182 were subcontracted. In Ireland, in addition to the Managing Authorities, over 25 staff was identified, mostly at the level of MA's, specifically working on the financial management of the Structural Funds, either within Internal Audit Units or Financial Control Units.

Designing systems and procedures
Of all the fields covered, systems and procedures are perhaps most essential in financial management and control. Several systems need to be designed prior to the start of the programmes. Notably a system of payment flows, but also a system for expenditure forecasting and a system for certification of payment requests. In addition, procedures for verification and reality of expenditure need to be in place. Methods for sample checks need to be developed as well, preferably based on risk analysis. These methods can be used within an annual audit control plan as well.

Dealing with financial irregularities and corrections
Dealing with financial irregularities is part of the Structural Funds management (Regulation 448/2001). But dealing with financial irregularities is also important when national funds are at stake. Therefore, the existence of practices to deal with financial irregularities is an indication of the ability of the Candidate Countries to take this matter seriously. The publishing of records on financial irregularities, a track record on appropriate measures and the existence of a competent and active national court of auditors are also indications.

7.3 Key indicators

In the field of financial management & control, four key indicators have been distinguished. In line with the Structural Funds Management Grid, the aspects of structure, human resources, systems & tools and functioning have been included.

1.   Designation of responsibilities (5 points)
- PA for all Structural Funds designated
- Responsibilities and tasks assigned to MAs (ensure verification of the reality of expenditure, of the product or service provided, conformity to programme requirements, respect of procurement rules, fulfilment of all eligibility provisions).
- Responsibilities and tasks assigned to PAs
- Internal auditing capacities in relevant Ministries existing
- Body for carrying out sample checks identified and designated

2.   Accounting and auditing expertise secured (5 points)
- Responsibilities and tasks in financial management and control assigned at the level of job descriptions
- Evidence that adequate staffing for all financial management and control functions can be secured
- Auditing training available for civil servants
- Adequate staffing of body for carrying out sample checks secured

3.   Existence of accounting system and financial procedures established (7 points)
- System of payment flows in place and on paper
- Systems for expenditure forecasting in place
- System for certification of payment requests in place

- Procedures for verification and reality of expenditure in place
- Method for sample checks in place
- Presence of a sufficient audit trail
- Existence of an annual audit control plan and/or system

4. Established practice in dealing with financial irregularities (5 points)
- Existence of published records on financial irregularities for pre-accession Funds
- Proper introduction of EDIS
- Track record on appropriate measures taken in dealing with irregularities
- Systems for correcting irregularities existing and applicable to Structural Funds
- National court of auditors in place, competent and active (e.g. annual reports available)

8 Conclusions for the use of indicators

8.1 Key messages

Key indicators for Candidate Countries to effectively manage the Structural Funds

Indicators	DESIGN			FUNCTIONING
	Structures	Human Resources	Systems & Tools	
Management	Designation of MAs	Staffing of MAs	Arrangement on delegating tasks	Existence of a modern civil service
Programming	Partnership already present	Capacity to carry out programming	Guidelines / manuals for programming exist	Existence and quality of NDP
Implementation	Assignment of Intermediate Bodies	Staffing of Intermediate Bodies	Existing operational project development and management process	Absorption of and project pipeline for pre-accession funds
Monitoring & Evaluation	Designation of monitoring and evaluation responsibilities	Availability of independent evaluation expertise	Existence of a computerised monitoring information system	Functioning monitoring system for pre-accession funds
Financial Management & Control	Designation of Paying Authorities and functions	Accounting and auditing expertise secured	Existence of accounting system and financial procedures secured	Established practice in dealing with financial irregularities

The above matrix provides an overview of the key indicators for Candidate Countries to effectively manage the Structural Funds. Based on the experiences available, these indicators have been built on the following key messages:

1) Establish the appropriate structures quickly and precisely; these structures cannot be directly copied from Member states, but need to reflect the existing administrative structures and traditions.
2) Overall, simple management structures (SPDs rather than CSFs, or otherwise a small number of OPs) require less administrative capacity than complicated structures. However, simple management structures can sometimes lead to more complicated (two-tier) implementation structures and extended Monitoring Committees.
3) Human resources are vital: detail the staff requirements and provide the conditions for recruiting, retaining and training qualified staff, preferably for all administrative staff but at least for the key staff managing the Structural Funds.
4) Develop systems, procedures, manuals, guidelines and other tools in order to increase productivity, efficiency, consistency and quality of work, while reducing the vulnerability of organisations and their dependence on individuals
5) Prepare for a head-start by utilising existing experiences that have been gained in the pre-accession stage, wherever applicable and useful. It is crucial that organisations develop a capacity to learn from their previous experiences.
6) Divide management attention to all areas of the policy life cycle, notably on financial management & control and implementation, but also on programming and monitoring & evaluation.

8.2 System for assessments

On the basis of the Structural Funds management grid, the assessment of the administrative capacity to effectively manage the Funds can be distinguished in a horizontal and a vertical assessment. Within each category, assessments result in assignment to one of four categories: category A (at least 90% of maximum score), category B (at least 75% of maximum score), category C (at least 50% of maximum score) or category D (below 50% of maximum score). The principle behind this division of points is that the last 10% of points should be relatively hard to achieve.

