

**IPA Operational Programme
HUMAN RESOURCES DEVELOPMENT 2007-2013**

**Interim Evaluation – Executive Summary*
(July 2012)**

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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 Interim Evaluation aims to review and improve the quality and relevance of the programming of IPA funds under Component Human Resources Development 2007-2013/2. In particular, the **purpose of this assignment** as per Terms of Reference is to conduct an Interim Evaluation on the first period of implementation of the OP HRD 2007- 2013 through answering the following Evaluation Questions:

1. Does the overall form of assistance in the scope of IPA remain relevant to address the social and economic challenges?
2. Is the quantification of objectives and defined targets relevant?
3. Are the strategic axes, priorities and objectives coherent with the related strategies?
4. What is the level of progress made towards the achievement of the objectives set in the OP HRD?
5. How and to which extent the horizontal priorities have been addressed in the operations?
6. Are the implementation and monitoring arrangements effectively set up?

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

The following **methodology** informed the development of this Interim Report:

- Desk-based review of background literature, Programme texts, operation manuals and other documentation, including progress reports, annual implementation reports, and policy documents (Appendix C outlines the main documents reviewed);
- Data analysis of monitoring information and 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 Interim Evaluation, an **analysis of the existing situation** in the socio-economic environment and the labour market in the beneficiary country was conducted. 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, the GDP 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:

Relevancy of Rationale & 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. 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.

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 new text proposed in the frame of the second revision of OP HRD introducing the Priority Axis 5, 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.

Degree of Policy Cohesion and Complementarities

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 to a high degree coherent 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.

Adequacy of System of Indicators

The structure of the OP HRD 2007-2011 indicator system is relatively complicated including the level of Measures (also called OP level indicators), the level of Operating Identification Sheets and the level of contracts. At the Measure level there are only output and result indicators defined. Although there are no impact indicators specified in the OP, few result indicators do in fact refer to anticipated impacts. Some indicators have an additional set of subindicators.

Most of the indicators are clear and well defined, but in some cases a description (definition, assumptions, explanation and/or guidance on collecting data) is required for better understanding and consistency in monitoring. All indicators are quantifiable and all but 5 are quantified (have a target value). At this stage of implementation it can be generally stated that there seems to be a realistic path to achievement of the target values. Actual progress shows that several target values have been significantly underestimated.

Effectiveness & Efficiency

Good planning in the form of Procurement plan and significant efforts of Operating Structure in its application into the reality bears fruit in terms of high approval rate and adequate contracting and disbursement rates.

Total allocation for 2007 – 2011 comprising both EU and national public contribution is 82 325 898 EUR. On April 13th, 2012 approved projects and tenders total 81 638 446 EUR, signifying that 99% of the total planned expenditure is activated, thus exhausting the potential in drawing financial resources through this OP. However currently slightly more than 51% of the total allocation has been contracted and only about 26% of the total allocation has been paid to beneficiaries. While the level of disbursements is adequate considering that five years have elapsed from the OP's inception, more relevant from the perspective of de-commitment of funds is the difference between approved and contracted amounts that indicates a protracted procurement and contracting process. Apparently, avoiding time delays during the contracting phase remains a challenge for the OP.

Regarding the physical progress in implementation, activities under Operational Programme for Human Resources Development covering the period 2007 – 2011 are taking place according to the Procurement plan. Only 5 out of 48 envisaged operations are facing significant delays. Keeping up this positive trend is a precondition for successful implementation of the IPA OP HRD and a smooth transition into ESF.

Impact & Added Value

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. The expected impact on the reduction of mismatch between the education system and labour market cannot be substantiated, as there are no tools and data available for such assessment. 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 the dialogue 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 Operating Structure 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 gaining knowledge and experience in project cycle management by final beneficiaries in the regions.

Cross – Cutting Horizontal Themes

Horizontal principles of gender equality, civil society participation and non-discrimination are pursued through a dual strategy of mainstreaming and targeting specific actions to promote these themes. This is accomplished through Measures tackling specific gaps concerning these principles, providing disaggregated data and suitable indicators, including equal opportunities as a criterion for project selection and promoting gender balance and representation from civil society on Project committees and consultations.

Programme Governance, Management and Systems

Although the 3-level and 7-institutions Operating Structure appears to be complicated, there have been no serious problems reported. However, institutions are still facing some gaps and uncertainties in their role definition between the Body responsible for Priority/measure and the Contracting Authority, within their own Ministries and of the beneficiary institution. 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. It has a rather simple architecture, containing mainly data on procurement process, signature of the contract and financial flows. As it is not an analytical tool, more sophisticated monitoring is conducted manually in excel files.

An unusual practice has been used in co-financing of OP HRD Grant Schemes. In case that the grant beneficiary is a public body (e.g. county, municipality, school etc.), Croatian national contribution is higher than 15%. The relevance of national co-financing higher than minimum is questionable. Another challenge are missing procedures for Direct Award operation to be implemented within the financial allocation 2010-2011. This type of operation has not yet been implemented through IPA in Croatia and therefore the whole procedure is to be established.

The main **conclusions** of the Interim Evaluation are presented below:

Conclusion 1. The OP HRD exhibits a strong European added value. All Programme participants see obvious benefits and added value from the IPA Component IV projects in which they participate. 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 and social inclusion.
- providing access to IPA Component IV programming and procurement procedures, which by itself is a major step towards EU accession.

Conclusion 2. 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 3. The implementation of the OP HRD has constituted a significant challenge for Croatia. In the four-year period since the OP's approval, the required transformation of national structures and operational modalities has proven to be a very worthwhile but equally demanding task for the main stakeholders involved, due to the need for the continuous adjustment of existing operations, as well as the introduction of new operation modes which are expected to enhance the efficiency and effectiveness of the Activities.

Conclusion 4. The OP HRD is now at a critical point, entering into the second half. After a lengthy preparation period, the bulk of the Programme's operations are under realization. The upcoming Programme revision stresses further the available resources, which must combine project development and monitoring activities at levels requiring high organizational readiness. However, improvements of the intervention logic and the system of indicators are still needed.

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 revised OP HRD should contribute.

Conclusion 6. Mitigate risk factors during implementation. Staff shortages in combination with work overload, unjustified remuneration differences between civil and public servants, delays in the contracting procedures, and gaps in role definitions within Operating Structure constitute risk factors that must be handled to enable the acceleration of implementation progress in the immediate future.

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

1. 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.
- 2.
3. Corrective measures 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 should be improved to meet the SMARTness criteria. All indicators must have a base value and a realistic target value, typology of some indicators should be reclassified from results into impacts, appropriate description of unclear indicators should be introduced. The role of institutions involved should be defined in relation to processing OP indicators.
5. The length of contracting procedures requires revision and reduction.
6. Missing procedures for Direct award operation should be established as soon as possible.
7. Gaps and uncertainties in role definitions within Operating Structure should be solved, in particular:

- a. the role definition in on the spot checks of the contracts under implementation between the Body responsible for Priority/measure and the Contracting Authority;
 - b. the role definition in on the spot checks of the Contracting Authority conducted by the Body responsible for Priority/Measure;
 - c. the role of the beneficiary institution regarding the monitoring process and ownership of the results;
 - d. the role and recognition of the Body responsible for Priority/Measure within its own Ministry should be supported by the Head of Operating Structure and NIPAC.
8. 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.
 9. 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.
 10. The Operating Structure should reconsider if national contributions higher than minimum are still a meaningful approach towards Grant contracts with public bodies.