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The effectiveness of Cohesion policy implementation: conflicting accountabilities and accountability/efficiency trade-offs

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1. INTRODUCTION

Accountability is a fundamental element of contemporary public policy and one of the principles of 'good governance' recognised by the OECD, the World Bank and the European Commission (CEC, 2001; Harlow 2002; OECD, 2005; SIGMA, 1999). The concept of accountability has known an uninterrupted rise in popularity over the past decade –both in policy-making and academia (Bovens, 2005, 2007 and 2010; Dubnick, 2002; Mulgan, 2003) – and its significance has been further reinforced by the recent economic downturn and the associated tightening of public finances. As a result, politicians and policy-makers are increasingly sensitive to the necessity to justify their action on the use made of scarcer and scarcer public resources, a use that needs to be (or that, at least, needs to be perceived to be) relevant, justified, efficient and effective.

However, the pursuit of accountability is not the primary aim of any public policy. The primary concern of politicians and policy-makers is the achievement of a policy's intended goals, parameterised on the resources mobilised. Whilst some literature suggests that certain types of accountability can improve policy performance (Currstine, 2005; Gormley and Balla, 2004), there is wide consensus that the pursuit of accountability and effectiveness can run counter each other and that 'at some point, accountability must begin to yield diminishing return and become counter-productive' (Mulgan, 2003, 236). Enacting accountability entails costs and can lead to perverse effects in terms of policy achievements and effectiveness (Gregory, 2007; Mulgan, 2003; Barberis, 1998).²

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² For instance, rendering public agents risk-averse (Gregory, 2007) and inducing goal displacement (Mulgan, 2003).

This paper's key concern is the accountability/ effectiveness trade-off. This is a topic that has surfaced onto the policy and academic debate in the early 2000s, suggesting that governments and administrations 'have become too focussed on inputs and processes of administering public policies and have lost sight of the outcomes that they intend to achieve' (Talbot, 2005, p. 500). The paper addresses this theme in the context of European Cohesion policy, i.e. the extent to which the accountability mechanisms in place in this context are indeed instrumental or detrimental for the policy's ability to achieve its intended goals.

This focus is justified by at least two main reasons: because Cohesion policy has been extensively criticised for its lack of effectiveness (or lack of definitive evidence of this) as well as for its overwhelming emphasis on inputs and procedures, and because this policy presents particular features that have rendered formalising accountability mechanisms paramount, in order to avoid ambiguities regarding which actor has responsibility over which aspects of the policy. They are: (i) the fact that Cohesion policy rests on the principle of 'shared management' (art. 274 TFEU and art. 14 of the General Regulation) according to which the European Commission and Member State authorities jointly share the overall responsibility for it; (ii) the fact that policy implementation is characterised by a multi-level allocation of tasks, with a large proportion of the resources managed directly by meso-level authorities within the Member States, in line with the so-called subsidiarity principle; and, lastly, the fact that partners and stakeholders are involved (or at least should be) in the processes of policy implementation, as dictated by the so-called partnership principle (enforced by article 11 of the General Regulation, Council Regulation no. 1083/ 2006, 11 July 2006).³

These features have made it necessary to codify accountability relations in the field of Cohesion policy. As a result, accountability is explicitly foreseen in the Treaty on the Functioning of the European Union and in the Regulations that govern the policy (Structural Funds General Regulation, Fund-specific regulations and the EU financial regulation).⁴ These address accountability from both an institutional and an operational perspective.

From an institutional perspective, they provide a clear definition of roles between all of the authorities involved in the policy: between European Commission, Member States, European Court of Auditors and European Parliament, with regard to agenda setting, policy

³ Besides, Cohesion policy is no exception to the above noted trend regarding the rise of the importance of the notion of accountability: it is not by chance that the last European conference on this policy's evaluation, in December 2009, was centred on "promoting accountability and learning" (Warsaw, 30 November/ 1 December 2009). As pointed out elsewhere, this increasing emphasis on accountability in Cohesion policy has been linked to the wider theme of the accountability of the governance and policies of the European Union, following the scandals of the Santer Commission and the increasingly polarisation of net budgetary positions amongst Member States following enlargement (Davies and Polverari, 2011). It is also the result of a wider move within the EU towards "good governance" (CEC, 2001; Harlow 2002; OECD, 2005; SIGMA, 1999).

⁴ Regulation (EC) No. 1083/ 2006 of the Council of 11 July 2006; Regulation (EC) No. 1080/ 2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No. 1783/ 1999; Regulation (EC) No. 1081/ 2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No. 1784/ 1999; and, Council Regulation (EC) No. 1084/ 2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No. 1164/ 94.

formulation, oversight and overall policy responsibility, and, at a more operational level, between Managing Authority, Certifying Authority, Audit Authority, national coordinating authorities and European Commission, with regard to policy delivery.

