

**MANAGING STRUCTURAL FUNDS:  
INSTITUTIONAL CONSTRAINTS TO EFFICIENCY**

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In the framework of the structural funds the European Commission is promoting the spread of best practices in order to thus make efficient and successful examples of the implementation of structural funds widely known. In this respect the Commission implicitly assumes that lessons can be drawn from examples of other Member States and that institutional structures can be created or changed on the basis of criteria relating to efficiency and usefulness.

This paper will analyse the implementation of the structural funds in the new *Länder* of Germany and will consider the way in which it has drawn lessons with a view to increase its efficiency. The case study will focus on an Objective 1 region, i.e. Sachsen-Anhalt (D). The concluding remarks will analyse the process of drawing lessons undertaken by Germany in general and will pose the question of whether and to what extent it has contributed to increasing the efficiency of management structures.

## **THE ART OF DRAWING LESSONS**

Drawing lessons does not imply blindly copying a certain concept or programme applied in one country or institutional structure. The success or failure of a certain concept is dependent on its specific context. The essential question which has to be asked when drawing lessons is: "Under what circumstances and to what extent would a programme now in effect elsewhere also work here?" (Rose, 1991: 4). Hence, drawing lessons is about whether and to what extent a concept or programme which is successful in one place can be transferred to another place. In this respect, drawing lessons goes beyond mere evaluation: While evaluation analyses the performance of a programme or concept within a given institutional context and makes a positive or negative assessment of the achievements in the past, drawing lessons goes one step further and assesses the chances of successfully applying a similar concept in a different context in the future.

A lesson can be based on the past performance of a certain concept or programme. It can also be based on a comparison between one programme with other programmes of a similar type implemented in another country or institutional context. It is much easier for individuals or private companies to draw lessons than it is for public bodies because public policy necessary involves normative decisions (which is not necessarily the case for private companies). These decisions can only be transferred from one context to the other to a limited extent. In the end, the final decision lies with policy-makers and concerns the balance between political wishes and technical transferability.

However, drawing lessons has to be done for a reason. When an institutional structure functions smoothly and is achieving its politically defined goals, there is a tendency not to look at other concepts or programmes and to try and draw lessons from them. This paper assumes that there is a need to draw lessons in order to increase efficiency in the use of structural funds support. Besides the problems relating to the concept of drawing lessons, efficiency is another aspect which is much more difficult to define in the area of public policy than in a private enterprise, because, generally speaking, public administration is constrained in two ways. Firstly, a general image of good government and good administration embodies values which prescribe how public power should be used and what role civil servants should play in exercising it. Secondly, accountability processes establish boundaries, constraints and sanctions that regulate the use of public power (Metcalf & Richards, 1983).

#### **DEVELOPING A CONCEPT OF EFFICIENCY FOR PUBLIC ADMINISTRATION**

One possibility to measure efficiency of administration would be to look at the ratio between the effects actually obtained with the available resources and the maximum effects possible with these resources. (Bouckaert 1992a: 35). This output-oriented measurement of efficiency says something about how much work has been done but not how well it has been done (quality), nor whether the particular work undertaken was appropriate to the desired end. It also leaves the question open whether the outcome of the activity has had a positive impact on the target group. Although it is necessary to have data on input and output to assess efficiency, this is definitely not sufficient. Integrating a focus on the quality of activities is becoming indispensable. However, in government it is difficult to take the traditional approach of production and consumption because government services are not (always) storable. This automatically results in a shift from output to activities. Another reason for this shift in focus is the necessity to look at structures, procedures, functioning (Bouckaert 1992b: 3).

Bouckaert has developed evaluation criteria which each take a different perspective in assessing public administration's performance: (Bouckaert 1991: 1-2, see also: Boerger, 1978: 192 et seq.).

Efficiency & productivity:	refers to the input-output relationship;
Efficacy & effectiveness: <sup>1</sup>	efficacy refers to internal target achievement and effectiveness refers to external impact achievement. Overall, it refers to the level of effects of the output;
Electability:	refers to the operationalisation of the political impact and utility at policy level;
Legitimacy:	is the degree of acceptance of an authority by those who have to accept this authority.

However, a basic requirement for the concept used for assessing efficiency of management structures in the fields of structural funds is that it takes into consideration that even within the European context the perception of public services, indeed of the whole relationship between citizens and the apparatus of government, differs from country to country. Some of the particular differences carry significant implications for notions of public service quality.

