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*SHARED RESOURCES IN A RADIPLY
CHANGING WORD*

**THE ROLE OF MULTILEVEL GOVERNANCE FOR
MULTIFUNCTIONAL LAND USE ACTIVITIES¹**

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Abstract

Rural areas are becoming increasingly differentiated and gradually losing their agricultural specificity. They now need to support the coexistence of two logical approaches to occupation of their space: one based on the supply of agricultural and forestry products, the other on the various demands from local residents and seasonal tourists. Under these conditions the role of agriculture, forestry and tourism industry is evolving; the focus is no longer simply on supplying market goods while limiting the impacts of his supply on negative external factors but now also on participating in land development and meeting the multiple expectations of the society.

Rural areas and their communities make a vital contribution to the prosperity of the European Union. The rural areas play a vital role, with the majority of small and medium-enterprises located within rural areas. One of the key issues for sustainable development of

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rural areas is multifunctional land use activities. They are animated by different external and internal forces that are influenced in themselves by certain factors.

Implementation and absorption of EU funds requires certain capacity and skills both in demand and supply side. Despite existence of pre-accession period in new member states still are observed discrepancies in administrative and institutional capacity in supply side as well as lack of skills in the supply side. Municipalities and stakeholders differ significantly within the planning regions: there are sites where stakeholders have experience with pre-accession funds, while in rural areas (especially in remote and small ones) - knowledge and experience are limited.

The paper aims to present the role of authorities on different level for the efficient multifunctional land use activities. The study presents the major factors that have impact on driving forces of the multifunctional land use activities. The problems in institutional, administrative and policy-decision aspect, both in supply and demand side, are subject of analysis too.

1. Introduction

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This report is divided into five sections; this introductory section being the first one. Section 2 is focusing on political issues and relevance of the documents to the EU policies. Section 3

presents key problems in the administration and absorption capacity. Section 4 presents problems in the institutional area . Finally, Section 4 provides conclusions.

2. Political Issues

EU Policies associated with the Structural Funds (SFs) and the European Agricultural Fund for Rural Development (EAFRD) are an integrated part of national and regional policies. The importance of political support for the implementation process is enshrined in the policies of the national or regional political structures. This political endorsement acts as the basis for the credibility of the administrative context within which the efficiency of the implementation system is determined. Evidences of a high level of endorsement of Cohesion and Rural Development policies at national and regional level exist.

On the whole there is a positive view taken of the level of support for the policies and approaches that underpin the Structural Funds at regional and local level.

3. Administrative and Absorption Capacity

PRIMA project focuses on six case studies areas – three in old EU countries (UK, France and Germany), two in new member-states – Czech Republic and Bulgaria , and one in a candidate country – Croatia. Study and analysis of the documents and procedures reveals differences in the absorption and administrative capacity in these three groups of countries .

The magnitude of the structural funds is quite significant, representing some 4 per cent of GDP (roughly double the size of pre-accession assistance). If they are well used, the structural funds afford the member states unparalleled opportunities for economic growth, social cohesion, and human development.

Absorption capacity can be defined as the extent to which a state/region is able to fully spend the allocated financial resources from the EU funds in an effective and efficient way. This capacity is necessary for making a maximum contribution to economic and social cohesion with the resources available from the EU funds.

Absorption is a new condition in the allocation of EU funds. Based on past experiences, the Commission arrived to the conclusion that countries have a limited capacity to absorb external investment support effectively and efficiently. There are restrictions on both demand and supply side. The absorption capacity on demand side means the actual ability by project applicants to generate acceptable projects. The supply side of absorption capacity can be determined by the following three main factors:

- **Macro-economic absorption capacity** can be defined and measured in terms of GDP (e. g. the upper limit for Structural Funds (SF) and Cohesion Fund (CF) together has been generally defined as 4 % of the GDP of the respective country)

- **Financial absorption capacity** can be defined as the ability to co-finance EU supported programmes and projects, to plan and guarantee these national contributions in multi-annual budgets, and to collect these contributions from several partners (state, regional and local authorities, private bodies) interested in a programme or project