From an operational perspective, this legislative framework establishes the rules and procedures that must be complied with in policy implementation, in particular with regard to the involvement of partners in programme design and implementation (art. 11 of the General Regulation), monitoring and reporting (articles 63-68 and 29-31), evaluation (articles 47-49); financial management (articles 15, 52-62, 70-102) and the communication to potential beneficiaries and to the public (art. 69). As a result of this comprehensive legislative framework within Cohesion policy there is a strong emphasis on accountability, especially financial and procedural types of accountability. This emphasis has however generated the sort of perverse effects denounced by Mulgan (2003) and Gregory (2007) with regard to effectiveness; for instance, an overemphasis on spending *per se* as opposed to spending on those projects that are best suited to deliver the programmes' goals (Bachtler *et al*, 2009; Davies and Polverari, 2011).

This paper aims to assess the accountability/ efficiency trade-off within Cohesion policy and the causes for this focusing on the second of the above two aspects, i.e. the rules and procedures that inform the policy's operational processes. It addresses the following key questions:

- What is the nature of accountability in the framework of Cohesion policy? Specifically, what types of accountability are pursued in the management and implementation of Cohesion policy?
- Are different types of accountability – notably financial, procedural, outcome and performance accountability - pursued to the same degree?
- Does the pursuit of accountability and, more specifically, of different types thereof, run counter the effective pursuit of the policy's overarching aims and of programmes' goals?
- What lessons can be drawn for the reform of the policy for the period 2014-2020?

The central thesis of this paper is that different types of accountability are not pursued to the same degree, due to the different level of 'cogency' associated with different processes. This in turn is due to the sanctions associated with these and their related 'hardness'. The paper argues that the existence of such different degrees of cogency for the different policy processes determines a distortion in the balance achieved in terms of the pursuit of financial and procedural accountability over outcome and performance accountability, and in terms of the pursuit of accountability over effectiveness.

This thesis is put to the test in the following sections. Section 2, discusses the concept of accountability and its operationalisation in the context of Cohesion policy; Section 3 assesses the degree of cogency associated with each of the processes reviewed, discussing the sanctions in place for each and the implications that the stronger or weaker cogency have for the accountability/effectiveness trade-off; lastly, Section 4 presents some

conclusions which link the evidence produced on the distortive effect of incoherent levels of compliance with the debate on the reform of the policy and the proposals contained in the Fifth Cohesion Report.

2. DEFINING ACCOUNTABILITY IN THE CONTEXT OF EUROPEAN COHESION POLICY

The topic of accountability has been the subject of abundant literature. One element of consensus in this wide literature – and perhaps the only one - is that accountability is a word of multiple meanings (Day and Klein, 1984; Oliver, 1991; Bovens, 2005 and 2007; Dowdle, 2006; Dubnick, 2002; Mulgan, 2000 and 2003; Koppell, 2005). Beyond the generic definition of “liability to give account of, and answer for, discharge of duties or conduct” (Oxford English Dictionary), accountability has amongst others been defined as

“being liable to be required to give an account or an explanation of actions and, where appropriate, to suffer the consequences, take the blame or undertake to put matters right if it should appear that errors have been made” (Oliver, 1991, p. 22);

as

“a relationship between two sets of persons or (more often) organizations in which the former agree to keep the latter informed, to offer them explanations for decisions made, and to submit to any predetermined sanctions that they may impose. The latter, meanwhile, are subject to the command of the former, must provide required information, explain obedience or disobedience to the commands thereof, and accept the consequences for things done or left undone.” (Schmitter, 2004, p. 47);

and, more succinctly, as

“a relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences” (Bovens, 2007, p. 450).

As the above definitions highlight, accountability relates essentially to the relationship between two actors or groups thereof: those who are accountable for their conduct, i.e. the decision-makers (Held, 2004), accountors (Mulgan, 2003), or accountability-holdees (Papadopoulos, 2007), on the one hand, and those to whom accountability is bestowed, i.e. the decision-takers (Held, 2004), ‘accountees’ (Mulgan, 2003), and ‘accountability holders’ (Papadopoulos, 2007), on the other. Thus, accountability stems from two key principles (Mulgan, 2003, pp. 12-13): the delegation, principal-agent principle and the affected rights principle. The first principle declares that when one actor (agent) acts on behalf of another (principal), the former has the obligation to ensure that their actions or inactions are in line with the preferences expressed by the latter. Conversely, the principal has the right and faculty to call and hold the agent to account for her behaviour. The second principle, on the other hand, places an obligation on any public agent (and indeed, more broadly, any

citizen) to be responsible for her actions or inactions that have an impact on a second party, even outwith a delegation, principal-agent relationship.

As such, public accountability is particularly complex and often concealed, because of the dispersed nature of actors and forums at both ends - the accountability holders, on the one hand, and the accountability holdees, on the other - and because of the lack of a clear-cut principal-agent relationship between the two groups in many cases.

