



Administrative Capacity Building in the Adriatic-Ionian Macro-Region

volume I



The IPA Adriatic CBC
Programme is co-financed
by the Instrument of
Pre-Accession
Assistance (IPA)







Osservatorio Interregionale Cooperazione e Sviluppo

Administrative Capacity Building in the Adriatic-Ionian Macro-Region

*Final Report
(April, 2016)*



Index

- 1. Administrative Capacity Building, A Definition**
1.1 Administrative Capacity Building in the 2014-2020 Programming Cycle
- 2. Reforming Administrative Capacities: The State of Play in the Adriatic-Ionian Region**
2.1 PAR Agendas in Enlargement Countries joining the European Strategy for the Adriatic-Ionian Region
2.2 PAR in Member States joining the European Strategy for the Adriatic-Ionian Region
- 3. Administrative Capacities in the Management of EISFs and IPA**
3.1 Major Weaknesses in the Management of Funds in the Adriatic-Ionian Area

Conclusions

References

List of tables and graphs

Table 1 *The Legal Bases of ACB in the EU and its Borders*

Table 2 *Indicative Allocations for PAR in Enlargement Countries*

Table 3 *PAR in the Indicative Strategies for Western Balkans*

Table 4 *Indicative Allocations per Reform Sector under EU Assistance (2014-2020)*

Table 5 *Comparative Overview of PAR Agendas in Croatia, Greece, Italy and Slovenia*

Table 6 *Operational Programmes and Financial Allocations per Fund (2014-2020)*

Graph 1 *Absorption Rates in the EU (%)*

Graph 2 *Absorption Rates in Western Balkan Countries*

Graph 3 *The Implementation of EISFs and Good Governance in the EU*

Graph 4 *EISFs Absorption Capacities and Strategic Human Resources Management in the EU*

Introduction

The process of the creation of a European Administrative Space¹ is currently facing new long-term challenges as the increasing pressures on public budgets are putting strains of rising expectations on the modernisation and innovation of public services and institutions.

In this context, the prospective enlargement to the Western Balkans as well as the creation of the Adriatic- Ionian Macro-Region add up to the challenges to be coped with. According to EUROSTAT data, in fact, the per capita GDP of Western Balkan countries is generally a great deal below the EU28 average, meaning that EU funding can be expected to be more and more relevant to enlargement countries' economic development. In order to make good use of these EU assistance, Western Balkan countries will hence need to strategically reinforce bottom-up cooperation initiatives aimed at improving their public administrations' performances and their capacity to provide public goods and services, with a view to guaranteeing "good governance" at EU standards.

For these reasons, the European Commission has made of administrative capacity building a key to both its enlargement policy and its overarching Europe 2020 strategy (European Commission, 2013a). In particular, administrative capacity building has been included within Cohesion Policy's thematic priorities, with consequent earmarking of resources under its funding streams and other financial instruments.

On the basis of these challenges and following the Commission's inputs, the ADRIGOV project aims at strengthening institutional cross-border cooperation in the Adriatic-Ionian and at promoting a new, shared model of governance, especially by improving European project cycle management skills of administrative staff. To this end, the consulting company ESA-Economia Sviluppo Ambiente S.r.l. has been commissioned to screen and analyse the administrative capacity building actions carried out in the countries of the Adriatic-Ionian Macro-Region, in order to identify major strengths and weaknesses and possibly good practices.

The present paper will follow a scientific approach based on: a) the comparative review of key documents at European and national level; b) the collection of data related to capacity building actions administrative staff of the Adriatic-Ionian Region; c) the interpretation of the collected information aimed at highlighting solutions to existing problems.

¹ The concept of a European Administrative Space stems directly from the very definition of Multilevel Governance employed in the White Paper meaning 'coordinated action by the European Union, the Member States, and local and regional authorities, based on partnership and aimed at drawing up and implementing EU policies'.

Acronyms

Administrative capacity building	ACB
Administrative Reform Operational Programme	AROP
Cohesion Fund	CF
Commission Staff Working Document	SWD
Common Provisions Regulation	CPR
Country-Specific Recommendations	CSR
Economic Cooperation and Development	OECD
EU Strategy for the Adriatic and Ionian Region	EUSAIR
European Groupings of Territorial Cooperation	EGTC
European Public Administration Network	EUPAN
European Public Sector Award	EPSA
European Regional Development Fund	ERDF
European Social Fund	ESF
European Structural and Investment Funds	ESIF
European Territorial Cooperation	ETC
Human Resource Management	HRM
Human Resources Development Fund Operational Programme	HRFOP
Indicative Strategy Papers	ISP
Information and Communication Technology	ICT
Instrument for Pre-Accession	IPA
Multiannual Financial Framework.....	MFF
Multi-Annual Human Resource Development Operational Programme	MAHRD OP
Multi-Country Indicative Strategy Paper	MCISP
Multi-Country Strategy Paper.....	MCSP
New Public Management	NPM
Nomenclature of Territorial Units for Statistics	NUTS
Observatory on Public Sector Innovation	OPSI
Operational Programmes	OP
Public administration reforms.....	PAR
Public financial management	PFM
Regional School of Public Administration	ReSPA
Taskforce for Greece	TFGR
Technical Assistance and Information Exchange	TAIEX
Technical Assistance	TA
Thematic Objective.....	TO
United Nations Public Service Day	UNPSD

1 - Administrative Capacity Building, A Definition

The first chapter provides a general overview of the topic of administrative capacity building in the EU via the analysis of data and key documents (regulations, guidelines, official documents, reports, working papers etc.), and provides a definition which can apply to the analysis of Adriatic-Ionian public administrations' reforms. In doing this, it puts under scrutiny the legal bases of administrative capacity building in the current programming cycle. Next chapters will analyse the topic with particular reference to public administration reforms and the use of community funds in the countries of our case selection.

In the last few years, the notion of administrative capacity building (hereafter ACB) has become a recurring topic in institutional literature as well as in the policy agenda of both European institutions and international agencies working in the field of cooperation. Initiatives such as the Observatory on Public Sector Innovation (OPSI), promoted by the Organisation for Economic Cooperation and Development (OECD), the United Nations Public Service Award (UNPSA) and the United Nations Public Service Day (UNPSD), The European Public Sector Award (EPSA), the European Public Administration Network (EUPAN), the High level Conference on "Public Administration for Growth", are all examples of the ongoing commitment to discussing and dealing with public sector modernisation.

The notion of ACB is based on the 1950s concept of institution building, but in the late 1980s it begun to denote wide-ranging/macro reforms with respect to the introduction of modern public management techniques in European Member States, such as total quality management tools, and the preparation for the upcoming enlargement (Heichlinger et al., 2014). In the mid 2000s, ACB has gained ground in the European debate especially as related to the eastward enlargement, to indicate a specific membership requirement for enlargement countries (Dimitrova, 2002). Since then and amid last decade's financial crisis, ACB has been growingly used to identify actions aimed at strengthening the institutional and administrative capacity of all Member States to deliver policies and programmes and to manage public funds, specifically structural funds.

As regard the first aspect, a specific body of literature has highlighted how the overall reform that state structures have been undergoing at all levels of government has been impacted, in some significant way, by the severe economic, social and political consequences of the 2007/08 global financial crisis. Insofar as the second aspect is concerned, reviews of the 2007/13 Multiannual Financial Framework (MFF) have taken to the conclusion that the macro-effectiveness of Cohesion Policy is conditional on good management practices or, more generally, on the absorption capacity² of recipient regions and Member States.

In particular, the Commission's 6th Cohesion Report has pinpointed the difficulties of managing Cohesion Policy programmes as being administrative in nature and related to human resources, management systems, coordination between different bodies and proper implementation of public procurement.

² See chapter 2.

Based on these facts, in the 2014/2020 programming period, the construction of high-quality, reliable and efficient European public services is one of the five top priority of the Europe 2020 strategy for growth and jobs and of the European Semester that supports its implementation, as recurrently stated in *Annual Growth Surveys* as well as in the connected Country-Specific Recommendations (hereafter CSRs).

In fact, in 2013 more than half of the Member States received recommendations to enhance their public administrations' effectiveness and to improve governance, by tackling modernisation cross-cutting areas ranging from general governance (administrative effectiveness) to administrative modernisation (e.g. e-Government services and their take-up); from quality of public investments and control of corruption (e.g. strategic budgeting and planning, strategic human resource management) to actions to decrease the administrative burden on businesses (e.g. time and cost to start a business, time to obtain licences); from the quality, independence and efficiency of the judiciary to the improvement of public financial management, including especially strengthening the efficiency of public procurement procedures and administrative capacities in this field.

However, the convergence or "Europeanisation" of public administrations leading to the so-called European Administrative Space (OECD, 1999)³ is far from accomplished. Empirical evidence (Goetz, 2001; Knill, 2001; Kassim, 2003) shows that the process of reform has so far been implemented with a great deal of difference in the timing, state of play and successfulness of the results across the 28 Member States, depending on the administrative organisational models of each country, their political contexts as well as on the specific challenges at stake (Bauer & Trondal, 2015).

More specifically, according to Surubarua *et al.* (2015), the quality of governance and the absorption capacity of Cohesion Funds seems to be explained by the territorial dualism between North/South and an Old/New Member State (or East/West). On the one hand, as compared to Northern Member States, Eastern and Southern-Mediterranean countries have been found to suffer from widespread corruption, legal uncertainty, lack of transparency in governmental decision-making, instability and politicisation of the administrative system.

On the other hand, notwithstanding most Central and Eastern European countries are still held back by inadequate administrative and strategic planning, over-regulation and a lack of specialized human resources, some of them have been found to have had a higher performance than older Member States in the management of 2007/2013 structural funds.

As far as Candidate and Potential Candidate Countries of the Western Balkans are concerned, the new enlargement strategy firmly anchors public administration reform as one of the three pillars of the enlargement process (together with the rule of law and economic governance), in compliance with the new Principles of Public Administration developed by OECD SIGMA initiative⁴.

³ The concept of European Administrative Space connotes the emergence of a EU-wide system of administrative justice and shared basic public administration values that are enshrined in community law and adopted by national legislators through directly applicable regulations or directives. These are: the rule of law, reliability, predictability, accountability and transparency, technical and managerial competence, organisational capacity and citizens' participation. Moreover, they are at the basis of the so-called *acquis communautaire* and a prerequisite for EU membership.

⁴ <http://www.sigmaweb.org/publications/principles-public-administration-november-2014.htm>

In line with EU frameworks and guidelines in the area of territorial cooperation⁵, between 2007 and 2013 the Instrument for Pre-Accession (IPA) has committed over EURO 11 billion to capacity building actions in relation to public administration reforms (PAR), cross-border cooperation and technical assistance. For the 2014-2020 programming cycle, the Multi- Country Strategy Paper (MCSP)⁶ explicitly states the need for more horizontal support and capacity building for cross-border cooperation.

These actions are important in the light of the political instability and the recurring turnovers in administrative staff that denote Western Balkan public administrations as well as in the light of the many differences to be tackled in terms of harmonisation of administrative procedures and structures. Western Balkan countries provide a great variety in terms of administrative traditions, approach to the rule of law and transparency, political bargaining power and institutional capacities as well as in the levels of development in public administration, institutions and civil society. In this sense, a research into the ACB process in the European Union and along its borders with specific reference to the Adriatic-Ionian area cannot be carried out without first identifying and analysing the existing cross-country differences. However, this task depends on the definition of administrative capacity building.

