

Myth and Reality in EU Programme Management*

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Introduction

Critiques and attempted reforms of EU programme management are based on the unremarkable assumption that there is something wrong and it needs to be put right. Writing in 1992, Sutherland speculated on whether the EC's increased legal competences were matched by its managerial capacities, and concluded that "given the pace of recent changes there is an *a priori* case for suggesting that the EC has a management deficit".² Its substance was a shortage of relevant management skills in the Commission and in the coordinating mechanisms beyond.

The lack of management capability has also been regularly documented in the annual reports of the European Court of Auditors (ECA), which have been highly critical of the Commission's own financial management and its seeming inability to make much impression on poor management in the Member States. Others have pointed to a loss of capability, directly attributable to the adverse impact of subsidiarity on the Commission's powers which has leached away at the direct implementation and control functions of the Commission in favour of the Member States (e.g. Kok³ and ECA annual reports, 1987 and 1989). It is argued that direct beneficiaries have acquired responsibilities previously in the hands of the Commission for managing their own performance and checking whether they are spending EU receipts in accordance with the criteria laid down in the regulations.

It was Metcalfe⁴ who first coined the term "management deficit" and posed the question of whether the Commission in particular could "manage Europe". Characterising the Commission as a centralising bureaucracy which nevertheless did not have exclusive responsibility for managing EU policies, he focussed attention on the need to establish performance indicators, to improve coordination, information systems and strategic management capabilities, and most importantly, to create administrative networks in the Member States. In this case, the solutions invited are those which concentrate on network creation and the improvement of managerial skills in the main.

But this model of the management deficit is not the only show in town. There are other managerialist approaches (such as the Commission's SEM 2000 and MAP 2000 programmes) which have their own priorities, and there are agenda which are driven by different motors altogether: the legal framework (e.g. the need for European criminal code with EU powers to match), the policy

environment (reform of the CAP, the structural funds etc.), economic reform (the single market and EMU), structural reform of the institutions (the democratic deficit, accountability etc.), and "renationalisation" of EU policies (subsidiarity). Thus the debate about the quality of EU programme management is one in which many problems are identified, much diagnosis is made and many solutions suggested. There are nevertheless some common assumptions, not all of which are compatible one with another:

- (1) Fraud and corruption are widespread
- (2) Management capabilities in the Commission are generally poor
- (3) Bad policy design is responsible for uncontrolled budgetary growth
- (4) Management capabilities in the Member States are generally poor and Member States don't take the management of EU funds sufficiently seriously
- (5) There is too much interference by Brussels in member state supervision
- (6) The Commission lacks the necessary legal powers to manage effectively
- (7) There is a lack of cooperation and coordination between Member States and the Commission
- (8) Management resources have not kept pace with budgetary growth

Be they perceptive, polemical or simply idiotic, the problem is that none of these assertions have any foundation in systematic empirical investigation. Indeed, some of them are inherently unfalsifiable, yet are still important influences on the evolution of the practice of programme management. On the substance, there is little consensus and only limited knowledge.

We only need extemporise on the basic questions to illustrate this: what is it that needs fixing – is it financial management practices, project management skills, evaluation capacities, structural/ institutional design, legislative impediments, network deficiencies, personnel policy, policy making instruments, or a combination of all or some of these?; how much does it need fixing – is it simply a question of more resources, a few new regulations, more training and a new "culture", or is it a wholesale change to everything?; for how long has programme management needed to be fixed – the last 5 years, 10 years, 20 years?; are the (undefined) problems about the same, becoming more severe or ameliorating, and if so, by how much?; who or what is responsible – is it the Treaties, the Council of Ministers, the Commission, the Member States, organised crime, the Parliament, people in general, original sin?; at which level or levels of

* *Un bref résumé de cet article en français figure à la fin.*

implementation are the difficulties most severe – local, national, supranational?; what are the most effective strategies for improvement – legislation, staff development, partnership, centralisation, decentralisation, automation, revolution?

Yet the substance of our knowledge is potentially rich. There is a wealth of information available (admittedly partial, inconsistent and varied) on EU programme management performance in evaluation reports, ECA reports, Commission reports, national audit reports etc. but it is underutilised, unsystematised, discounted and ignored. There are many snapshots but no movie; indeed, there is not even a coherent screenplay. In practice, mythology rules, and stories about cases of fraud and mismanagement tend to be more influential than the rich humus which is available for serious investigation and study. The recent spat between the Commission and the Parliament over “whistle blowing” by a Commission official on alleged fraud and cronyism is only the most recent example of this phenomenon.