In the framework of Cohesion policy, such complexity is exacerbated by the shared management principle, and by the multi-level nature and partnership-orientation of the policy. A considerable body of literature exists on the challenges posed to accountability by multi-level and networked governance arrangements (Piattoni, 2010; Bache and Chapman, 2008; Benz *et al* 2007; Harlow and Rawling, 2007; Papadopoulos, 2007; Bache and Flinders, 2004; Rhodes 2003) and much of this can be applied to the assessment of accountability in the context of Cohesion policy. It points to the following main problems:

- first, the problem of 'many hands', i.e. the difficulty to attribute decisions to any specific actor (Bovens, 2007; Piattoni, 2010);
- second, the reduced role of hierarchical relations in the organisational arrangements that govern policy-making in multi-level settings, entailing that "the assumption of institutional hierarchy which underpins so many discussions of bureaucratic accountability no longer holds" (Rhodes, 2003, pp. 58-59); and,
- lastly, the 'uncoupling from the democratic circuit' of decision making-procedures (Papadopoulos, 2007, 470), which in Cohesion policy is exacerbated by the high technicality of the procedures through which the policy is implemented (which entails that a considerable degree of decision-making rests on unelected technocrats at the multiple levels that the policy intersects).

All of these elements can make it challenging to establish: (i) who has the responsibility over policy-decisions and actions; (ii) who should be questioned on the appropriateness of such decisions and actions, and approached to seek redress; and, (iii) who should be sanctioned for incorrect conduct. Although the TFEU and Structural Funds regulations address these issues in great detail, as discussed in introduction, the paper questions whether these rules, and the ensuing practices, present grey areas which entail that the accountability pursued in Cohesion policy management and implementation is particularly geared towards certain types of accountability, ultimately hindering policy effectiveness.⁵

To assess whether this is the case, the analysis focuses on a wider definition of accountability than those provided above – which includes also the *ex ante* phase of accountability, i.e. the decision-making stages and the participation of accountability holders in these – and on a distinction of accountability types based on the 'object' of

⁵ Thus a key question of this paper is not whether such institutional set-up and operational rules are effective as accountability tools, but whether they are indeed instrumental or detrimental for the policy's ability to achieve its intended goals.

accountability, i.e. between financial, procedural, outcome and performance accountability. The definition adopted of accountability is the following:

a particular type of relationship between two actors or groups, decision-makers and decision-takers, where the first acts on the second's behalf, or where the first, because of its actions or inactions, determines an impact upon the second. For the relationship between these two groups to be one of accountability: (i) decision-takers must be able to inform the decision-makers' choices; (ii) decision-makers must be prepared to give account of their choices (actions and inactions) and of the outcomes of such choices (with respect to a plurality of aspects of their activity, ranging from the use made of inputs to the performance achieved); and (iii) decision-takers must have the faculty to express dissatisfaction and request changes to the course of action adopted. Enforcement and sanctioning mechanisms must be in place to ensure that the correct course of action is restored where necessary and to act as a deterrent for accountability failings in future. (Polverari 2011, based on Mezlev, 2003; Mulgan, 2003; and, Held, 2004).

This definition acknowledges explicitly that for decision-takers to be able bring decision-makers to account, there needs to be recognition that the recipients of this account-giving activity (the policy-takers) ought to have the opportunity to participate in defining what is meant by appropriate action and that this opportunity must be institutionalised. This is because implicit assumptions of what the right course of action might be may lend themselves to fallacy (Polverari, 2011). Within Cohesion policy this is enshrined in the partnership principle. The proposed definition also acknowledges the necessity of enforcement tools and sanctioning mechanisms to ensure that accountability is fulfilled, not just so as to rectify undue action, but also to act as a deterrent to wrong-doing (Papadopoulos, 2007, p. 471).

As anticipated, the analysis focuses on four particular types of accountability:

(i) *Financial accountability* “concerns tracking and reporting on allocation, disbursement and utilization of financial resources, using the tools of auditing, budgeting and accounting” (Brinkerhoff, 2004; also Bovens, 2007);

(ii) *Procedural accountability* relates to the correct compliance of the acts and procedures put in place for policy delivery with the relevant administrative law, standards and codes of practice (such as the observance of public procurement and tendering rules for project selection and of reporting and monitoring obligations) (Bovens, 2007);

(iii) *Outcome accountability* relates to the outcomes achieved, notably the outputs, results and, where these can be established, the impacts of the interventions (MEANS, 1999);

(iv) *Performance accountability* pertains to the performance of the policy, assessed on the outcomes achieved or their achievability (when assessed *ex ante* or *in itinere*) contrasted to the goals set. In other words, that which relates “to demonstrating and accounting for performance in light of agreed-upon performance targets” (Brinkerhoff, 2004, pp. 374).

3. DIFFERENT TYPES OF ACCOUNTABILITY PURSUED IN THE MANAGEMENT AND IMPLEMENTATION OF COHESION POLICY: DIFFERENT POLICY PROCESSES, DIVERGING DEGREES OF COGENCY AND COMPLIANCE

Defined as above, accountability is fulfilled across all stages of the policy cycle. This paper focuses on the most relevant ones in terms of their potential impact on effectiveness, notably the stages of: (i) strategy formulation and programme design (in particular through the participation of partners and stakeholders in this); (ii) monitoring and reporting; (iii) evaluation; and, (iv) financial management.