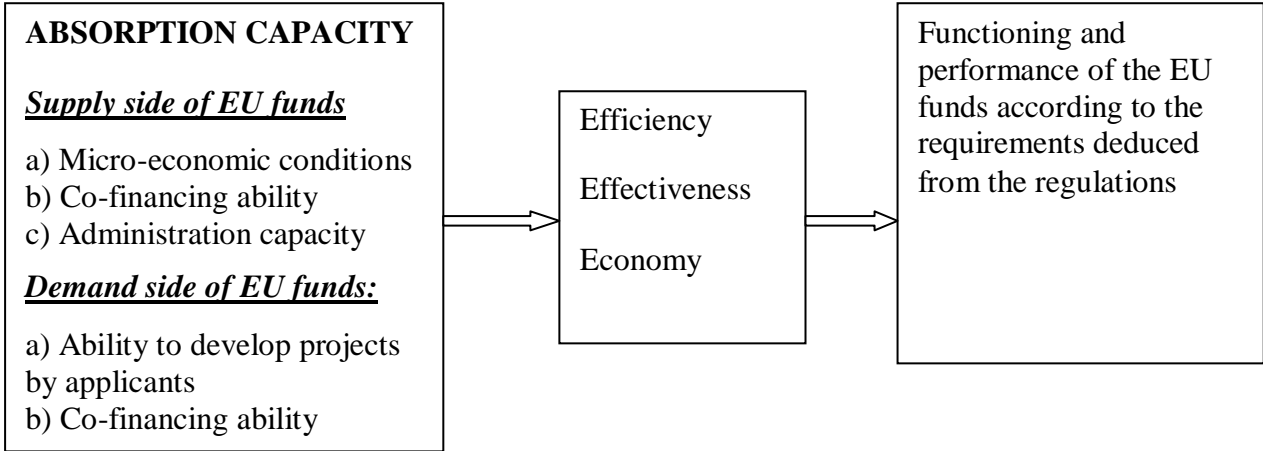
- **Administrative capacity** can be defined as the ability and skill of central, regional and local authorities to prepare suitable plans, programmes and projects in due time, to decide on programmes and projects, to arrange the co-ordination among principal partners, to cope with the administrative and reporting requirements, and to finance and supervise implementation properly, avoiding irregularities as far as possible. The capacity is determined by design of the whole implementation system and also by its functioning (operationalization of rules). The capacity comprises structure, human resources, systems and tools. *Structure* relates to the clear assignment of responsibilities and task of legal body, or within it at the level of departments or units and to supervisory and ancillary bodies, such as Monitoring Committees, auditing bodies, partnership, etc. This assignment refers to a range of EU funds tasks, including programming, implementation, management, evaluation and monitoring, financial management and control. *Human resources* relate to the ability to detail tasks and responsibilities at the level of job descriptions, to estimate the number of qualifications of staff, and to fulfil the recruitment needs. Securing the timely availability of highly experienced, well skilled and motivated staff is a key success factor in management of any PEP. *Systems and tools* relate to the availability of instruments, methods, guidelines, manuals, systems, procedures, forms, etc., which enable organizations to transform tacit and implicit

knowledge (within the heads of individual people) into explicit knowledge that can be shared across organizations.

The administrative capacity requirements vary according to the various stages of the policy life cycle. Management, programming, implementation, monitoring and evaluation, financial management and control all together constitute the policy life cycle. Functioning and performance of EU funds, i. e. the extent to which the EU funds are being managed effectively and efficiently, can be considered as a *throughput* variable depending on the absorption capacity on both supply and demand side. The absorption capacity only leads to a strong performance of the EU funds if economy, efficiency and effectiveness are taken fully into account.

The link between absorption and administrative capacity, efficiency and performance of SFs and EAFRD is illustrated on Figure 1.

Figure 1. Absorption capacity and performance of the EU funds



Source: Markéta Šumpíková, Jan Pavel, Stanislav Klazar EU Funds: Absorption Capacity and Effectiveness of Their Use, with Focus on Regional Level in the Czech Republic. 1 Grant Agency of the Czech Republic, via the project No 402/03/1221, p.3

With respect to the criteria influencing the absorption capacity of SF/CF we can summarize, that the macroeconomic performance in all PRIMA case study sites enables to draw bigger portion of EU funds than it was planned and absorbed in the previous planning period

(2004 – 2006). The ability to co-finance programmes/projects from national public sources is ensured, but the big question is a participation of private sources because the administration requirements can outweigh their gains from project realization with support from the EU.

Due to our comprehensive research we consider the administrative capacity (i. e. the ability to manage SF/CF funds in compliance with the respective legislative framework) and the ability to prepare projects as the main restriction in using the EU funds effectively in present time.

In the following analysis we concentrate on these two dimensions: on the ability of applicants to develop acceptable projects and on the administrative capacity

Most EU member states experienced difficulties in the absorption of the European funds during the early years after accession, particularly due to the lack of a long-term vision of the authorities, to the insufficient resources for project cofinancing, to the low administrative capacity at the central and local level, to the lack of inter-institutional coordination, to the failure of the public-private partnership, to the limited ability of the human resources, etc. (Zaman, Gh., Georgescu, G., 2009, p.144).

During the post-accession period, the pace of structural funds absorption slowed down in the new EU member states, compared to the period when they were in the posture of candidate countries. Some authors noticed that the previous experience in PHARE programs implementation is ignored once more (Arpinte, D., Baboi, A., 2009, p.46); the initiation of consistent debates on the trend of funds absorption during the pre-accession period might support the new EU member states currently in recession.