So the question is: *what is capacity building operationally?*

Literature does not show a single, unequivocal definition (EUPAN, 2015). Given the specific scope of this paper, our aim is to choose a narrow conceptualisation that can be easily operationalised and measured. In order to do so, we take into account the widely used definition provided by the OECD (2006, *cf.* Hichlinger *et al.* 2014), according to which “capacity building is the process by which individuals, groups, organizations, institutions and societies increase their abilities to: 1) perform functions, solve problems and achieve objectives, and 2) understand and deal with their development in a broader context and in a sustainable manner.”

In order to specify this definition and drawing on Boeckhout *et al.* (2002), the Commission has emphasised three key areas that define administrative capacity, namely: *structures*, *human resources*, and *systems and tools*, deriving from the legal-regulatory framework as well as from the instruments, methods and procedures through which administrative capacity is embedded at national and regional level.

In particular, the *structures* dimension is related to the structural development of public administrations and focuses on management capacities as well as on procedures and mechanisms for consultation, coordination and cooperation; the *human resources* dimension is related to the capacity development of individuals working in public sector, and hence to the human resource management system, and entails recruitment, training, utilisation and retention of managerial, professional and technical talent; the *systems and tools* dimension refers to the development and diffusion of instruments, methods, guidelines, manuals, systems, procedures among units and departments, which enable public administrations to tap into tacit and “implicit knowledge” and transform it into “explicit knowledge”⁷.

⁵ A number of other international donors have supported institution building activities in relation to cross-border and territorial cooperation in general in the Western Balkans, these include: UNDP, OECD, the UK Department for International Development, the Spanish Agency for Regional Cooperation, the Swiss Agency for Development and Cooperation.

⁶ COM(2014) 4293, 30.06.2014.

⁷ The first relates to the knowledge that primarily exists in the thoughts of individual people, that transforms it into the second type of knowledge that can be shared across organisations.

Considering these specifications, in this paper we use the concept of ACB to identify: *the investment in the ability of public authorities to perform their functions with particular respect to the management of EU Funds.*

In our understanding, EU-led ACB can be analytically conceptualised as encompassing two aspects: on the one hand, it is related to wide, long-term reforms of European public administrations aimed at guaranteeing good governance and result-oriented administrative performance in the delivery of socio-economic development policies; on the other, it is related to narrower and short-term interventions finalised to the development and strengthening of the administrative structures which are directly responsible for the management, implementation, monitoring and evaluation of the Structural Funds assistance. These aspects will be investigated separately in chapter 2 and chapter 3 respectively.

This paper examines PAR and actions to strengthen fund-management capacities in either Member States and enlargement countries partaking to the European Strategy for the Adriatic-Ionian Region. Our case selection includes: Albania, Bosnia & Herzegovina, Croatia, Greece, Italy, Montenegro, Serbia and Slovenia.

In practice, it identifies the three areas of ACB that can be targeted by structural funds interventions in order to improve competencies and working methods, for each country. In particular, the pinpointed operational dimensions are: the management structures and capacities; the recruitment/career systems and the incentive and merit systems; the ICT infrastructure and e-government in particular, monitoring and evaluation (ECORYS, 2011).

1.1 - Administrative Capacity Building in the 2014-2020 Programming Cycle

Following the results of the previous programming cycles, in 2014/2020 ACB has been optimised through specific measures attributing increased attention to monitoring and evaluation, learning and exchange. First, ACB has become a Thematic Objective 11 (hereafter TO 11)⁸, expected to co-fund operational programmes (OPs) in excess of EURO 4 billion⁹, as well as an ex-ante conditionality. Both have been earmarked in the Common Provision Regulation for the European Structural and Investment Funds (hereafter ESIFs), meaning that Member States have had to address ACB in Partnership Agreements and Operational Programmes (either national or regional), and give particular attention to the use of technical assistance.

TO 11 translates the strategic rationale underlying the Europe 2020 Strategy and the Integrated Guidelines into investment priorities and further recognizes the need to support institutional and administrative capacity building in Convergence regions and Cohesion Member States as a key to promoting structural adjustments, growth and jobs, as well as economic development. Linked to it, there is the overall conditionality that Member States self-assess *“the existence of a strategic policy framework for reinforcing the Member State’s public authorities and their skills”*.

The concerns regarding ACB have also had great importance in the light of the enlargement as well as of the territorial and cross-border cooperation processes¹⁰, such as of the macro-regional strategies that have been adopted by the EU. These strategies are particularly important not only because European border regions encompass around 60% of the EU territory and 40% of the total inhabitants (NUTS-3), but more relevantly because of the financial support they convey in these regions.

In particular, with regard to the EU Strategy for the Adriatic and Ionian Region (EUSAIR), capacity-building is included among the cross-cutting investment priorities and is hence a new challenge as well as a common ground for public administration reforms of both Candidate or Potential Candidate countries and Member States of the area. Indisputably, in the present programming period territorial cooperation cannot be considered as something apart from wider concepts like regional development and/or cohesion policy. Rather, the two aspects must be considered to go together, as explained more in-depth in Paragraph 1.3.

In order to give a clearer account of how ACB is understood by the Commission, table 1 summarises the legal bases of ESF, ERDF and CF support and outlines the potential scope of assistance under each fund. Moreover it presents investment priorities for ACB under the Instrument for Pre-Accession (IPA).

⁸ Phrased as follows: “enhancing institutional capacity of public authorities and stakeholders and efficient public administration”.

⁹ Implicit support may be provided also under Thematic Objective 2 “enhancing access to, and use and quality of, information and communication technologies”, as well as the other objectives, insofar as they trigger reforms in the management and delivery of particular public services (for example, water and waste management under Thematic Objective 6, or employment and social services under Thematic Objectives 8 and 9).

¹⁰ Territorial cooperation started in 1989 with the set-up of the INTERREG Community Initiative, which was ‘transformed’ into one of the EU Cohesion Policy main goals, since its fourth programming period in 2007–13 (legally through the Lisbon Treaty). In the current programming cycle, ETC is still pivotal. European Groupings of Territorial Cooperation (EGTC) and policy initiatives such as macro-regional strategies are at the centre of territorial cooperation processes and tools for fund allocation.

Table 1 The Legal Bases of ACB in the EU and its Borders

Regulation	Articles
Common Provision Regulation	Article 9 (11) “enhancing institutional capacity of public authorities and stakeholders and efficient public administration” Related provisions: ANNEX XI on the ex-ante conditionalities; column 2 of ANNEX V.
Regulation (EU) N° 1303/2013 (*)	Article 59 and 119 - Technical Assistance at the initiative of the Member States Article 25 – Management of technical assistance for Member States with temporary budgetary difficulties*
European Social Fund Regulation (EU) N° 1304/2013	Article 3 - Scope support (d) (i) “investment in institutional capacity and in the efficiency of public administration and public services at the national, regional and local levels with a view to reforms, better regulations and good governance”; (d) (ii) “capacity building of all stakeholders delivering education, lifelong learning, training and employment and social policies, including through sectorial and territorial pacts to mobilise for reform at national, regional and local levels”
European Regional and Development Fund Regulation (EU) N° 1301/2013	Article 3 - Scope support 1 (f) networking, cooperation and exchange experience between competent regional, local, urban and other public authorities, economic and social partners and relevant bodies representing civil society, referred to in article 5 (1) of Regulation (EU) No. 1303/2013, studies. Preparatory actions and capacity building Article 5 – Investment priorities (11) “enhancing institutional capacity of public authorities and stakeholders and efficient public administration through actions to strengthen the institutional capacity and the efficiency of public administration and public services related to the implementation of ERDF, and the support of actions under the ESF to strengthen the institutional capacity and the efficiency of public administration”
Cohesion Fund Regulation (EU) N° 1300/2013	Art. 4 - Investment priorities (e) “enhancing institutional capacity of public authorities and stakeholders and efficient public administration through actions to strengthen the institutional capacity and the efficiency of public administration and public services related to the implementation of Cohesion Fund”
European Territorial Cooperation (Regulation EU) N° 1299/2013)	Article 7 – Investment priorities (a) under cross-border cooperation (IV) “enhancing institutional capacity of public authorities and stakeholders and efficient public administration by promoting legal and administrative cooperation and cooperation between citizens and institutions”; (b) under transnational cooperation “enhancing institutional capacity of public authorities and stakeholders and efficient public administration by developing and coordinating macro-regional and sea-basin strategies” Article 17 - Technical Assistance
Instrument for Pre-Accession (IPA II) Regulation (EU) N° 231/2014	Article 2, 1 – Specific objectives (a) support for political reforms, inter alia through: (vii) “capacity-building measures for improving law enforcement, border management and implementation of migration policy, including the management of migration flows”; as specified in Annex II (2) - Thematic priorities for assistance and in Annex III (f) Article 3, 1 – Policy areas (a) “reforms in preparation for Union membership and related institution-and capacity-building”

(*) These apply to Greece, together with specific measures laid down by Regulation (EU) 2015/1839 of the European Parliament and of the Council of 14 October 2015 amending the CPR. Source: adapted from European Commission (2014a, 2014b).

According to the analysis of ESIFs regulations and the Commission’s Guidance Notes on capacity building, the ESF supports broad/horizontal public administration reform and good governance initiatives, whereas the ERDF supports ESF actions with equipment or large infrastructure investments (such as ICT), when required, as well as capacity building related to the implementation and absorption of ERDF. This however does not include technical assistance. Contrary to TO 11, in fact, technical assistance is not linked to any of the thematic objectives set out in Article 9 of the CPR and does not foresee investment priorities. In other words, it has a much narrow and short term goal.

In practice, general capacity building actions supported under ERDF in connection to TO 11 include capacity development and system reform in relevant areas for the management and control of the ERDF (such as public procurement, state aid, statistics and so forth), where such actions go beyond bodies and issues of implementation of the ESIF and cover other entities (e.g. specialised agencies or bureaux, social and economic partners and local governments). An example can be given with reference to the general reforms dealing with pensions or the civil service.

Technical Assistance¹¹ (TA) provisions help the effective and efficient delivery of ESIFs and, to this end, are designed to help public authorities to remove operational bottlenecks with a direct impact on operational programmes (OPs) implementation, relevant partners' management of ESIFs as well as the exchange of good practices. They therefore support capacity building actions related to public procurement, environmental compliance, statistical requirements and project cycle management (project preparation, management, monitoring, evaluation, information and communication, networking, complaint resolution, and control and audit), and finance the reinforcement of human resources of implementing bodies¹² through the hiring of consultants.

Moreover, they finance the reduction of regulatory and administrative burden of beneficiaries linked to the ESIFs (including electronic data exchange systems such as for instance e-applications), which is essential for the smooth implementation of the programmes, for the full absorption of the funds and therefore for the general effectiveness of cohesion policy.

In other words, capacity building is understood as a process which includes increasing skills and knowledge as regards the ability to plan and implement practices and policies and increasing quality, cost-effectiveness and/or sustainability of such implementation. While TA may be used to support such actions, they have to be aimed at amplifying the capacity of authorities and beneficiaries to manage and implement ESIFs. In other words, Technical Assistance cannot be used to support broad administrative reforms or general capacity building beyond the implementation of the funds.