3.1 Involvement of partners and stakeholders in policy-making

The involvement of partners and stakeholders in policy-making processes is required by art. 11 of the General Regulation. This article foresees the involvement of socio-economic partners, representatives of civil society, environmental partners, non-governmental organisations, bodies responsible for promoting equality between men and women in all stages of programme design and delivery: from the preparation, to the implementation (instead of 'financing' as previously), monitoring and evaluation of Operational Programmes.

The involvement of partners and stakeholders in policy-making could have a marked effect on both accountability –in all the facets above discussed, both *ex ante* and *ex post* –and effectiveness. First, it can improve the responsiveness of programmes (the *ex ante* type of accountability), by better aligning strategies with policy needs. Second, it can increase the effectiveness of programmes by allowing Managing Authorities to access knowledge which is used to improve the targeting of interventions, consequently improving funding up-take and project quality. And third, it can contribute to improved *ex post* accountability, insofar as the partners, as organised representations of interests, act as a transmitter and multipliers of programme information to their constituencies (thus increasing transparency and information) and hold programme authorities to account for the action taken, the way resources are spent, and the results achieved (Polverari and Michie, 2009 and 2010).

This said, there is a considerable gap between theory and practice. The degree of cogency of the partnership-related regulatory requirements is weak: beyond the preamble to the regulation and the specific article on the partnership principle, there is very little mention of partners or partnership throughout the operational sections of the regulatory texts. No precise and formally binding instructions or guidance have been provided to programme managing authorities on how the principle should be applied in practice at different stages or functional tasks of the policy process, aside from the loose references to the need for partners to be consulted on the NSRF and for OPs to be drawn up in coordination with partners. This leaves the actual interpretation of how to comply with Article 11 to domestic authorities and thus the implementation of the partnership principle reliant on domestic traditions and practices (Polverari and Michie, 2009 and 2010).

In addition, no real sanctioning mechanisms – or even inducements – are foreseen to stimulate compliance. Thus, unsurprisingly, compliance with art. 11 varies markedly across Europe, depending on domestic cultures and practices, and, on the whole remains often weak (Polverari and Michie, 2009 and 2010).⁶ As in the past periods, partners are generally more involved in programme design than in the other processes of programme management, and even in programme design there are asymmetries in the actual ‘weight’ of different partners and contrasting evidence on partners’ influence in setting programme strategies.

To further reinforce the assessment that the involvement of partners and stakeholders in programme management is not particularly effective as a tool of accountability is the finding of a recent study that despite some evidence of inclusion of socio-economic and non governmental partners in evaluation processes for example (e.g. through consultations for the drafting of the Evaluation Plans, evaluation Steering Groups, dissemination activities), these actors do not generally appear to hold Managing Authorities to account on the use that has been made of resources and the outcomes achieved. Partner input is concentrated in the initial stages of programme design and sometimes in project generation/ selection. Very little interest (or at least activity) was detected on partners being involved in assessing programme achievements, and why certain expected impacts have not been achieved. This is part of a wider concern with the degree to which programme authorities and partnership fora (such as the Programme Monitoring Committee) are giving sufficient attention to the performance of their programmes and the policy as a whole (Polverari and Michie, 2009 and 2010).

3.2 Monitoring and reporting

The regulations place considerable monitoring and reporting obligations on Managing Authorities, Member State authorities and the European Commission (art. 63-68 and 29-31 of Gen. Reg.). They include the obligations:

- for Managing Authorities, to establish and implement monitoring systems able to track financial and physical data (in many cases also procedural information) and to submit annually Implementation Reports to the European Commission;
- for Member State authorities, to prepare twice over the course of the programme period a “Strategic Report” outlining the progress being achieved towards the goals of the policy as established by the Treaty (art. 174 TFEU), the priorities

⁶ Even the Strategic Report produced by the Commission in 2010 noted delays in some Member States with the setting up of the procedures to enable the participation of partners and stakeholders in the programming processes (European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Cohesion policy: Strategic Report 2010 on the implementation of the programmes 2007-2013*, SEC(2010)360, Brussels, 31.3.2010, COM(2010)110 final.

outlined in the Community Strategic Guidelines, the goals of the Lisbon agenda and the administration of the funds (based on a structure provided by DG Regio).⁷

In principle, these obligations are intended to fulfil all types of accountability and they do so to a significant degree. There are, however, some shortcomings in the effective realisation of these tasks. Notwithstanding considerable improvements made over programme periods (Bachtler *et al*, 2009), monitoring systems are still mostly focussed on financial rather than physical indicators and geared towards the reaching of N+2 targets. Limitations and difficulties are being faced by programme Managing Authorities with the tracking of physical indicators, especially where programmes are large and composite, and involve delegation of delivery responsibilities to Implementing Bodies, with the consequent scope for diverging interpretations and errors. The intended rationalisation of indicators' systems announced at the beginning of the programme period has been achieved only in part and various programme authorities are currently engaged with a revision and simplification of their systems. Halfway into the programme period, there are still OPs whose monitoring systems are still not fully operational (Vironen, 2010, pp. 17-18). From a EU-wide perspective, there is still wide variation across programmes with regard to the indicators used to track physical outcomes (Mendez *et al*, 2010), which for this period are only provided at the level of priorities rather than measures.