This paper will therefore use a concept of efficiency which does not give any indication as to the actual choice or the values governing the choice. Efficiency as developed by Boerger refers to the choice between different alternatives of options in the framework of a system of values (Boerger, 1978: 18). Public administration can be considered to be efficient if it meets the following criteria "The development and availability of alternative targets, which consider the differences in value between social groups" (Boerger, 1978: 198).<sup>2</sup>

In terms of institutional structures this means the following:

1. Institutionalisation of innovative elements;
2. Institutionalisation of discussion processes in order to take social differences in value into account;
3. Institutionalisation of response speed, which is increased in order to continuously adapt to social change.

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<sup>1</sup> Harrinvirta refers to efficacy and effectiveness as internal and external effectiveness. Harrinvirta, 1998: 5.

<sup>2</sup> „Die Entwicklung und Vorlage von - die Wertdifferenzen gesellschaftlicher Gruppen berücksichtigende - Alternativziele.“

## PRINCIPLES OF STRUCTURAL FUNDS

Apart from considering the existing institutional structures in Member States, the efforts to increase efficiency also have to comply with the legal framework laid down in the various regulations. They stipulate that the structural funds shall be governed by the following five principles:

- Concentration;
- Programming;
- Partnership;
- Additionality;
- Monitoring.

*Concentration* refers to the aim to spend the available funds in areas most in need. In the light of this aim, the 1988 reform of the funds introduced 6 priority objectives. Objective 1 was the most important in budgetary terms and targeted those regions whose development was lagging behind.<sup>3</sup> The *programming* principle was introduced as a result of the negative past experience with too many individual projects, leading to overlap and inefficiency. The principle calls for multi-annual programmes to ensure better coordination of the measures. The *partnership* principle is intended to lead to close cooperation between the European, Member State and subnational authorities. The *additionality* principle was confirmed as another key feature of the structural funds to ensure that structural funds support is added to national regional support measures and does not replace them. The *monitoring* principle aims to ensure proper control of spending in the course of the programming period. It covers both ongoing monitoring of operations as well as evaluations made at a certain point of the structural funds policy process.

Although the meaning of these principles was slightly changed in the 1993 and 1999 reforms, they have essentially remained the same and continue to constitute the legal framework within which Member States have to implement structural funds support. However, when looking at efficiency of management structures in the Member States, on the whole three out of the five principles are relevant, i.e. programming, partnership and monitoring.

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<sup>3</sup> The criterion for eligibility was that those regions having a gross domestic product (GDP) per capita of less than 75% of the Community average would qualify for support. 69.6% of the available funds were to be spent in Objective 1 regions.

## INTEGRATING THE NEW GERMAN *LÄNDER* INTO GERMAN AND EU COHESION POLICY

Pursuant to Article 28 and Article 30 of the German Constitution, regional policy in Germany is primarily the responsibility of the *Länder* and the local authorities. In accordance with the subsidiarity principle they have to solve regional structural problems by themselves as much as possible. *Länder* and regions must work out the concepts and strategies required for regional development, coordinate the priority measures related to different policy areas and link them to the region's own efforts, as the *Länder* and regions are politically responsible for regional and local developments. Moreover, the *Länder* are autonomous in the implementation of all regional or structural policies (Conzelmann 1995: 146).

It is the responsibility of the Federation to provide the appropriate framework for reorganisation and development activities of the *Länder* and regions. Regional structural problems which cannot be solved by the *Länder* and regions themselves justify flanking support by the Federation, as it usually also involves objectives related to the national economy as a whole.

The 'Common Task' (*Gemeinschaftsaufgabe*) is an instrument for the Federation and the *Länder* to assist regions in coping with their structural problems. In the case of particularly serious regional structural problems, which threaten to become too much for individual *Länder* or which have a European dimension, the use of EU funds from the European Regional Development Fund (ERDF) can supplement the joint efforts of the Federation and the *Länder* in the framework of the Common Task.

The legal basis for the Common Task was established back in October 1969 with the law on the Common Task 'Improvement of Regional Economic Structure'. This law, though amended, still forms the legal basis of regional policy in Germany. The overall aim of the Common Task is to coordinate the different structural activities of the *Länder* and the federal level. The Common Task thus functions as an integrative instrument of structural policy throughout the whole of Germany. Assistance in the framework of the Common Task is geared to supporting regional investment activities aimed at increasing revenue and employment in problem regions. To this end, the Common Task concentrates on productive investments and business-related infrastructure. The two guidelines for the selection of projects are the local concentration and the export

orientation of the assisted enterprises. Another main criterion is the creation or provision of permanent jobs.