As stated in the Commission's Guidance Document on Indicators of ACB (European Commission, 2014m) the bodies that can benefit from ESF supported interventions to enhance institutional capacity are: (a) public authorities of the executive, judiciary or the legislative branch at national, regional and local level, and (b) social partners and nongovernmental organisations. Moreover, capacity building actions can cover a single authority or a system of authorities responsible for a specific policy area (for example those involved in policy-formulation, implementation and supervision of taxation).

Also, it is possible to have a cross-cutting approach where individual units performing a specific function in all authorities are covered (for example, the units for administrative service delivery of municipalities or human resources units in all ministries).

However, the unit of reference of interventions can be either individuals or institutions, meaning that assistance can be tailored and personalised to specific staff training needs as well as to entities as a whole.

¹¹ Member States can allocate to technical assistance 4% of the total amount of ESI Funds (ERDF, ESF, CF) attributed to the operational programme or 10% of the total amount attributed by each fund to the operational programmes in a member state under each category of region. This threshold lowers to 6% insofar as cooperation programmes under ETC is concerned (ERDF). This means that at least 90% of the ERDF ESF allocations must be used towards the thematic objectives 1 to 11 set out in Article 9 of the Common Provision Regulation.

¹² Managing authority, the certifying authority, the audit authority, the intermediate bodies fulfilling delegated functions, monitoring committees and in the case of ETC, joint secretariats.

As attains enlargement countries of the Western Balkans, already in the 2007-13 programming cycle IPA-I has provided funding for the enhancement of public management capacities, capacity building and institutional strengthening under its fourth component¹³.

Although the IPA-I and IPA-II regulations share the same overall objectives, the IPA-II regulation reaffirms the specific objectives of pre-accession assistance. In particular, although less emphasis is put on public administration reform as compared to IPA-I, IPA-II regulation outlines the importance of “strengthening of public administration” as well as of capacity building. Specifically, IPA-II addresses more closely the needs of beneficiaries whilst taking into account their technical and administrative capacities.

IPA-II support for reform in preparation for Union membership and related institution and capacity building¹⁴ includes: “progress in building up and strengthening good governance and the administrative, institutional and absorption capacities at all levels, including adequate human resources, needed to adopt and enforce the *acquis*- related legislation (under the thematic priorities for PAR); as well as promotion of local and regional governance and enhancing the planning and administrative capacity of local and regional authorities (under the thematic priorities for assistance to Territorial Cooperation)”.

More specifically, assistance is linked to interventions that aim at professionalizing and de-politicising of the civil service, embedding meritocratic principles and ensuring adequate administrative procedures; enhancing the capacity to strengthen macroeconomic stability and supporting progress towards becoming both a functioning market economy and a more competitive economy; supporting participation in the multilateral fiscal surveillance mechanism of the Union and systematic cooperation with international financial institutions on fundamentals of economic policy as well as strengthening public financial management (PFM). As far as PFM is concerned, capacity building provisions include revenue administration and collection, budget preparation, budget execution with cash management, public procurement systems, accounting and reporting, debt management, public internal financial control and external audit.

Along with financial aspects, the European Commission has enhanced its orientation, learning and initiatives for the exchange of experiences, too. As attains public administration reforms, Directorate-General for Employment, Social Affairs and Inclusion has published a toolbox called “Quality of Public Administration”, providing non-prescriptive guidance for and practical examples of modernisation of public administrations with a view to fostering the implementation of CSRs and the 2014-2020 EU Cohesion Policy Operational Programmes.

The toolbox lays out principles and values of good governance, summarised in seven thematic chapters (policy-making, ethics and anti-corruption, institutions, service delivery, business environment, justice systems and public finance management), and guides Member States in following up their CSRs¹⁵. Furthermore it sets out considerations to help national authorities (including managing authorities, intermediate bodies as well as beneficiaries) to meet ex-ante conditionalities and successfully implement TO 11 programmes of the EIFs.

¹³ The IPA I encompassed five components (I: Transition Assistance and Institution Building; II: Cross-Border Cooperation; III: Regional Development; IV: Human Resources Development; V: Rural Development), Candidate Countries were eligible for all of them, whereas Potential Candidates (Bosnia-Herzegovina, Kosovo under UN) were only eligible for component I and II. Components III to V were aimed at favouring a progressive alignment with the standards and policies of the EU with a view to membership as well as at preparing Candidate Countries for planning, programming implementation and management of community funds and project preparation and implementation. These components were managed respectively by DG Regional and Urban Policy, DG Employment, Social Affairs and Inclusion and DG Agriculture and Rural Development.

¹⁴ The above-mentioned five components have been substituted by five policy areas: (a) the transition process towards Union membership and capacity building; (b) regional development; (c) employment, social policies and human resources development; (d) agriculture and rural development; (e) regional and territorial cooperation.

¹⁵ In 2014, 20 Member States have received specific recommendations on “Public Administration and Smart Regulation”. Member states whose Country Position Papers or Country Specific Recommendations do not cover such issues are not obliged to present a reform programme under TO 11.

With reference to the management of ESIFs, a new unit has been created within the Directorate General Regional and Urban Policy, namely the Competence Centre for Administrative Capacity (Unit E1), entrusted with the task of providing “additional advice on institutional building by means of a more hands-on approach” and thereby help Member States and regions overcoming implementation bottlenecks linked to administrative capacity problems, accelerating absorption and improving the quality of spending.

In 2015, the centre has launched two initiatives to favour efficient management and implementation of ERDF and Cohesion Fund (CF). In cooperation with Directorate General Enlargement, it has created an informal expert exchange mechanism, the “TAIEX-REGIO Peer2Peer”, supporting study visits, expert missions as well as workshops, with the objective to encourage a stronger ownership of projects and programmes as well as a higher quality of services¹⁶. Moreover, it has published a self-assessment tool, the “Competency Framework”, to help Member States and regions in: i) identifying gaps in competencies and skills among their staff; ii) defining training and recruitment needs; iii) and thereby structuring their administrations in a more efficient way.

Last but not least, taskforces have been created to sustain Member States in difficulty such as Greece and Italy (the Taskforce for Greece – TFGR, and regional taskforces set up for three Italian regions in cooperation with the Italian government).

¹⁶ Member states can ask for support through a simple e-application following the link <https://webgate.ec.europa.eu/TMSWebRestrict/applicationForm>

2 - Reforming Administrative Capacities: The State of Play in the Adriatic-Ionian Region

This chapter and the following provide an overview of the current state of play of ACB actions in the countries of our case selection. In doing this, they unlock both aspects of the concept of ACB: wide-ranging reforms as well as community funds' management capacities.

In the last decades, governments across Europe have been facing increasing pressures to adjust the way in which they deliver public services to respond to new and highly challenging societal needs. Under the Lisbon goals, a more managerial approach has been fostered, blending New Public Management (NPM) values into the traditional Weberian State model that by and large connotes European countries' public administration. Terms such as performance management, customer satisfaction, effectiveness-efficiency, contract monitoring have been introduced in the language of public administrations.

However, recently, new and complex financial hurdles have highlighted some gaps in the application of the NPM approach across national and local contexts, with many European governments experiencing enormous difficulties with respect to the sustainability of their public finances. Clear enough, the pace and effectiveness of reforms has been inevitably affected.

The new European 2020 strategy has called European governments to devise cross-cutting suitable solutions, not just or exclusively linked to short- or medium-term fiscal stabilisation, but specifically targeted to reassess and change both the scope and functioning of public services through ACB. However, as might be expected, ACB measures in the 28 Member States have varied a great deal, depending on both the political-legal- regulatory framework as well as the variation in the organisational culture, competencies and skills already available in each public administration.

These variations are even more evident if we take into account the Adriatic-Ionian Region, where the EU-led transformation of the public sector cannot be analysed without considering the enormous cross-country disparities in the level of democratic governance of the Western Balkan countries as compared to EU Member States. Under the guidance of the European Union and in the financial framework of the pre-accession and association mechanisms, Western Balkan countries have launched a wide-ranging reforms of their public administrations.

They have been developing a basic legal framework envisaging a continuous revision and drafting of new medium-term strategies for the training and development of civil servants across all administrative layers. Professional and merit-based civil service recruitment systems as well as a comprehensive human resources management systems have been developed, too. It is however clear that more mutually-reinforcing cross-level and cross-country coordination is needed if a better implementation of PAR has to be attained. In this sense, cross-border and transnational capacity building cooperation can be a common interest for the development of the whole area.

The next two paragraphs will analyse respectively PAR in enlargement countries and in EU Member States.

2.1 - PAR Agendas in Enlargement Countries joining the European Strategy for the Adriatic-Ionian Region

In this section we analyse the *Multi-Country Indicative Strategy Paper* (MCISP) as well as the country-specific *Indicative Strategy Papers* (ISPs) that set out the priorities of EU horizontal and regional financial assistance for the period 2014-2020 to support the internal reforms of enlargement countries.

ISPs are important documents which outline the key areas where substantial improvements are necessary to prepare enlargement countries for membership and “define assistance-related targets, the approach to meet them as well as tools and indicators for measuring progression and achievements”. They also set a multi-annual financial allocation (2014-2020), with only one mid-term review (2017).

In a nutshell, the MCISP provides the reference framework for ACB with particular attention to policy-making, PAR coordination, civil service and public administration organisation and functioning, Public Financial Management (PFM) and public procurement. Each action is implemented through annual assessments, country action plans and the assessment of PAR indicators. As far as local administrations are concerned, reforms are implemented in cooperation with the Committee of the Regions and the Council of Europe. Support includes peer learning and networking by means of the Technical Assistance and Information Exchange instrument (TAIEX), providing short-term capacity building with regard to the approximation, application and enforcement of EU legislation as well as advice about EU best practices.

Other areas of support are: the implementation, monitoring, audit and evaluation of IPA programmes, as well as information and communication activities. TAIEX assistance is mobilised both on multi-country and on bilateral levels and includes organisation of workshops and seminars, expert missions as well as study visits on request of beneficiary administrations.

As table 2 shows, overall, support to PAR (including TAIEX assistance and statistics) under the MCISP consists of approximately 5% of the total budget over the 2014-2020 time span, worth a total of EURO 2,958.6 million.

	2014	2015	2016	2017	2018-2020	Total 2014-2020
Horizontal support	152.0	122.5	136.5	115.5	395.5	922.0
TAIEX and Statistics	20.0	21.0	20.0	21.0	59.0	141.0
% of HS	13.2	17.1	14.7	18.2	14.9	15.3
% of total amount	5.7	5.8	5.1	5.1	4.1	4.8
Regional Structures Network	9.0	27.0	31.0	10.9	57.5	134.5
Regional Investment	158.1	181.9	177.9	216.3	772.8	1,506.9
Territorial cooperation	28.9	33.6	44.6	68.8	219.5	395.2
TOTAL	348.0	365.0	390.0	411.5	1445.3	2,958.6

(*) Albania, Bosnia and Herzegovina, Kosovo under UNSCR 1244, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey. Source: European Commission (2014c).

The rationale behind assistance, as stated in the IPA-II Regulation and its implementing rules, is to ensure that “pre-accession assistance will be more closely linked to the enlargement priorities, and is based on a more results-oriented and strategic approach targeting key reforms in the enlargement countries”.