Useful information on financial, procedural and even (limited) physical progress can generally be found in the Annual Implementation Reports (AIRs) which present meaningful overviews of programme process. The AIRs are now also required to provide "the indicative breakdown of the allocation of funds by categories..." (art 67 General Regulation), however evidence suggests that not all programmes provide this type of information and even when they try to do so, they are faced with methodological difficulties entailed by the ambiguous description of the codes, which means that the expenditure under the same project or measure could be allocated to different codes (Mendez *et al*, 2010).

Lastly, there is widespread consensus in the policy community that the 2009 strategic reporting exercise has been disappointing, with its limited actual 'strategic' content and the rigidity entailed by the checklist produced by the European Commission. Importantly, whilst these reports were supposed to include information on output and results indicators, many did not provide any quantitative information or qualitative assessment of these and, whilst the Commission requested data on the core indicators to the national authorities, only half of these complied with this request (Mendez *et al*, 2010, p. 23).

For all the above processes, the enforcement can be considered medium, in the sense that compliance is on the whole ensured but in a patchy manner and in some cases in more formal than substantive terms.

⁷ In addition, for the European Commission to submit annual progress reports, syntheses of the Member States' Strategic Reports, and periodic "Cohesion Reports" to the Council (art. 175 TFEU).

3.3 Evaluation

The regulations foresee a number of obligations placed upon different authorities with regard to evaluation. Evaluation comprises *ex ante* evaluation, aimed at setting programme goals and realistic targets (art. 48(2) of the General Regulation); ongoing evaluation, generally intended as a set of more or less integrated thematic evaluations (sometimes complementary to interim stock-taking evaluative exercises) during the programme period (Polverari *et al*, 2007) (art. 48(3)); and, *ex post* evaluation, carried out at the end of each programme period (art. 49(3)). All three types of evaluation should in principle fulfil various types of accountability. In practice, however, they all present shortcomings as instruments for accountability.

Ex ante evaluation is carried out “under the responsibility of the authority responsible for the preparation of the programming documents” (art. 48(2)(4)).⁸ It could be a tool for financial, outcome and performance accountability, given that its purpose is to establish the parameters for politicians and policy-makers on what policy action should set out to achieve. However, a recurring criticism to *ex ante* evaluation, echoed also in the Fifth Cohesion Report, is that more often than not *ex ante* evaluation is carried out in parallel rather than before programme preparation, and that, rather than providing evidence for strategy setting and programme design, it often simply ‘justifies’ choices that have already been pre-made by politicians and programme-managers (see also Bachtler *et al*, 2009). In RCE areas, the subsuming of Cohesion policy programme within broader domestic strategies in the current period has further limited the substantial nature of *ex ante* evaluations.

In practice, therefore, *ex ante* evaluation serves as an instrument for both accountability and effectiveness only to a limited degree (e.g. providing transparency/information). Although the compilation of *ex ante* evaluations is required by the regulations, and notwithstanding a theoretical scrutinising role fulfilled by DG Regio’s Evaluation Unit, in reality the scope for the European Commission to check the merit of such exercises and seek rectification on both the evaluations and the programmes is limited, and the timetable for programme preparation is generally such that the evaluations (and the Commission’s checks) are not able to substantially influence the content of programmes.⁹ In other words, enforcement for this type of potential accountability tool is ‘soft’ and, as a result, compliance varies depending on domestic context and the possible existence, in the Member States, of supplementary enforcement tools (e.g. where domestic evaluation units

⁸ For programmes under the Convergence objective, the regulations recommend that *ex ante* evaluations be carried out for each OP. For the other two objectives, Member States can decide whether to undertake evaluations for individual programmes, groups of programmes, themes or Funds).

⁹ This quote, from the final report of the recent *ex post* evaluation of 2000-2006 ERDF programmes is illustrative of this: “There was also a lack, in many cases, of a clear indication in concrete terms of the objectives of the policy implemented in a form which would enable the success or failure of the measures taken to be properly assessed. Often the aims of the policy were expressed in terms so general (e.g. an improvement in regional competitiveness) to make it difficult, if not impossible, to judge after the event whether they were achieved or not. Though quantitative targets were often set and an indicator system established, as required by the Structural Fund regulations, in many cases neither were linked in a meaningful way to ultimate policy objectives.” (Ward and Wolleb, 2010, p. 10).

