European Cohesion Policy: A Proposed Evaluation Model

Alina Bouroșu (Costâchéscu)*

Abstract: The current approach of European Cohesion Policy (ECP) is intended to be a bridge between different fields of study, emphasizing the intersection between “the public policy cycle, theories of new institutionalism and the new public management”. ECP can be viewed as a focal point between putting into practice the principles of the new governance theory, theories of economic convergence and divergence and the governance of common goods. After a short introduction of defining the concepts used, the author discussed on the created image of ECP by applying three different theories, focusing on the structural funds implementation system (SFIS), directing the discussion on the evaluation part of this policy, by proposing a model of performance evaluation of the system, in order to outline key principles for creating effective management mechanisms of ECP.

Keywords: Cohesion, structural funds implementation system, efficiency, public policy, governing the commons, new governance, principal - agent

Introduction to the Research Field

The first concept used that requires more attention is cohesion, which assumes various inequalities related to the living standard, income, access to resources, opportunities, etc. Economic/social convergence is a long term process, which reflects the ability of economic groups to be competitive. In the European context, we can identify another effect related to the disproportionate distribution of benefits/resources of EU integration, in order to dispose/recover economic disparities/social differences between regions, to create a competitive framework between regions. As already anticipated, the cohesion concept includes three aspects: economic, social and territorial cohesion.

Measuring the social/economical cohesion by the convergence concept explains the way of attaining a certain limit, even if that limit is a point, a function or a value\(^1\), and the perspective of reducing the economical disparities seems to be the closest image of the concept used in ECP’s context. Having all this in mind, these concepts are not identical, economical

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\(^1\) Robert C James, Matematics dictionary, (Chapman & Hall, NY, 1992, 5th edition) p.89-90
convergence is only one part of the ECP’s objectives, among regional competitivness and cross-border cooperation\textsuperscript{2}. So, the cohesion concept does not involve only the mathematical relations of certains indicators, but also the idea of generating a certain competitive behaviour between different units.

Other key concepts are that of region and regional disparity. The concept of region is quite extensive with multiple connotations, in the foreground, a spatial component, referring to a given territory, whose boundaries can be defined historically, culturally, religiously, statistically, etc. For ECP, the region is statistically defined by the Nomenclature of Territorial Units for Statistics (NTUS) - Level II. Taking into consideration the sociological definition of the region, regional policy implies not only reducing economic and social disparities, but also the development of harmonious relations between these spaces and groups located in a certain area and across territorially defined groups. “Regional policy covers all areas that affect the normal functioning of a social group in a given space, whether it is economic, social, cultural, demographic, administrative, and ecological.”\textsuperscript{3}

Another concept of this approach comes from the sphere of management and relates the performance management of organization/institutions/policies, thus outlining the management system of implementing the ECP. It can be defined as “a set of elements whose nature can be decisional, organizational, informational, motivational, etc. through which all relationships and management processes are exerted in order to achieve greater effectiveness and efficiency”\textsuperscript{4}. This definition can be applied with some amendments detailed in the following sections to all areas of the ECP.

Also, the concept of efficiency is defined by a high absorption capacity as well as the ability to effectively distribute the resources in order to achieve objectives set in strategic programming documents.

\textbf{Implementation System of ECP}

ECP is defined as a “spatial combination of a variety of sectoral policies, each of them organized according to a particular boundary and decision making rules. L. Hooghe considers this policy as an integrated sumum of policies/measures that work together to achieve the general objective of eliminating regional disparities, including taking items from other EU sectoral policies, eg: transport, energy, IT&C, environment, industry, urban planning, etc\textsuperscript{5}. Also, ECP is a “mix of financial instruments that would allow resources necessary to achieve the policy objectives and rules, which determine the economic and social stakeholders to achieve certain policy actions relevant to the objectives”\textsuperscript{6}.

Strengthening this policy is closely related to EU’s consolidation process, by developing the territorial dimension of European community’s enlargement process. The reform of structural funds (SF) was based on the following principles: thematic, geographic and financial focus on using the financial instruments in line with strategic objectives; subsidiarity and

\textsuperscript{2} http://ec.europa.eu/regional_policy/policy/object/index_en.htm
\textsuperscript{3} Dusan Sidjansky and Charles Ricq, Les politiques regionales (Editions Regionales Europeennes, 1985), p. 19
\textsuperscript{4} Ovidiu Nicolescu and Ion Verboncu, Fundamentele managementului organizaţiei, (Tribuna Economică, 2002)
\textsuperscript{6} Willem Molle, European Cohesion Policy (Routledge, 2007): p. 109
European Cohesion Policy: A Proposed Evaluation Model

decentralization, which aim to implement accountability of actors involved in the management system; streamlining of SF intervention and simplification of financial management; increased transparency in the use of SF. Thus, ECP reforms sought to apply geographical and functional criteria to the management of SF, concentrating expenditures in less developed regions and states, claiming solidarity of more developed countries, targeting the creation of a more competitive Union, at the same time more uniform in terms of economic and social development. Designing the implementation system is a key factor in applying a public policy, influencing both its inputs, outputs and strategic decisions on resources’ allocation during the implementation period, and the same idea can be put into discussion by establishing in building the SFIS, at European level, certain regulations and principles which influence the national design of implementing ECP.

