Administrative capacity of local and regional authorities: Opportunities and challenges for structural reforms and a more effective European economic governance

Final Report

October 2018
Objectives & scope of the study

- To describe the **opportunities and challenges for LRAs** in respect to administrative capacity with a focus on economic governance, especially structural reforms and investment.

- To draw a picture of the **available EU-funded capacity-building instruments** under the current MFF.

- To quantify the total **amount of resources** involved in these instruments.

- To assess the likely **impact of the Commission’s proposals** for the next MFF on EU-funded capacity-building activities.

- To formulate **recommendations** on how the EU-funded tools in the next MFF could support capacity-building for LRAs.
Challenges & opportunities (i)

- Challenges in playing ‘full partner’ role in the European Semester:
  - Recognition
  - Administrative capacity
  - Misalignment of competences and financial resources

- Challenges related to investment:
  - Governance and public administration
  - Accessing and managing investment funds
  - Public procurement and PPP
  - Business environment
  - Essential pre-conditions
Challenges & opportunities (ii)

- Capacity-building needs of LRAs:
  - Structures and processes, incl. organisational change
  - Human resources, incl. specialist expertise
  - Systems and tools, incl. manuals, templates, IT

ESIF actions to improve capacity in response to CSRs
Challenges & opportunities (iii)

Opportunities arising from:

- The European Semester process becoming established and raising expectations
- Several EU instruments and programmes incl. new SRSP; substantial resources
- Accumulation of expertise and experience (EU Toolbox)
### Funding for capacity-building 2014-20 (i)

<table>
<thead>
<tr>
<th>Management mode</th>
<th>General Scope</th>
<th>Support to reform (incl mgt/impl of Funds)</th>
<th>Support to programme(s)</th>
<th>Capacity building</th>
<th>Programming</th>
<th>Funding envelope</th>
<th>Form of financing</th>
<th>Targeted level</th>
<th>LRAs: Beneficiaries</th>
<th>LRAs: Stakeholders (potential indirect beneficiaries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPR Art 9</td>
<td>General public administration (incl mgt/impl of Funds)</td>
<td>YES (High)</td>
<td>YES (Low)</td>
<td>YES (High)</td>
<td>Driven by strategies/programs</td>
<td>€ 4.2 bn</td>
<td>Based on real costs</td>
<td>MS auths, beneficiaries, relevant partners</td>
<td>YES (Low-Medium)</td>
<td>YES (Low-Medium)</td>
</tr>
<tr>
<td>CPR Art 59</td>
<td>Managt and implem. of the Funds</td>
<td>NO</td>
<td>YES (High)</td>
<td>YES (Low)</td>
<td>Driven by strategies/programs</td>
<td>4% (€ 11 bn)</td>
<td>Based on real costs</td>
<td>Progr. auths, implement. bodies, beneficiaries</td>
<td>YES (Low-Medium)</td>
<td>YES (Low-Medium)</td>
</tr>
<tr>
<td>CPR Art 58</td>
<td>Managt and implem. of the Funds</td>
<td>NO (YES indirectly - Low)</td>
<td>YES (High)</td>
<td>YES (Medium)</td>
<td>Driven by strategies/programs</td>
<td>0.35% (€ 0.8 bn)</td>
<td>Based on real costs</td>
<td>COM services, progr. auths, implement. bodies</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>TO11 MS TA COM TA</td>
<td>General public administration</td>
<td>YES (High)</td>
<td>NO</td>
<td>YES (High)</td>
<td>Driven by strategies/programs</td>
<td>€ 143 m -&gt; € 223 m</td>
<td>Based on real costs</td>
<td>Main focus on national level</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| \[ \text{'High', 'Medium', 'Low' indicate the extent of an instrument's relevance} \]
Funding for capacity-building 2014-20 (ii)

- Lack of **detailed data and evaluations**

- Lack of clarity as to the **relevance of support**:
  - whether the support aims at or results in administrative and institutional capacity-building;
  - whether the resulting improved administrative capacity is of general relevance, or applies only to (certain) reforms or to the delivery of EU funds;
  - whether LRAs have benefited directly (or indirectly).
## Funding for capacity-building 2021-27 (i)

