

Transparent Structural Funds?

Assessment of ERDF management in Poland in 2004-2006

In 2007 the Institute of Environmental Economics conducted opinion survey among Polish municipalities on how they perceive the system for the selection and evaluation of projects applying for co-financing from the ERDF-financed Integrated Regional Development Operational Programme 2004-2006 (IRDOP)¹.

The survey was conducted based on written questionnaires filled in by officials working in respective municipalities and dealing with management of structural funds in their particular territorial unit. 800 questionnaires were sent to the municipalities, the rate of return was 20% (above-average rate for questionnaire surveys), which gave the sample of 160 questionnaires filled in and returned for the analysis.

Although the survey pertained to the years 2004 – 2006, its results are also relevant for the 2007-2013 programming period, as the management system for the financially beefed up regional operational programmes remains largely the same. The results of the opinion survey conducted among the municipalities are also in line with the findings of the IRDOP management analysis conducted by the Institute of Environmental Economics in 2006². This paper provides a brief summary of the 2007 opinion survey among the municipalities, backed up by the findings of the 2006 analysis.

Transparency and objectivity of the project selection process, institutions and criteria

The 2004 – 2006 IRDOP project selection procedure consisted of four stages:

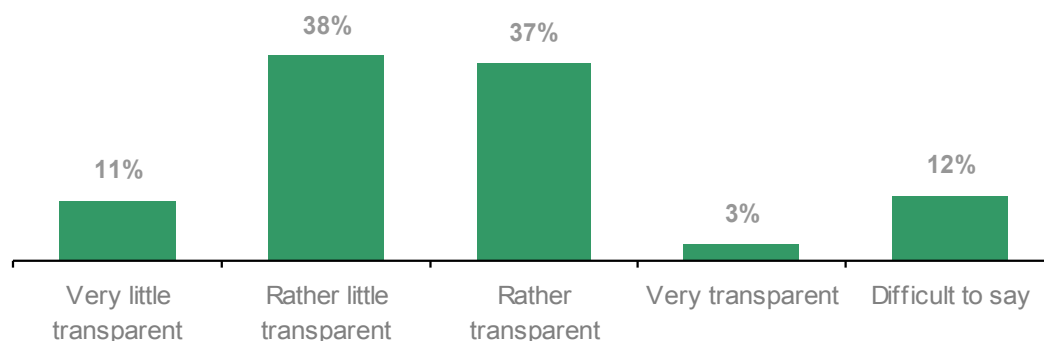
1. Formal screening and assessment by a Marshal's Office – the main office of regional authorities (there are sixteen Marshal's Offices in Poland). Main issues addressed here include e.g. whether the application form is complete, whether the project is of a right value, whether the beneficiary is eligible, etc. This is a zero-one assessment, where zero means that the project is rejected and one means that it may go through a substantive assessment;
2. Substantive assessment by a Panel of Experts – this body should consist of experts in the particular field. Projects are granted points and ordered into a ranking list. Examples of assessment criteria: whether financial and economic analyses are conducted properly, project's economic efficiency, technical efficiency, etc.
3. Recommendation by a Regional Steering Committee – this committee may change the order of projects in a ranking list. It comprises of representatives of relevant ministries, regional authorities, territorial units, social and economic partners.
4. Final decision made by the Regional Management – a body consisting of five people headed by the Marshal, who is usually a person from the party that has won regional elections. This body grants co-financing to particular projects, it has a right to change the order in the ranking list and grant co-financing to projects from lower positions.

Nearly half of the municipalities believe that the above project selection procedure was little (38%) or very little transparent (11%). Only 3% think that the procedure was very transparent, while 37% responded that it was transparent.

¹ All the research results are presented in the report *Przejrzyste Fundusze Strukturalne – wyniki badań ankietowych realizowanych wśród gmin*, Institute of Environmental Economics, June 2007. The report is available at: http://www.iee.org.pl/przejrzyste/doki/wyniki_badan.pdf

