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Current Knowledge Gaps and Research Methodology Problems in Impact Evaluation of Structural and Cohesion Funds Across the European Union

Abstract

The impact assessment of public policies of all levels in general and community funding in particular is a relatively new sector involving both theoreticians in economics, econometrics, statistics, finance, mathematics, socio-human sciences, political sciences, geography, etc., as well as practitioners from public or private institutions. In this article the author tried to determine what knowledge gaps and research methodology problems exist in the field of impact evaluation of Structural and Cohesion funds, as it was demonstrated that community investments do not necessarily generate visible benefits at local level. Certainly, there is plausible research in the field of such community financing, since from the pre-accession to the post-accession programming periods, in the vast majority of EU Member States, it was reiterated that the impact of these funds on the national economies was not conceptualized. This was mostly due to the fact that the effects on the potential beneficiaries were not identified in real terms, in both macroeconomic and microeconomic perspectives.

Key words: cfunds, impact, evaluation, knowledge, gaps, research, problems.

JEL Classification: F36, F37, O11, O47.

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Introduction

The objective of the paper is to reveal some of the author's main conclusions regarding the knowledge gaps and research methodology problems he experienced during the documentation, writing and defending of his PhD thesis focused on the impact of Structural and Cohesion funds on the economic environment. Owing to the fact that impact evaluations of public policies in general, and of community funds in particular, are becoming a more and more debated topic at international level, this paper sums up some of the well-known research of this field in the "Literature review" section, and enriches it with some of the author's own ideas in the "Knowledge gaps and research methodology problems" section. The research methodology is based mostly on the study of primary and secondary documentation, such as public evaluations conducted by or in behalf of European Commission and private publications made by independent researchers, academia consortiums or field practitioners. Because this article has a pure theoretical background, the author used mostly the content analysis method and assumed the fact that the research results are focused not so much on novelties, but on recommendations.

1. Conceptual Delimitations

To familiarize the readers with the specificity of such research and in order to delimitate some basic concepts, the author would say that the role of community funding in supporting regional and local development is not only an issue of present or future, as economic and social disparities between regions and the need to eliminate them were first mentioned in the Treaty of Rome of 1957.

Furthermore, the year 1958 marked the establishment of the European Social Fund and the European Agricultural Guarantee Fund. The year 1975 brought the concept of redistribution between the rich and poorer areas of the European Community with the accession of Denmark, Ireland and the United Kingdom. Therefore, the European Regional Development Fund was established.

Later in 1986, with the accession of Spain and Portugal, the concept of economic and social cohesion was introduced as a prerequisite for the establishment of the single market. In 1988, the European Commission doubled the financial resources allocated to the Structural Funds over the next few years, starting the multiannual programming cycle with the 1988–1993 period (Idu 2006).

In 1993, cohesion became a priority objective for the single European market, and two years later, with the accession of Sweden and Finland, funds would be allocated to less populated regions, marking the start of the 1994–1999 programming period (Idu 2006). In 1999, the foundations of structural funds reform were established, emphasizing the need to finance social groups and disadvantaged regions, forming the basis for the launch of the 2000–2006 programming period.

Since 2000, the European Union has supported the Central and South-East European candidate countries in their efforts to prepare for membership through financial instruments (Iacovoiu 2006). The post-accession funds are a continuation of pre-accession funds and are made up of structural instruments (Structural Funds – European Regional Development Fund, European Social Fund – and Cohesion Fund) and complementary funds (European Fund for Agriculture and Rural Development, European Agricultural Guarantee Fund), in their different denomination among the 2007–2013 and 2014–2020 programming periods.

In order to continue the idea of the article, if it were necessary to establish the benefits of the Structural and Cohesion Funds in a scientific way, the first question would be: how did they contribute to economic development? Obviously, the most visible reluctance comes from the private environment, which faces a paradox: although it is specified that Structural and Cohesion funds are non-reimbursable, it is difficult to understand that the potential beneficiary has to borrow money, in most cases from a banking institution, or to provide own money resources in order to secure the co-financing rate foreseen for certain funding ceilings. The public environment, through the co-financing power provided by the central or local budgets, as the case may be, manages to initiate development projects, but facing considerable costs.

