

EXECUTIVE SUMMARY

Introduction

This *Country Program Interim Evaluation* (CPIE) of EU pre-accession assistance to Croatia mainly aims at providing inputs for decision-making process to key stakeholders in the IPA TAIB Monitoring Committee and PHARE Joint Monitoring Committee. To this end, the CPIE reviews a series of horizontal issues concerning the programming, management, monitoring and evaluation of assistance and analyzes the relevance, efficiency, effectiveness, impact and sustainability of initiatives funded under the *PHARE 2005 and 2006 and IPA 2007 and 2008 programs*.

The CPIE represents a departure from the Interim Evaluation model used to assess the performance of PHARE in the past. In fact, while previous evaluations principally adopted a sector or thematic approach, in the CPIE the emphasis is placed on the program level. Also, the CPIE is particularly aimed at providing *recommendations of an operational nature*, supporting them with concrete proposals. Along this line, the CPIE exercise is accompanied with the provision of *hands-on support* to relevant Croatian authorities, in order to enhance their capabilities in the field of interim evaluation.

The CPIE is based on a combination of desk and field work, the latter involving over 40 meetings with various counterparts. The exercise enjoyed the *full support of Croatian authorities and EC officials*, who kindly accepted to be interviewed contributing their views and suggestions. Their cooperation is kindly acknowledged.

Conclusions

Intervention Logic

At the *program level*, National Programs allocations are broadly in line with indicative allocations spelled out in MIPD, but there seem to be difficulties in fulfilling the ‘minimum quotas’ for Axes 1 and 2. Within each priority axis, the intervention logic remains largely implicit, as the selection of specific initiatives is the result of a combination of factors. In particular, strategic considerations regarding the declared priorities of EU assistance are tempered by operational considerations, concerning the availability of project proposals of an adequate quality and backed by sufficient capacity.

At the *project level*, IPA TAIB Project Fiches show a clear progress over their PHARE counterparts, but there is still considerable room for improvement. The identification of the hierarchy of objectives is largely correct, but problems persist in the selection of indicators of achievement, with a frequent confusion between various logical levels (indicators of purpose, results, and outputs) and lack of precision about what should be measured. Improvements reflect the good work done by the Central Office for Development Strategy and Coordination of EU Funds (CODEF) in providing training and assistance to *Program Implementation Units* (PIU), but the overall effectiveness of this support is hampered by the high turnover of personnel in operating structures, with ensuing dispersion of capabilities.

Management of Assistance

The ***programming mechanism*** has shown signs of improvement, with a reduction in the number of proposals submitted to the EC, but there is room for introducing a more stringent screening of project proposals, based on more substantive and less formal aspects. In this context, the link of project proposals with overall priorities and, when relevant, with the status of negotiations, as well as considerations about the proposed timing of implementation and how this fits with accession needs, should be made more explicit.

Numerous projects in the past have faced implementation constraints due to complex and sometimes flawed design. All stakeholders are undertaking efforts to enhance the ***implementability of projects***, namely through an increased cooperation between the Central Financing and Contracting Agency (CFCA) and CODEF, which however might pose problems in terms of segregation of duties. Also, the rapidly changing environment and the structurally long period of time between initial project identification and the launch of contracting, inevitably increase the risk that project files have to be amended.

Compared with the serious difficulties experienced in the past (e.g. suspension of the endorsement of contracts by the EU Delegation between December 2007 and July 2008), significant improvements have been achieved in the ***tendering and contracting stages***. Still, resubmissions of procurement documents remain frequent, and contracts tend to be signed at the very last minute. A system of monthly and quarterly meetings helps in keeping project implementation on the right track, but newly recruited and inexperienced task managers have sometimes difficulties in effectively interacting on substantive matters with operating structures.

Monitoring and Evaluation System

The ***monitoring system*** is functioning fairly smoothly, as witnessed for instance by the high acceptance rate (in excess of 90%) of monitoring reports by Sectoral Monitoring Sub-Committees (SMSC). However, the limited participation of high ranking officials in SMSC meetings (less than 50% of SPO attended in 2009), largely confines the discussion to operational matters, inevitably limiting the scope for discussing more fundamental issues related to policy and institutional aspects. Also, the current configuration of SMSC has become increasingly misaligned with the priorities of assistance under IPA TAIB, and also results in an unbalanced distribution of the workload among the committees. Finally, there appears to be much room for improving the usefulness of monitoring reports that, due to an inadequate template, remain excessively long and not sufficiently focused on the most important issues.

Regarding ***evaluation***, On the positive side, the level of addressees' endorsement of recommendations from EC evaluations has been so far quite satisfactory, although in the majority of cases full implementation is still pending. In this sense, the mechanism established to follow-up the implementation of recommendations should be strengthened in order to ensure a fuller and closer coverage.

Performance of Assistance

The vast majority of projects show a high degree of ***relevance***, in the sense that they are well aligned with the multiple needs of accession. In some cases, assistance specifically addressed

negotiations requirements for specific *acquis* chapters (i.e. opening and closing ‘benchmarks’). In remaining cases, assistance was directed to the strengthening of Croatia’s capabilities for the absorption of funding under structural instruments.

A precise measurement of *effectiveness* is often hampered by the inadequacy of indicators, but in general, completed projects have delivered the expected results, and the prospects for almost completed ones are fairly positive. Initiatives addressing specific areas in the legislative and policy framework have been comparatively more successful than those aimed at strengthening administrative capacity. The prospects for the projects currently in the pipeline are also fairly positive, because various issues that in the past affected the achievement of project purposes are being increasingly addressed (e.g. more attention paid to conditionality and sequencing).