According to Koeth (2014), this general objective is pursued through a number of measures of which two are related to management issues and therefore have to be taken into account in this paper:

1. Generalisation of a sectorial approach with the increased use of (sectorial) budget support;
2. New approaches to conferral of management to beneficiaries.

The first is aimed at increasing the ownership of reforms and individuating more comprehensive policy objectives to be enshrined in a national reform plans in order to favour a closer alignment between EU priorities and national strategies. Furthermore, it serves the aim of facilitating the cooperation among donors and eliminating the duplication of efforts, with a view to bringing greater efficiency and effectiveness.

The second measure is substantially meant to create management *structures* and *procedures* and thereby “reduce the cost and burden of coordination incurred by beneficiaries”. To this end, it relaxes previous criteria for the conferral of management powers and the accreditation of managing bodies, where conferral of management powers to accredited management bodies without ex-ante controls by the Commission was a specific prerogative of Candidate Countries.

Table 3 presents the result of a country-by-country evaluation of ISPs for the four Western Balkan countries of our case selection, which gives us an assessment of the conditions for pre-accession financial assistance in

2014-2020. The table highlights the changes in *structures*, *human resources* and *systems and tools* that have so far been undertaken by each country in order to meet the European requirements.

As a general evaluation, it is straightforward that more guidance and assistance in developing effective and sustainable PARs is still needed in each country, however, the state of play differs sometimes significantly depending on the level of approximation to the accession requirements as well as on the type of administrative organisation. In general, public administrations in the four countries are found to be highly politicised, scarcely professionalised, non effective and vulnerable to staff turnovers and corruption.

However differences in the state of play of reforms differ depending on the rate of approximation to the accession requirements as well as on the type of administrative organisation. Albania’s and Montenegro’s PARs are well advanced as compared to Bosnia & Herzegovina’s and Serbia’s. The fact that in Albania the responsibility of EU assistance is under the direct supervision of the Prime Minister’s Office, is very much indicative of a political will to centralise the process of the acquisition of accession requirements.

Table 3 PAR in the Indicative Strategies for Western Balkans				
	Albania	Bosnia & Herzegovina	Montenegro	Serbia
Accession status	Candidate (2014)	Potential Candidate	Candidate (2010)	Candidate (2012)
Body responsible for EU assistance	Deputy Prime Minister supported by the Department of Development Programming, Financing and Foreign Aid (DDPFA) of the Prime Minister's Office Overall coordination by Strategic Planning Committee	Directorate of European Integration	Ministry of Foreign Affairs and European Integration	Serbian European Integration Office (SEIO)
Conditions for managing funds	<ul style="list-style-type: none"> Government sector strategies and policies in place (PAR, PFM, statistics etc.) Medium-term budget in place Sector working groups established under the coordination of PM Monitoring and performance assessment improve. 	Absence of a EU coordination mechanism No sector envisaged suitable for support Need to develop more strategic planning capacities and prepare for sector support.	Need for more long-term and overarching strategies in the fields of environment, agriculture and competitiveness and innovation Improvement in evaluation, monitoring, medium-term budgeting needed.	<ul style="list-style-type: none"> Sector approach since 2011 with lead institutions Multi-annual perspective in planning EU assistance Sector working groups function.
Sector approach				
Indirect management	2014 Commission decision to confer management responsibility of EU Funds to Albanian local governments for IPA I, component 1.	IPA managed by a direct approach of stand-alone actions.	Application for management under previous IPA components I-IV and preparation of necessary structures and administrative capacities is advanced.	Preparations for indirect management since 2013
Sector reform contracts	Further consolidation and improvements of eligibility criteria needed.	Preconditions not in place.	Eligibility criteria have to be met yet.	
PAR strategy	<ul style="list-style-type: none"> Coordination of PAR Re-organisation and functioning of civil service and central/local PA Depoliticisation of public service Ensurance and promotion of continuity, ethical standards, meritocracy in HRM, efficiency and financial sustainability. 	Implementation of principles of good governance improvement of public sector management for better delivery.	Need to improve the professionalism, transparency and integrity of civil service at central/local levels Am merit-based HRM system has to be put in place Need to streamline administrative procedures and make them more transparent Limited audit capacity of State Audit Institution Need to improve the statistical system.	New PAR adopted in 2014, monitored by the Ministry of Finance and managed by the Ministry of State Administration and Local Government.
Funding (time span)	2014-2020 Twinning, technical assistance, supply of equipment, call for proposals and direct grants Sector budget support IPA II in cooperation with SIGMA (OECD) and ReSPA.	2014-2017 Twinning, technical assistance under TAIEX, blending, grants and supplies of equipment Complementary support through HERCULES III Pericles 2020 Fiscalis 2020 Customs 2020 Cooperation with SIGMA, OECD, ReSPA, Eurostat.	2014-2020 Twinning, technical assistance, supply of equipment and grants Sector budget support if preconditions are met SIGMA, TAIEX and ReSPA.	Twinning, technical assistance, supply of equipment, call for proposals and direct grant Complementary support through HERCULES III Pericles 2020 Fiscalis 2020 Customs 2020 Cooperation with SIGMA, ReSPA, Eurostat.

Source: European Commission (2014d, 2014e, 2014f, 2014g ; 2015p, 2015q, 2015r)

Lack of political commitment as well as of ownership of the reform are major cultural problems in Bosnia & Herzegovina, lack of strategic overall vision as well as scarce budgetary planning capacities are instead two major problems in Serbia. For Bosnia & Herzegovina, a new, comprehensive PAR strategy is needed, covering also the functioning of EU integration structures within the various levels of government to strengthen the administrative capacity of the country in dealing with EU matters and responsibilities.

Each country has a more or less functioning structure responsible for the management of and coordination of external assistance and has met the preconditions necessary to the so-called “decentralised management”¹⁷ of funds, namely sector approach, indirect management, sector reform contracts. It is clear that ACB on matters related to the management of funds can profit from cooperation with other countries of the Adriatic-Ionian area.

As far as PAR strategies, each country has developed its priorities, that can be summarised as follows:

Albania

- Coordination of PAR
 - Re-organisation and functioning of civil service at both central and local level
 - Depoliticisation of public service
 - Continuity, ethical standards, meritocracy in Human Resource Management (HRM), efficiency and financial sustainability
-

Bosnia & Herzegovina

- Implementation of principles of good governance
 - improvement of public sector management for better delivery
-

Montenegro

- Improvement of professionalism, transparency and integrity of civil service at central/local levels
 - Merit-based HRM system has to be put in place
 - Streamlining of administrative procedures and transparency
 - Limited audit capacity of State Audit Institution
 - Improvement of the national statistical system
-

Serbia

- Continuation of the Ministry of State Administration and Local Government.
-

¹⁷ “Decentralised management” is the EU jargon for the management of IPA funds by the beneficiary, following the accreditation by the European Commission of national managing bodies. It is a synonym of “indirect management”. Along with beneficiaries, other bodies can be entrusted to budget implementation tasks, including agencies of the member states or, exceptionally, of a third donor, and international organisation, an EU specialised (but not executive) agency. In the case of indirect management, the European Commission retains overall final responsibility for the general budget execution. Other forms of management and implementation of IPA activities are “direct management”, where the Commission retains budget implementation powers until relevant national authorities are accredited to taken the responsibility; “shared management”, where budget implementation tasks are delegated to other EU Member States. this option is only valid for cross-border cooperation programmes with EU countries.

IPA is the basic funding scheme for all the four countries, however, Bosnia and Herzegovina and Serbia will benefit from complementary assistance in the framework of European programmes, such as HERCULES III, Pericles 2020, Fiscalis 2020 and Customs 2020, and in cooperation with the Regional School of Public Administration (ReSPA) and Eusostat.

With regard to financial allocations, for each country table 4 reports the indicative allocations per reform sector over the 2014-2020 programming cycle. Moreover, the table specifies the rate of support targeting democracy and governance under which PAR is comprised. Allocations differ greatly from one country to another, with Serbia and Albania obtaining more than Bosnia and Herzegovina and Montenegro. Albania, however, with almost 70% of sector allocations and 35% of total allocations, is the country where support to PAR is proportionally higher.

Table 4 Indicative Allocations per Reform Sector under EU assistance (2014-2020) – million EURO				
	ALB	BIH*	MNE	SRB
Reforms in preparation for Union membership	320.5	64	99.2	543.0
Democracy and governance	223.5	31	46.9	278.0
% of sector (total) allocations	69.7 (34.4)	48.4 (18.7)	47.3 (17.3)	51.2 (18.4)
Socio-economic and Regional development	168.0	63.8	90.8	565.0
Employment, social policies, education, promotion of gender equality and human resources development	69.0	38	28.1	190.0
Agriculture and rural development	92.0	-	52.4	210.0
Total	649.4	165.8	270.5	1508.0

* 2014-2017

Source: European Commission (2014d, 2014e, 2014f, 2014g)

These data have to be read at the light of the consideration that after becoming members of the EU, the amount of funds that have to be managed traditionally is 5-10 times higher than those normally allocated to candidates in the pre-accession phase. It is then particularly relevant that Western Balkan Candidate Countries accrue the necessary managing competencies before they obtain official membership.

This objective can be attained both taking stock of previous lessons and cooperating with Member States in the framework of cross-border cooperation.

2.2 - PAR in Member States joining the European Strategy for the Adriatic-Ionian Region

This section analyses the CSRs for the Member States of our case selection: Croatia, Greece, Italy and Slovenia. Overall, in 2015 more than half of the Member States have been recommended to work further on public administration modernisation. In particular, this has been defined as a challenge for Austria, Belgium, Bulgaria, Czech Republic, Germany, Estonia, Spain, Finland, France, Croatia, Hungary, Italy, Latvia, Portugal, Romania, Slovenia, Slovakia. Insofar as our case selection, Table 5 provides a comparative overview of PAR agendas in Croatia, Greece, Italy and Slovenia, and is followed by a country-by-country assessment.

Table 5 Comparative Overview of PAR Agendas in Croatia, Greece, Italy and Slovenia		
	measures taken and/or progress made between 2011-2014	challenges ahead
HR	<ul style="list-style-type: none"> Public administration reform initiated Measures to improve the anti-corruption framework Measures to improve the business environment 	<ul style="list-style-type: none"> Public administration's efficiency, management of EU funds, public procurement Corruption in PA
GR	<ul style="list-style-type: none"> Revenue administration and public financial management (PFM) Central administration reform Secretariat General for Coordination document management 	<ul style="list-style-type: none"> Updating the 2014 public administration action plan Reinforcing the capacity for inter-ministerial coordination and project management Promoting a competence-based administration Enhance responsiveness to the needs of citizens
IT	<ul style="list-style-type: none"> Efforts towards administrative simplification Steps to prevent and repress corruption Reform of judicial geography, mediation 	<ul style="list-style-type: none"> Implementation of measures Administrative simplification / regulatory framework Corruption: revision of statute of limitations Management of EU funds, especially in the South
SI	New Insolvency Law facilitating restructuring	<ul style="list-style-type: none"> Transparency and accountability Corruption

Source: European Commission (2014h, 2014i, 2014j; 2015c, 2015d, 2015e, 2015f, 2015g, 2015h, 2015o).