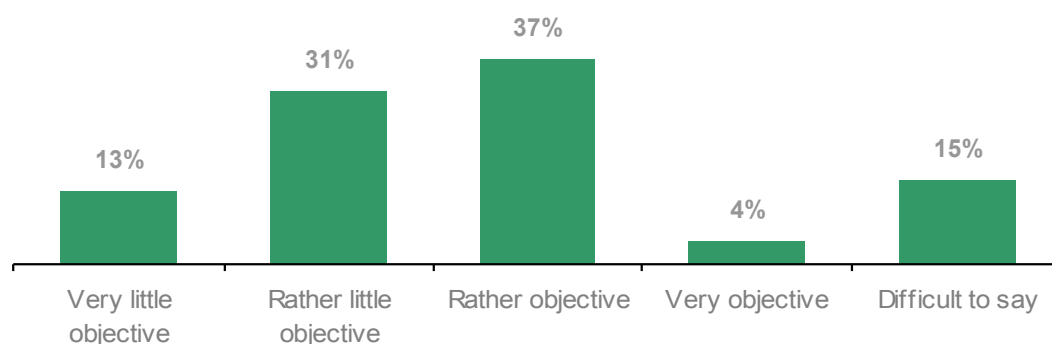
² *Przejrzyste Fundusze Strukturalne*, Institute of Environmental Economics, June 2006. The report from the analysis is available at: http://www.iee.org.pl/przejrzyste/doki/przejrzyste_fundusze_strukturalne.pdf

How do you evaluate the transparency of the project selection procedure?



The municipalities' assessment of objectivity shows similar results – 31% of the respondents claim that the project selection process was of low objectivity and a further 13% believe that the level of objectivity was very low. Only 4% of the respondents believed that the process was very objective, and 37% that it was rather objective.

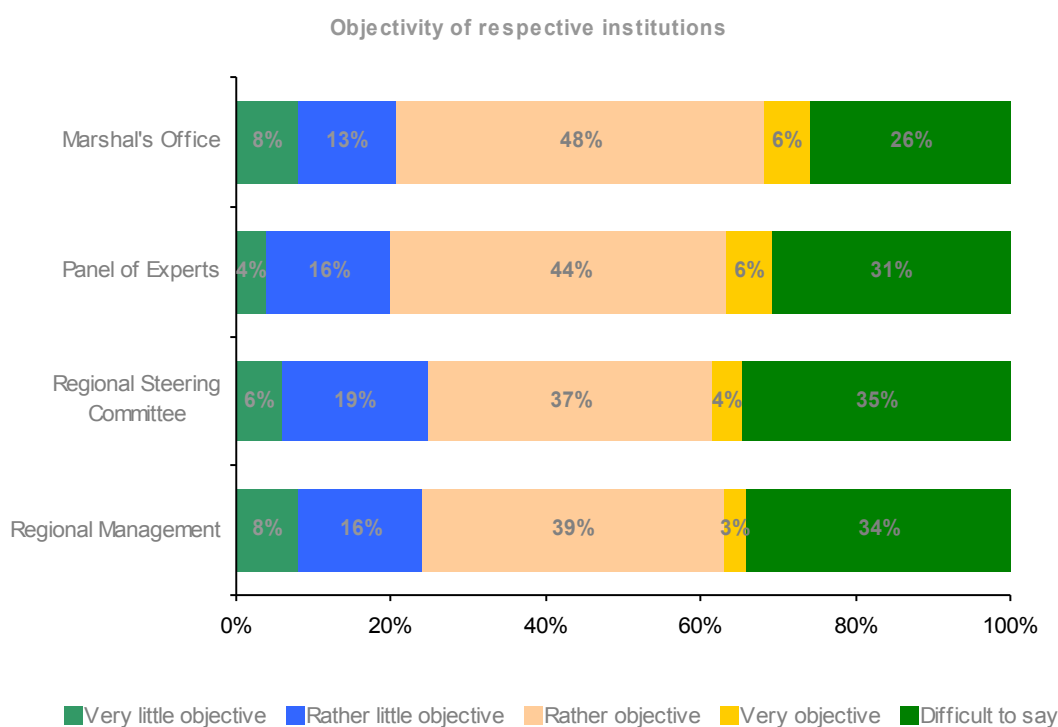
How do you evaluate the objectivity of the project selection procedure?



Although approximately half of the respondents are satisfied with the level of transparency and objectivity of the project selection process, it is alarming that the other half are of the opposite opinion.

