

**Structural Funds Operational Programme
HUMAN RESOURCES DEVELOPMENT 2007-2013**

Ex-Ante Evaluation – Executive Summary*

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LIST OF ABBREVIATIONS

AP	Accession Partnership
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBS	Central Bureau of Statistics
CFCA	Central Financing and Contracting Agency for EU Programmes and Projects
CODEF	Central Office for Development Strategy and Coordination of EU Funds
DG	Directorate-General
EC	The European Commission
EPOP	Environmental Protection Operational Programme (IPA)
ERDF	European Regional Development Fund
EU	European Union
EUROSTAT	Statistical Office of the European Communities
EWG	Evaluation Working Group
FB	Final Beneficiary
GDP	Gross Domestic Product
GoRC	Government of Republic of Croatia
HRD OP	Human Resources Development Operational Programme
IB	Intermediate Body
IPA	Instrument for Pre-Accession Assistance
IPARD	IPA Rural Development Programme
ISPA	Instrument for Structural Policies for Pre-accession
KE	Key Expert
MA	Managing Authority
MC	Monitoring Committee
MoA	Ministry of Agriculture
MoE	Ministry of Economy
MENP	Ministry of Environmental and Nature Protection
MFEA	Ministry of Foreign and European Affairs
MFIN	Ministry of Finance
MIS	Monitoring Information System
MoC	Ministry of Culture
MRDEUF	Ministry of Regional Development and EU Funds
NAO	National Authorising Officer
NGO	Non-Governmental Organisation
NIPAC	National IPA Coordinator
NKE	Non-Key Expert
NPIEU	National Programme for the Integration of the Republic of Croatia into the European Union
NSRF	National Strategic Reference Framework
OP	Operational Programme
OPE	Operational Programme Environment
PA	Priority Axis
PD	Project Director
PIU	Project Implementation Unit
PSC	Project Steering Committee
RCOP	Regional Competitiveness Operational Programme

SAPARD	Special Accession Programme for Agriculture and Rural Development
SCF	Strategic Coherence Framework 2007 – 2013
SDF	Strategic Development Framework for 2006 – 2013
SEA	Strategic Environmental Assessment
SF	Structural Funds
SWOT	Strengths – Weaknesses – Opportunities – Threats
TAT	Technical Assistance Team
TP	Technical Proposal
TOP	Transport Operational Programme
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY

The Ex-ante Evaluation aims to review and improve the quality and relevance of the programming of ESF funds under OP Human Resources Development 2007-2013. In particular, the **purpose of this assignment** as per Terms of Reference is to perform the following seven core analytical tasks, forming the basis of the evaluation approach and method that we adopted:

1. Analysis of the implementation of pre-accession Programmes (components III and IV of IPA) in Croatia.
2. Analysis of existing administrative capacity, in the bodies designated for the management of the OP.
3. Appraisal of the socio-economic analysis in terms of strengths and weaknesses, and the relevance of the resulting needs assessment.
4. Appraisal of consistency of the strategy and of the rationale behind the Priority Axes and their operations.
5. Identification of relevant indicators in order to appraise the potential impact of Programme strategy on the achievement of the objectives.
6. Analysis of the expected impacts and of the allocation of financial resources.
7. Assessment of the quality and appropriateness of the programme management structures and monitoring arrangements foreseen for the OP.

The evaluation cut-off date has been set at the month of May 2012.

The following methodology informed the development of this Ex-Ante Evaluation Report:

- Desk-based review of background literature, Programme texts, other documentation, including policy documents (Appendix C outlines the main documents reviewed);
- Data analysis of Programme performance indicators, along with wider labour market and socioeconomic data;
- Strategic consultations with each of the key stakeholders. Consultations were undertaken with officials from the Ministry of Finance, Ministry of Regional Development and EU Funds, Ministry of Labour and Pension System, Ministry of Social Policy and Youth, Ministry of Science, Education and Sports, Governmental Office for Cooperation with NGOs, Croatian Employment Service, Agency for Vocational Education and Training and Adult Education and National Foundation for Civil Society Development through a mix of individual and group meetings. (Appendix B identifies the participants in these consultations);

As a backdrop to the Ex-ante Evaluation, the **analysis of the existing situation** in the socio-economic environment and the labour market in the beneficiary country has been updated. Following are the **data highlights**:

- The total number of inhabitants in Croatia in 2011 reached 4 290 612 persons. It is 3.31% less than in 2001 (4 437 460 inhabitants) and 10.32% less than in 1991 (4 784 265 inhabitants).
- After years of constant growth, GDP has decreased by 6,0% in 2009 and 1,2% in 2010.
- Due to economic recession in 2009 and 2010, the unemployment rate increased from 8.4% in 2008 to 13.9% in 2011.