David Allen identifies four elements around which the ECP implementation system is designed: programming, by which multi-annual and multi-regional programs are being financed, additionality, through which SF allocations for each country are co-financed from the national budget; partnership at the national, regional and local levels in order to implement multi-annual programs, subsidiarity - solving problems within a system occurs at the level of the subsystems in which they appear. All these elements have been consolidated during the reforms made on the implementation system of ECP, evolving “from a policy based on national strategies to a strategic European policy”.

Logical Diagram of ECP

EU- global objective | Achieve balanced and sustainable development, Strengthen economic and social cohesion by reducing regional disparities
--- | ---
Strategic objectives | Improving the economic situation of the regions
 | Promoting links between regions
Operational objectives | Competitiveness
 | Promoting social inclusion and suitable jobs
 | Promoting quality of the environment
 | Developing trans-regional connections
 | Supporting trans-regional cooperation
Instruments | ERDF
 | ESF
 | CF
 | ERDF
 | ERDF
Institutions /governance/partnership/rules/procedures
Interventions | Business environment, innovation, research
 | Education, training, skills, social inclusion
 | Infrastructure, services
 | Exchange, networking, partnership, cross-border cooperation

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8 idem
11 Gian Paolo Manzella and Carlos Mendez “The turning points of EU Cohesion policy”.
Based on the diagram above, the practice of ECP's implementation brings into light a vast plateau of institutions, procedures and interactions. Objectives laid down above are sorted by the interaction of three levels: the national authorities, the regional and European plateau. The complex institutional system and the multiple intersections between the levels referred above, make implementing and tracking ECP goals difficult. Thus, at the European level, the European Commission (EC) proposes the budget for this policy and respectively a series of implementation rules for a programming period of 7 years, on which the European Union Council (EUC) and the European Parliament (EP) must decide. After approving the ECP budget, amounting to EUR 347 billion, it is distributed to MS after a process of consultation and negotiation with the EC on eligible regions, distribution criteria, objectives, etc. Some of these negotiations turn into regulations on implementing SF, others in strategic documents such as national strategic reference frameworks (NSRF), on which operational programs (OPs) would be designed, creating the means that would finance investment projects.

SFIS is based on a number of requirements imposed by regulations and guidance documents governing EU's ECP, following the complete cycle of a public policy's implementation process. With the exception of EU regulations and financial instruments, fixed at European level, the rest of ECP's implementation system is plied on the legal and institutional specificity of each individual MS. For example, the degree of decentralization of the implementation systems depend on the type of organization of each MS - centralized, decentralized, federal, confederate, its level of democratization, determined by historical over-centralization, etc. Thus, SFIS differ fundamentally in federal states such as Spain, Belgium and in centralized states as Romania and Hungary etc., differences arising especially from the institutional inter-relation background and the regionalization process of the two types of states. This is reflected in the distribution of competences in managing the regional, local, national, political interests, in the number and purposes of the existing OPs, in the existing administrative structures and how they are organized - partnership structures, governmental agencies.

Theoretical Perspectives on SFIS

SFIS emerged and developed along with new perspectives of public management, determined by the diversification of the stakeholders' typology, through partnerships and coalitions, in order to fulfil administrative functions at a social level, closely linked with the theoretical approaches to European integration. In the context of this research, I analyzed SFIS` characteristics taking into account three theories, underlining their advantages and disadvantages.

Aplying new governance theory/ networking theory on ECP

The assumptions on which this theory is based upon is related to preference of market mechanisms and abandoning bureaucratic mechanisms in the approach of public administration, given that the competitive market system cannot cope with all the problems of society, highlighting the idea of collective solutions proposed by networks
of actors within which the state no longer has the central role. The concept of multi-level governance, developed by Gary Marks to describe EU as a “system of continuous negotiation among nested governments at several territorial tiers—supranational, national, regional and local,” has been extended to decisions taken within the information networks in shaping public policies, enabling multiple actors to collaborate in a system in which power is dispersed. This approach has been underlying the ECP reforms and it is considered “the most influential current approach to studying the role of regions and cohesion policy in the EU”.  

The principles of the new governance theory are applied at all stages of the cohesion policy cycle, starting from the negotiation of financial allocations, of the institutional framework for implementing the OPs and reaching to the structural programming phase for setting down the allocation’s priorities of SF. Public and private stakeholders can be found in all phases of SFIS, but their extent varies from one MS to another, depending on historical patterns of the associative life in these countries. Thus, in some countries, the degree of participation of actors interested in the political decision process is higher than in others, and this is reflected in different degrees of involvement of societal actors in many stages of SF’s management and control system.

The governance concept applied to SFIS manages to provide a comprehensive view on how various societal actors intersect with the creation, implementation, monitoring and evaluation of public policy. The new governance puts the management system on a higher level of accountability to citizens and to other societal actors through their awareness of public policy implementation issues.

Z. Rosenblatt et al. discuss on the benefits of new management approaches, its emphasis on flexibility, on the assumption of risk by all participating actors in the policy making process, since this is a participatory process with flexible structures, in which consensus and proactive attitude are the main principles.

