

EXECUTIVE SUMMARY

Sectoral Interim Evaluation Report: R/HR/ESC/0801

Scope and Objectives

This sectoral interim evaluation report covers European Union pre-accession assistance to the Economic and Social Cohesion sector in Croatia, comprising Cross-Border Cooperation, Business Promotion, Employment Promotion, Transport and Structural Funds Preparation subsectors. The assistance allocation is M€ 39.9 with co-financing of M€ 10.8.

Sectoral Conclusions

Overall, the quality of programme documentation is not always adequate. Programme management and coordination is appropriate, with a few exceptions, but might not be sufficient to cope in a professional manner with future tasks. After severe delays, the assistance has mostly commenced now and prospects for effective success are largely positive. Impact and sustainability are building up once implementation is underway. A weak strategic approach adversely affects wider impacts and long term sustainability in some programmes. A general strengthening of the strategic programming approach is necessary across the Economic and Social Cohesion sector, and in particular within the subsectors Cross-Border Cooperation and Employment Promotion.

This is a sectoral interim evaluation of interventions covered by five elements of the Economic and Social Cohesion monitoring sector. Four of these elements aim to establish new or strengthen existing management structures, to introduce or update management instruments, to provide the necessary qualification of staff of the involved institutions, and to facilitate cross-border cooperation. These interventions contribute to the improvement of the absorption capacity for European Union pre-accession and future structural funds. However, one element, containing transport projects, addresses *acquis* chapters related to the Internal Market.

Performance Ratings

Subsector	Criterion	Relevance	Efficiency	Effective-ness	Impact	Sustain-ability	Overall Rating
Cross-Border Cooperation		MU	MU	MS	MU	MS	MU
Business Promotion		MS	S	S	MS	MS	MS
Employment Promotion		MU	MS	S	MS	S	MS
Institution and Capacity Building		S	MS	S	S	MS	S
Economic and Social Cohesion subsectors		MS	MS	S	MS	MS	MS
Transport subsector		S	MU	S	MS	MS	MS

HS = Highly satisfactory, S = Satisfactory, MS = Moderately satisfactory, MU = Moderately unsatisfactory, U = Unsatisfactory, HU = Highly unsatisfactory.

The sector overall is rated as '**moderately satisfactory**' with the Cross Border Cooperation subsector being rated as 'moderately unsatisfactory', the Business Promotion, Employment Promotion and Transport subsectors being rated as 'moderately satisfactory' and the Institution and Capacity Building subsector being rated as 'satisfactory'.

Key Evaluation Findings

Principally interventions are relevant to needs throughout the Economic and Social Cohesion sector. Uneven strategic programming approach and weak design compromises relevance particularly in two subsectors.

The addressed needs of the current Phare sector interventions are in accordance with the Accession Partnership process. The sectoral support is partly dedicated to fulfil EU requirements for the adoption of the *acquis communautaire* and partly to the establishment of essential preconditions for Croatia's future membership of the EU.

In view of the relevance to the stated accession priorities, stronger and more intensive preparation for the future EU structural funds would be desirable, however. There remains a clear preference throughout the sector for using technical assistance instead of twinning. In some subsectors, like Employment Promotion, such, more institutionalised, support would perhaps be more beneficial. It is understood, however that, with the incoming Instrument for Pre-Accession, the strategic prioritisation towards effective management and absorption of EU structural funds will be the key feature of the sector.

The strategic programming approach is generally uneven across the ESC sector. The Cross Border Cooperation and Employment Promotion subsectors need a much stronger link between strategy and project objectives and design. In the former, it is difficult to assess the consistency between the current interventions and the strategic background as there is no reference to it in the programme documentation. Within the Business Promotion, Transport and Institution and Capacity Building subsectors, design is for the most part adequate. A major exception is the 2006 *Railway System Development* intervention, where poor initial needs analysis together with an uneven commitment expressed by the beneficiary has led to substantial fiche revisions which still do not ensure effective success.

Implementation of all 2005 programmes and most 2006 Cross Border Cooperation interventions is now well underway. Extended disbursement periods should allow smooth and efficient completion of interventions. However, risk of loss of 2006 funds is increasing over time due to the continuing suspension of contracting.

Overall, the Project Implementation Units in the sector are generally meeting their current responsibilities. However, particularly in programmes which include grant schemes, the management often relies on external technical assistance. This dependency relates less to a lack of capability but more to a lack of work capacity. Technical assistance safeguards the adequate functioning of implementation responsibilities of the Project Implementation Units, in particular in the Cross Border Cooperation subsector. A rapid increase in the work capacity and capability of the Project Implementation Units is urgently needed in this and the Employment Promotion subsectors to adequately manage the future, more demanding, tasks of the pre-accession process.

Recent changes within the Croatian administration system affected directly the management of the EU pre-accession support in the Economic and Social Cohesion sector. As a consequence of ministerial changes a number of Project Implementation Units have been reassigned to new ministries. However personnel re-allocations did not follow in each case the structural re-organisation, thus affecting the continuity of management of EU pre-accession funds in the sector. Across all EU intervention sectors, the frequent organisational and personnel changes within the Croatian EU funds management system over the last few years has not promoted in each case an improved efficiency of the performance.