With the unification the Common Task was extended to the former GDR territory. Mainly due to time pressure, it was applied to the new German *Länder* without its objectives first being modified and without it being adapted to the specific needs of East Germany (Voelzow & Hoppe 1996: 117). Gradually, however, a specific structural concept for the reconstruction of East Germany's economy has been developed within the Common Task. It is mainly based on the following three pillars:

- restructuring and preservation of competitive industrial centres on the basis of economically workable concepts;
- an active employment policy (qualification, job-creation schemes, employment agencies) to bridge the period between the collapse of the old structures and the construction of new ones;
- an active regional policy to improve local conditions and create new competitive employment.

The integration of the new German *Länder* into the EU cohesion policy was based on the following considerations (European Commission 1990a, European Commission 1990b):

1. The need to treat structural funds operations in the former GDR as soon and as far as possible on the same basis as operations in the rest of the Community;
2. The need for rapid implementation of funds operations in the former GDR, based on simplified procedures;
3. The impossibility of designating Objective 1, 2 and 5b regions on the basis of the criteria contained in the structural funds Regulations, in the absence of relevant statistical data, and the risk that any a priori designation could limit the flexibility of the Commission's response to problems which have not yet been fully identified, analysed and defined;
4. The fact that the approach chosen allows identification within the Community Support Framework (CSF) of specific areas designated for regional and rural development operations.

Although the *acquis communautaire* was fully applicable on the territory of the German Democratic Republic as of the date of the German unification, the following special transitional arrangements with regard to the management of structural funds were introduced:

- Flexibility, including a pragmatic approach to the classification of regions by regional objectives. This especially concerned the division of the territory according to the NUTS system. So, given the absence of appropriate statistical information, structural funds measures have been implemented without previous classification of the regions and areas of the former GDR (Council Regulation 1990a);
- A simplified procedure for analysing the regional development plan leading to the adoption of the CSF and the Operational Programmes (OPs) in order to allow rapid implementation of structural funds support.

However, the other structural funds principles had to be respected by the German authorities as 1 January 1991 onwards.

### **THE FIRST PROGRAMMING PERIOD: COPYING OF EXISTING PRACTICES**

The first programming period can best be characterised by there being constant time pressure. Germany was unified in October 1990 and already became eligible for structural funds support in January 1991. In this first programming period structural funds support was entirely linked to the pre-existing national support instrument, i.e. the Common Task. More specifically, it was linked to the Common Task both in terms of the priorities identified in the Community Support Framework (CSF) and in terms of the management structure established. The regional development plan and the OPs were drafted within one month. Due to the limited time available for preparation and interministerial consultation, the documents were drafted mainly by the federal ministries with very limited involvement of the *Land* or other subnational actors. In fact, only in the case of the OP EAGGF, the *Land* effectively participated in the planning process. Due to mainly two reasons the planning process went relatively smoothly: Firstly, the European Commission insisted neither on an integrated approach in the use of the funds nor on participation of local and regional actors in the planning process. Secondly, Germany was highly interested in benefiting from the funds as soon as possible. In contrast to the planning process, the implementation of the funds encountered considerable problems.

The responsibility for implementing the structural funds has been divided between the federal and the *Länder* level. While the federal level has been responsible for the CSF, the *Länder* has been in charge of implementing the Operational Programmes (OPs). The CSF Monitoring Committee has been composed of representatives of the federal



government (the Ministries of Economic Affairs, of Finance, of Agriculture and of Employment) the task managers of the ministries of the Objective 1 *Länder* and representatives of the Commission. The local level has been represented by the Federation of Towns and Municipalities (*Städte und Gemeindebund*). Prior to the meetings of the CSF Monitoring Committee, the Federal Ministry of Economic Affairs consults economic and social partners.<sup>4</sup> After the meetings the Ministry has informed them of the decisions that had been taken. However, it should be pointed out that these meetings with economic and social partners have been of a consultative nature only.