- The at-risk-of-poverty rate of 17.4% in 2008 was identical to the rate in 2007, but increased to 18% in 2009 and to 20.6% in 2010.

The **main findings per Evaluation Question** are the following:

Rationale & Consistency of Intervention Logic

Considering the broader picture drawn by the financial and economic crisis that has seriously affected Croatia, the relevance of the OP Human Resources Development in addressing the social and economic challenges remains high and in particular the labour market interventions are more important than before. Interventions in the field of education are targeted on meeting the labour market needs. However, at the time being there is no analysis that would systematically examine the responsiveness of the education system to the labour market needs. Although there is a lack of systemic analysis which would enable long-term planning of educational offer, several IPA service contracts addressed this issue already. As a result, certain tools for examination of the responsiveness of the education system to the labour market needs have been developed. However, recent developments underlining the relevance of the interventions in the field of education are not included in the OP document. Attracting and motivating junior and young researchers is a relevant response to the negative trends in the total number and aging of researcher population.

Social inclusion indicators focusing on income inequalities and poverty have mostly remained the same, or inclined mildly, and thus require further long term assistance. The same applies for social services that are still facing substantial regional differences. The usefulness of new interventions focused on social dialogue and civil society is clearly reasoned in the OP, but their contribution to the fulfilment of the Programme's framework objective is not clear. Neither enhancement of the social dialogue quality nor support of the civil society has a direct impact on creation of more and better jobs.

In terms of internal coherence, the rationale and intervention logic of the Programme are consistent and clearly rooted. The Programme document starts with the description of context at national and EU level, followed by socio-economic analysis and SWOT analysis. The strategic priorities resulting from the analysis cover a wide range of interventions focused on human resources developments. They are broken down into 5 Priorities and 13 Key Areas of Operations covering all identified weaknesses.

Strategy's External Coherence with other Policies (national, NSRF, EU)

Since the beginning of the implementation of OP HRD there have been several relevant national strategies adopted. The priorities/goals of the new strategic documents are corresponding with the priorities of OP HRD. On one hand this confirms the continuing relevance of OP HRD, on the other hand it means that the new priorities/goals can be financed also under IPA and ESF. New fields of interventions introduced by IPA OP HRD 2007 – 2013/2 (Social dialogue and Civil society) and by ESF OP HRD 2007 – 2013 (Entrepreneurship and R&D) have been prepared in line with the recent sectoral strategies.

Adequacy of System of Indicators

Concerning the set of indicators the following remarks might be made:

- The number of indicators and their distribution over the five Priority Axes is appropriate. Most of them are clear and well defined.

- The assignment of each indicator to one specific objective is a good approach. However, it was not consistently applied in Priority Axes 3, 4 and 5. The formulation of specific objectives in the indicator table within the Priority Axis 4 does not correspond with the formulation in the text.
- Indicators are targeted on all major operations.
- All indicators have a measurement unit, initial value, review frequency and source of verification. All indicators except one have a target value.
- There is no typology of indicators specified (output, result, impact).
- Most of the indicators proposed are referring to immediate outputs of the projects. Additional indicators monitoring achievements from a longer perspective (i.e. result and impact indicators) should be specified.
- There are no descriptions of unclear indicators. Relevant definition, assumptions, explanation and/or guidance on collecting data are required, in order to raise and standardise the understanding of indicators among users and increase the accuracy of monitoring.
- In order to ensure correct monitoring data, measures should be taken to avoid multiple counting of persons participating in more than one project/activity (i.e. database of participants, preferably integrated into MIS).

Considering the above, the set of indicators needs further improvement.