The need for a systematic approach

There is no reason for this state of affairs to continue. By asking a few simple preliminary questions (see above), devising a research design, defining a few concepts and applying some standard investigative techniques, we can construct both a profile of EU programme management and a strategy for improving it.

a) Conceptual framework

Terms such as “implementation” and “management” not to mention “programme management”, need some precise formulation. In one sense, it is easier to specify what is excluded rather than included. We are not concerned with the implementation and interpretation of EU directives by Member States in programme areas outside the major spending areas. Nor are we concerned with decision making at the level of “high politics” within the Council of Ministers system, including decisions on overall budget size. The allocation of resources within the overall budget and the budget making process are of no interest either, as the first is essentially a matter of high policy, while the latter is a constitutional process which must take place for budgetary approval purposes. The annual budgetary discharge decisions taken by the European Parliament are of interest as a commentary on the state of programme management and as an input on the conduct of programme management in the future. Discharge decisions are prescriptive. They can be seen as pieces of management consultancy on which the recipients are obliged to act.

What actions and behaviours constitute “programme management”, and who is responsible for it? In earlier work, we adumbrated a cyclical model of the EU management and control process which can serve as a useful starting point, although it is not entirely sufficient for our current purposes. The model isolated generic functions in the post-allocation (budget making) phase. These include *authorisation*, *administration*, *audit*, and *review and evaluation*, the first three of which are essentially non-judgmental (positive) in nature, while review and evaluation are normative activities. While it

is difficult to talk about a single management process in the context of a multi-level, multi-agency system like the EU, these basic functions can be identified within the different levels of management which in theory link together.

The *authorisation function* involves the process of approval for competent bodies to access funds allocated from within the budget programme headings. This constitutes a fairly restricted range of activities. First, there is the Commission’s role in transferring funds to Member State agencies and other direct beneficiaries (such as research institutes, third country delegations, contractors and consultants). Thus it will include the drawing up of contracts and agreements, where the regulations require them, for transfer to take place. Within the current framework, final authorisation is in the hands of the Financial Controller (DG 20) rather than individual DGs. In programme areas where there are particularly attenuated chains of management (such as in the ESF, ERDF, EDF or EAGGF Guarantee), authorisation would include the transfer of funds by national and local programme managers to projects/direct beneficiaries. The longer and more complex the chain, the more bodies will be involved in fund transfer. This tends to vary considerably between Member States depending on the degree of political and administrative decentralisation and deconcentration.

The *administration function* defines itself here as a much wider concept because it includes all those activities associated with actually running programmes and projects, and delivering objectives. It encompasses the content of operational management as it is commonly understood. – i.e. some local planning functions, which could be very significant where large projects are involved (this applies especially in the cases of the ESF, ERDF and EDF), the setting and monitoring of goals and targets, deploying and coordinating resources, problem solving, the collection and maintenance of records and information, the establishment and operation of systems, and reporting to line managers. Thus, it goes beyond “routine” processing functions and does imply some organisational development.

It will be readily apparent that these management functions devolve at many levels and at many stages within the implementation process. For example, once the five yearly policy decisions are made on the structural funds, planning and the setting of goals and targets initially takes place between Member State bodies and the Commission (DG16 mainly, but also includes DG5 and DG6). This process will be further iterated at member state level between centralised managing bodies (ministries, regional governments, agencies etc.), Programme Management Committees and local project managers. The same comments apply to all the other “routine” management functions identified.

To summarise, it is by nature a continuous, and in some aspects, an innovative and judgmental process; in this context, the soubriquet “administration” is too opaque and reactive. We prefer to use the term “operational management” to differentiate from our earlier usage, within which the specific managerial competences we

have referred to can be identified in the data.

Audit is more precise in meaning, although the term has come to have a much wider currency in recent years. The growth of effectiveness audit has inevitably led auditors to the consideration of policy goals. In our earlier model, audit activities which fell into the positive quadrant essentially referred to technical, legal and regularity audit. Anything involving judgments about objectives, impacts, outcomes etc. fell into the *review and evaluation* category in the normative quadrant. This included effectiveness/VFM/comprehensive auditing as well as outright programme evaluation. This remains an important distinction for the present study as these functions are quite discrete and require different competences; however, the presence or absence of audit outputs of all descriptions is a major indicator of management quality in this study.