**Governing the commons and ECP**

Starting from “The Tragedy of the Commons” by Garrett Hardin, I have analised the implementation system of ECP from the perspective on “tragedy of common resources”. These represent classical exemples of market-failure due to the fact that markets aren’t effective decision mechanisms to ensure a constant equilibrium between supply and demand in the context of limited goods to which different actors demand access in market conditions. The failure occurs in situations where competitive market rules apply to certain limited public goods, where individuals are not being motivated to produce

14 Christopher Ansell, John Peterson, et c.
17 In a situation with limited resources, every actor wants to maximize their resources and their rational action will destroy the asset/resource in question — Garrett Hardin, “The Tragedy of the Commons”, Science 162 (1968) p. 1243-1248, [http://www.sciencemag.org/content/162/3859/1243.full.pdf](http://www.sciencemag.org/content/162/3859/1243.full.pdf)
these goods or it may be too costly to produce them at optimal levels. Following this theoretical approach it is necessary to clarify certain issues that can be regarded as a "tragedy of common resources" situation. First, not any policy can produce certain goods for all actors involved, in any conditions for access to those goods, being necessary to establish certain criteria that limit the use of goods in order to ensure the achievement of certain strategic objectives, of optimal capacity of goods production.

We can identify two levels on which actors try to maximize their resources, taken into consideration MS preferences:

1. Regarding financial resource distribution throughout European policies (common agriculture policy, cohesion policy, commercial policy, security policy, etc). It is rational for a state that faces small disparities not to be interested in increasing financial allocation for ECP, taking into consideration that, in the actual distribution system (GDP/inhabitant, unemployment rate, population density, etc.), this country would probably not benefit much from these allocations.

2. Regarding financial allocation within ECP. Is rational for each MS to fight for a more advantageous allocation, this behaviour is evident on the actual debate for reforming the allocation criteria for the next programming period. This behaviour of maximizing its own income within ECP could even lead to a situation of jeopardizing ECP`s objectives and decisional mechanisms within the policy.

Thus, the ECP budget can be viewed as a common good, which would suffer, if its use would not lead to the expected results. In this respect, the allocated budget for future periods could be reduced or the policy could be abandoned in an extreme case. In addition, it could bring into question the fact that the ECP budget cannot be considered as a result of the policy, but rather “a need” to the entire implementation system, a claim which would be partially true because the building and budget allocation of ECP is part of the system, of the implementation of ECP. Also, actors/MS are in a position to manage a common property for a specific purpose - to reduce socio-economic disparities between regions. Resource destruction is seen as a bad distribution of the asset, leading to complaints from some MS and extrapolated, to their refusal to help finance this policy. Also, inefficiency in the use of funds, not generating economic growth leads hypothetically to much less future budget resources for the policy.

Also, I detailed the elements of ECP`s implementation system, using the levels of analysis of E. Ostrom “constitutional, collective choice and operational choice” identifying the rules and regulations used by participants to organize interactions (setting rules), the attributes of the status quo on which they act (physical and material conditions, free-rider problem, production substractibility, and resources mobility) and the structure of the general community (community characteristics, its culture). By this theory, the ECP implementation system in a mix between governing and self-governing, the two regulation forms can be found in their true shape in certain sectors of the system.

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Application of institutional analysis developed by E. Ostrom, to the ECP’s implementation system

Constitutional level of analysis

1. Identifying the problem

The problem concerning reducing the economic and social dissimilarities among the developing regions was identified in the initiating treaties of the European Communities\(^{20}\), giving constitutional status to this policy, if we are to make a parallel between the fundamental law within a state and the fundamental EU treaties.

2. Rules configuration

At this level, positioning rules are set by the EU membership itself, in the sense that, only MS can benefit from this policy, and the criteria for meeting ECP objectives are defined by implementation regulations of the SF and the Cohesion Fund. For instance, in order to benefit from allocations within the Convergence objective, for the 2007-2013 period, the value of the GDP per inhabitant within the beneficiary region should be smaller than the average GDP per inhabitant of EU15.

In terms of authority and sanctionatory rules, these are generated by the provisions of the Community regulations concerning annual reporting requirements for each program, and maintaining separate accounting records for the management of these funds, the role of monitoring committees. Furthermore, in regard to ECP funds, the rule of “disengagement from the office” was laid down, which establishes that the unused funds within the first two years of the programming period of 2007-2013 and then within an interval of two years after their payment are to be reintegrated into the community budget\(^{21}\). In a case of improper spending of the ECP allocated funds, EC can block the payments for a certain OP until actions are taken in order to remedy the situation.

3. The status quo attributes

ECP budget is a resource that reduces while being used by multiple actors. The government system of this resource was established through the cooperation between MS in order to achieve a common goal - EU integration and operation of the common market. Cooperation at this level occurs between states which, through negotiations, impose rules that must be followed at the lower levels of the system in order to make use of the common good. In comparison to regular common goods, governing this type of property is based on international cooperation in the regulated field by establishing some principles to achieve common goals. At this level, the diversity of involved actors