Main Findings with regard to Expected Outcomes & Impact

The expectations regarding socio-economic impacts of employment interventions underwent significant changes in the course Programme implementation and shifted from further reduction of unemployment to the recovery of labour market. In terms of entrepreneurship it is expected that SMEs and crafts owners and employees will have more theoretical knowledge and better practical skills for successful conduction of their business. Another expected impact is the reduction of mismatch between the education system and labour market. In the field of research and development it is expected that the Programme will contribute to turning the negative trends in the total number and aging of researcher population by attracting and motivating junior and young talents. Expectations of the social inclusion intervention are focused on better social inclusion of people at a disadvantage, or, at risk of social exclusion. Emphasis is being placed on the specific problems of the long-term unemployed with low levels of qualifications and skills, as well as minority groups and people with disabilities.

The main anticipated impact of the intervention focused on civil society is overcoming the limitations faced by the civil society in Croatia today, in particular, lack of capacities, information and financial sources. Social dialogue intervention is expected to contribute to strengthening interaction between the government and social partners and the partnership between employers and trade unions, as well as in enhancing social dialogue at the local level, and in developing sectoral dialogue and collective bargaining. Capacity building of both Management structures and beneficiaries is another important impact of OP HRD.

The added value of the Programme is the high number of Grant Schemes that are the most efficient tendering method for educating final beneficiaries in the regions.

Programme Governance, Management and Systems

The transition process from IPA management to ESF management should be smooth given that Ministry of Regional Development and EU Funds and the Ministry of Finance have been ensuring a coordinated and strategic approach in setting up the relevant institutional framework for the implementation of the EU post-accession funds. Although some progress in meeting the requirements towards EDIS (and thus to waive ex-ante controls) has been achieved, there are still bylaws and internal procedures for ESF missing. On the other hand, the transition from IPA to ESF is an opportunity to improve existing procedures which are too complicated, particularly with respect to Grant Schemes. A helping hand reducing the risk of delays in the first months of ESF is the Article 105a of the Treaty Concerning the Accession of the Republic of Croatia to the European Union, giving the possibility to prepare Calls for proposals and tenders that will be financed under ESF budget line, but implemented under PRAG.

In spite of increasing capacities at all levels, there is still a need for systematic capacity building in terms of staffing and enhancing of skills. Present employees are overloaded and do not have enough time for trainings nor for mentoring of new people. Moreover, there is no training plan aiming on the preparation for ESF in place. Improvements in motivation and retention of civil servants across the state administration have been already achieved. Civil servants responsible for IPA receive a bonus of 30% of wage. In comparison, public servants (employees of Croatian Employment Service and Agency for Vocational Education and Training and Adult Education) are still waiting for a similar regulation in the frame of the Law on Public Services that is being prepared.

The Management Information System for IPA is in place and fully operational. A more complex monitoring information system for future ESF interventions system is currently under preparation.

The main **conclusions** of the Ex-ante Evaluation are presented below:

Conclusion 1. The OP HRD is a unique OP document in terms of repeated programming and dual implementation. As a result of the postponed accession to the EU, the pragmatic decision to continue supporting HRD priorities set by IPA 2007 – 2013/2 led to elaboration of a unique OP document covering the whole 2007 – 2013 period, including both IPA and ESF budget lines. Thus the implementation of the OP HRD will constitute a significant challenge for Croatia, applying at the same time different procedures for similar projects within a single programming framework.

Conclusion 2. The March 2012 draft of the OP HRD may be qualified as a document that meets the EU standards:

- It contains an extensive analysis on the Croatian labour market, on its educational system, on the position of vulnerable groups and on civil society.
- The strategy is translated into a proposed set of Priority Axes and key areas of intervention which will tackle the weaknesses of the Croatian human resources development identified in the analytical part of the document.
- The strategy and interventions are coherent with EU and national policies, including complementarity with the other Operational Programmes.
- There is a set of quantified indicators attached to each of the Priority Axes.
- The OP HRD also contains the main outlines of the implementation.

However, improvements of the intervention logic and the system of indicators are still required.

Conclusion 3. The OP HRD exhibits a strong European added value. In the Evaluator's opinion, the OP HRD is generating added value due to:

- helping to address long-standing, structural problems and gaps of Croatia in the field of employment, education, social inclusion and civil society.
- providing access to both IPA and ESF programming and procurement procedures, which by itself is a major step towards successful utilisation of 2014-2020 assistance.

Conclusion 4. The strategic approach adopted by the OP HRD is an improvement compared to previous EU-funded interventions. The OP HRD is a more comprehensive intervention that combines institution and capacity building with policy change in human capital investment leading to more sustained outcomes.