'push' the domestic authorities to pursue a more substantial compliance). On the whole, the available evidence suggests that the extent to which *ex ante* evaluation fulfils an accountability function is weak (except as an additional transparency tool).

Ongoing evaluation is foreseen by art. 48(3). This article is masterfully vague, however. This vagueness was part offset by the guidelines published in April 2007 by the European Commission which were also not prescriptive, considerably wide-ranging and open to interpretation, allowing for significant room for manoeuvre for the Managing Authorities in the Member States. In principle, such type of evaluation can fulfil anyone of the above listed accountability types. The extent to which it does so depends on the interpretation that is given domestically of this type of evaluation given that in principle, according to the guidance formulated by the Commission, programme Managing Authorities could cover virtually any aspect of the programmes.¹⁰ Evidence gathered through the IQ-Net research programme shows that ongoing evaluation is being interpreted either as a succession of thematic studies (planned, *ad hoc* and a mixture between the two), or as an integration between thematic studies and comprehensive mid-term evaluations similar in scope to those carried out in the past programme period (Polverari *et al*, 2007, p. 35). Whilst the degree of enforcement is soft (given that there are no real controls or sanctions associated with the delivery of poor evaluations where these are accepted by the programmes Managing Authorities), the earmarking of programme resources for this purpose (under the technical assistance budget) has meant that programme authorities do carry out their ongoing evaluations. However, little research has been carried out on their comparative overall quality; they appear to generally focus predominantly on financial expenditure and procedural issues (so as to support absorption maximisation and prevent N+2); and, have been criticised for lack of independence and real 'critique' (Polverari and Vitale, 2010). The extent to which ongoing evaluations fulfil an accountability function is therefore on the whole probably rather limited.

Lastly, *ex post* evaluation is carried out by the Commission in cooperation with the Member States (art. 49(3)(1)). It is intended to assess the extent to which programme resources were used (financial accountability), the effectiveness and efficiency of the programmes and their socio-economic impacts (outcome and performance accountability) (art. 49(3)(2)). In reality, the extent to which *ex post* evaluations have been able to assess these elements in the last two programme period can be questioned. For the 1994-99 period, the approach taken was a comprehensive one, whereby all programmes were covered and evaluators were asked to capture the programme effects on the whole range of policy areas and priorities entailed by the programmes. However, this degree of generality led to an equally general set of findings, which lent the evaluation to criticism. As a result the approach taken for the evaluation of the past programmes has been one of increased selectivity, based on selected core themes explored largely through case studies. The extent to which these exercises have fulfilled an accountability function has been limited,

¹⁰ Working Paper 5 suggests that evaluations focus on the relevance, consistency, effectiveness and/or efficiency of the programmes which would mean financial, procedural, outcome and performance accountability. The exact focus, however, is left to the discretion of the Managing Authorities.

however. First, whilst this EU-wide approach is useful to gauge a macro-picture of achievements, there has been only very limited assessment of impacts. Let us consider, for example, that although art. 43 of the General Regulation for the 2000-2006 period (Reg. No. 1260/ 1999) states that the *ex post* evaluations need to be completed by no later than three years after the end of the programming period, the work relating to the *ex post* evaluation of the 2000-06 mainstream ERDF OPs, on the contrary, was concluded in April 2010, with evaluation work being carried out between 2007 and 2009, even prior to the official closure of the programmes.¹¹ And indeed, the synthesis report of the whole evaluation exercise is very cautious about the potential of the work to assess impacts:

“The context in which cohesion policy was implemented, the often small scale of the funding in relation to the forces it was intended to counteract and the many other factors at work mean that it is unrealistic in most cases to expect to be able to trace a direct link between policy and regional developments. This is all the more so in view of the often lengthy time lags involved between measures being implemented and having a discernible effect on developments.” (Ward and Wolleb, 2010, p. 10, emphasis added).

Thus, it could be deduced that the current round of *ex post* evaluation was carried out more for political purposes, and to support the preparation of the Fifth Cohesion Report, rather than to assess the use made of funding, the impacts achieved and the effectiveness of support. Second, the fact that the Commission-driven *ex post* evaluation are being by and large not supplemented by programme-specific *ex post* evaluations does not allow drawing an assessment of the results, impacts, efficiency and effectiveness achieved within specific programmes. Since the Regulations do not foresee this type of obligation for programme Managing Authorities this is hardly ever done. In summary, there is limited evidence to suggest that evaluation is an effective tool for accountability, especially with regard to outcome and performance accountability.

3.4 Financial management

A crucial aspect of the programme management process is represented by the efficient financial management of programmes. This embraces the whole financial cycle of the programmes, from the processing of payment claims of final beneficiaries, to the payment declarations to the European Commission and the latter's annual accounts to the European Parliament. Not least in response to scandals with the use of European resources, both in general and within Cohesion policy specifically (Davies and Polverari, 2011), financial management is the most regulated of all programme management processes, with a large number of articles of the General Regulations devoted to different aspects of this. It is also the process which presents the strongest cogency, given the existence of clear-cut and grave sanctions (the loss of resources), for programme managers and politicians at both meso and national levels:

¹¹ http://ec.europa.eu/regional_policy/sources/docgener/evaluation/rado2_en.htm.