represents an issue of the action coordination in order to manage that common good. Even if there is no question of failure situations in terms of participation in the formation of the budget of the ECP, such situations can arise in the case of influencing attempts on distributing the financial resources and on setting down the criteria for funds allocation or for budgetary amendments in favor of certain states. Relevant in this respect, is the budgetary rectification for UK, which was enounced as a general principle, through the Fontainebleau European Council (June 1984): “any MS that has an excessive budgetary burden in relation to its relative prosperity is likely to benefit, at the right time of a rectification”. Thus, every year, the UK is being reimbursed two-thirds of the difference between its contribution owed under the EU’s own resources system and the overall community spending in its favor. Initially, this “British check” was funded by all other MS in proportion to their contribution to the EU’s GNP, except for Germany, which enjoyed a reduction from the start because of its internal imbalances. Another similar case would be the EU rescue plan for Grece in 2011 in the imminent context of world economic crisis and the payment incapacity of this country. Due to an enormous internal deficit of Grece and then of Irland and Spain, EU and the other MS were in such a position that destroying the euro area and the single market would have higher danger costs than assuming a new compromise on saving these countries. The case is unique in EU history and has led to some exceptions to the established rules at European level so that the European project on the Euro area would not disappear. On the other hand, a precedent has been created and the countries can use it in their favor if the EU does not take further action on harmonizing the economic policies to avoid such situations.

4. The attributes of the Community

The community within which the common property/good is being managed has an important role in this regard; its attributes are identified by E. Ostrom through the concept of “culture” and they are related to “behavior norms generally accepted in the community, to the homogeneity degree of the preferences of those living in the community, to the distribution of resources among those affected.” At a constitutional level the community can constitute a special case due to the following aspects: the community is made up of MS as actors, actors with strong personalities and different cultures. These elements are counterbalanced by a high confidence in how the good is being used, mainly due to the creation of supranational institutions (EC, European Court of Justice) that monitor the utilisation of funds and due to the existence of some monitoring and control mechanisms that intersect all sections of the ECP’s implementation system.

The collective level of analysis

The collective-choice level includes, as I previously mentioned, rules of collective choice, which generate the processes of policy development, the management and

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22 Idem, p. 192
23 ibidem
implementation of a certain policy. When applying E. Ostrom’s institutional analysis scheme with the three components mentioned above, the attributes of the status quo are in many ways the same, and I will not discuss the characteristics of the common property again. Regarding the community attributes, the European community certainly represents a much more homogenous community than the ensemble of actors within each member state. At a lower level, respectively a national level, the actors and their areas of origin and action are more numerous.

The authority rules are generated by the strategic documents approved by the European Commission, more exactly the national strategic frameworks and the content of OPs. The approval of projects outside the rules of these documents is not permitted, and the expenditures are eligible to EC` reimbursement starting with the approval date of each OP.

The Operational Level of Analysis

Technical rules for the system are established at the operational level of analysis; respectively the selection, evaluation, contracting and monitoring procedures, the pre-financing and reimbursement procedures, control and audit procedures, etc. For instance, the criteria are established at this level for a project to be declared eligible, the list of eligible expenditures according to the programming documents, the way in which the evaluation procedure and the project submitting are carried out. This way, for the evaluation procedure, the managing authority of each programme can choose independent experts or an internal evaluation, or it can choose submitting projects on a cut-of-date procedure or on an ongoing-call for proposals. Also, regarding the reimbursement procedure, there are different rules that can be established: trimestrial reimbursement or only one final reimbursement. Pre-financing can be fractional or in one payment depending on the specific regulation of each member state. Reagarding the community attributes, the diversity of actors at this level is at its peak, the challenge for the whole ensemble consists in converging all the objectives of these actors with the ECP`s objectives. The free-rider behaviour can be identified at the final beneficiary in a situation similar to the state in the collective level of analysis; therefore the probability of its occurrence is low, as described before.

Principals, agents and SFIS

The principal-agent theory has been developed in the economic area as an application of incentives, contractual and risks theories. Also, it had connotations in the field of information management, given the fact that the proposed model implies a contractual relationship between private agents (managers, owners), in which one part has an informational advantage over the other part. The issue brought up by this relationship is that of creating an efficient stimulant structure and adequate monitoring mechanisms. The negative part of the theory is given by the definition and the agent’s role: “by definition, the agent is selected for his specialized knowledge, and the principle can’t ever hope

26 Jack Hirschleifer, Joseph Stiglitz, Andrew Weiss, Kenneth Arrow
to verify completely the performance of the agent. The implications of this aspect in the area of mandating attributions and applying it to the bureaucratic model of public institutions led to the exemplification of corrupted relationships and to the development of control and monitoring mechanisms. This aspect is of great importance in applying this theory to the ECP’s implementation system. In the ECP’s implementation system, Jens Blom-Hansen brings into attention the monitoring and control mechanisms. Thus, the concepts and relationships previously identified in the description of the principal-agent theory, is found in the implementation system of ECP, their effect having the possibility to be shaped in the context of a system with multiple contractual and control levels.

Within the ECP, by applying this theory 1 identified the scheme of contractual relations, multiplied on European, national, regional, individual levels (of beneficiaries) of the implementation system. In this context, some actors can be P (Principal) on one level and A (Agent) on the lower level or P on one level and S (Supervisor) on another level. This intersection between levels ensures the system’s safety and the impossibility to escape control, since there are circular relationships, some players having different roles in different aspects of the model.

The system is becoming more complicated from top to bottom, through the introduction of numerous bodies of monitoring and control. Also, the intersection between the levels makes control mechanisms effective.