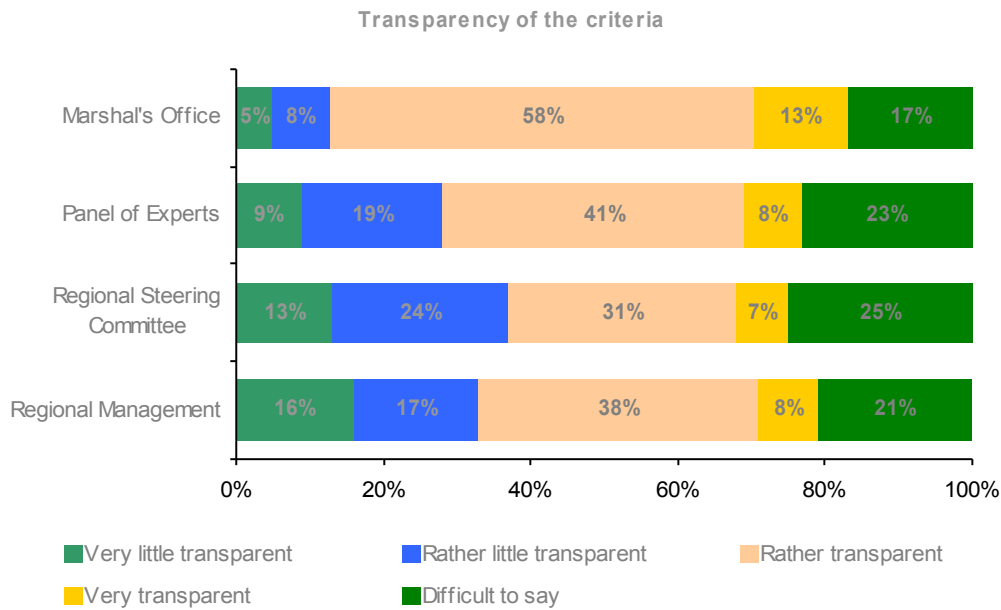
As for the objectivity of respective institutions involved in the project selection process, the regional steering committees and the regional managements, whose role was to approve project ranking lists prepared by experts, were assessed the lowest. Over one third of the municipalities that were able to answer that question (i.e. discounting those municipalities that chose the answer: “difficult to say”) voiced reservations regarding the objectivity of these two institutions. It is also quite telling that around 30% of the respondents had problems with answering the question, which may result from the fact that the project selection process was to a large extent carried out behind closed doors and access to information on the respective selection stages was poor.

The 2006 analysis confirms that the standards of access to information on IRDOP project selection were low. All the Marshal's Offices were required to provide certain types of basic information on their websites. Responsibilities in this respect were defined by the Handbook of IRDOP Implementation Procedures, prepared by the Ministry of Economy and Labour³. Out of 16 offices only five provided all the required information on their websites. In case of six offices there were serious shortcomings in provision of information, with at least three types of required information missing. Any information not enumerated in the handbook was frequently considered as confidential. For the purposes of the analysis the Institute asked Marshal's Offices for short project descriptions and detailed expert assessments from two calls for projects. Only two offices provided this information without any further action on the part of the Institute. Further five offices provided it after the Institute had resubmitted the request, two after legal action was initiated and as many as seven did not provide it at all. Such an approach violates the Act of 6 September 2001 on Access to Public Information and the Environmental Law Act of 27 April 2001 (defining access to environmental information). Both these acts define types of information that are excluded from the obligation of provision, but neither short project descriptions nor detailed expert assessments fall into this category.



The municipalities' assessment of the transparency of the project selection criteria is in line with the results presented above. The respondents were most critical about the transparency of the criteria used by regional steering committees (37% of unsatisfied respondents). In the case of criteria used by regional managements, 33% of the municipalities voiced reservations.

³ *Podręcznik Procedur Wdrażania ZPORR*, Ministry of Economy and Labour, Warsaw, October 2005



The results show that quite a significant number of municipalities believe that the ERDF project selection process was non-transparent, while institutions involved in it and the criteria applied lacked objectivity.