Conclusion 5. New challenges facing human capital in Croatia. The continued high levels of unemployment and inactivity, especially affecting the women, the switch to continuing and adult education, as well as the advent of the Civil Society are the main current trends in the labour market and socio-economic environment, requiring a modified policy response to which the OP HRD should contribute.

Conclusion 6. Mitigate risk factors in transition from IPA to ESF. Staff shortages in combination with work overload, unjustified remuneration differences between civil and public servants, and delays in preparation of ESF procedures and bylaws constitute risk factors that must be handled to enable smooth implementation in the immediate future.

On the basis of the above conclusions, the Evaluation Team proposes the following **recommendations**:

1. In order to avoid confusion among public beneficiaries it is recommended to add a short explanatory section describing the development of OP HRD in the light of the postponed EU accession and clarifying differences in terminology, objectives, indicators and procedures between IPA and ESF.
2. Further development of methodology and establishment of the system for regular measurement of the mismatch between the education system and the labour market needs is necessary. It is an important supporting tool for employment and education policies at national level as well as for future monitoring and programming of EU assistance. On the other hand, respective sections of the OP document need revision and update focused on recent developments in education sector as well as results achieved by IPA service contracts.
3. Corrective actions should be taken regarding the intervention logic of the proposed Priority Axis 5 'Strengthening the role of civil society for better governance', in order to explain its contribution to the fulfilment of the Programme's framework objective.
4. The system of measurable indicators requires further improvement:
 - a. Typology of all indicators needs to be specified (output, result, and impact).
 - b. Additional indicators monitoring achievements from a longer perspective (i.e. result and impact indicators) should be specified.

- c. The assignment of each indicator to one specific objective should be consistently applied in Priority Axes 3, 4 and 5.
 - d. The formulation of specific objectives in the indicator table within the Priority Axis 4 should be unified with the formulation in the text.
 - e. Description of unclear indicators needs to be introduced. Relevant definition, assumptions, explanation and/or guidance on collecting data is required, in order to raise and standardise the understanding of indicators among users and increase the accuracy of monitoring.
 - f. In order to ensure correct monitoring data, measures should be taken to avoid multiple counting of persons participating in more than one project/activity.
5. Missing bylaws and internal procedures for ESF have to be elaborated and adopted. At the same time use this opportunity to improve existing procedures which are too complicated in particular in Grant Schemes:
- a. Reporting on quarterly basis and requiring extensive supporting documentation constitute the main administrative load for both Contracting Authorities and Beneficiaries. However, despite frequent and work-intensive reporting, the information collected on qualitative achievements of the projects is insufficient. Simplification of reporting procedures and enriching the limited qualitative data on project progress remain a challenge.
 - b. Project management costs should become eligible expenditure under ESF. Equally important, control mechanisms should be established to avoid overlapping in wage reimbursement of persons working in more than one project.
 - c. Sophisticated control mechanisms should be established to avoid multiple reporting and overlapping in reimbursement of costs for persons participating in more than one project/activity. For the start, Final Recipient Identification Forms collected under IPA projects are waiting to be processed into an electronic database format and verified.
 - d. In order to increase Programme efficiency, a list of maximum eligible unit prices for the most frequent budget items should be developed (e.g. hourly fees of project managers, hourly rates for different trainings, rates for renting training rooms, prices for IT equipment etc.). Obviously, the unit prices should reflect current market prices and enable procurement of high quality services and supplies.
 - e. Procedures for Direct Award operation need to be established as this type of operation has not yet been implemented through IPA in Croatia, outside the Operating Structure.
6. Accelerate preparation of tenders and calls to be financed under the 2013 ESF allocation. If published in the Official Journal of the European Union before the date of accession, they will be implemented under PRAG which will reduce the risk of delays and decommitments.
7. Financial motivation of the public servants within the Operating Structure needs to be provided by a quick adoption of the new Law on Public Services regulating their remuneration in a similar way as it is regulated for civil servants.

8. Further capacity building in terms of staffing and skills enhancement is of utmost importance. Moreover, as a part of preparation for ESF, a realistic training plan should be developed and brought into effect across Operating Structure.
9. Final revision of the Programme document focused on typing mistakes is needed.