Croatia

Through its 2015-20 Strategy for the Development of Public Administration, Croatia has set out the allocation of responsibilities of government units at different organisational levels and the management of human resources in the public administration, in compliance with the Commission Staff Working Document (SWD) accompanying the CSRs. The document has been deemed to be very broad and its implementation slow in progressing towards reform objectives.

According to the Commission's assessment, Croatia still needs to work towards meeting the CSR 5: *improvement of business environment, addressing fragmentation of administrative responsibilities, improving ESIFs management*.

The Croatian public administration results to be highly expensive as compared to other EU Member States, but its performance and effectiveness cannot be considered adequate, especially as regards the support to competitiveness and growth (it scores very low on the EU Public Administration Scoreboard) and staff competencies. The lack of administrative expertise is mainly linked to high turnover rates, limited training opportunities for staff, lack of transparency in staff recruitment as well as to the complex distribution of competencies across the levels of government¹⁸, directly affecting a number of areas such as, among others, the management of ESIFs and public procurement. As far as ESIFs management is concerned, some progress has been made in improving the administrative capacity and strategic planning of units managing European Structural and Investment Funds and providing them with adequate and stable staffing.

More work is needed also with reference to CSR 6: *public property management, prevention of corruption in public administration and state-owned and state controlled enterprises, and transparency and efficiency of public procurement*.

Although a State Asset Management Plan was adopted in November 2014 and a public appointments register has been made public, transparency and accountability of companies under state control and competencies of managers are still problematic. With regard to public procurement, while the legislative framework and central- level procurement are broadly adequate, the authorities appear to lack a comprehensive overview and robust tools to detect irregularities in public procurement, especially at local level.

Greece

Greece's CSRs (and its National Reform Programme as well) is strictly linked to the third Economic Adjustment Programme that the country is undergoing since 2010 and the work carried out under the Task Force. The programme is based on a stabilisation mechanism agreed between the European Commission, the European Central Bank, the International Monetary Fund and Greek authorities and is linked to macroeconomic conditionalities.

The programme has yielded good results so far, although Greece still needs to fully implement reforms with regard to, among others, revenue administration, public financial management, central administration reform by reinforcing inter-ministerial coordination and project management capacities. In particular, the promotion of a competence-based administration as well as the enhancement of the responsiveness of the public administration to the citizens' needs are still a major challenge. Moreover, disbursement of EU loans has been made conditional on higher absorption of EU funds.

¹⁸ With 428 municipalities, 127 cities, 20 counties and the City of Zagreb which owns a special status, the high fragmentation of sub- national governance units impairs the overall administrative capacity and thus weighs on their economic efficiency.

In its 2007-2013 Administrative Reform OP (AROP) Greece has financed the development of a job descriptions system, the implementation of procedures for a new civil service code, the introduction of a unified human capital management system in the public administration, the development of strategic and operational plans for the education and training of training organisations within the public administration. Technical assistance funds have been used to foster the Task Force for Greece and to build the capacities of the 325 Greek municipalities. However, the fulfilment of ex-ante conditionality on administrative capacity as well as support to ACB actions in the 2014-2020 programming period remain a concern for the Commission.

Italy

As far as Italy is concerned, CSR 3 recommends to improve the efficiency of public administration, ensure better management of ESIFs especially in the southern regions, enhance the effectiveness of anti-corruption measures, increase the efficiency of the judicial system. As far as the first point, measures for staff turnover, voluntary and compulsory mobility, limitation of compensation of state attorneys and top officials in local administrations have been taken. Moreover, a “Simplification Agenda for 2015-17” was adopted in December 2014 to foster cooperation between central and regional governments in establishing a more coherent simplification framework. However, the weaknesses in Italy’s public administration including skills mismatch, lack of transparency, and cronyism are still present and a comprehensive reform of the public administration is still pending.

To this end, the 2014-20 Partnership Agreement has envisaged that all EU co-funded operational programmes will have to be accompanied by plans of administrative reinforcement. These plans are designed to guarantee that administrations have the basic level of structure and competence necessary to manage the resources entrusted to them.

Italy’s management of ESIFs has been dealt with through reforms of public procurement, state aid and corruption prevention. The newly created Agency for Territorial Cohesion has become fully operational and has retained part of the personnel from the existing Department for Development and Social Cohesion (complemented by newly recruited staff). In the current programming cycle, the agency will focus its attention and the bulk of its resources on Italy’s less developed southern regions, under the active supervision of the prime minister.

Limited progress has been made with reference to the fight against corruption, although the powers of the anti-corruption authority have been enhanced and the new offence of self-laundering was introduced into the Italian criminal code. Some progress was made towards improving the functioning of civil justice.

Notwithstanding these initiatives, the Commission’s assessment is that decisive action has still to be taken in order to improve administrative capacity, transparency, evaluation and quality control of ESIFs at both national and regional level, especially in southern regions.

Slovenia

Even though Slovenia did not receive any recommendation directly targeting PAR and administrative capacity linked to the management of EU funds, enhancing the efficiency in public administration and the independence of the judicial systems are still an important part of the Slovenian reform of the public sector. The country’s general government effectiveness and the responsiveness of the public administration remain below the EU average, although the indicator of government effectiveness improved somewhat between 2008 and 2012 and is the highest in comparison to its regional peers (Czech Republic, Hungary, Poland, Slovakia).

According to the Commission, the effectiveness of public administration in Slovenia have been adversely impacted by the lack of strategic planning and budgeting, weak governance and implementation of strategies, as well as insufficient rationalisation of internal functions and structures. This situation has been dealt with by the government's ongoing "Strategy for Development of Public Administration 2015-20", modernising the public administration by addressing strategic planning of legal, organisational and procedural aspects, human resource management and the fight against corruption. Preparation and implementation of public procurement needs to be improved.

The examination of PARs has highlighted that ESIFs management is a critical aspect of ACB in the Member States of the Adriatic-Ionian area, needing a more in depth analysis. This is the topic of the next chapter.

3 - Administrative Capacities in the Management of EISFs and IPA

Early in this paper, administrative capacity has been defined as related to the development of human resources in the public sector and to the performance and success of public services and policies. It has been linked to the EU-led reforms that public administrations of the Member States devise in order to maximise the quality of the civil service, organisational and managerial characteristics and the diffusion of systems and tools such as ICTs. These strategies include the ability of Member States and Candidate Countries to fulfil the conditions and obligations arising from membership and in turn achieve significant progress in socioeconomic development.

After having delineated the institutional and administrative capacity building processes that have been undertaken across the countries of our case selection and after having outlined the general framework of reforms, this chapter identifies the current administrative capacities in relation to the management of ESIFs. More precisely, it first maps Member States' ESIFs management capacities by analysing absorption rates of the previous 2007-2013 programming cycle. Second, it gives a comparative account of the major weaknesses identified by the European Commission in its review of national preparation documents for the 2014-2020 programming cycle and in particular in the fulfilment of the ex-ante conditionality for TO 11. It also compares administrative capacities and fund management problems in the Western Balkan area.

According to Boot et al.(2001: 11), *absorption capacity* can be defined as “the extent to which a Member State is able to fully spend in an effective and efficient way the allocated financial resources from the structural funds”. It encompasses three dimensions: i) *macroeconomic absorption capacity*, measured in terms of gross domestic product (considering that current Cohesion Policy rules limit the transfer of EU funds to a maximum of 3,8% of Member States' GDP¹⁹); ii) *managerial-administrative absorption capacity*, measured in terms of skills and competences of central, regional and local authorities to manage and implement programmes and projects including the provision and storage of supporting documents and reports, the implementation of monitoring and evaluation as well as to financial management and control; iii) *financial absorption capacity*, referring to the ability to co-finance EU supported programmes and projects and insert these national contributions in multi-annual budgets.

In its 6th Report on the implementation of Cohesion Policy (European Commission, 2013b), the Commission found considerable cross-country variation in the absorption rates of EU Member States, with Austria, Belgium, Portugal, Sweden and Ireland scoring high, whereas Italy, Slovakia, Czech Republic, Malta, Bulgaria, and Romania scoring significantly lower. Experts however highlighted that EU12 countries only performed marginally worse than EU15, although, having a lower commitment ratio, they showed less efficiency in the evaluation and selection of projects.

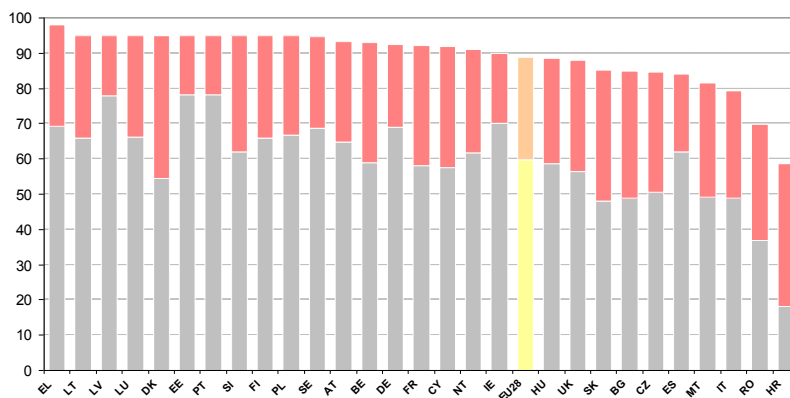
The histogram represented in graph 1 shows two types of absorption data: on the one hand, it represents the level of absorption at the end of the 2007-2013 programming cycle (December 2013, grey bars); on the other, the total absorption rates, at date (pink bars). As it is observable, the majority of the Member States have currently absorbed almost all the allocated funds, above the EU28 average of 88.9%. Most of EU12 together with UK, Spain, Italy and Croatia, are instead positioned below the EU28 average, the latter two being respectively 9.5 and 30.3 percentage points below the European average. It seems that the previously identified hypothesis of an Old/New Member State cleavage can be relaxed, whereas the north/south cleavage still holds, when absolute data are taken into account, with some exceptions.

¹⁹ However, in Regulation (EU) N° 1311/2011 provided for a mechanism that raised co-financing rates by the European Commission of ten percentages points for Member States experiencing or threatened with serious financial difficulties with respect to their financial stability (at that time Greece Ireland Portugal Hungary, Latvia, Romania and later Spain and Cyprus). In 2013, additional measures were proposed by the Commission to allow for increased payments to countries under financial strain such as Romania and Slovakia.

The group of New Member States is in fact split between the best performers (LT, LV, EE), ranking equal to older Member States, and the worst performers (HR, RO, CZ, BG, SK). Among the worst performers rank Italy and Spain. With more than three quarters of the European regions with GDP less than 75% of the EU average being situated in the EU12, tackling low absorption is one of the major objectives of Cohesion Policy for 2014-2020 reform. Also considering the fact that inefficiency in spending funds may enhance the risk that a significant volume of the available EU funds is lost and the intended objectives are not achieved.

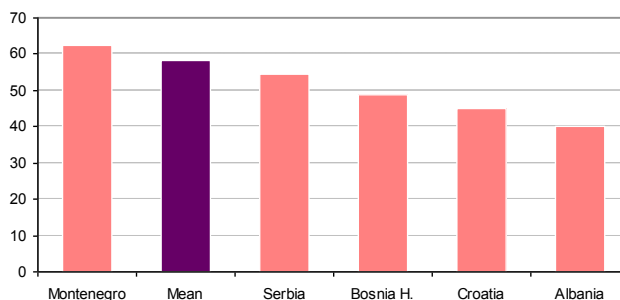
Graph 2 shows the variation in the absorption capacity of IPA funds by Western Balkan countries of our case selection as of December 2013. Among all the cases, only Montenegro has an absorption capacity above the average. The 2013 Western Balkan average absorption capacity (58.5%) and the EU28 average absorption capacity (59.2%) are amazingly very close.