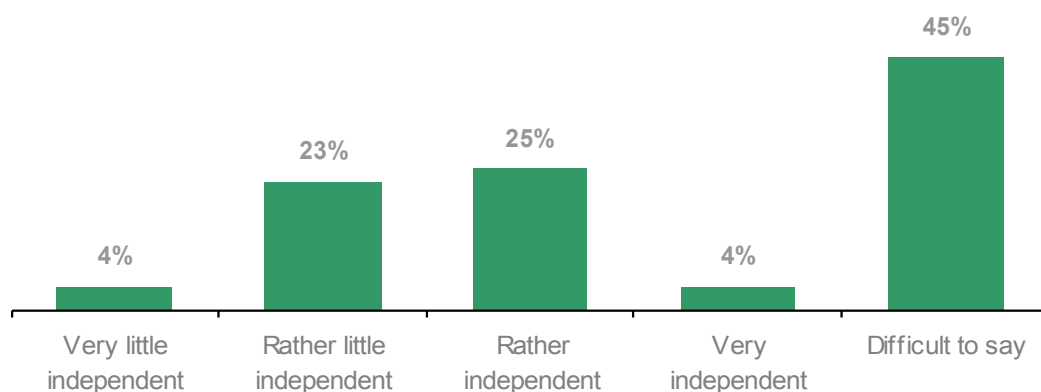
Respondents frequently voiced comments about politically-motivated project selection and a lack of clear rules for project assessment. The reservations about the politically-driven selection are confirmed by the fact that project ranking lists – prepared by experts – were frequently changed either by regional steering committees or by regional managements. This meant that projects with very high expert assessment often failed to receive financing, while projects with much lower expert evaluation managed to secure it. Moreover, in most of the cases there were no proper justifications presented for such changes in the ranking lists. It was a common practice to copy and paste a project description from the application form and place it as a justification. Needless to say, such descriptions did not provide any explanation on why projects with a lower number of points were granted ERDF co-financing, while projects with a higher number were denied it. Given that the final decision on project selection was made by regional managements, it is particularly alarming that a large number of respondents believed that the decisions made by this institution were non-objective and based on unclear grounds.

Problems with unjustified changes introduced by regional steering committees and regional managements were also addressed in the 2006 analysis. An example may be provided by the Podlaskie voivodship and two calls for projects in the 1.2. Measure – Environmental Infrastructure. In the 2004 call, out of eleven projects, the regional management granted co-financing to three. These three projects were assessed by the panel of experts at the following places: 8th, 9th, 2nd and by the regional steering committee at the 5th, 7th and 10th place. This means that the first project from the ranking list did not get the financing despite having the highest number of points. In the 2005 call the situation looked similar: out of twenty one projects, the regional management granted co-financing to five. These projects were ranked by experts at the 2nd, 6th, 7th, 16th and 12th place and by the regional steering committee at the 4th, 8th, 9th, 16th, 3rd place. Again, the project with the highest number of points was denied co-financing; in both calls it was the same project. As a justification for changes in the ranking list, a project description was simply copied and pasted from the project application form.

Assessment of panels of experts

Almost half of the respondents believed that the qualifications of experts were high (46%). The assessment was not so unanimous in the case of experts' independence from regional authorities, as 24% of the municipalities believed the level of experts' independence was rather low. Again, it is quite telling that over 40% of the respondents were not able to answer these two questions. Respondents' reservations about the independence of experts may result from the fact that in the 2004-06 period a lot of experts were in fact employees of institutions directly connected with regional authorities and selected by them. This meant that regional authorities could have extensive influence over experts' assessments.

Experts' independence from other institutions evaluating projects



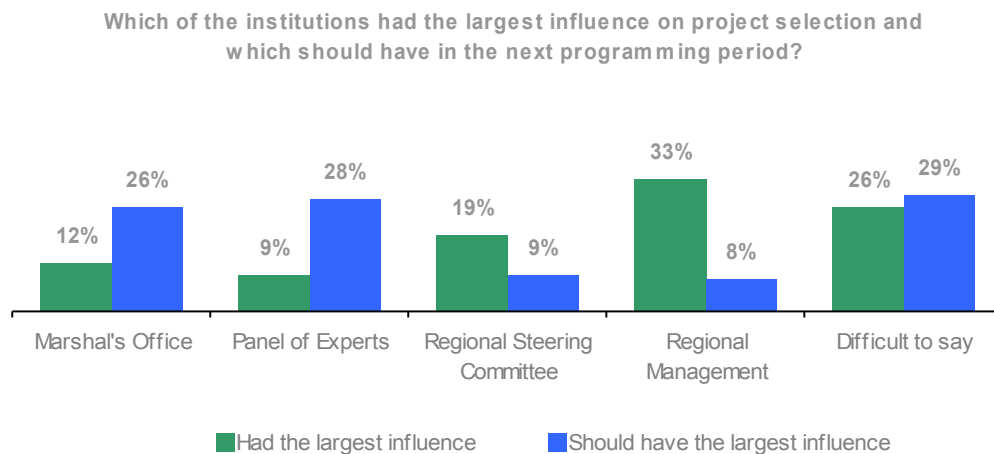
The 2006 analysis revealed also some problems with experts' qualifications. For example, the audit of the decisions made by the panel of experts in the Kujawsko-Pomorskie Voivodship conducted by the Supreme Chamber of Control in 2005 revealed that some of the experts lacked the required five-year-long experience in the field covered by their assessment, some of them were not familiar with the official guidelines for feasibility studies for IRDOP projects. Most of the 22 assessed projects lacked crucial data necessary for the assessment (e.g. cost efficiency co-efficients), the experts nevertheless continued their evaluation without the missing data. Assessment of all the projects in the call was judged as faulty and the Supreme Chamber of Control ordered to repeat the call and the assessment.