After applying the above mentioned theory, I am able to argue that the two perspectives (principal agent theory and new governance) are not mutually exclusive, but rather can be considered complementary in creating the complex image of ECP’s implementation system. The principal-agent theory brings into discussion contractual relationships and the control function of the system with all the contractual implications that may arise. Also, through the lens of this theory, we see the system as a sequence of contractual relationships between different levels with the intersection of the control system between community, national, regional and individual levels. New governance theory brings in this system of contractual relations the partnership principle, applied through lobbying and advocacy over strategic decision making process. So, applying this theory is exemplified in the next figure:

29 It should be noted that we did not distinguish between them at the level of Supervisor to simplify the application of the theory of principal-agent relationship.
Legend:
P - Principal, A - Agent, S - Supervisor
IB - Intermediate Body
MA - Managing Authority
OP - Operational programme
AA - Audit Authority
MC - Monitoring Committee
PA - Payment Authority
NSRF - National Strategic Reference Framework
EC - European Commision
Evaluation of SFIS

Evaluations conducted in ECP’s context are generally made to comply with obligations imposed by Community regulations on ex-ante, mid-term and ex post evaluations, namely those related to the functioning of OPs, with a few exceptions related to attempts to develop a methodological framework for evaluating the contribution of SF interventions to sustainable development, to assess the administrative capacity in MS, to identify issues encountered in achieving such an approach in a context of inter-relationship of multiple actors in shaping and implementing public policies, to thematic evaluate the impact of certain OPs designed for certain areas of conflict and instability, to evaluate social programs from a regional perspective and the implementation of those programs financed by the social component of ECP.

Considering the above, the ECP assessment includes an image of the programme design in relation to available resources and objectives. Also, ECP’s evaluation is close to the evaluation line of “complex policy systems”, given the dynamic context of inter-relationships between different societal actors, their multiplicity, all these elements being generated by the vision imposed by the new institutionalism on cross-cutting approaches of social problems through multi-sectoral programs.

Thus, evaluations swing between: rational-modernist paradigm, which emphasizes the fact that policies must be understood as actions for a certain purpose and result and that implementation processes must be seen as a “black-box” and modernist paradigm, which focuses on methodological aspects of efficiency evaluation of the public policies’ implementation systems and post-modernist evaluation paradigm, influenced by the chaos theory, creating the notion of complex systems that defy linearity, causality, consistency, predictability of the rationalist-modernist paradigm, actors’ behavior being considered the result of dynamic interaction of system components and factors influencing it.

It is important to note that, although in recent years, the EC has provided an increasingly important role to ECP’s evaluation in order to create adequate premises for financial allocations and effective control of funds use in MS. In present, we can not yet speak of a magic formula (a methodology and certain guidelines) folded for any type of evaluation in SF management. Although there are a number of criteria (relevance – the association of needs to the priorities of a program/project; efficiency - the association of results with the paid costs in order to obtain the estimated results; effectiveness – achieving the objectives of the OPs; utility - the answer to the economic and social needs and improving the quality of life by such interventions; sustainability - the possibility to continue such interventions

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European Cohesion Policy: A Proposed Evaluation Model

after the financing has stopped)\textsuperscript{35} to guide the evaluation process in implementing SF, they translate the complexity of these interventions financed by financial instruments, highlighting the need for an integrated approach\textsuperscript{36} for this process.

\textit{Issues in defining an appropriate evaluation framework of ECP}

ECP assessments involve a duality of paradigms which make this process a complex step that must address multiple dimensions and perspectives, not implying a single phase of evaluation, but of a \textit{coagulated system of evaluations located on multiple levels}, which, at least in theory, should converge towards the ECP macro assessments. There is a risk of lack of adaptations and interconnections between different segments of the evaluation system - program evaluation, sectorial evaluation within programs, sectorial evaluation between OPs, national evaluations, community evaluations, etc. Descriptive approaches must be integrated into the evaluation of complex systems as that of ECP, giving an insight into how policies and programs are implemented in practice, how they generate effects and how they change in time, how these effects depend on contextual circumstances and their inter-relationship with other policies and processes. The application of the concept of “policy mapping”\textsuperscript{37} in ECP’s evaluation process can cause difficulties in identifying patterns of similar situations in the context of multiple OPs and in the diversity of MS, in testing the hypothesis considered, generating practical constraints.

\textit{Multi-annual programming and the timeframe, which this policy is addressing, also creates difficulties in the evaluation process.} Intangible objectives and the difficulty of measuring them, the complexity of cause and effect relationship in integrated interventions, progressive reforms of ECP, has completely changed the fundamentals of this policy, arguing the difficulty of systemic evaluation in a dynamic context and flexible social life. Furthermore, this multitude of dimensions \textit{requires a variety of specializations of assessors and working with experts from different fields}. In support of these arguments, A.M. Diez argues the impossibility of classical type assessment models – the black-box models – to be used in evaluating the SFIS and the need to revise them, bringing into discussion the following:

1. The character of the programs’ objectives financed by SF, which seeks rather to induce changes in the behavior of beneficiaries in the regions. The effects of these policies are not only of economic nature (such as increasing competitiveness), but also of a behavioral nature for societal actors.