Graph 1 Absorption rates in the EU (%)



Source: <http://cohesiondata.ec.europa.eu>

Graph 2 Absorption rates in Western Balkan countries



Note : for Croatia data refer to IPA components II to V, whereas for the other countries data refer to IPA components II and III

Source: http://ec.europa.eu/regional_policy/en/funding/ipa/

As said at the outset of this paper, more and more studies, including the Commission's 6th Report on Cohesion Policy, have underlined the direct and indirect effects of good governance on the implementation of Cohesion Policy and hence on the management of investments. The report argues that a lower rank in governance can contribute to "reducing expenditure", "less coherent or appropriate strategies", "lower quality projects being selected" and "decrease the involvement of the private sector" (European Commission, 2013b: 172).

Based on these assumptions, and in order to better understand how absorption of ESIFs has worked in the past programming cycle, we have decided to see how the first type of data (that dating back to December 2013 provide wider cross-country variation) behave when put against two indexes of "good governance". Graphs 3 and 4 show the distribution of European Member States in a ideal space where their absorption capacities are crossed with the World Bank's index of "Government Effectiveness" and the OECD's index of "Strategic Human Resources Management". These indexes have been selected based on the hypothesis that countries whose governments rank higher in (governance) quality indexes, tend to do better in terms of absorption of EU funds.

In both graph 3 and 4, the Absorption Capacity (AC) of Member States is measured as the amount of funds paid between 2007 and 2013 as a proportion of committed allocations. It includes allocations for the three structural funds (ERDF, ESF, CF) and excludes territorial cooperation.

Government Effectiveness (GE) is part of the World Bank's World Governance Indicators (WGI), that gives a general assessment of the quality of public administration, depending on its regulatory system, its impartiality and the quality of the services it provides. Other dimensions of the WGI indicators cover: voice and accountability; political stability and absence of violence; regulatory quality; rule of law; control of corruption.

The six dimensions of "good government" have been found to be highly correlated to the extent that scholars have decided to coin the term "quality of government" to encapsulate the concept of a government that it is impartial, efficient and non corrupt as well as to lead to better economic performance (Charron *et al.*, 2013).

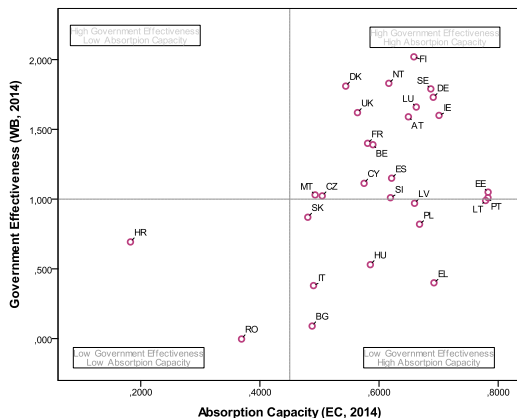
Government effectiveness, in particular, captures perceptions of the quality of the public service, its degree of independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. It is measured as a scale ranging from 0 to 100, where 100 equals "best".

The *Strategic Human Resources Management* (SHRM) index measures the extent to which public sector human resource management systems provide an efficient and professionalised staff. The index is based on expert judgements and looks at the extent to which performance assessments, capacity reviews and other HRM tools are used to engage in and promote strategic workforce planning.

It includes the use of HRM targets in the assessments of middle and top managers. In particular, it is composed of the following variables: the existence of a general accountability framework; the existence of HRM targets built into performance assessments of top and middle managers; elements that top and middle management should take into account when planning and reporting within the general accountability framework; regular review and assessment of Ministries'/Departments' HRM capacity; existence of forward planning to adjust for adequate workforces to deliver services and elements considered in governments' forward planning.

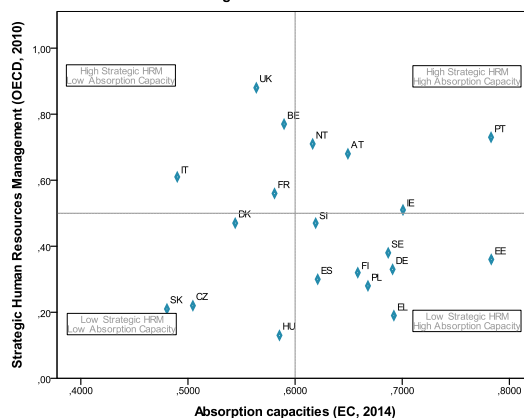
The index ranges between 0 (meaning low utilisation of strategic HRM practices) and 1 (meaning high utilisation of strategic HRM practices).

Graph 3 The Implementation of ESIFs and Good Governance in the EU



Own elaborations

Graph 4 ESIFs Absorption Capacities and Strategic Human Resources Management in the EU



Own elaborations

Source: <https://cohesiondata.ec.europa.eu>, <http://data.worldbank.org/data-catalogue/worldwide-governance-indicators>, www.oecd.org/gov/pem/hrpractices.htm . Own elaborations.

The two scatter plots descriptively show significant variations within the EU not only between New and Old Member States, but also between Southern and Northern Member States, and even among the six founding Member States.

In graph 3 the four Member States of our case selection are all positioned in the lower quadrants where government effectiveness is low, with varying degrees of absorption, and are opposite to Northern Members States, which are all positioned in the right upper quadrant of the graph, where both the absorption capacities and government effectiveness are high. Considering that Spain is the only Southern Member State in the upper quadrants, the North/South cleavage mentioned earlier in this paper seems to hold. As far as the Old/New Member States cleavage, except from Italy and Greece, the other Old Member States do show better performances as compared to New Member States.

The Italian case, with its moderate absorption capacities and low effectiveness of government, results to be a sort of exception to these two cleavages. Italy's situation is explained by the considerably low absorption capacities of southern and central regions as compared to northern regions. For this reason, in 2014-2020 southern Italian regions will have to work hard to provide systemic improvements of their administrative capacity especially in the fields of public procurement, state-aid and project management, which are pivotal to a sound and efficient management of ESIFs. This means that technical assistance to ACB will have to be used fully, departing from previous experiences (in 2007-2013 it has been underused).

Slovenia's scores result better than Italy's and Greece's. Greece has the highest absorption rate among the four cases, but the level of government effectiveness is the same as Italy's. The results for Croatia, instead, have to be taken into account with caution, because of the fact that it has switched- off from IPA to ESIFs in 2013. It is for this reason that Croatia appears as an outlier in graph 3.

As far as graph 4 is concerned, instead, Italy scores higher on the strategic management of human resources than its counterparts, to the extent that it is positioned in the upper quadrants of the chart. Greece's and Slovenia's positions do not change much as compared to that they had in graph 3. The best performer in Europe is, not surprisingly, the United Kingdom, followed by Belgium and the Netherlands, who occupy the highest positions in the upper quadrants of the graph. Whereas, unexpectedly enough, many countries that ranked high in the government effectiveness index, such as Finland, Sweden, Germany, show very low strategic human resource management scores, thus shedding a new light on our initial hypothesis.

Overall, these data confirm that ACB in the management of European funds is not just a necessity of enlargement countries, but it is a challenge for Member States partaking to the Adriatic-Ionian macro-Regional Strategy, too. The following section provides a country-by-country analysis of the major management weaknesses that proves how crucial the development of cross-border cooperation for ACB in the Adriatic Ionian area can be.

3.1 - Major Weaknesses in the Management of Funds in the Adriatic-Ionian Area

As stated earlier in this paper, the fulfilment of the ex-ante conditionality for TO 11 “enhancing institutional capacity and efficient public administration” is a prerequisite of Partnership Agreements. Member States have been required to self-assess the state of affair, their needs and weaknesses, and identify actions to bridge them by investing in strengthening the efficiency of their public administration. In analysing the second dimension of ACB, this paragraph identifies major administrative weaknesses in managing bodies across the Adriatic-Ionian region.

Our analysis is based on the 2013 Commission's Country Fiches on administrative capacity building and on the 2015 Country Fiches on ESIFs management in 2014-2020 in the four Member States of our case selection. It also takes into account reviews of Candidate Countries' capacities to deal with regional policy. As assessed in the Commission's Enlargement Strategy Papers, the aim of this examination is to hypothesise possible paths for cross-border and transnational cooperation in the field of administrative capacity building. In order to do so, table 6 summarises key information about the number of Operational Programmes and the related allocation under each fund for the four countries.

It is not in the scope of this paper to investigate the determinants of administrative capacity building, however, based on the analysis carried out so far, we can confirm that variation in the administrative capacities of Member States are reflected in the different management models that each country decides to pursue, that is to say on the available structures, human resources and systems and tools. We also know that administrative capacities in the field of Cohesion Policy can also vary greatly across the programme cycle and that major weaknesses can be identified by scrutinising the capacities relating to programmes coordination and strategic approach; project generation, appraisal, selection and support; identification and assignment of roles and responsibilities; communication with beneficiaries and projects implementation at local level.

As an example, with its 89 operational programmes, and considering the form of administrative organisation of the Italian state leaving room to the multiplication of structures, human resources, systems and tools, it is no surprise that Italy has low managing capacities. Managing capacities of our case selection are analysed in the remainder of the paragraph, based on Commission assessments.

A country-by-country account of ESIFs management capacities detailing stratifying structures, human resources and systems and tools is provided in the following pages, with reference to both Member States and Candidate Countries.

Table 6 Operational Programmes and Financial Allocations per Fund (2014-2020) –EURO

		Cohesion Policy (ESF, ERDF, CF, YEI)	EAFRD	EMFF	ETC	Total
Croatia	n. of programmes	2 national	1	1	9	13
	Available funds (EUR)	8,463,255,776	2,026,222,500	252,643,138	1,201,084,956	13,396,934,464
Greece	n. of programmes	18 (5 national, 13 regional)	1	1	11	31
	Available funds (EUR)	15,275,163	4,718,291,973	388,777,914	984,699,568	7,480,522,100
Italy	n. of programmes	50 (11 national or multiregional, 39 regional)	23 (2 national, 21 regional)	1	15	89
	Available funds (EUR)	31,686,254,105	10,444,380,767	537,262,559	1,996,244,281	46,123,123,434
Slovenia	n. of programmes	1 national multi-fund	1	1	9	12
	Available funds (EUR)	3,011,899,768	873,849,803	24,809,114	1,104,803,616	6,144,975,031

Source: European Commission (2015a)

Croatia

Croatia is a EU member since 1 July 2013. Before accession, Croatia has participated to IPA-I and under its fourth component has developed a Multi-Annual Human Resource Development Operational Programme (MAHRD OP), aimed at supporting the development of administrative capacities of the institutions in charge of management and implementation of Cohesion Policy.

Implementation structures have remained fairly stable since the original conferral of management powers in 2008 and represent a sound basis for the design of the implementation system of Cohesion Policy. Accession had no impact on internal controls or external oversight. The monitoring system, managed by the National IPA Coordinator office, ensured regular follow-up on the progress made in relation to preparation and implementation of each project under each annual national programme.