Main weak points and suggestions for changes

A great majority of respondents (73%) found weak points in the ERDF project selection system for the 2004-06 period. The most frequently voiced problem related to the large number of institutions involved in project assessment (63%). As many as 52% claimed that the politically-driven project selection system constituted another weak point of the process. Nearly half of the municipalities referred to lack of proper justification in the case of decisions refusing co-financing (48%).

	Type of municipalities			
	Total	Urban	Urban-rural	Rural
Too many institutions involved in project assessment	63%	33%	82%	61%
Politically-motivated project selection	52%	50%	73%	45%
Lack of proper justification on the decision refusing ERDF co-financing	48%	67%	64%	39%
Lack of information on respective assessment stages	38%	17%	18%	48%
Unclear system for granting assessment points	35%	33%	55%	29%
Unclear project selection criteria	33%	0%	45%	35%
Unclear division of tasks between respective bodies involved in project assessment	31%	17%	55%	26%
Others	8%	17%	9%	6%

Our research results show that the municipalities expect the influence of the regional management over the selection process to be reduced. This institution is perceived as having the largest impact on project selection. Introducing changes to the ranking lists prepared by experts should be an exception and not the rule. Whenever it happens, such a change should be thoroughly explained and justified. The municipalities believe that independent expert assessment should be of key importance for project selection.



Although the research described above related to the 2004-2006 ERDF project selection system, its findings and recommendations are binding for the 2007-2013 period. The main change to the project selection system was the abolishing of regional steering committees. While this change is welcomed by municipalities, it will also reduce participation of social and economic partners in project selection, including non-governmental organizations, and their control over the process. The rest of the system remains to a large extent unchanged, with regional managements making the final decision on co-financing.

Main recommendations for raising the transparency of the ERDF project selection system within the regional operational programmes for the 2007-2013 period:

- **Increasing the role of experts in project selection and ensuring their independence from regional authorities**
Expert assessment should be decisive for project selection. It should be based on detailed, measurable, weighted criteria specified for each type of project. Such a solution allows for objective project selection. Experts have to be selected in an open competition and remain independent from local and regional authorities. More attention should be given to their

qualifications, which is directly connected with securing proper funds for their remuneration.

- **Limiting situations where political institutions, e.g. regional managements, make changes to project ranking lists prepared in expert assessment**

Although regional managements should retain the right to make final decisions on project selection, introduction of changes into ranking lists should be an exception rather than a common practice.

- **Ensuring proper justifications of decisions on changes in the ranking lists introduced by regional managements**

Such a justification should clearly explain why projects with a lower number of points are preferred to projects with a higher number of points. Justifications should be publicly available in the Internet.

- **Increasing access to information on the project selection process**

This is especially important given that regional steering committees have been dissolved, which has excluded social and economic partners from the selection process. The new guidelines for the 2007-13 period assume that it will be required to publish only very basic information on projects that have obtained financing (project title, beneficiary, co-financing value) and justifications of any changes introduced to ranking lists, the rest will be considered as confidential. Minimum information published in the Internet should cover not only successful projects, but all the projects that are applying for co-financing, as the public opinion should have a right to know what projects are considered. This information should also include short project descriptions as well as results after respective assessment stages: formal assessment, expert assessment – with information on points won in respective categories and final decision.

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