Stakeholders, particularly at regional and local levels are in almost all cases adequately prepared, and they are willing and capable to participate actively in the programme implementation process. The cooperation with key stakeholders is well established and their institutional structure can be expected to be stable across the sector. Particularly strong and well functioning cooperation exists with stakeholders at regional and local levels. Difficulties have been encountered in the *CBC Adriatic* programmes where the partnership with the Italian counterpart requires improvement, and in the framework contract on *Social Tourism*.

Late programme commitments were caused by a rather long lasting preparation phase for contracting. The Central Finance and Contracting Unit/ Central Finance and Contracting Agency triggered delays in Phare contracting due to inadequate performance caused by a complex of unfavourable conditions, including a lack of qualified staff and changes in the roles of staff. The implementation of Phare 2006 was temporarily suspended by the European Commission in December 2007 due to apparent Croatian inadequacies in managing the Decentralised Implementation System. Currently it is not known when this blocking will be removed; this will depend on substantial improvements being demonstrated by the Croatian authorities. Consequently, with the blockade continuing, the risk of losing Phare 2006 funds is significantly increasing for all sectors over time. Within the sector in particular, launching the 2006 grant schemes will require action soon.

In general there are good prospects for those interventions already under implementation to effectively deliver the expected outputs. Lower effectiveness is likely in a few cases.

The necessary preconditions for effectively achieving the Phare intervention purposes within the Economic and Social Cohesion sector are generally in place. The Project Implementation Units have managed to establish functioning programme management systems. Stakeholders and beneficiaries are altogether adequately prepared and involved in the implementation process. By incorporating additional elements and instruments, like milestones and operational indicator systems, the original insufficient programme documentation was improved to an extent which provides a reasonable basis for programme management and monitoring. Once physical realisation is underway there are good prospects of delivering their planned outputs. Thus, prospects for effective delivery are good throughout all subsectors with the main exception of the Cross Border Cooperation subsector. Here, effectiveness of the 2006 *CBC Adriatic* programme, in particular, is not ensured yet. Within the other individual subsectors, there remain only a few interventions, where full effectiveness is put at risk.

However, in the case of the - currently not expected - partial or even complete loss of 2006 funds, caused by the current suspension of contracting, effectiveness of the Phare interventions across the Economic and Social Cohesion sector and across all sectors would be significantly diminished.

Overall, planned impacts expected to be partly achieved once implementation is underway. Intermediate and global impacts likely to be lower than expected in the Cross Border Cooperation subsector due to weak strategic approach.

Across the sector, immediate and also intermediate impacts in terms of improved competencies of staff, structures and systems are likely to be achieved. However, due to the weak strategic approach of some of the programmes and in view of the moderate size of many budgets, the likelihood of producing substantial global impacts is limited. Many measures in the Cross Border Cooperation subsector are not sufficiently linked to cross-border or regional development issues, thus limiting the potential for achieving broader impacts. Projections for positive impact

are best in the Institution and Capacity Building subsector and poorest in the Cross- Border Cooperation subsector.

Prospects for intermediate sustainability are positive in most cases, preconditions for long lasting sustainability still need to build up. Weak strategic approach adversely affects sustainability of some programmes.

Assessment of sustainability is restricted across the sector by the lack of a clear and detailed definition and indication of what is required to sustain of outputs and effects. However, the nature of the given interventions suggests that intermediate sustainability is often likely to be expected or is clearly envisaged, provided beneficiaries remain committed to ensuring operations and maintenance and can demonstrate an existing adequate legislative framework.

Good prospects exist in particular for the Employment Promotion subsector. However, the missing strategic approach of some Economic & Social Cohesion programmes adversely affects their longer term sustainability.

Key Strategic Recommendations

- Ministry of Regional Development, Forestry and Water Management, Ministry of Employment, Labour and Entrepreneurship, and Croatian Employment Service together with the Central Office for Development Strategy and Coordination of EU Funds need to ensure more substantial analytical work at the programming stage for future Economic and Social Cohesion pre-accession support. Programming needs to be improved particularly for the Cross Border Cooperation and Employment Promotion subsectors.
- Central Office for Development Strategy and Coordination of EU Funds should insist in their programming guidelines on good quality programme documentation and should not hesitate to reject proposals obviously missing requested quality standards.
- Croatian Employment Service should explore in depth the benefits of bringing the Croatian labour market system in line with the EU requirements via the use of twinning partnerships.
- The Ministry of Employment, Labour and Entrepreneurship should apply for pre-accession support for establishing a state-of-the art labour market information system within the Croatian Employment Service.
- The Ministry of Regional Development, Forestry and Water Management should set up an electronic monitoring system for monitoring future grant scheme projects. The Central Office for Development Strategy and Coordination of EU Funds and the Central Finance and Contracting Agency should liaise with the Ministry to ensure that this system is designed in such a way that it could be used as a model for grant schemes in general.