At the level of Sachsen-Anhalt, responsibility for the funds has also been split between three line *Land* ministries (Economic Affairs, Employment and Agriculture). The *Land* established a subcommittee of the CSF Monitoring Committee. This subcommittee has not been competent to adopt formal decisions. It has only given recommendations to the CSF Monitoring Committee and consisted of representatives of the European Commission, the federal government and the *Land* government. In contrast to the CSF Monitoring Committee, economic and social partners and representatives of relevant NGOs have been members of the subcommittee. However, they do not have any formal rights at the meetings. Their participation has nevertheless been considered as positive since it also contributes to better mutual understanding. The local level, however, is not been represented at the subcommittee meetings. The subcommittee's main task has been to develop a *Land*-specific and not funds-specific strategy. It has therefore included a broad range of social actors in its discussions.

The difficulties in implementing the funds were caused mainly by a limited absorption capacity, which can be attributed to three main structural weaknesses:

- the fundamental change of the economic situation in the new *Länder*;
- insufficient statistical data which allowed neither a realistic cost-benefit analysis of projects nor an assessment of tax revenues of planned projects;
- a public administration which was not very familiar yet with dealing with the structural funds procedures.

However, the fact that local authorities were not familiar with structural funds procedures not only resulted from the transition process as such but can also be

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<sup>4</sup> Examples of organisations participating in these consultative meetings are: *Deutscher Industrie- und Handelstag (DIHT)* (Federation of German Chambers of Industry and Commerce), *Dachverband des deutschen Handwerks* (Federation of German Craftsmen), *Bund für Umwelt und Naturschutz (BUND)* (Federation for Environmental Protection and Conservation), World Wildlife Fund (WWF).

attributed to the fact that this level was entirely excluded from the planning process and was not included in the Sachsen-Anhalt subcommittee of the Monitoring Committee either. So, although the planning process can be assessed as being effective in that it led to the desired results, namely drafting of a regional development plan and adoption of a CSF in early 1991 and consequently early implementation of structural funds operations, it still resulted in a backlog in the implementation phase.

### **THE SECOND PROGRAMMING PERIOD: WERE LESSONS DRAWN FROM THE FIRST PROGRAMMING PERIOD?**

The planning process for the second programming period, from 1994-1999, was conducted in a different way and included the *Länder* level to a far greater extent than in 1990/91. This can be explained by the fact that in 1991 the *Länder* did not have the appropriate administrative structures that could have participated in the planning process effectively. However, in 1994 the situation changed and the *Länder* did have the administrative capacities to take part in the planning.

The development plan of Germany for Objective 1 regions consisted of three parts (BMWi/BMA/BML 1993). The first part outlined the economic, environmental and social situation in the five new *Länder* and Berlin (East). The second part presented analyses of the specific situation in each *Land*. Although the *Länder* administrations were involved in drafting the section dealing with their *Land*, most of the analytical work was done by the federal ministries. Moreover, agencies such as the Federal Statistical Office and the Federal Environmental Agency played a major role in the drafting process. The third part of the development plan dealt with the specific tasks of the various funds in the different *Länder*. The preparation of this part involved coordination and consultation between the respective federal and *Länder* ministries. The task managers coordinated their concepts and strategies vertically, e.g. the official in charge at the federal Ministry of Economic Affairs exchanged views with the task manager of the corresponding *Land* Ministry. Horizontal coordination between the task managers of the different ministries involved at *Land* level did virtually not take place - at least not in the case of Sachsen-Anhalt.<sup>5</sup>

<sup>5</sup> In fact, limited interministerial coordination seems to be a general problem in a number of *Länder* in East and West Germany. See e.g. for Niedersachsen: Nicola Staeck (1996), Die europäische Struktur fondsförderung in einem föderalen Staat – am Beispiel des Bundeslandes Niedersachsen, in: Hubert Heinelt (Hrsg.), Politiknetzwerke und europäische Struktur fondsförderung, Opladen, pp. 92 – 94.

As regards the OPs, the *Länder* played a more crucial role than in the drafting of the overall development plan. The *Länder* presented three so-called mono-fund OPs. The preparation of these OPs, however, involved vertical coordination within the respective ministries and sometimes with the corresponding federal ministry. The different line ministries did not coordinate with each other.

