

# **Lessons Learned from IPA and Recommendations for IPA 2**

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# **CBC Lessons Learnt and opportunities for improvement of impact**

- **ELARG Audit report on CBC**, June 2012
- **Evaluation of Cross-Border and Transnational Cooperation Programmes in the Republic of Serbia**, March 2013
- **New Financial Regulation**
- **FWC Needs assessment of Audit companies in Serbia**
- **Sector Approach**
- **Lessons Learnt and Recommendations from implementation**

# Audit and evaluation reports on CBC

## Main Findings- Programming

### Programming:

- CBC Operational Programmes lack strategic focus or measurable objectives
- Priorities/Measures do not have adequate indicators to measure results
  - short-sighted CBC programming
  - scattered and ineffective projects

### Design of Calls for Proposals

- Call for Proposals are not tailored nor targeted – JMCs did not agree on focus beyond OPs and did not propose adjustments to calls based on results or discuss revision/precision of objectives
- Too limited involvement of EUDs in strategic/quality decisions
- Insufficient ownership / accountability of the Commission in efficiency, effectiveness and sound financial management

# **Audit report and lessons learnt on CBC**

## **Main Findings – selection of projects**

### **Selection of proposals for financing**

- Insufficient controls of EUDs on projects selected for award, checks limited to compliance, limited participation in evaluation committees
- Lengthy process leaving little time for EUD checks on evaluation report
- Responsibility delegated to JMC/JSC, who rely on Assessors (selected based on nationality and sector knowledge not CBC competence)
  - Risk of ineffective use of resources, selection of projects without CBC impact
  - EUDs / CA needs to take full accountability for selection and award process

### **Implementation Structure**

- Duplication of control efforts, diluted responsibilities
- Inefficiencies due to additional coordination effort required
- Complex structure resulting in a lengthy process
- Non-application of certain rules and controls (artificial splitting, PRAG derogation)

# **Audit and lessons learnt on CBC**

## **Main Findings - implementation**

### **Contracting**

- Insufficient checks on sound financial management, insufficient budget clearance by evaluation committees
- High scores for questionable projects

### **Financial monitoring and validation of grants payment claims**

- Coordination of claim validation between EUDs to be improved
- Methodology for ex-ante checks in validation of grant payment claims to be harmonised and issued

### **Inconsistent application of rules**

- Inconsistent reporting requirements
- Inconsistent interpretation of procurement rules (need for guidance by ELARG HQ on issues such as small value procurements)

# Evaluation on CBC in Serbia

## Main findings

### RELEVANCE

- CBC is seen as "*highly relevant*" BUT:
  - wide-ranging priorities ("one fits all") and lack of sector focus
  - lack of well designed Programme and Project indicators
  - As a result projects are automatically relevant and leave wide room for interpreting relevance
- True CBC dimension is rarely embedded in design and not decisive in project selection

### EFFICIENCY and EFFECTIVENESS

- CBC projects
  - consume a great deal of management and control time
  - are one of the most resource-intensive intervention types
- Beneficiaries rely too much on consultancies to run projects – no capacity building

# Evaluation on CBC in Serbia

## Main findings

### IMPACT

- Projects achieve localised outputs/results not leading to CBC impact against programme objectives
- Smaller, "soft type" projects achieve better impact
- Projects resulting in studies, databases, have little or no real sustainable impact
- Missed opportunities on EU visibility

### SUSTAINABILITY

- Projects do not have an "exit strategy" or sustainability plans
- Projects are more likely to establish sustainable partnerships when partners have a long-term, functional interest in the intervention area
- Only "real" CBC partnerships lead to sustainable results
- Avoid ad hoc partnerships designed to draw down EU funds and during project duration ensure operational funding but not leading to sustainable results
- Need to develop better indicators at result and objective level to target and award real CBC projects

# New Financial Regulation

## Key innovations

### Innovations immediately affecting grant contracts

- New payment deadlines and payment conditions
- New definitions: Applicant, Co-applicants, Affiliated Entities
- Financial Support to third parties (sub-granting)
- Simplified Costs Options
- Low value grants
- Revised Evaluation Grid for Full Application Evaluation
- Guidelines for Assessors as PRAG Annex
- New deadlines for evaluation and contracting (6+3 months)
- New thresholds for procurement procedures (Annex IV)
- Possibility for CA to procure Audit firm for Expenditure Verification
- New conditions for Expenditure Verification Reports



# FWC - Needs Assessment of Audit companies operating in Serbia

## Survey of Audit firms in Serbia:

- 23 out of 29 surveyed firms provide EVR services to EU grants
- Size\* by nr. of employees: 11 Micro (under 10), 15 Small (under 50) and 3 Medium (under 250) audit firms
- Size by turnover: 27 Micro ( $\leq$  € 2 m), 2 Small ( $\leq$  € 10 m) and 0 Medium ( $\leq$  € 50 m) audit firms
- On average only 60% of employees are professional auditors
- Majority of surveyed auditors have from 1 to 5 years of experience
- 62.07% of companies assessed their knowledge of EU rules as 'high' but at the same time they generally requested more training
- Audits found not to be reliable for payments, checks to be redone, including on spot
- Larger audit firms generally do not carry out EVRs because
  - Price is too low (sometimes EVR is produced for free)
  - Grant beneficiaries rely on personal contacts to select auditors