<table>
<thead>
<tr>
<th>Management mode</th>
<th>Cohesion Policy</th>
<th>Reform Support Programme</th>
<th>Other instruments &amp; programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old CPR Art 9</td>
<td>TO11 MS TA</td>
<td>COM TA</td>
<td></td>
</tr>
<tr>
<td>CPR Art 30-31</td>
<td>Additional MS TA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPR Art 32</td>
<td>Capacity Building</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERDF/CF Art 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPR Art 29</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Central</strong></td>
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<td><strong>Central</strong></td>
</tr>
<tr>
<td>General Scope</td>
<td>General public administration (Managt/impl of Funds)</td>
<td>General public administration (Managt/impl of Funds)</td>
<td>General public administration (Managt/impl of Funds)</td>
</tr>
<tr>
<td>Support to reform</td>
<td>YES (High)</td>
<td>NO (YES indirectly?)</td>
<td>NO (YES indirectly - Low)</td>
</tr>
<tr>
<td>Support to programme(s)</td>
<td>YES (Low)</td>
<td>YES (High)</td>
<td>YES (High)</td>
</tr>
<tr>
<td>Capacity building</td>
<td>YES (High)</td>
<td>YES (Low)</td>
<td>YES (Medium)</td>
</tr>
<tr>
<td>Programming</td>
<td>Driven by strategies/programmes</td>
<td>Driven by strategies/programmes</td>
<td>Driven by strategies/programmes</td>
</tr>
<tr>
<td>Funding envelope</td>
<td>€ 4.2 bn</td>
<td>2.5% ERDF/CF, 4% ESF+ [€ 10 bn*]</td>
<td>Part of OP budget, not defined</td>
</tr>
<tr>
<td>Form of financing</td>
<td>Based on real costs</td>
<td>Flat rate</td>
<td>Based on real costs or results</td>
</tr>
<tr>
<td>Targeted level</td>
<td>MS auths, beneficiaries, relevant partners</td>
<td>Progr. auths, implem. bodies, beneficiaries</td>
<td>MS auths, beneficiaries, relevant partners</td>
</tr>
<tr>
<td>LRAs: Beneficiaries</td>
<td>YES (Low-Medium)</td>
<td>YES (Low-Medium)</td>
<td>YES (Low)</td>
</tr>
<tr>
<td>LRAs: Stakeholders (potential indirect beneficiaries)</td>
<td>YES (Medium)</td>
<td>YES (Low-Medium)</td>
<td>YES (Low-Medium?)</td>
</tr>
</tbody>
</table>

* Provisional estimate ** The financial envelope of EUR 22 bn is unrelated to capacity-building

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**Discontinued!** **NEW!** **NEW!** **NEW!**
Funding for capacity-building 2021-27 (ii)

- **Scope**: of the two most relevant instruments for reform and capacity-building support; TO11 is discontinued, SRSP continues as RSP-TSI

- **Modalities**, from LRA perspective:
  - Under TO11: direct ‘beneficiaries’
  - Under SRSP/RSP-TSI: ‘stakeholders’ / indirect beneficiaries

- **Financial resources** for public administration – gradually less money for LRAs as beneficiaries:
  - 28% in 2007-2013 under ESF
  - 13% in 2014-2020 under TO11
  - 0% in 2021-2027
Conclusions

- **Current MFF**: the existing EU-funded tools only marginally address capacity-building of relevance to the LRAs; many opportunities remain under-exploited.

- **Next MFF**: will accentuate both challenges and opportunities; overall it will make it even more difficult for LRAs to access financial support for cap.-building.

- **Improvements** should focus on achieving:
  - greater coherence between EU tools and processes;
  - a sharper focus on capacity-building in support available;
  - greater access for LRAs to EU funding for cap.-building;
  - better monitoring and learning, to ensure lasting effects.
Recommendation 1

- To facilitate greater coherence and effective coordination between EU funding tools and processes (and safeguard LRAs’ role in the European Semester).

- Focus on making the NRPs into a strategic coordination tool - the missing link between Semester/CSR, ESIF and RSP; backed up by c-b needs assessments including LRAs (‘road maps’):
  - Revise SEC-GEN’s guidance on NRPs.
  - Revise wording of RSP regulation (cf Art. 11(2) and 14), strengthen references to role of NRPs.
  - A single set of guidelines by COM for all strands of EU-funded capacity-building measures.
Recommendation 2

- To ensure there are suitable EU-funding tools with an explicit remit of supporting capacity-building (directly accessed by LRAs, as beneficiaries).

Amendments to the published regulations, e.g.:

- Amend RSP / Technical Support Instrument provisions (cf Art. 19) to create a window for LRAs to be able to submit requests in line with NRPs.
- Amend CPR Art 32 or reword ERDF/CF Art 2, to envisage TO11 type actions in all OPs which address CSRs / reforms; ringfence the necessary funding.
Recommendation 3

- To promote better monitoring and learning, with a view to capacity-building achieving lasting effects.

- Establish **appropriate tools** for benchmarking, monitoring progress and assessing results in capacity-building, e.g.:
  - Benchmarking or guidance on capacity standards (extension of the EU’s Toolbox).
  - Road maps, baselines, capacity needs assessment and action plans for inclusion in the NRPs.
  - Annual capacity-building progress report (Country Reports & NRP).