In spite of this slightly extended participation of the *Länder* level, the Commission was not convinced that the development strategy proposed by the German government corresponded to the needs existing in the regions. In fact, it was rather suspicious that - as in the first programming period - the strategy simply represented the federal government's opinion on regional policy priorities. In addition, the European Commission did not appreciate the mono-fund approach to the OPs. It considered that one of the fundamental provisions of the structural funds regulations, i.e. integrated use of the funds, was not respected with this mono-fund approach. While in the first programming period the Commission had gone along with the mono-fund approach of the East German *Länder*, it was not prepared to do so again in the second programming period. Consequently, the Commission adopted neither the mono-fund OPs presented by the *Länder* nor the 100% linkage of the ERDF with the Common Task, but rather pushed the *Länder* to draft so-called multi-fund OPs which had to outline how to combine the different funds at priority level. One *Land*, i.e. Sachsen, supported the Commission in its demand not to link the ERDF entirely to the Common Task. As the Commission's position was much stronger with the support of Sachsen, the federal level as well as the *Länder* reconsidered their structural funds strategy and not only drafted new multi-fund OPs but also agreed to an opening clause in the CSF that would allow the *Länder* to use ERDF funds outside the ambit of the Common Task.

The Commission's demand to rewrite the OPs caused considerable problems for Sachsen-Anhalt's administration because it did not have the appropriate institutional arrangements that allowed interministerial coordination at both policy and managerial level. The entire planning process was very rigid and relied on structures established on the basis of the requirements of the Common Task.

The EAGGF-dominated OP was drafted by the Sachsen-Anhalt Ministry of Agriculture. Although only Sachsen-Anhalt was responsible for drafting the OP, the Ministry of Agriculture consulted the federal level regularly. The OP was drafted in several steps. Firstly, the ministry conducted a needs analysis in the field of agriculture and

environment. Several departments of the Agricultural Ministry were involved in this process. After the priorities and sub-priorities for funds support had been established on the basis of the analysis, a broad discussion with representatives of interested social groups was launched. It was decided not to link the OP entirely to the Common Task for rural development in order to broaden the scope of the funds interventions.

For the ERDF-dominated OP, Sachsen-Anhalt did not make use of the 'opening clause' inserted in the CSF.<sup>6</sup> Instead, it linked its ERDF support entirely to the Common Task. Prior to this decision, there had been a broad and lengthy discussion about the extent of this link to the Common Task. Other line ministries, such as Research & Development, Culture and Education, argued that the ERDF support should not be limited to the Common Task of which the scope is relatively smaller than that of the ERDF tasks. It was argued that other projects which in theory could be supported under the ERDF regulation but not under the Common Task should also qualify for ERDF support. In the end, the financial contribution of the federal level - and not the material reasons - were the most convincing argument for policy makers in Sachsen-Anhalt to link all ERDF support to the Common Task. Moreover, the political level of Sachsen-Anhalt was not completely aware of the full range of options under the ERDF compared to that of the Common Task which provides support to a far more limited choice of activities.

Linking ERDF interventions entirely to the Common Task also led to a very strong dependence of the ERDF on the development of the Common Task. In other words, giving up part of the *Land's* autonomy in the use of ERDF funds resulted in the design of the ERDF structures becoming strongly dependent on the design of the Common Task. This applied not only to the support measures but also to the management structures, which did not rely on horizontal coordination between the three core ministries involved in structural funds (Ministries of Economic Affairs, of Agriculture and of Employment). In addition, it excluded other line ministries, such as Environment and Research & Development, from structural funds support. The OPs were rather considered as coming under the sphere of influence of the respective ministries.

As the planning process differed between the various ministries, so did the management structures. In the case of the ERDF, the following structures have been established.

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<sup>6</sup> The opening clause stipulates that the *Länder* and the Federal Government from 1995/96 may "use ERDF resources from programmes other than the Common Task". Community Support Framework for the Objective 1 Regions of Germany, point 157.

Within the Ministry of Economic Affairs, responsibility for the ERDF is concentrated in one department (*Referat Regionalfonds*) which works closely together with the department responsible for the Common Task.<sup>7</sup> The day-to-day management of the Fund, however, has been outsourced to an external institution, the *Landesförderinstitut* (LFI).<sup>8</sup> The LFI, set up as a development bank, has one department dealing with both the Common Task and the ERDF. Reportedly, it was relatively easy to establish this centralised approach because the ERDF is linked to only one national instrument of regional policy, namely the Common Task. This procedure to implement ERDF funds is very much focused on the Ministry of Economic Affairs. Only to a very limited extent does the Ministry consult other line ministries, such as the Ministry of Environment, with a view to, for instance, drawing up a list of projects to improve sewerage facilities, or the Ministry of Trade and Industry and the Ministry Education for the purpose of selecting vocational training projects.