Defining management quality is an industry in itself, an important metaphor because much of the work in this field is commercial and diagnostic in nature. Prescriptive systems such as Total Quality Management (TQM) and BS5750/IS9000 are essentially tools for organisations trying to achieve certain management standards. We do not start out with any definition of management quality, nor can such a definition be established in any absolute sense by our methodology. It is not prescriptive, nor does it aim to compare EU programme management with that of any other organisation. It is analytical, seeking to measure changes based on the accumulation of evidence which has been identified and classified within a predetermined framework.

The evidence can only show whether programme management is improving or deteriorating, and in what ways it is doing so. Thus, the concept of management quality is used here in a purely relativistic sense, although the findings point strongly towards certain repetitive patterns, and the likelihood or otherwise of different types of management reform succeeding.

b) *Performance indicators*

To return to our earlier metaphor – can we make a movie out of the snapshots? If so, which ones should be used and how, and if not what else might be needed? Having defined the objects of study, the next step is to try and identify relevant performance indicators of management quality. Once this is done, methods have to be devised to collect and measure relevant data. There is a caveat: While performance indicators can be useful management and accountability tools when carefully designed, and deployed parsimoniously, they can equally be pressed into service by organisations for smokescreen and propaganda purposes.

Performance indicators as propaganda do not arise as an issue here, as there is no standard “official” set of performance indicators for the measurement of EU programme management. On the other hand, there has been considerable effort (particularly with regard to the ERDF and the EDF), to devise evaluative frameworks to measure programme impacts (perhaps in some measure because of the perceived partiality of Member State/beneficiary -sponsored evaluations), but there is no single methodology as yet. Perhaps there never will be given the

variegated, context-specific nature of individual programmes and projects. It is the *activity* and *quality* of impact assessment which is of interest rather than the impacts themselves.

In this context, we propose a set of performance measures based on the four functions of programme management – authorisation, operational management, audit, and review and evaluation – outlined earlier. The fundamental approach is to build up a quantified portfolio of evidence on the quality of key management activities. Based on our earlier definitions, we have identified *eight performance dimensions* which together constitute the sum of programme management performance as a whole. The indicators are:

- i) levels of budget utilisation by programme. Over- or undershooting budgetary allocations can be seen as an indicator of poor management *ceteris paribus*. There is an assumption in the annual reports of the ECA that the closer actual spending is to the initial allocation, the better.
- ii) the maintenance of programme and project schedules, and evidence of delays. This indicator is particularly important in the areas of structural actions, the EDF and other co-operation aid, and research and development projects, although some “dips” in performance are inevitable at the start of a new programme cycle. The key issue is whether there is an overall change between one cycle and another holding all other factors constant.
- iii) the quality and coverage of management information and information systems. The provision of adequate management information for managers and auditors can be judged from the extent of paper and electronic records and routine paperwork within the member state agencies and at the Commission. Comprehensive and comprehensible accounts are an essential part of any management information system, an issue frequently remarked upon by the ECA.
- iv) the level of controlling, checking and audit activity. Evidence of poor control could include both a lack of regular control activity and the existence of poorly designed or ineffective controls.
- v) the level of irregularity in procedures and payments. Instances of irregularities in procedures show a lack of consistency and legitimacy in procedure design or a failure of the management system to enforce procedures. Irregular payments are a sub-set of this indicator.
- vi) evidence of inter-agency coordination. The presence or absence of cooperation is an indicator of the efficacy of programme management. Examples could include the sharing of information, the harmonisation of systems, joint controls and audits etc.
- vii) the degree of planning and targetting. Absence of planning goals and specific target setting means failure in impact assessment and evaluation is also likely.
- viii) the degree of impact assessment and programme evaluation. Evidence of these activities confirms the existence of the feedback loop which runs through

routine controls, checks and auditing into the next round of decision making and programme (or project) adjustment. Relevant to all levels.

As in the case of management quality, we do not claim to make any absolute definitions of these indicators; they are heuristic devices simply to record evidence relating to performance standards over time.

c) Sources of evidence

Ideally, sources of evidence should be regular, comprehensive, predictable and independent. Practically speaking, there is only a small number of sources which satisfy these criteria. At the member state level, there is undoubtedly a huge amount of information residing in institutions such as national and local audit agencies, and in consultancy reports for ministries, ministry evaluations and so on, but the collection and systematisation of it would present huge logistical problems. Moreover, with the exception of the audit body reports, much of this material would fail the independence tests. Even in the case of national audit outputs, it has to be recognised that they too are designed to fulfill national rather than EU reporting objectives.