Due to its level of administrative skills, and a lack of monitoring or management skills, a recipient region cannot devote all external funds to productive capital investment. The magnitude of such administrative absorption problems can be measured through the difference between transfers and the increase in productive capital. Realistically, these kinds of problems will never fully disappear, but can be reduced if administrative capacity is improved and can be reduced over time if the flow of funds is constant. However, improving administration is a costly and time-consuming procedure, usually with diminishing returns (see Niskanen's and other theories of a Leviathan bureaucracy). The conclusion that Herve

and Holzmann [Herve–Holzmann, 1998, p.69] reach is that because of the diminishing returns factor, it is possible to define an optimal amount of administrative expenditure. As any administrative institution has a limited absorptive capacity, funds should be phased in only gradually, starting from a low level and adjusted upwards. The EU followed this logic with Cohesion countries—some of which had substantial problems in absorbing Structural Funds at the beginning—and is doing a similar thing now with new CEE applicant countries. It remains to be seen, however, whether transfers to the applicants will be increased when they reach a more developed administrative level.

After careful consideration of the specific socio-economic contexts in each of the case study areas of PRIMA project, on average it was judged that there was a positive relationship with the implementation system. This reflects the fact that the Programming approach inherent in the system is specifically designed to take account of socio economic factors. However, there is still a discrepancy between the lengthy planning period and the level of flexibility (i.e. some of the projects are with lengthy planning period and can not meet the requirements for rapid and flexible development)

In numerous studies and analysis is stated that one of the key problems in many regions is existed discrepancy between planned number of new companies, share of new jobs, establishment of new innovative companies and the actual state, which is linked to the lower level of absorption.

4. Institutions

Review of the Institutional Structures for the implementation of SFs and EAFRD in six PRIMA case study areas, shows that they are fully integrated into the institutional structures of the State / Region. Due to the fact that there are different administrative country divisions the study shows involvement of wide range of authorities and institutions like Ministries and Ministerial Departments that are involved in the managing, monitoring and implementation process; banks, accountancy firms, chambers of agriculture and commerce

Partnership and consultation have become important elements of SFs and EAFRD implementation. The actual significance attributed to partnership principles varies according

to the pre-existing form of cooperation. Partnership has different meanings and impacts throughout the case studies. Whereas in most case studies partnership describes the inclusion of social partners in the decision making process, in the UK partnership has a much broader scope in implementation. [OIR, 2003] In fact programmes are implemented by a partnership approach, where regional and local partnerships are distinguished. Partnership here is the approach to bring together various funding institutions (local authorities, financial institutions, training and education institutions, regional development agencies etc) for elaborating joint strategies within the strategic framework of the SF programme, for promoting the programme locally/regionally and for assisting applicants to develop proposals and finally selecting out of these. This approach reflects the overall framework in the UK, where no coordinated strategic planning between the vertical levels of administration exist. The partnerships created for SF in this context provide significant added value to the general planning framework as the general lack of a co-ordinated approach in the UK has been tackled by this concept.

5. Conclusions

In the presence of three groups of case study areas – in old member states (with experience in SFs absorption), in new members states and in candidate country , problems in the planning , coordination, absorption, differ from case study to case study. In the paper the attempt was to find the most common for the three groups problems in political, institutional and administrative aspect both in demand and supply side.

The new member states' experiences show that structural fund absorption requires solid preparation of the central administration, in the form of strong national policy frameworks, inter-ministerial coordination, well designed national programmes, and implementation capacity. Partnerships with regional and local governments, private sector business and non-governmental The EU accession process is sometimes accompanied by decentralization which is intended to improve the efficiency of public administration through the application of the principle of subsidiarity. These efforts are often seen as facilitating the management of structural funds which, by definition, have a strong regional focus

However, the experience of Ireland, Portugal, and at least some of the new member states strongly suggests that decentralization and capacity building to absorb post-accession funding need not go hand in hand. Instead, in countries whose poor regions face severe development challenges and possess limited fiscal resources and administrative capacity, central governments must take a lead role. Centralized structural fund programming and management may be needed to ensure the effective implementation of priority programmes. Decentralization may be necessary - but not for reasons of structural fund absorption. At the same time, the use of centralized approaches should not preclude broad consultative processes for consensus building or programme implementation that reflects local circumstances.

With regard to administrative and institutional capacity, a list of only some of these problems includes inconsistencies in the institutional set-up, unclear separation of county-level and regional roles and responsibilities, inadequate practice in multiyear programming and budgeting. These factors may all in turn lead to inefficiencies in the absorption of funds and thus to non-optimal growth potential or slower convergence.

A well-prepared state administration is not enough for structural funds absorption - well-prepared partners are also needed. Competent partners mean better policies, quality planning and programming, better projects, and ultimately better absorption. Where public resources cannot support the preparation of development partners, governments should at least send the 'right signals' to encourage them to help themselves.

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