Consulting and advising potential investors, on the other hand, involves a large number of institutions, particularly associations and government offices for economic development in the municipalities and administrative districts, the Regional Councils (*Regierungspräsidien* - RPs), and the Ministry of Trade and Industry (MW). Applications must be submitted according to the procedure set out in the Common Task and will finally be approved by the approval committee, under the overall responsibility of the Ministry of Economic Affairs. The Ministry of Economic Affairs also wished to develop a more regionalised approach to ERDF support. It initiated two regional programmes<sup>9</sup> in the framework of which local authorities are asked to come up with integrated development concepts for their particular region.

In contrast to this rather centralised approach of the Ministry of Economic Affairs to the ERDF, established on the basis of the Common Task procedures, the Ministry of Employment that deals with the ESF and the Ministry of Agriculture that is in charge of the EAGGF Guidance Section have taken a more decentralised approach.

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<sup>7</sup> In fact, for most of the programming period it had been part of the Common Task department. Only for a limited period of two years did it exist as a separate ERDF department.

<sup>8</sup> However, in this context it should be pointed out that the Ministry of Economy will most likely face a shortage of staff when it comes to planning the next programming period, since the current human resources are fully engaged in the implementing process.

<sup>9</sup> Regional Development Concept (*Regionalentwicklungskonzept, REK*), Regional Action Plan (*Regionalaktionsplan, RAP*).

As regards the ESF, a large number of authorities have been involved in approving project applications (e.g. the Ministry of Employment, the Ministry of Social Services and Public Health, the Industrial Health and Safety Board of the *Land*). This decentralisation was introduced only in 1994. Before that, the Ministry of Employment had sole responsibility for implementing the Fund. The advisory body for applicants is a private consultancy firm.

As regards the EAGGF Guidance Section the Ministry of Agriculture, Spatial Planning and Environment is responsible for the implementation. However, the day-to-day management of the Fund is outsourced to a number of different institutions (e.g. Agencies for Agriculture and *Land* Consolidation (*Ämter für Landwirtschaft und Flurneuordnung*), the LFI, the forestry authorities).<sup>10</sup> This is considered to correspond best to the specific requirements of the EAGGF Guidance Section, because decisions on the approval of projects often require highly specialised technical knowledge which cannot be found in only one institution. Just as the Ministry of Economic Affairs, the Ministry of Agriculture has initiated regional development concepts to be drafted by local authorities.

With the exception of the ESF management structure, the abovementioned structures were established during the first programming period 1991-1993. They were not changed or adapted to the specific requirements of the structural funds in the second programming period. So, although the planning process has changed significantly in comparison to the first planning process (stronger involvement of the *Länder* and the opening clause), the implementing structures have not changed.

As emphasised in the interim evaluations of the structural funds in Sachsen-Anhalt, the integrated multi-fund approach favoured by the Commission caused considerable implementation problems in Sachsen-Anhalt. Only very few measures that received support from more than one fund could be implemented. This lack of measures can be partly traced back to the lack of coordination between the three ministries involved and other line ministries. In order to improve coordination, an interministerial working group in which all ministries participated was established in 1997. Before 1997, coordination of the different funds relied entirely on personal contacts between the task managers.

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<sup>10</sup> Unlike the ERDF with the Common Task “for the Improvement of Regional Economic Structure” the EAGGF Guidance section is not entirely linked to the Common Task “for the Improvement of Agrarian Structures and Coastal Protection”.

However, the lack of integrated measures was only partly due to the fact that the funds were managed by different ministries and that therefore each Fund followed a different administrative procedure, both in the *Land* and in the Commission.<sup>11</sup> The problems were also caused by the fact that there were not enough proposals that followed the integrated approach. In spite of the initiatives of the Ministry of Economic Affairs and the Ministry of Agriculture, local authorities were unable to develop a coherent local development concept on the basis of which they could make integrated use of the funds. There are several reasons why local authorities could not benefit from the Ministries' initiatives. Firstly, there were no sufficient guidelines as to how to implement the integrated priorities set out in the OPs. When Sachsen-Anhalt drafted its OPs, the integration of the funds was considered as a mere necessity resulting from the Commission's insistence on the issue. But no further thought was given to the way in which this integrated approach should be put into practice. Secondly, the REK and RAP regional initiatives were initiated by the Ministry of Economic Affairs and were hardly coordinated with the other line ministries. So, the Ministry expected the local authorities to develop an integrated approach which had not even been established at ministerial level. Thirdly, the initiatives were not combined with a delegation of part of the competences to the local level. The local level was called upon to develop plans but was then asked to follow the relevant procedures established by each Ministry separately.