As a general assessment of the Croatian absorption capacity for the 2007-2013 programming period, the Commission has pointed out that the country's quite low scores are due to the restricted supply of ready-to-implement eligible projects combined with difficulties linked to the switchover from the IPA to the ESIFs. Administrative and technical capacities of managing bodies have been found to be weak at local and beneficiary level.

Given the sharp increase in Croatia's allocations in 2014-2020, however, technical and administrative capacities need to be increased substantially, both within the management and control system as well as in relation to beneficiaries.

There are a number of major challenges that Croatia will have to face to overcome administrative bottlenecks encountered during the previous programming period and, at the same time, implement the 2014-2020 Common Strategy Framework. First, Croatia needs to make major efforts to ensure adequate capacities for strategic programming, procurement, implementation, fund management and control, monitoring and evaluation (project pipeline and assistance to project beneficiaries as well as stakeholders), and to mobilise stakeholders to prepare and implement results-oriented and quality projects.

Capacity building at all levels is particularly needed in relation to the implementation of public procurement legislation, the improvement of remedy systems and the reduction of administrative burdens on beneficiaries. Coordination and intensive training/coaching finalised to favouring the accrue of sufficient operational capacities are seen as key priorities.

In order to ameliorate the management and the absorption of funds and projects, the Commission has required an internal reorganisation of the Ministry of Regional Development and EU Funds and the other management authorities. Moreover, it has recommended to overcome the systemic lack of inter-ministerial coordination and of coordination within bodies of the same operating structures, especially between the Managing Authority and Intermediate Bodies, which have previously produced inevitable drawbacks in terms of policy ownership, design and delivery.

A point that has been made clear is that, although the legal framework for implementation of the 2014-2020 operational programmes is in place, new sectors have been included, thus increasing the likelihood of difficulties if a cross-sector coordination will not be established. The new sectors will in fact require specific technical capacities by the managing bodies and targeted support for project beneficiaries, thus entailing the need to recruit and train additional staff across various ministries and agencies, as well as to develop common methodologies to ensure that funds are managed consistently and efficiently across programmes, not excluded the coordination of stakeholders (possibly via an IT platform).

In the absence of swift strategic human resource management actions as well as of a prompt recruitment of new staff, the abovementioned pressures may enormously challenge the understaffed management structure and result in an increasing recourse to outsourcing in the form of service contracts, with consequent drawbacks in terms of project-programme ownership, coordination and absorption of final results.

Croatia's Administration of ESIFs		
Structures	Human Resources	Systems and tools
Lack of coordination between ministries and within bodies of the same operating structures	Work on enhancing internal competencies, via training and coaching. Further capacity building is needed	IT platform for the coordination of stakeholders

Source: European Commission (2015a)

Greece

As a general assessment, Greece needs to strengthen the organisational, institutional, and operational capacity of both central government and regional and local authorities, focusing on human resource development in the public sector. Moreover, higher absorption of EU funds has been included as a condition for disbursement of the stabilisation measures decided in 2010. Most typical absorption problems that have been reported are: lack of proposals, weak budgetary planning and poor administrative capacity.

In 2007-2013 Greece has worked on institutional and administrative capacity building through a separate Operational Programme, the Administrative Reform Operational Programme (AROP). EURO 435.3 million were allocated through the ESF budget, which represents 9.98% of the total ESF allocation for the country, an amount that served directly the reform of the Greek public administration.

A number of important projects have been launched under the Administrative Reform OP and these include the reform of regional and local governments ("Kallicrates" reform); the establishment, organisation and operation of "Units for Planning and Budgeting" in the line ministries; the standardization of the implementing procedures of the New Civil Servants' Code; the reorganisation of the General Accounting Office of Greece; the reorganisation of the services of the tax and customs administration; the establishment of "Units for the Application of the Principles of Good Legislating and for the Incorporation of Community Legislation"; the application of new procedures for the reduction of administrative burdens and costs; the upgrading, reinforcement and reorganisation of the Directorate General for Human Resources of the Ministry of Public Administration.

It is noted that while most of the operations implemented under the AROP had been planned from the beginning of the programming period, they now serve directly and effectively the Economic Adjustment Programme for Greece.

Reviews of the 2007-2013 AROP, moreover, have shown that physical and financial implementation has been slow-paced due to: lack of a stable strategy and design of the OP; lack of cooperation and coordination among all Ministries and stakeholders; over-complex management structures lacking sufficient capacities and staffing; highly complicated and bureaucratic National Strategic Reference Framework's (NSRF) management and control systems and lengthiness of appeals in the public procurement processes with resulting delays in the implementation of projects; lack of project preparation and implementation capacity at the regional and local levels; systemic corruption.

Notwithstanding all the efforts to accelerate programme implementation and the capacity building actions that have been targeting the 325 Greek municipalities, the fulfilment of ex-ante conditionality Nor 11 on administrative capacity as well as support to ACB actions in the 2014-2020 programming period remain a concern for the Commission. In particular, action plans (eminently for ICT) and the introduction of "self-suspension" clauses, need to be completed.

Consequently, a new management architecture has been introduced via a law that reduces the number of intermediate bodies and the number of delegations, and introduces measures to simplify the system and speed up implementation. The design of programmes, programming of funds and coordination of the ESI Funds have been strengthened, anti-fraud measures have been introduced and smooth transitional provisions have been put in place. Recent changes to the Common Provisions Regulation make extra liquidity available to Greece to finalize 2007-2013 projects' implementation and start smoothly the 2014-2020 period, by increasing the EU co-financing.

Greece's Administration of ESIFs		
Structures	Human Resources	Systems and tools
New management architecture in place Reducing IBs and strengthening capacities New regional governments to manage ROPs	More coordination among ministries, regions, municipalities and stakeholders	Action plan for ICT development in place

Source: European Commission (2015a)

The huge reorganisation of the territorial and administrative structures that has taken place under the Kallikratis reform is however also a major challenge of the 2014-2020 programming period. The reform has in fact led to the redefinition of municipalities and the transformation of the government-appointed regional level into a democratically elected level with clear responsibilities and obligations. It is thereby likely that Regional Operational Programmes (ROPs) will be handed over to newly established regional councils, meaning that new structures will have to be created and related responsibilities/competences assigned, as well as, that new administrative capacity building will be needed at regional and local level.

Italy

During the 2007-2013 programming cycle, each Italian Convergence region has devoted an axis of their OP to capacity building of the public administration. However the progress of those axes has been quite slow and marginal in terms of commitments (for an average rate above 50%, against a payment rate of 17%).

As manifest in low absorption rate of ESIFs, Italy shows severe problems of weak administration of operational programmes, which are mainly concentrated in its southern regions. This situation clearly represents the failure of the 2007-2013 OP Governance & Technical Assistance, whose second priority axis has allocated € 130 million to support public administration capacities in cohesion regions of the South, including project identification and preparation, environmental network, a national twinning programme, competency building, transparency.

Taking this into account, EU co-funded programmes have been required to be accompanied by administrative reinforcement plans, in order to guarantee that the authorities in charge of the funds have the basic structure and skills necessary to manage the resources entrusted to them. These vary a lot across-regions.

Overall, regional administrative weakness in relation to EU funds can be mainly related to staffing and managing structures. Some regions have lightly staffed and unstable administrative structures. Human resource management is generally vulnerable to political changes (after local or national elections staff turnover can go far down the hierarchy), thus posing a problem of retaining expert staff.

Moreover, managing structures rely excessively on outsourced contracts for both management and control functions. Since 1994, in fact, technical assistance funds under each ROP are used to hire additional staff (some of whom transferred from other functions within the public administration, other recruited from large private firms such as E&Y, KPMG and Deloitte), to support all aspects of project and programme preparation and delivery, but with scarce results and performances.

Furthermore, the use of Intermediate Bodies (IBs) and in-house entities is widespread, but there are huge concerns about their actual capacities. This situation should be addressed in order to at least seek an appropriate balance between retaining adequate in-house expertise and outsourcing under TA budget, and assure managing capacities of both IBs' and in-house entities' staff.

With some remarkable exceptions, also national programmes suffer from largely the same deficiencies as the southern ROPs, highlighting a more general problem that stems greatly from the unclear attribution of responsibilities between Regions and National Ministries (especially for what attains ERDF).

Another point is related to the availability of inefficient systems and tools for selecting and monitoring projects, which lack the capacity to analyse candidate projects as well as support final beneficiaries in project preparation, especially in the case of smaller municipalities.

Some good improvements have been brought about by former initiatives such as the Opencoessione website and VISTO tool, which have been assessed positively by the Commission and pointed out as good examples for other Member States. The recommendation is to build on these positive initiatives in the current programming period (for instance providing them with utilities for tracking outcomes of tenders, project progress, and results indicators).

However, as far as the 2014-2020 programming period, Italy has not yet fulfilled 3 general, 2 EMFF-specific and 10 thematic ex-ante conditionalities. This situation is partly due to the fact that, thanks its constitutional set-up and division of powers between national and regional authorities (albeit currently subject to reform), as well as to the unclear attribution of managing responsibilities across tiers of government, Italy has both national and regional ex-ante conditionalities.

Italy's Administration of ESIFs		
Structures	Human Resources	Systems and tools
Unclear distribution of responsibilities across government layers Huge use of low competent outsourced staff	Retaining or recruiting competent staff and consultants, balancing between internal resources and outsourced staff	Monitoring tools are ineffective in terms of selection and analysis of projects as well as support to beneficiaries Take stock of IT systems such as Opencoessione and VISTO

Source: European Commission (2015a)

Slovenia

During the previous programming cycle, Slovenia has dedicated an ESF financed OP to human resources development, called the Human Resources Development Fund Operational Programme (HRFOP). Overall 688 e-government services were prepared; 16 e-services intended for unemployed persons and employers at Public Employment Service (PES) were prepared; 264 trainings for the employees of the PES were held representing 6.6 training actions per employee; 598 representatives of NGO's and 637 social partners were trained.

As far as the general management of ESIFs, notwithstanding the strong centralisation of the Slovenian system for the implementation of cohesion policy (as was that of pre-accession instruments), the vulnerability of the staff to government's reorganisations seems to affect the stability of the management system a great deal. According to the 2013 country fiche on administrative capacities linked to the use of ESIFs, staffing is in fact one of Slovenia's major weaknesses, particularly considering that:

- Recent horizontal reforms introducing austerity measures have concerned both the institutional set-up of the administration of ESIFs and staffing (staff has been reduced and salaries capped);
- Staff rotation is rather high with reference to ESF, posing the issue of securing sufficient qualified and experienced staff;
- Options of outsourcing (hiring contractual staff or employing temporary staff) are rarely used;
- In 2007-2013, due to the austerity measures, Slovenia has underused technical assistance.

For this reason, capacity building is a key priority of the 2014-2020 period and Slovenia is strongly advised to use available technical assistance to cover staffing and staff training; programme evaluation; communication; empowerment of management and control systems to ensure EU law on public procurement, state aids and environmental impact assessment; support to capacity building of municipalities and stakeholders such as social partners and non-governmental organisations; development of IT systems.

To this end, EURO 62 million from ESIFs will support investments in institutional capacity-building in the public sector and in the efficiency of public administration and public services at national, regional and local levels.