# Building on Lessons Learnt

## Recommendations for 3<sup>rd</sup> CfP and for IPA 2

- Dialogue with Operating Structures and partner EUDs to address these weaknesses in the Application Package of the 3<sup>rd</sup> CfP (IPA 2012/2013)
- Advice on strategic aspects of Guidelines for Applicants' design
- Consultation between Operating Structures and EUDs to react to findings and recommendations
- Pilot experience an opportunity for IPA 2
- Status quo is not an option

### **Corrective action 1: More sector focus:**

- Proposal to introduce more specific sector focus in the 3<sup>rd</sup> CfP
- Include indicators building on those of the OPs
- CBC Evaluation EQ 12: *What sectors have benefitted most from CBC intervention? In which sectors should CBC assistance focus in the future?"*
- The evaluation provided an overview of sectors funded as basis for focus  
BUT: → Limitations in impact measurement

# Building on Lessons Learnt

## Recommendations for 3<sup>rd</sup> CfP towards IPA II

### Corrective action 2: Develop better indicators

- Introduction of Programme indicators in Guidelines for Applicants
  - To guide Applicants towards OPs objectives
  - To increase measurability of impact at Programme level
  - General agreement of OSs necessary, approval by CAs
  - Reduce number of applications and transaction costs
  - Allow to measure results and impact later on
  - Facilitate focus and selection of priorities for IPA II

### Corrective action 3: Reinforced CBC dimension ("4Js")

- "foresee cooperation in at least one but preferably all (*more*) Joint modes"
  - Joint Development
  - Joint Financing
  - Joint Staffing
  - Joint Implementation
  - Reward real CBC projects, move towards IPA II principle of single grant
  - Minimum 2 Js

# **Building on Lessons Learnt**

## **Recommendations for 3<sup>rd</sup> CfP towards IPA 2**

### **Corrective action 4: Sub-granting (increased use in new FR)**

- Reconcile the contradiction between:
  - Increasing min/max grant amounts to alleviate workload for the CAs
  - Reducing the min/max grant amount to strengthen impact (CBC Evaluation)
- workload for CAs contained, small-scale people to people actions reinforced
- Clear sector focus? (i.e. education, employment, social inclusion?)
- Subgranting already in use under Civil Society Facilities
- Clear exist criteria for selection, financial control, reporting, VAT etc.

### **Corrective action 5: Small grant scheme CBIB+**

- Coherence of approach / further building-up of lessons learned
- Creation of complementarities across the region (focus on cooperation between neighbours where there is no CBC programme)

# **Building on Lessons Learnt**

## **Recommendations for 3<sup>rd</sup> CfP towards IPA 2**

### **Corrective action 6: Improve selection of assessors**

- Dialogue with partner OSs to redefine procedures for hiring of Assessors
  - EUD / OSs joint preparation of revised ToRs
  - Requirements: CBC and PCM experience rather than sector experience
  - Both Concept Note and Full Application evaluated by Assessors (not JSC)
  - EUD ready to mobilise additional funds if needed
  - Need for harmonised approach at programme level
  - EUD to approve evaluation committee including assessors

### **Corrective action 7: New approach to Expenditure Verification Report (EVR)**

- Redefinition of procedures for EVR
  - EUD to directly contract Audit firm in charge of Expenditure Verification
  - EVR obligatory for all grants, even below 100,000€
  - Use funds freed from grants
  - Use savings or EU to mobilise additional funds if needed
  - Horizontal approach in all countries

# **Building on Lessons Learnt**

## **Recommendations for 3<sup>rd</sup> CfP towards IPA II**

### **Corrective action 8: Tailor-made Evaluation Grid**

- Limited adaptations to reinforce CBC specifics
  - RELEVANCE –Criterion 1.1 to include assessment of CBC Indicators
  - RELEVANCE – Criterion 1.5 may be added: "genuine CBC dimension/impact"
  - EFFECTIVENESS: - Criterion 3.4 to include assessment of cooperation between partners across the border
    - Should be introduced for all CBC programmes and horizontally agreed
- Instructions to Assessors to focus on specific aspects
- Preparation of tailor-made Guidelines for Assessors

# **Building on Lessons Learnt**

## **Recommendations for IPA 2**

### **Additional recommendations and points for discussions in view of IPA 2**

- Single CA as immediate solution for many identified weaknesses
- Geography of programmes – overlap and double funding risk
- Selection of thematic priorities
- Review risk of overlapping and benefit from complementarities
- More funds into project pipeline preparation
- Role of JMC : monitoring of programmes and adjust to achieve impact
- Working group on Memoranda of Understanding for future control architecture
- Launch/re-launch of programmes between neighbours with no CBC
  - CBIB+
  - Civil Society Facility
  - Under component 1 type programmes