2. The holistic perspective would be more appropriate to assess regional policies and case studies would provide a detailed picture on the complexity of relational structures. Implementation of a program affects the whole society on different levels: economic, social, educational, institutional, etc.

\textsuperscript{35} CE, “Guidelines for the ex post evaluation of objective 5 B programmes 1994-1999 programming period”, \url{http://ec.europa.eu/agriculture/eval/ben.pdf}

\textsuperscript{36} An integrated approach involves a logical and systematic management regarding strategic decision-making and the creation of operational tools, taking into account all related aspects leading to the effective functioning of a program/strategy.

3. The particularity of regional policies that respond to specific issues. Distributions of roles between different organizations are influenced by the channels and mechanisms of interaction and communication in a given context. The principle of subsidiarity calls for particularism and the ECP’s decentralization process reflects this trend.

4. The dynamics of the implementation process and the permanent inter-actions that take place between social, economic, cultural and financial capital while implementing a program. You can not control all the external variables that could intervene with the program. This inter-relationship is obvious and continuous and must be taken into account in the assessment process.

The above arguments assume the development of design multidimensionality of evaluation, taking into account the impact of this policy in several domains and cross-sectoral relations generated by the field of study.

_A model of public policy analysis applicable to ECP_

The evaluation of SFIS in new MS from the perspective of absorption capacity represents a true competence exam, which these states must pass in order to achieve the assumed socio-economic objectives.

The premise on which the analysis model is based is linked to the idea of ensuring an adequate design in order to create the preconditions of an efficient management and a high absorption rate, so the purpose of this paper is to identify those elements that would influence this performance indicator.

The main elements that influence the performance of national implementation systems of ECP are detailed in the next figure.

In this regard, C.B. Rosenberg and R. Sierhej question the _institutional setups for the management of SF_, proposing two models, but they do not reach a conclusion on their effectiveness due to insufficient available data at that time. The two models of SFIS
identified for the new MS (those that joined EU in 2004 and 2007) are: the Baltic countries model, built around the ministry of finance, with dual role, acting both as management authority as well as certification and payment authority and that of the Central European countries, less centralized, with managing authorities and paying authorities in the separate institutions but keeping the finance ministry’s role as the paying authority. Also, the following elements may affect MS’ capacity to absorb Community funds:

1. The institutional barriers created by the local and national authorities involved in managing the SF (at the decision and implementation level) may generate delays in the adoption of rules concerning the implementation of programs and may be characterized by a lack of clarity into their formulation, etc.;

2. Institutional changes. Each change of the government structure, which leads to changing roles of the institutions involved in the management of SF, can constitute significant barriers in the absorption of SF, due to the need of readjusting the internal working documents, due to personnel changes. However, the establishment of new organizations, accumulation of responsibilities and functions to simplify the management system for ensuring consistency of financial interventions can lead to increased efficiency in the implementation system. A. Horvat identifies several elements that must be taken into account when institutional changes occur in the management of SF.

Table 14: Factors to be taken into account in the institutional changes of the structural funds implementation system.

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Situation description</th>
<th>Factors to be taken into consideration</th>
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<tbody>
<tr>
<td>1</td>
<td>When there is political decision to concentrate/deconcentrate duties of the management authorities into another institution</td>
<td>✓ Continuity in institutions does not guarantee good performance of staff. However, continuity of staff ensures a minimum knowledge required in perpetuating the system of implementation and it’s functioning. ✓ The new institution and its position in the institutional system national/regional/local should receive the highest possible political support. ✓ Ensure compatibility between local, regional governance systems of MS with the EU and the requirements of Community regulations. ✓ If changes within the system are made during a programming period, it must take into account the adapting period of the system to new institutional realities, the time needed for the re-approving the work procedures, all these elements an lead to delays in the evaluation, selection and contracting process and, in this case, to achieve a high degree of absorption.</td>
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41 Tabel adapted; idem 39
3. **Involvement of societal actors** in various stages of the implementation of OPs; This factor can be applied on each level of the institutional – individual, regional, national, community system, on each programmatic separate component (ECP, national strategic document, OPs) as well as on the implementation cycle of the public policy. The MS` option to adopt a decentralized system in implementing SF includes determining the level on which the management authorities and intermediate bodies are designated (central/local level) and the decentralization level of OPs` strategic objectives. Thus, the degree of societal actor’s involvement in various stages of OPs` implementation is itself a variable dependent on the degree of the democratization of state, on the permissiveness of regulations regarding lobby and advocacy.

4. **The degree of centralization/decentralization in the Ops` implementation**, by applying the principal-agent theory on SFIS and identifying how players relate between different levels of the system. If we consider the SFIS from the national level down, then multiplying the number of Ops or IBs leads to a deviation of the model on several levels, which implies its operational decentralization. This variable is specific to each MS and OP.

Alongside these factors, the quantity (number) and quality of human resources (experience in funds management, appropriate training) involved in the management structures and their performance in managing the challenges of OP`s implementation represent other important factors to be taken into consideration. Wage and human resources policies to stimulate these factors are needed to ensure continuity in the management system and to avoid information and management syncoes in the system. Also, the administrative management capacity is linked to the program management and is defined in relation to the system`s performance. Factors taken into account include training, motivation of human resources involved in the management of these funds, their experience, and their ability to be effective and of complying with a series of procedures and rules.