Despite the optimistic scenario, there were not concentrated efforts of public institutions, the media and, above all, of the academic environment, to remove from the collective mind the perception that an increased rate of absorption of Structural and Cohesion funds, a large number of implemented projects or considerable sums of money will necessarily bring economic development, as the possibility of decreasing the level of the regional or local development disparities is unlikely to be resolved only through community financing.

In the expectation of such results, across the majority of EU Member States, the heavy and late debut of the absorption for the first 4 years of the 2007–2013 period has been strongly blamed. These criticisms were repeated over the period 2014–2020.

What is not explained broadly is that both the 2007–2010 and the 2014–2017 years represent, procedurally, a timeframe in which the operational programs did not receive payments from the European Commission, which operates on the basis of pre-financing and the infusion of funds from the state budget. What is to be understood is that these funds generate negligible costs for the public finance system, as well as co-financing rates and financial corrections applied by the European Commission, all of which are paid from the state budget until recovered from the beneficiaries.

In the current contradictory talks on the situation of European funds in the EU Member States, most of the public institutions are determined only to analyze whether capital outflows, in the form of contributions to the consolidated budget of the European Union, compensate the capital inflows, in the form of reimbursements made by the European Commission to public beneficiaries' private projects of community funds.

2. Literature Review

Regarding the research initiatives in the field of evaluation of Structural and Cohesion funds, at European level there are papers published by the European Territorial Observatory Network (2005) for ex-ante evaluation, Istituto per la Ricerca Sociale et al. (2011) for interim evaluations, followed by Cifolilli et al. (2015) alongside studies developed by the European Commission (2016 a; b; c) for ex-post evaluations.

For sound documentation on the assessment methodologies applied to Structural and Cohesion funds, there are some publications which delimit the concepts of evaluation methodology, issued by Tavistock Institute (2003), Garbarino et al. (2009), Department for International Development (2012). Moreover, the Netherlands Organization for Applied Scientific Research (2008), Varga et al. (2010); Moriss et al. (2014), Center for European Policy Studies (2014), Center for Research on Impact Assessment (2014), Sartori et al. (2014), and Gertler et al. (2016), outlines the impact of Structural and Cohesion funding with some very detailed analyses of their implementation in the Member States using econometric methods, counterfactual assessments or macroeconomic models.

Views on the absorption of Structural and Cohesion funds are made by Bradley et al. (2005), Varga et al (2009, 2010), Ederveen et al. (2002), regarding the incipient analysis of the possibilities for assessing investments from community funds.

At the level of the European Union, regarding the treatment of the impact of Structural and Cohesion funds, in scientific articles it is noted that the approach is set on a secondary level, as the efforts and attention of the relevant institutions and researchers focusing mainly on the degree of absorption. However, major interest in the impact has returned, with the growing concerns of the various researchers to choose appropriate assessment methods for identifying the effects of community funding: Bradley et al. (2005); Hagen et al. (2009); Becker et al. (2010a; 2010b); Becker et al. (2016). As Marzinotto (2012) notes, both empirical research and macroeconomic simulations on the effects of European funds on economic growth have rather inconclusive results. The methodological problems encountered are extremely difficult, as mentioned by Puigerver-Penalver (2007), Petropoulos (2013), Cameron et al. (2016).

From this perspective, it is noted that in most public or private, national or international studies, the issue of the impact of Structural and Cohesion funds is often approached in an ex-ante manner. Specifically, these types of analyses can only be viewed as predictions, and detailed studies are needed for the ex-post period, addressed by Dumciuviene et al. (2015); Becker et al. (2016), Percoco et al. (2016), Percoco (2017). For instance, Montresor et al. (2010) uses spatial filtering techniques to assess the impact of structural funds on economic convergence. Montresor et al. (2011) also studies the effects of the common agricultural policy on economic convergence. Jureviciene et al. (2013) and Vasary et al. (2013) analyze the macroeconomic trends of the Member States in relation to European funding; also, Panagiotis (2014) and Dabrowski (2015) make some regional or local evaluations.

Since the results of the Cohesion Policy, or more readily, the financial flows related to the absorption of the Structural and Cohesion funds, cannot be individualized, there is also a certain lack of awareness of the appropriate moment of impact assessment over different periods of time (ex-ante, intermediate and ex-post). Regarding the available assessment methods, Marzinotto (2012) and Tomova et al. (2013) show that the effectiveness of the Structural and Cohesion funds is compromised either by the low capacity of community funds management or their use for non-performing investments, and because of the fact that in most situations, their implementation is independent of other public policies.