Prospects for *impact* are generally positive, with some qualifications. Actions aimed at achieving alignment with specific *acquis* requirements sometimes provided a decisive contribution to the opening or closing of negotiations in certain chapters. The impact of assistance aimed at strengthening the public administration is more difficult to appreciate, because structural changes take longer to generate and it more often suffers from the lack of systematic evidence.

Prospects for the *sustainability* of results are mixed. The main issue relates to the inadequate staffing of beneficiary institutions and, especially, to the difficulties in the retention of personnel, as many institutions experience a constant outflow of qualified staff, often trained with EU assistance. Also, the existence of sufficient financial allocations from the state budget to ensure appropriate follow up is not always clear, and this may also jeopardize sustainability. These issues are often reflected in conditionalities included in project fiches, but especially in personnel matters a more comprehensive approach is required.

Recommendations

Recommendation #1 – Devise practical solutions for mitigating the impact of Human Resources (HR)-related issues on the performance of EU assistance. The lack of appropriately qualified personnel is the single most important issue impacting negatively on the EU pre-accession assistance. This has pervasive effects at all the stages of the project cycle, from the formulation of project fiches to the technical implementation of activities, and significantly impacts on the performance of initiatives, especially regarding their sustainability. The problem was aggravated by recent measures (e.g. the ban on the recruitment of new staff), but its roots are deeper, being linked with the structural features of Croatia’s civil service. Reform efforts in this area have been on the agenda for a long time, and indeed important steps forward have been made since the adoption of the *State Administration Reform Strategy 2008-11* (SARS) and the recent establishment of the Ministry of Administration (MoA). However, the concrete effects of this renovated institutional and policy framework have not significantly materialized yet. Under these conditions it is proposed that the Croatian institutions involved in the programming and management of EU assistance jointly establish a Task Force on HR issues aimed at devising practical solutions for mitigating the impact of staff shortages and of staff retention problems. The Task Force should operate in synergy with MoA and other relevant administrations, to identify the most critical situations and proactively support the adoption of corrective measures (crash training programs, secondment of staff to overworked PIU, etc.), bringing unresolved issues to the attention of key decision makers.

Recommendation #2 – Further strengthen the screening of project proposals. A formal mechanism for the assessment of the merits of each project proposal should be established, with the adoption of a set of assessment criteria focusing on key substantive aspects, such as the concrete existence of adequate operational capabilities within the relevant institutions and the effective endorsement at the political level. This mechanism would enhance the role of CODEF in the programming of assistance, as regards both the definition of pre-screening criteria and procedures, and the interactions with potential beneficiaries of assistance. Some proposals to this effect are presented in this report.

Recommendation #3 – Continue to support the formulation of Project Fiches through training and advice to PIU. CODEF efforts to increase the skills in project formulation and, notably, in the drafting of Project Fiches and logframes should be continued, through the organization of regular training sessions and the provision of hands-on support to PIU. Training should focus inter alia on the selection of indicators appropriately matching with stated objectives, and in general on a simplification of the project design that could reduce all possible ‘implementability’ challenges. The Consultant provided operational support to CODEF in this area under the capacity building component of the Assignment.

Recommendation #4 – Ensure the coordination among key institutions in order to enhance implementability. The recent experience of cooperation between CODEF and CFCA in reviewing and cross checking Project Fiches to avoid problems at the implementation stage should be continued. In general, thanks to the experience gained in the coordination of monitoring activities, CODEF appears to be well-positioned to early detect possible implementability issues, but the advice of CFCA is expected to remain very useful. However, following the indications of a recent DG ELARG audit mission for IPA Component I, it is important to avoid the risk of a confusion of roles that would be inconsistent with the principle of segregation of duties. In this respect, it is recommended that CFCA and CODEF adopt structured modalities of cooperation and transparent communication procedures. Advice in this area should also be sought from and provided by the relevant EC services.

Recommendation #5 – Rebalance the areas of responsibility of SMSC. The current configuration of SMSC should be revised, in order to enhance alignment with IPA TAIB priorities and modus operandi, and distribute more evenly the workload among the committees. However, the revision cannot be conceived ‘in isolation’, but must realistically take into account the internal organization of CODEF and the EU Delegation (EUD), so as to avoid overlapping of competences among the various units. Two scenarios can be imagined, one involving a significant restructuring and the other entailing more modest changes. Several variants of these scenarios can also be envisaged. A detailed proposal to this effect is provided in this report.

Recommendation #6 – Revise the structure of monitoring reports, in order to enhance their utility. The current template of monitoring reports should be revised, so as to reduce the space devoted to unnecessary background information and to lessen the temptation to adopt a ‘box ticking’ approach in the reporting of achievements. This applies in particular to Monitoring Reports for individual projects, but the structure of Sectoral Monitoring Reports also requires some improvement. Assistance in this respect was provided by the Consultant to CODEF as part of Component #2 of the Assignment. .

Recommendation #7 – Strengthen the linkage between monitoring and evaluation. In view of the future transfer of responsibility for evaluation to Croatian authorities, efforts should be made in order to clarify the role and importance of evaluations. In this respect, CODEF should play a central role, adopting a more proactive approach, over and above the function of secretariat of monitoring committees. A good starting point could be represented by the introduction of an enhanced supervision – in collaboration with the Commission - of the implementation of recommendations formulated in previous interim evaluations, focusing in particular on the sectors where there appears to be comparatively more room for improvements. This supervision could be usefully extended to the so far largely forgotten recommendations on thematic aspects. In addition, it could involve requesting the institutions to whom evaluation recommendations are addressed to provide a more timely feedback on the corrective actions implemented that far, possibly on a quarterly basis, or in any case in accordance with the deadlines provided.