In a study conducted for the EC concerning the administrative capacity of the new MS that joined the EU in May 2004, T. Verheijen argues about “the unhealthy development (he refers to the politicization of the administration) of management systems and lack of skills and experience in public services”. This is defined as the involvement of the political plateau in the recruiting policy of the personnel that acts in the SF domain as well as at the level of program implementation: “Politicalization is generally seen as a key impediment to successful administrative development, as it runs contrary to the principles of merit, professionalism and permanence that are essential ingredients of a functioning civil service”).

If so far I have identified internal/endogenous factors of the system that can influence the absorption capacity of MS, the next element is external/exogenous to the system.

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42 Idem 39
45 Tony Verheijen, Administrative Capacity in the New EU Member States: The Limits of Innovation: p. IX
46 Idem , p. V
47 Tony Verheijen, “Administrative Capacity in the New EU Member States: The Limits of Innovation*: p. 10
and refers to the impact of the global economic crisis, with its negative effects, namely contracting crediting markets and with its positive effects like relaunching the competition on the labor market. The shrinking of the economies, the instability of credit markets and restricting access to these markets may be important factors in slowing the absorption rate. Also, exchange rate movements may be another factor to be taken into account.

The synthesis of all the elements mentioned above is linked to the idea of performance/efficiency/absorption capacity of the system and the variables that influence this indicator, creating the reaseach model’s premises. For further discussion it is necessary to clarify that the performance of the management system is considered equivalent with the term “efficient” contained in the phrase “efficient management system”. Contextualized on the present analysis, “an efficient management system” refers to the absorption capacity translated into actual money spent in relation to the amounts allocated for a certain period of time.

Absorption capacity involves three aspects: an administrative/management, a financial and an economic one. These three issues seem inter-related, leading eventually to the economic one, the other two working toghether to achieve economic convergence. For this analysis, the system’s efficiency can be defined by an index calculated as the average of the positioning of the analised countries in the context of payment rate (% of funds actually paid on allocated funds), contracting rate (% contracted funds of the allocated funds) and compliance rate with the expected results (% indicators realized at the program level related to the estimated value of indicators), calculated on the same period. For this paper the data used are for 2007-2010.

The model of comparative evaluation used for this research is described in the following scheme:

Assumptions considered in a comparative analysis, for instance, of Poland, Romania, Bulgaria, Hungary and Czech Republic involved demonstrating a negative monotonicity relationship between the efficiency index of SFIS on the one hand and
the politicization and centralization of the system on the other. Also, another hypothesis to be taken into consideration was related to a monotonicity relationship between the beneficiaries’ capacity to generate acceptable projects, the degree of decentralization and democratization (societal actor’s involvement) of the system and the upward evolution of the performance index of SIFS.

SFIS comparative analysis was based on system inputs (options of MS in the construction of the implementing the system of ECP), contextualized with other factors related to the political environment and the global economic crisis.

The comparative analysis showed that the principal-agent system can also be applied in this context, highlighting some changes to its centralized OPs. Its applicability is obvious in the regional component of the system, with some variations in countries with decentralized implementation system, in which I no longer saw the agent descending from the national level to the regional one. The agent from the superior level became the principal of the inferior level. In the case of these countries I noticed a rupture of this relationship between national and regional levels, but keeping coordination at national level. The analysis also revealed many intersections of P-A relations at national level and a precarious decentralization at regional level of sectoral OPs of environment, transport, administrative capacity and human resources.

At the level of performance of the management system greater effectiveness has been demonstrated for countries with a decentralized implementation with regional OPs built on the specifics of each development region. Also, the analysis revealed the specific case of Hungary that combines the decentralization of the system with centralized coordination and a high transparency of the system, generating an efficient management system, compatible with the other two systems that generate the highest performance (Czech Republic and Poland). In addition, there was correlation between financial motivation of personnel, the quality of the projects and a high efficiency index.

A greater collaboration with non-govermental actors in centralized systems and with a lower efficiency index, except Hungary was also observed.

The economic crisis has caused a slowdown in the absorption rate, creating difficulties in analysing the expected results in implementing the OPs. In this respect, it is necessary to redefine the macro-economic indicators in the context of the actual situation.

Based on the analysis carried out, I can say that SFIS is a colossus difficult to manage, and how the system is built clearly influences the results generated by the system’s performance. Decentralization and involvement of non-governmental actors play an important role in influencing the absorption of SF. The construction of the system is an individual choice of each Member State to mix institutions with a role in implementation, coordination, monitoring and control, in compliance with the principles laid down in Community regulations. Depending on the perspective from which the system is regarded, the implementation of EPC can be an accumulation of contractual relations between actors with different responsibilities. Regarding the monitoring/evaluation/implementation of the system, it is considered a test of democratization of administrative systems in the new MS and of generating competitive administrations, a knot in reforming these administrations by promoting the principles of partnership and subsidiarity. While on the one hand we can conclude that the administrative reform is achieved by promoting transparency and inclusion of new public management principles, on the other hand it is
trying an excessive bureaucratisation at the level of work procedures in the evaluation, selection and contracting process. For example, at empirical level, I would say that in Romania the emphasis is more on process than goals. It is important to establish a balance between the auditing pressures on the system, the bureaucratic process and the idea of not losing sight of the program objectives.