In fact, a limited number of authorities in the EU Member States' governments publicly discuss the actual impact of European funds at the beneficiary and community level, correlated to the lack of transparency of the detailed data on projects at the level of operational programs and the fragmentation or total lack of money spending evidence.

3. Knowledge Gaps and Research Methodology Problems

The EU Member States' public authorities responsible for evaluating the impact of Structural and Cohesion Funds often failed to conclude a detailed overview of the 2007–2013 programming period by operational programs – priority axes – major areas of intervention – financing measures, respectively by development regions – counties – municipalities, towns and communes, given that for the deadline most of EU Member States summarized only a synthesis of the national accounts in relation to European Commission financing (Popescu et al. 2017a).

Also, public authorities that manage territorial administrative units have mostly experienced the same repetition criteria when it comes to the way in which development strategies were formulated for the 2000–2006, 2007–2013, 2014–2020 periods, with some of the incoherent or unrealistic development objectives being reiterated from one period of time to another (Popescu 2016c). In some cases, the real problems and needs of the administered territory have not been identified and no changes have been planned based on the development strategy.

In fact, there are more issues which have led to the delay or, more precisely, to the blocking of the start of the programming period 2014–2020, mostly in some EU Central and South-Eastern Member States. The facts that some operational programs draft proposals still concentrate on sectors with low added value, that the issue of low degree of adaptability of the workforce is still mentioned and the fact that the risk of poverty and social exclusion still predominates in urban environments, not only in rural areas, after several programming periods, causes the author to conclude that an evaluator's attitude depends largely on the side of which the effects of Structural and Cohesion funds are presented and understood – indeed, they can also generate both investment and consumption, or higher wages (Popescu 2018).

Another research methodology problem addresses the whole set of institutions and bodies responsible for reporting European funds: the quantitative – passive reporting of the indicators monitored within the projects must be dropped and qualitative – active reporting should be adopted, because the reduced capacity to produce data at the level of national ministries, managing authorities and intermediary bodies attracts the impossibility of making budget plans, of updating the result indicators or detailed analyses of the impact of community funds.

In fact, both centralized and decentralized data on the impact of the 2007–2013 programming period should have been produced to form the basis for the establishment of the 2014–2020 Partnership Agreement objectives in each Member State. The fact that project outcome indicators are collected late (Popescu et al. 2016a), after a long period of time since the end of the implementation period, highlights that the authorities' approach to finding the effects of community funding is not very in-depth.

There is a lack of impact assessment because there is no interest or correlation between the European Commission – national authorities – regional or county authorities, for the dissemination of appropriate assessment tools and for deepening analyses up to regional level or county level, or why not, up to city/town or community /village level (Popescu 2018). The author also considers that EUROSTAT, together with the national statistical institutes, including statistical subdivisions at regional or county levels, should allocate resources to disaggregate the relevant indicators for the impact of community funding and to introduce them in the context of electronic platforms they already use and where the national ministries of European funds or any other funding management entity can operate.

Knowledge gaps are also encountered when it comes to the authorities responsible for the evaluation of the Structural and Cohesion Funds: an evaluation must be carried out for each operational program 2007–2013, following the counterfactual assessment models (Popescu et al. 2017a). There is no shortage of specialists in the field or lack of evaluation methods, but only an inconsistency in the implementation of ex-post evaluation reports, as evidenced by the fact that even mid-term evaluation reports of operational programs are no longer available from some years (Popescu et al. 2016a). This trend is also encountered in the case of intermediary bodies in the territory, which do not provide aspects of the assessment within the boundaries of the territory which administers it and in the case of local public administration institutions, most of them not even knowing the significance of the concept of assessing the impact of community funds (Popescu 2016c). The creation of local evaluation groups could encourage the development of thorough analyses, which should benefit from the support of European fund management institutions. The fact that in some cases systematic refusal of public institutions to provide information about implemented or ongoing projects is still encountered justifies the desirability of such an approach (Popescu 2016b).