In the specific sectors at the European level, there are for example the annual reports produced by the Commission on the management of the structural funds and on the agricultural situation. At a more general level, there are the Commission's annual reports on the implementation of Community law published since 1984, and the UCLAF's Annual Report on the Fight Against Fraud in the Community which has been produced since 1991. The former are important documents but are legal rather than managerial in nature. There is useful material in the UCLAF annual reports on the specifics of fraud and measures taken to combat it, but the time series is short, and the reports are not designed to be comprehensive appraisals of programme management. As in the case of the externally commissioned evaluations, a major additional problem with all these sources is that they emanate from the Commission, and are thus part of the system we are trying to assess rather than tools to assess it.

One organisation which does pass the independence test is the ECA. The first annual report of the Court specifically referred to its independent status, and, significantly, that it was "clearly laid down in the Treaties that the responsibility of the Court is not limited to the examination of the legality and regularity of the accounts which it audits... it extends to also making an assessment of the financial management... (i.e.) the soundness of the operations actually carried out... and whether the means employed to do so were the best in the sense of being the most economical and efficient" (ECA, 1978.). Thus, we have an expectation that ECA outputs would include many of the areas of management performance we are interested in.

The most obvious sources of performance data are the annual reports of the ECA and the replies of the institutions (the Commission in particular), which have now built up into an archive covering 20 years. The reports are regular

and the ECA is independent of the management of the programmes it audits. The reports are not without their problems as source materials however. For example, in the context of the Court's responsibility to ensure "*la bonne gestion financière*" (which includes effectiveness), the reports do not only comment on issues of operational management. Quite frequently, they stray directly into policy issues and make judgments about the wisdom or otherwise of different measures.

d) Quantifying the evidence

The next issue is how to analyse the information contained in the annual reports. The general approach is to use content analysis to identify statements which relate to the eight quality indicators elaborated earlier. This provides a disciplined means of analysing and quantifying discourse. Statements relating to the quality indicators are extracted, quantified and grouped into the categories of "*improvements*", "*new problems and deterioration*", "*recurrent problems*" and "*actions required*" for each programme area over time. This matrix is intended to focus on the endemic weaknesses in the system and to see whether the situation is improving or deteriorating.

In the case of the Commission replies, the category of "*actions required*" is replaced by a category of "*specific disagreements with the Court*". The reasoning here is based on the observation that the Court describes and prescribes (for both the Commission and the Member States), while the Commission responds and occasionally disagrees. The analysis does not specifically identify where the Commission simply agrees with the Court or elaborates at length on a problem which the Court has identified, as discourse of this kind constitutes the overwhelming content of Commission replies.

e) Intervening variables

The raw data must be modified to take account of intervening variables which affect the amount and quality of ECA judgments. These include growth in budget size adjusted for inflation, the enlargement of the EU from 9 to 15 members, changes in the numbers of officials and auditors, and changes in their productivity.

The enlargement issue is directly related to budget size. In numbers of members, the EU has grown by two thirds, but in population terms it has increased by roughly 35% (from about 270 million to 370 million). On this measure, we would expect a growth in real spending of about a third *ceteris paribus* over the 20 year period. In fact, both nominal and real spending have grown at a far greater rate, with the overall figures showing a huge nominal increase of around 700% (8 fold increase), and a real increase (adjusted for inflation) in the order of 200% (3 fold increase). While some of the largest increases do take place in the year following the accession of new Member States (1982 (Greece), 1986 (Spain and Portugal), and 1996 (Austria, Sweden and Finland)), there are some very large increases in other years too (1978, 1988, and 1991 for example). It is notable that the real figures fluctuate quite sharply, with decreases in some years followed by huge increases in others (all figures from ECA annual reports, 1978-97).

To assess overall numbers of managers would mean trying to quantify both at the level of the Commission and the member state implementing bodies, in the latter case separating out those involved exclusively in EU programme management from national programmes. While this may be easier to do in some areas (for example in EAGGF guarantee), than others where programmes are jointly funded and based on limited life projects (the structural funds most notably), it is always very difficult. On the other hand, figures for the numbers and types of Commission employees are available, and these individuals only work on EU programmes. In the absence of other data, changes in total employment in the Commission can be used as a single controlling surrogate variable for changes in management resources as a whole.