- Payment declarations – by both beneficiaries and Certifying Authorities - have to be compiled according to the specified standards, as claims with missing information will not be paid out. In addition, the risk of incurring in the frequent, and often overlapping audits – by national audit authorities, European Court of Auditors and the European Commission internal audit offices – acts as a strong deterrent to a superficial approach to claims handling, given that, due to the sampling method utilised, even the most trivial mistake could have considerable consequences in terms of loss of resources.¹²
- A further incentive to maintain financial management procedures in good order is represented by the necessity, in the current programme period at least, to have a description of each programme's management and control system, approved by a national independent authority and by the European Commission: failing this, a programme's financial circuit is interrupted and no payment from the European budget will be received after the initial advance (art. 71 and 72 of the General Regulation).
- Lastly, programmes are subjected to the so-called N+2/ 3 rule (articles 93-97 of the General Regulation), which has the clear-cut consequence that resources unspent within a certain time-frame are lost. This rule has acted as a strong incentive in focusing the attention of programme authorities on this task above any other. There is evidence of the distortion that this represents in terms of programme outcomes (Bachtler *et al*, 2009), given that the incentive to spend is such that projects of lower quality or not necessarily too fitting with the programmes' objectives – even 'coherent projects', i.e. projects already implemented with domestic resources - are pushed through the project pipeline in order to keep expenditure flowing and achieve the necessary targets.

4. CONCLUSIONS

The above narrative shows that the rules and procedures that govern Cohesion policy implementation determine in practice different levels of compliance for the different processes. Such differentiated compliance is due to the variable degree of 'cogency' of the rules, which is caused by the combined effect of the differing nature of the sanctioning mechanisms foreseen for the various processes¹³ - as above discussed - and the limited human and financial resources available to programme managers, which entails that different processes are essentially in competition with each other.

¹² Evidence from research carried out in Italy indicates that this risk is amplified in the first years of implementation, where given the limited pool of projects being implemented, audits by different authorities tend to concentrate on the same group of projects (see on this Polverari and Vitale, 2010).

¹³ Some of the above processes have no sanctioning tools at all, whilst others respond to sanctioning mechanisms of different intensity (from harder - as. Programme managers are forced to privilege those processes that are accompanied by hard sanctions.

On the one hand, although there isn't much evidence on the administrative costs of Structural Funds delivery and the studies on this topic present discordant findings on the extent of such costs in different administrative systems,¹⁴ there is enough proof to suggest that programme Managing Authorities are often understaffed and struggling to meet demands, as is testified by the virtually unanimous (and long-standing) calls for simplification and proportionality.

On the other hand, only some and not all of the programme management processes entail sanctions, and the degree of 'hardness' of such sanctions, where they are in place, is variable. For instance, whilst failing to comply with rules in the field of financial management entails tangible and serious consequences (interruption of financial flows and loss of resources), failing to comply with other aspects of programme implementation, especially in the fields of partnership but also of monitoring and evaluation, does not entail particular consequences, or formal rather than substantial compliance is sufficient to avoid potential penalties.

Faced with multiple demands and limited resources, programme managers are forced to assign priority to those tasks that entail tangible sanctions and stronger cogency. These are also the processes that relate to financial and procedural accountability. As a result, financial and procedural accountability take predominance over outcome and performance accountability, and this, in turn, has detrimental effects on effectiveness: the key concern is spending money, rather than delivering certain results and impacts (because it is on this aspect that authorities and individuals are brought to account). Table 1 to follow provides an overview of the argument above discussed, providing an assessment of the compliance and enforcement assigned to the phases of policy management assessed in this paper – involvement of partners and stakeholders in the policy cycle; monitoring and reporting; evaluation; and, financial management – and the types of accountability fulfilled in practice by such programming processes.

Important implications can be derived from the argument proposed in this paper for the debate on the reform of the policy for the period 2014-2020. This debate has touched upon some aspects of the above discussed issues. The Conclusions of the Fifth Cohesion Report stress the need to shift from a logic dominated by inputs and procedures, to a logic of based on outcomes and performance (European Commission, 2010). According to the report, this should be achieved through a more clear-cut *ex ante* indication of goals and targets, linked to efficient monitoring systems, and the introduction of new forms of conditionality, intended to strengthen the focus on outcomes. Yet, whether these proposals – which are in many cases generic (as is natural given the nature of the document) – will be able to achieve this intended goal is at best dubious.