Knowledge gaps are also encountered in universities, schools, high schools, and other adult educational institutions: there is a low level of knowledge among young people about the concepts connected to the absorption of European funds and methods of assessment of their impact on society. Although there are courses organized at the level of Bachelor's or Master's degree programs, they only address the theoretical level of intra-Community funding and do not contain practical application of knowledge. The same observation is also extrapolated in the case of training courses for expert professions accessing Structural and Cohesion Funds, project managers or project evaluators.

Moreover, young people are not encouraged to work on the consultancy sector in European funded projects. Most of the junior consultant positions disqualify the vast majority of candidates due to lack of specific experience. The same observation applies to central and local public administration institutions that organize job competitions for the departments responsible for community funding. Therefore, the stereotype formed at the level of the European community, that the deficiencies of the administrative capacity for managing European funds are generated by the acute lack of staff, is a distorted, false and sometimes unjustified opinion (Popescu et al. 2017b). Even more so, as a large part of the young graduates of higher education have studies in European, political, economic, socio-human, legal or administrative sciences, but do not manage to practice in the field of European funds, either in the public or in the private environment. The author believes that a minimum of professional experience in managing European funds could encourage many young people to write, access and implement individual projects; a measure in this respect could be given by the involvement of undergraduate, masters or doctoral students in internships at public institutions or in consulting companies on the specifics of European funds, traineeships that will teach them answers to practical questions and not theoretical scenarios encountered only on paper.

Furthermore, there is a low degree of knowledge about the specific conditions, the steps to be followed and the costs necessary for the implementation of a project, especially from the population of rural and some urban areas. The general perception of the population (Popescu et al. 2016a), irrespective of the funding area concerned, is that European funds are money received free of charge from the European Union. There is little knowledge of the degree of co-financing for beneficiaries, the excessive bureaucracy for submitting a project, the long waiting period until the project evaluation, the excessive risk of indebtedness of the beneficiary due to delays in reimbursements and the concrete steps to be taken before and after obtaining the project approval. At different local or regional territorial levels, initiatives in this regard are not encountered, especially at a time when the Internet, television and any media can overcome any barriers (time, distance, of any kind of inaccessibility) and to transmit relevant information to people potentially interested in accessing European funds.

Where neither public institutions have the skills or knowledge of community funding, especially in cities and municipalities other than the county seat as well as in communes and villages, there is a need for partnerships between organizations or persons with competences and knowledge in the field. Moreover, mayoralties or local schools could host public information sessions for the interested parties and the general public. These initiatives could also be transmitted in real time through appropriate means of communication. It is disappointing that neither the public television stations nor other private television stations air such information sessions on the opportunity to submit projects for accessing European funds. Similarly, there is no shortage of specialists, but the interest is still low.

Research problems are also caused by the managing authorities of the operational programs, the intermediary bodies and the beneficiaries of European funds (Popescu 2016b). In general, the success rate of the projects is unknown, the concrete results of the projects are not known, difficulties experienced by beneficiaries are not explained. What is more, their concrete actions in the projects, the post-implementation perspectives, the financial and economic implications, the multiplication rate of the effects generated by the projects, and, overall, the benefits to the company, individuals and collective population from the location of the projects are also not known. Relevant information about the main issues related to the preparation, submission, implementation and prospects during the implementation and completion of the projects could be integrated into a communication platform for the direct or indirect beneficiaries of community funding; this would be very useful for the 2014–2020 financial framework.

Conclusions

In the literature and especially in the critical opinions of some authors, the fact that European funding rules created the template according to which projects were written and implemented, only to spend money, without creating a major impact on the economy is intensely debated. However, there is evidence of the positive impact of European funds on economic growth. At the same time, several studies find either the opposite or a weak positive effect, as was presented in the literature review section. The impact of investments on economic convergence cannot be easily identified: the effects are generated over time. The author appreciates the opinion of Marzinotto (2012), who states that the Structural and Cohesion Funds may not capitalize on their potential either because they are not allocated efficiently, are poorly managed or used for wrong investments or due to the combination of these three factors.

The author's conclusions are directed towards understanding the positive or negative opinions ranging from scientific publications of researchers across EU Member States to official opinions of public authorities, all generated by the gradual emergence of impact assessments. Evaluation studies show a potential positive impact for beneficiaries who have applied for funding. It is to be noted, however, that the propagation effect throughout the community is too generalized and, in reality, is not yet known, because of the knowledge gaps and research problems presented in this article.

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