Slovenia's Administration of ESIFs		
Structures	Human Resources	Systems and tools
Lack of long-term planning, timely project preparations and monitoring of strategic objectives	Administration is understaffed and lacking resources, modern management techniques and quality management are advised	Monitoring IT system (ISARR) is weak, Different IT tools used by authorities implementing funds

Source: European Commission (2015a)

As attains Candidate Countries, the Commission's assessments of their regional policy capacities and coordination of structural instruments are relatively positive (European Commission, 2015i, 2015l, 2015m, 2015n). However indications have been given and can be summarised as follows.

Albania is deemed to be able to guarantee indirect management but will have to strengthen project management to minimise the risk of delays in the use of EU funds and increase programming capacity for sector policies as well as improve design of mature sector project pipelines, both at national and local level. Further action is needed with reference to administrative capacity building, in order to ensure competent staff in view of the workload stemming from management responsibilities. Moreover, given the recent administrative territorial reform, capacity building will need to target local governments.

At national level, more coordination is needed between the Ministry of Finance and line ministries in order to improve the development and implementation of budgeted sector policies in line with the government medium-term budget plan. Monitoring and evaluation structures have been empowered by setting up four pilot integrated policy management groups to support the government's Strategic Planning Committee and other high-level inter-ministerial committees in charge of key policy decisions. Insofar as financial management, control and audit, the administrative capacity of the Central Finance and Contracting Unit (CFCU) in the Ministry of Finance needs to be reinforced, while the audit authority requires increased human resources with senior expertise on audit.

Montenegro has adopted an action plan for meeting the requirements deriving from the future use of EU structural and investment funds. Administrative capacity has been strengthened by new appointments to the operating structure of former IPA I components III and IV. However, further capacity strengthening remains necessary. New sectoral monitoring committees for IPA components III and IV have been created too, enhancing monitoring and evaluation capacities. Financial management, control and audit systems are progressing well. Montenegro's management information system has been updated, the manuals of procedure have been amended in line with the audit findings and recommendations, and the accounting software has been certified for compliance with international standards.

The capacity of the audit authority has been strengthened. Intensive training of auditors has been supported and conducted by audit authorities from EU Member States. A new audit methodology was adopted in April 2015. In December 2015, the government amended the decision establishing the coordinating body for monitoring and managing irregularities to protect the financial interests of the European Union (the anti-fraud coordination service – AFCOS – network). Reviews of Montenegrin financial management and control system is positive so far. However, project preparation and strategic planning need to be improved. To this end Montenegro should start implementing the action plan for meeting requirements for the use of ESIFs. Moreover, procurement systems need to be accelerated in order to improve EU co-financing of projects.

Serbia is deemed to have acquired valuable experience of managing EU funds under "indirect management" of IPA I component I and, for the current programming cycle, is expected to ensure adequate capacity to implement 'indirect management' programmes and continue aligning the structures for programming and implementing the national development policy and strategic planning with those of EU regional policy, so that the country can increase its ability to absorb EU funds and co-finance EU-funded programmes.

To this end, it is apparent that further administrative capacity building efforts are needed to put in place a staff retention policy, in order to cope with the anticipated workload and staff turnover. As far as structures, monitoring and evaluation, these are guaranteed by sectorial monitoring committees set under IPA I and dealing with all sectors of IPA components I and II. Financial management, control and audit systems have been further developed to comply with the indirect management requirements for IPA components I and II. The capacity of the audit authority remains an issue of concern, which needs to be adequately addressed.

Conclusions

EU assistance to administrative capacity building offers incredible opportunities for all regions of the EU by challenging assumptions that economic development as well as European integration should be somehow connected to the strengthening of administrative structures, human resources and systems and tools linked to Cohesion Policy. However, given the diversity of institutional arrangements and individual Member States' responsiveness to supranational requirements, public administration reforms are variously paced all over Europe. Also, in many cases public funding managing capacities, and in particular ESIFs management, still need to be streamlined. Administrative capacity building still represents a top priority in the EU.

ACB is equally imperative when cross-border and transnational cooperation are taken into account, especially in the context of the creation of a Adriatic-Ionian Macro-Region. Whilst past EU-financed ACB has been carried out successfully in most WB enlargement countries, its practical implications pose challenges as to whether these countries can really gain the benefits of their efforts and enhance efficiency and effectiveness in the current programming cycle and after. Most WB countries still lack fundamental administrative capacities and the systems and tools to prioritise the development of their administrative capacities.

Moreover, notwithstanding management structures are in place, the lack of political stability harshly impacts structures' efficiency and continuity. Lastly, even the countries that have had the leadership to ensure delivery of ACB, without the necessary tools they may fall short of their future administrative integration goals. For these countries the development of deliverable ACB paths seems as compulsory as complex.

As far as Member States are concerned, in most cases, institutional reorganisation and lack of effective co-ordination have been found to impact administrative performance at large. Management capacities are also constrained by considerable structural gaps, high staff turnover, the rigidity of monitoring and control systems, improvable IT systems. Thus, staff training on strategic approaches, compliance, public procurement, compliance to environmental rules as well as actions targeting beneficiaries (guidance, workshops, direct contact) are deemed crucial to the success of current programmes and policy implementation.

Although so far both EU and non-EU countries of the Adriatic-Ionian area have experienced and benefited from considerable assistance to develop their administrative capacities, considering the existing differences, it remains considerable uncertainty on how capacity building may be implemented in a cooperative perspective. A strategy compounding mutually-reinforcing cross-level and cross-country coordination for building sustainable capacities seems in this sense of pivotal importance.

References

- Charron N., Dijkstra L. and Lapuente V. (2013), *Regional Governance Matters: Quality of Government within European Union Member States*, in "Regional Studies 2013", Routledge Taylor and Francis.
- Dimitrova A. (2002), *Enlargement, Institutional-Building and the EU's Administrative Capacity Requirement*, in "West European Politics", pp. 171-190.
- Bauer M. & Trondal J. (2015), The Palgrave Handbook of the European Administrative System, in European Administrative Governance series, Palgrave Macmillan UK.
- Boot L. *et al.* (2001) Absorption Capacity for Structural Funds in the Regions of Slovenia, Final Report, NEI, Rotterdam.
- ECORYS (2011), *Assessment of Administrative and Institutional Capacity Building Interventions and Future Needs in the Context of European Social Fund*, Brussels, 28 April 2011.
- EUPAN (2015), *Enhancing Institutional and Administrative Capacity*, Thematic Paper.
- European Commission (2013a), *Powering European Public Sector Innovation: Towards a New Architecture. Report of the Expert Group on Public Sector Innovation*, Luxembourg.
- (2013b), *Cohesion Policy: Strategic Report 2013 on Programme Implementation 2007-2013*, COM(2013), 210 final.
- (2014a), *Institutional Capacity Building (Thematic Objective 11). Draft Thematic Guidance Fiche for Desk Officers*, Version 2 – 22/01/2014.
- (2014b), *Programming of Technical Assistance at the Initiative of the Member States. Draft Thematic Guidance Fiche for Desk Officers*, Version 2 – 25/06/2014.
- (2014c), *Multi-country Indicative Strategy Paper (2014-2020)*, Instrument for Pre-Accession (IPA II), DG Enlargement, adopted on 30/06/2014.
- (2014d), *Indicative Strategy Paper Albania (2014-2020)*, DG Enlargement, adopted on 18/08/2014.
- (2014e), *Indicative Strategy Paper Bosnia & Herzegovina (2014-2020)*, DG Enlargement, adopted on //2014.
- (2014f), *Indicative Strategy Paper Montenegro (2014-2020)*, DG Enlargement, adopted on 18/08/2014.
- (2014g), *Indicative Strategy Paper Serbia (2014-2020)*, DG Enlargement, adopted on 19/08/2014.

- (2014h), *EU Recommendations for Croatia (2011-2014). 2014 Challenges.*
- (2014i), *EU Recommendations for Italy (2011-2014). 2014 Challenges.*
- (2014l), *EU Recommendations for Slovenia (2011-2014). 2014 Challenges.*
- (2014m), *Monitoring and Evaluation of European Cohesion Policy European Social Fund. Guidance Document on Indicators of Public Administration Capacity Building.*
- (2015a), *Annex II: Country Fiches to the Communication from the Commission Investing in Jobs and Growth – Maximising the Contribution of European Structural and Investment Funds, COM(2015) 639 final.*
- (2015b), *Annual Growth Survey. Strengthening the Recovery and Fostering Convergence, COM(2015) 690 final.*
- (2015c), *Council Recommendations on the 2015 National Reform Programme of Italy.*
- (2015d), *Council Recommendations on the 2015 National Reform Programme of Croatia.*
- (2015e), *Council Recommendations on the 2015 National Reform Programme of Slovenia.*
- (2015f), *Country Report Croatia 2015, SWD (2015) 30 final.*
- (2015g), *Country Report Italy 2015, SWD(2015) 31 final/2.*
- (2015h), *Country Report Slovenia 2015, SWD(2015) 43 final/2.*
- (2015i), *EU Enlargement Strategy. Albania 2015 Report, SWD(2015) 213 final.*
- (2015l), *EU Enlargement Strategy. Bosnia & Herzegovina 2015 Report, SWD(2015) 214 final.*
- (2015m), *EU Enlargement Strategy. Montenegro 2015 Report., SWD(2015) 210 final.*
- (2015n), *EU Enlargement Strategy. Serbia 2015 Report, SWD(2015) 211 final.*
- (2015o), *Plan for Technical Cooperation in Support of Structural Reforms, European Commission/Greek Authorities.*
- (2015p), *Sector Reform Contract For Public Administration Reform. Albania (2014-2020).*
- (2015q), *Sector Reform Contract For Public Administration Reform. Serbia (2014-2020).*
- (2015r), *Support to the Public Administration Reform and the Reform of the Statistics System. Bosnia & Herzegovina (2014-2020).*

- Goetz, Klaus H., 2001: *European Integration and National Executives: A Cause in Search of an Effect?*, in
- Hichlinger A., Thijs N. & Bosse J. (2014), *From Strengthening Administrative Capacity Building (ACB) to Public Sector Innovation (PSI): Building Blocks and Successful 'Bridges'*, in EIPASCOPE, 2014.
- Kassim, H. (2003), *Meeting the Demands of EU Membership: The Europeanization of National Administrative Systems*, in Featherstone K. and Radaelli, C.M., *"The Politics of Europeanization"*, Oxford: Oxford University Press: 83-111.
- Knill C. (2001) *The Europeanisation of National Administrations: Patterns of Institutional Change and Persistence*, Cambridge: Cambridge University Press.
- OECD (1999), *European Principles for Public Administration*, in Sigma Papers, N° 27, OECD Publishing, <http://dx.doi.org/10.1787/5kml60zwd7h-en>
- (2006), *The Challenge of Capacity Development. Working Towards Good Practice*.
- Surubaru N.C., Saleminck C., Idczak P., Monsson C.K. (2015), *Administrative capacity-building for the future of European funds management: concept paper on measurement and research avenues*, In *"Regional Studies, Regional Science"*, Vol. 2, No. 1, pp. 188-196.







This publication has been produced with the financial assistance of the IPA Adriatic Cross-Border Cooperation Programme. The contents of the documents and the publication are the sole responsibility of Molise Region and can under no circumstances be regarded as reflecting the position of the IPA Adriatic CBC Programme Authorities as well as the European Union.