Starting with the comparative analysis on national performance management of SF and with the common problems identified, I advanced some principles on building SFIS. These follow the public policy implementation structure, the common problems identified by the actors involved in the management system of the analysed countries and encourage ECP’s reform for the next programming period 2014-2020.

Maintaining the idea that the regional development and convergence are best stimulated by a multilevel governance, achieved through coordinated actions of the Union, MS and regional and local authorities, the latest report on the EPC, launched in 2010, indicates a revision of the EU budget, for this policy through a focus of resources on the objectives Europe 2020 strategy; by obtaining the commitment from the MS in terms of the implementation of necessary reforms to ensure the improvement of the policy efficiency, with more emphasis on results. In this respect, a debate on the limitation of the areas of intervention is launched through the 5th Report on cohesion which is a step forward regarding the criticism brought to the EPC implementation system regarding the loss of resources between different policy areas and the difficulty in measuring the impact of measures financed through structural instruments and Cohesion Fund. In this sense, a concentration of resources on a few priorities probably to be defined in a thematic list within specific future Community regulations is projected in the report. Depending on the value of the European funding in question, the countries and regions would be required to concentrate on more or fewer priorities. Emphasizing the assumption of this policy at a local level through emphasizing the importance given to co-financing projects, reviewing the level of co-financing and its differentiation to better reflect the level of development, the European added value, types of action and beneficiaries are important directions to be followed for the next programming period.

Besides these visions at a strategic-community level of the ECP review, the structure of the new EPC system implementation should take into account the links between the economic efficiency, subsidiarity and decentralization, and also the regional and local actor’s involvement in designing, implementing and monitoring development strategies.

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In addition, Article 4 of the Lisbon Treaty, which entered into force on 1 December 2009, added territorial cohesion to economic and social cohesion objectives\(^{52}\). Therefore it is necessary to address this objective in the new programs, with particular emphasis on the role of the cities, on the functional geographical boundaries, on the areas that are experiencing specific geographical or demographic problems and on macro strategies. Urban areas can be growth engines and creativity and innovation centers, but can also generate spatial disproportionate economic concentrations. Balancing these tendencies is one of the challenges of strategic development programming of MS for the next programming period.

Starting with the analysis developed in this paper, taking into consideration the directory lines included in the 5th Report on economic, social and territorial cohesion and the actual debates regarding the future of ECP, I argue that along with strategical simplification of SFIS already brought into discussion by the previously mentioned report, the technical simplification of the system should be based on the following measures:

a. Deepening the decentralization process of the system and stimulating regional competitiveness, focusing on the integrated promotion of OPs.

b. Simplifying the system by creating similar implementation systems for all OPs, by reducing the number of institutions involved in the management system and greater concentration of the OPs.

c. Increasing the importance given to integrated approach to the detriment of the sectorial one, both at the level of the programs’ conception and funding projects.

d. Simplifying the procedures, in particular, of the methods of reimbursement and promoting on a large scale an approach based on a standard unit cost and lump sum payments.

e. Simplifying the correlation of eligibility criteria by adopting common standards regarding common elements of several funds, measures, operations and programs. A harmonization of eligibility rules of expenditure between different areas of intervention, financial instruments and funds would simplify the access to funds and their management by the national authorities, reducing the risk of errors and allowing at the same time, a distinction that reflects the specificities of this policy, of the financial instrument and of the beneficiaries. Also, the standardization of the evaluation and selection process would be an important step in eliminating long periods of evaluation, selection and contracting the applications.

f. Ensuring the implementation of projects in reasonable intervals and encouraging financial discipline. However, the behavior of MS and of Regions can be altered by focusing too much on a rapid absorption - and less on an effective use - of resources. It is necessary to ensure a careful balance between guaranteeing the quality of investments and their implementation.

g. Emphasizing on the concentration of public investments in the hands of regional and local authorities and stimulating the public-private partnerships in the investments financed through the public sector.

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h. Interconnecting a computer monitoring system at European level should be based at a basic information level, and this information should be standardized at European level, because it is a very difficult process to gather information into the system from a multicultural environment and types of procedures. Also, entering the information into the system needs time, specialized people and an informaticised evaluation, selection and contracting process. These elements may lead to delays in the process.

i. Reducing the pressure on the implementation part in terms of reports and reporting formats by providing functionality of the unique monitoring system.

Thus, at the technical level, SFIS’s reform should develop the stimulation capacity of regional competitiveness through the development of regional comparative advantages, the simplification of the system regarding the number of priorities, of OPs, of institutions involved, and through decentralization and democratization of the system. These elements should be analyzed and applied according to the specificity of the institutional background of each state.

Conclusion

In this work I have stressed the elements of the ECP implementation system operation through applying three different theories as premises for development. Thus, the theory of common property governance that focuses on cooperation, the rules and institution of the community budget management as a common resource, the principal-agent theory underlines the construction of the contractual relationships within the ECP and their intersection between the different implementation levels of the system, and the new governance perspective offers a more comprehensive image on the dynamic way of policy making in the EU, including the ECP. A model for the evaluation of the performance of the ECP was proposed, model in the construction of which all the aforementioned theoretical breakdowns were required in order to have a clear picture of the relationships and junctions within the institutional implementation system of this policy.
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