The *horizontal assessment* is carried out by adding the indicator scores in the fields of management, programming, implementation, monitoring & evaluation and financial management & control. These scores can be obtained from the end of the Sections 3.3, 4.3, 5.3, 6.3 and 7.3.

Management (from Section 3.3):
The maximum number of points to be gained under this heading is 24. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (22-24)
B: Overall sufficient capacity, but weaknesses to be addressed (18-21)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (12-17)
D: Insufficient capacity, no basis for administering the Funds (11 or lower)

Programming (from Section 4.3):
The maximum number of points to be gained under this heading is 15. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (14-15)
B: Overall sufficient capacity, but weaknesses to be addressed (11-13)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (8-10)
D: Insufficient capacity, no basis for administering the Funds (7 or lower)

Implementation (from Section 5.3):
The maximum number of points to be gained under this heading is 25. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (23-25)
B: Overall sufficient capacity, but weaknesses to be addressed (19-22)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (13-18)
D: Insufficient capacity, no basis for administering the Funds (12 or lower)

Monitoring & Evaluation (from Section 6.3):
The maximum number of points to be gained under this heading is 15. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (14-15)
B: Overall sufficient capacity, but weaknesses to be addressed (11-13)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (8-10)
D: Insufficient capacity, no basis for administering the Funds (7 or lower)

Financial Management & Control (from Section 7.3):
The maximum number of points to be gained under this heading is 22. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (20-22)
B: Overall sufficient capacity, but certain weaknesses to be addressed (17-19)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (11-16)
D: Insufficient capacity, no basis for administering the Funds (10 or lower)

The *vertical assessment,* covering structures, human resources, systems & tools and functioning, is carried out by adding the indicator scores as follows:

Structure:
Add the first key indicator from the Sections 3.3, 4.3, 5.3, 6.3 and 7.3. The maximum number of points to be gained under this heading is 29. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (26-29)
B: Overall sufficient capacity, but certain weaknesses to be addressed (22-25)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (15-21)
D: Insufficient capacity, no basis for administering the Funds (14 or lower)

Human resources:
Add the second key indicator from the Sections 3.3, 4.3, 5.3, 6.3 and 7.3. The maximum number of points to be gained under this heading is 26. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (23-26)
B: Overall sufficient capacity, but certain weaknesses to be addressed (20-22)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (13-19)
D: Insufficient capacity, no basis for administering the Funds (12 or lower)

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System & tools:
Add the third key indicator from the Sections 3.3, 4.3, 5.3, 6.3 and 7.3. The maximum number of points to be gained under this heading is 20. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (18-20)
B: Overall sufficient capacity, but certain weaknesses to be addressed (15-17)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (10-14)
D: Insufficient capacity, no basis for administering the Funds (9 or lower)

Functioning:
Add the fourth key indicator from the Sections 3.3, 4.3, 5.3, 6.3 and 7.3. The maximum number of points to be gained under this heading is 26. The following judgment can now be provided by Candidate Country:

A: Overall strong capacity: ready for Structural Funds (23-26)
B: Overall sufficient capacity, but certain weaknesses to be addressed (20-22)
C: Not yet sufficient capacity, various and serious weaknesses to be addressed (13-19)
D: Insufficient capacity, no basis for administering the Funds (12 or lower)

In summary, the results of the assessment can be presented in the following *assessment table.*

Assessment table: Administrative capacity to effectively manage the Structural Funds

Country: …………………..		Year:……………		
	high			*low*
Horizontal assessment				
Management	A	B	C	D
Programming	A	B	C	D
Implementation	A	B	C	D
Monitoring & Evaluation	A	B	C	D
Financial Management & Control	A	B	C	D
Vertical assessment				
Structures	A	B	C	D
Human resources	A	B	C	D
Systems & Tools	A	B	C	D
Functioning	A	B	C	D

The assessment table can be used for deriving the following types of information:
- Overall progress towards building the administrative capacities
- Balance among the various horizontal parts of Structural Funds management. Preparation activities for accession can focus on the areas which are relatively weak (e.g. implementation)
- Balance among the various vertical parts of Structural Funds management. Preparation activities for accession can focus on areas which are relatively weak (e.g. systems & tools). In general, structures will first need to be in place prior to human resources and systems & tools.

8.3 Applications for using the key indicators

The system of key indicators presented in this report can be used for several purposes, namely:
- A checklist for Candidate Countries, to be used as a tool and a guideline for the further accession preparations
- Benchmark the state-of-preparations of each of the Candidate Countries
- Monitor the progress of the preparation of each of the Candidate Countries over time
- Recognise common patterns of imbalance (strengths and weaknesses) across the Candidate Countries, and build horizontal actions upon them.
- Comparison with Cohesion countries

Measuring the administrative capacity to effectively manage the Structural Funds can be done by internal or external assessments.