The proposals relating to the strengthening of evaluation, for example, especially *ex ante* evaluation, are not accompanied by new mechanisms that would ensure their enforcement. After all, aren't the Operational Programmes required to provide targets and indicators already? The only novelty in this respect would be the inclusion of such targets and

¹⁴ A review of existing studies on this topic is provided by Davies and Polverari, 2011.

indicators in the new Contract between the Commission and the Member States: a *soft* enforcement tool that is likely to deliver *weak* substantive compliance.¹⁵

As for the new conditionalities, instead of being placed on those programming processes that would deliver outcome and performance accountability (especially monitoring of physical indicators and evaluation)¹⁶, they are intended to support the achievement of goals - minimum administrative standards, compliance with the Stability and Growth Pact, and the goals of the Strategy Europe 2020 – that would only indirectly contribute to the policy's overarching goals and apply to a level that is mostly higher than that of individual programmes. Clearly, they will not tip the balance in favour of performance-type accountability *within* the programmes. In fact, they may make things worse, potentially exacerbating the already demanding administrative onus placed on programme managers and contributing to further goal displacement.

The proposals contained in the Conclusions of the Fifth Cohesion Report do not appear suitable to alter the existing balance in the degree of cogency associated with the different programme management procedures that deliver financial and procedural accountability (which is strong and likely to remain strong) and outcome and performance accountability (which is weak and likely to remain weak).¹⁷ In order to achieve such new balance it would perhaps be more efficient to pursue 'strong' and substantive enforcement of those processes that deliver outcome and performance accountability (principally monitoring and evaluation) within the programmes. However, to function as performance tools and support effectiveness, such new conditionalities would have to be established as part of an integrated, systemic framework which fits with the broader set of rules that are already in place, rather than in a mere incremental fashion which all too often opens the way to formal, rather than substantial, compliance.

¹⁵ The same can be said about the strengthening of ongoing evaluation by rendering the Evaluation Plans compulsory and linked to guidance provided by the Commission as to what they should entail.

¹⁶ For instance, whereas the Conclusions mention the need to strengthen *ex ante* evaluation and target setting, no sanctioning mechanisms are proposed to support this goal.

¹⁷ For instance, making programmes' Evaluation Plans compulsory and linked to guidance provided by the European Commission will not change the fact that programme managers will continue to focus on N+2 and audit compliance above all.

Table 1: Degree of compliance and accountability pursued

<i>Process/procedure</i>	<i>Accountability type</i>	<i>Compliance</i>	<i>Enforcement</i>	<i>Description of assessment</i>	<i>5CR proposals</i>
Involvement of partners/stakeholders	In principle all types of accountability, but generally not in practice.	Weak.	None.	Involvement of partners mostly formal; tick-the-box approach.	Vague reference to need to increase partnership [enforcement likely to remain unchanged].
Monitoring and Reporting	In principle all types of accountability, in practice mostly financial and procedural.	Medium.	Medium.	Monitoring systems still in some cases focussed on financial and procedural indicators and facing problems with data gathering. Reporting on outcomes still wanting.	Vague reference to need to strengthen indicators and target setting and reporting [enforcement likely to remain unchanged].
Programme evaluation					
- ex ante	In principle financial and outcome, in practice largely depending on context and generally not effectively as it could be.	Weak or strong depending domestic on contexts. Often weak.	Soft.	<i>Ex ante</i> evaluations justify choices already made. Deficient independence (depending on existing institutional framework).	<i>Ex ante</i> to be reformed so that it informs rather than justifies policy choices. [unspecified, enforcement likely to remain unchanged].
- ongoing	In principle financial, procedural, outcome and even performance, in practice largely depending on context.	Weak or strong depending domestic on contexts.	Soft.	Total flexibility on when, how and on what to carry out evaluations during the programme period. What is done depends largely on existing institutional framework and degree of awareness.	Ongoing programme evaluation to be linked to compulsory Evaluation Plans, drafted in compliance with COM guidance. [strengthened compared to 2007-13, but still soft and potentially even counter-productive (if it results in formal rather than substantial compliance)]
- ex post	In principle financial, procedural, outcome and performance. Outcome and performance accountability could be reinforced.	Mixed (COM in charge under strong political and administrative control by EP, ECA and MSs, but politically-driven compliance).	Medium (strong political control, but substantial emphasis on outcome (impacts) and performance accountability could be improved).	Lack of assessment of policy impact and on programme impacts.	Suggestion that MS prepare their own <i>ex post</i> reports in addition to the evaluation work carried out by COM, based on programme ongoing evaluations. [unspecified, not likely to reinforce evaluation as accountability tool].
Financial Management					
- (N+2)	Financial accountability.	Strong.	Hard.	Unspent resources are lost.	Reformed to strengthen feasibility [enforcement likely to remain unchanged].
- Claims processing/ Payments	Financial/ procedural accountability.	Strong.	Hard.	Frequent audit procedures and recovery of unduly paid sums, irrespective of whether minor error or major fraud; sampling method amplifies risk.	Vague references to simplification, but no radical overhaul [enforcement likely to remain unchanged].
- Systems description	Financial/ procedural accountability.	Strong.	Hard.	Conditions intermediary payments from EU budget.	-

Source: own elaboration.

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