Between 1977 and 1997, the total number of posts in the Commission increased from 8,250 to 16,789, a rise of 104%. In crude terms, this represents a just over doubling in the size of the Commission compared to a three fold increase in the size of the budget. Unlike changes in the budget figures, the rate of change is relatively even with the exception of one or two years. Thus there is no direct correlation between the rate of increase in the budget and the rate of increase in the size of the Commission, although increases in staffing do tend to be higher in those years when budget growth is greater. However, this is not always the case (1991 for example). If the figures are broken down further into the changes in A class (Assistant Administrator and above) officials only, a slightly different picture emerges. Here, the numbers rose from 2,165 posts in 1977 to 5,416 posts in 1997, an increase of 150% (2.5 times) over the period. While this does still not match the rate of budget growth, it is a significantly greater increment than the change in overall numbers.

As for changes in the productivity of those officials, statistics at the level of detail we would prefer are not available, but there are figures which differentiate between the manufacturing and service sectors of the European economy. Productivity figures for the services sector within the EU as a whole for the period 1975-94 show an annual average rise of 1.2% in the value added per person employed (European Commission, 1997, 17, Table 2). Extrapolating this rate until 1997, this would amount to a cumulative increase in output of 28.5% between 1977 and 1997. If this increment is added to changes in the absolute numbers of total Commission and Commission grade A employees, we get an adjusted increase of 162% (over 2.5 times) for the former and 221% (over 3 times) for the latter over the period. On this measure, the quantum of management resources in the Commission at least kept pace with the growth in the real budget. The extensive IT revolution in progress in the Commission since 1993 underscores the case for such an adjustment.

The level of audit output may also vary because of input factors. The number of ECA employees, including those incorporated from the pre-existing Audit Board and ECSC Audit Board rose from 164 to 505, an increase of 208% in the period 1977-97. On the basis of the budget figures we have analysed, it would appear that even without adjustment, ECA resources kept pace with budget growth. As in the case of the Commission, some further

financing may be desirable in order to differentiate between those involved in audit and audit administration only and other staff. In this case, the number of staff in the former category amounted to 106 in 1977 and 293 in 1997, an increase of 175% over the period and below the rate of increase for the Court as a whole. If the figures are further adjusted to take into account service sector productivity gains, then the total number of ECA employees shows a rise of 296% (almost 4 times), and audit and audit administration staff a rise of 253% (over 3.5 times). This evidence suggest that ECA resources have kept comfortably ahead of both budget growth and management resources in the Commission (all staffing data from the Official Journal, L series 1978-97).

In the course of this preliminary analysis, we have already challenged one of the commonly held assumptions about EU programme management just by looking at some of the existing data. At a very cursory glance, the performance indicator measures are sure to provide a few more surprises. Hopefully, someone will take notice before embarking on yet another improvement initiative.

RÉSUMÉ

La qualité de la gestion de programme de l'Union européenne fait souvent l'objet d'une intense spéculation dans les médias et parmi les parties intéressées. Or, l'on ne dispose que de peu d'indices empiriques et systématiques pour éclairer le débat. Cet article suggère une approche méthodologique reposant sur les concepts de gestion de la performance et de mesure de la qualité, et utilisant des indices quantitatifs. Après avoir posé le cadre analytique et identifié les différentes sources d'indices possibles, nous examinons un certain nombre de variables indépendantes essentielles qui influent sur l'analyse des données.

NOTES

- ¹ Professor Roger Levy has written extensively on the problems of financial control and accountability of EU programmes. To further EIPA's priority of developing expertise in the area of financial management, he was appointed as a visiting professor in EU Financial Management during 1997-98. In order to develop a better understanding, he has devised a new conceptual and empirical framework for measuring the quality of EU programme management over the last 20 years. In this article, he sets out the fundamentals of this approach.
- ² Sutherland, P. (1992) "Progress to European Union; A Challenge for the Public Services", *EIPASCOPE* 1992/3 pp. 1-7.
- ³ Kok, C. (1989), "The Court of Auditors of the European Communities: The Other European Court in Luxembourg", *Common Market Law Review*, 26 pp. 345-67.
- ⁴ Metcalfe, L. (1992) "After 1992: Can the Commission Manage Europe?", *Australian Journal of Public Administration*, 51, 1, pp. 117-30. □