### **THE THIRD PROGRAMMING PERIOD: MASTERING THE ART OF DRAWING LESSONS?**

The third planning phase which started only in 1998 has brought about a whole range of procedural and institutional changes. Long before the structural funds regulations were adopted, Sachsen-Anhalt had started its planning process. Initiated by the Ministry of Economic Affairs a needs analysis was carried out by independent experts, on which basis they proposed support priorities.

In contrast to the former situation when the funds were channelled through three separate OPs, Sachsen-Anhalt plans to present only one OP to the European Commission for adoption. This OP will integrate all four structural funds. Although

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<sup>11</sup> The European Commission, too, insists on a clear separation of the Funds when it comes to financial control and auditing.

according to the plan the priorities as such will not be integrated but divided between the different funds, the integrated approach will be implemented through so-called regional initiatives. There are many differences between these initiatives and the not very successful REK and RAP initiatives of the programming period 1994-1999, such as:

1. A permanent and institutionalised cooperation structure will be established at interministerial level, involving the three key ministries as well as other interested ministries. This interministerial cooperation will increase the chances that the integrated approach will not only be reflected in the planning process but also be respected in the implementation phase.
2. The sub-*Länder* level can be much more involved in the implementation phase by preselecting the support schemes which have been developed in the respective regions. This can increase the absorption capacity of the sub-*Länder* level considerably. Moreover, the permanent coordination and exchange of views between the local and the *Länder* level will be institutionalised.
3. Cooperation between the three key ministries will be strengthened. Together they will draft and adopt guidelines outlining the scope of the different regional initiatives and they will also make a selection between the different support schemes proposed by the sub-*Länder* level. This was not the procedure followed in the case of the REK and RAP initiatives, when the ministries simply invited the sub-*Länder* level to draft local development initiatives and later on tried to squeeze their initiatives - if any - into the support plan established at *Länder* or even federal level. The new approach which involves adopting guidelines for local actors will ensure that initiatives developed at this level have a much better chance of being coherent with the priorities and measures established. Although this approach limits the flexibility of local actors to a certain extent, it is nevertheless to be welcomed since the guidelines only indicate broad areas for support, but this is not even broken down to measure level.

In addition, for the next programming period, from 2000 to 2006, Sachsen-Anhalt intends to make use of the opening clause with regard to the Common Task in order not to limit the ERDF to the scope of the German regional support instrument. This development is not least due to the fact that the politicians have become aware of the value of the ERDF money and the opportunities it offers them. As regards the next programming period, the political level will not be excluded from the implementation of the funds. A permanent "clearing" committee composed of state secretaries will meet



regularly in order to closely follow the implementation process and - if considered necessary - provide political guidance.

## **CONCLUSIONS: HAVE LESSONS BEEN DRAWN IN ORDER TO INCREASE INSTITUTIONAL EFFICIENCY**

When looking at the three programming periods in the case study of Sachsen-Anhalt we can observe a development regarding the drawing of lessons. Generally speaking, one may conclude that in the second programming period lessons were based on a comparison within the German system, i.e. with the Common Task and not with management structures in other Member States. Nor did Sachsen-Anhalt base its lessons on a stricter interpretation of the provisions set out in the structural funds regulations. With a view to the preparations for the third programming period, which will start in the year 2000, the lessons were based not only on the German experience but also included the European dimension, voiced by the European Commission. This modified approach to the drawing of lessons becomes apparent when we look at the different aspects related to the management structures to be established in Sachsen-Anhalt from next year onwards:

### **1. Planning and implementing Structural Funds: From two separate and distinguishable steps to “two sides of the same coin”**

In the first two programming periods, the planning and implementation processes were dealt with as two separate and also distinguishable stages. In the case of the first programming period, the distinction between planning and implementing was even more pronounced since the planning was done by the federal level while the implementation of the funds was the responsibility of the *Land* level. Although in the second programming period this institutionalised distinction between planning and implementation was not as clear-cut as before and the plans were not only drafted by the federal ministries but also involved the *Land* level, the different approaches to planning and implementing continued to exist. The planning did not involve the wide range of actors that had a role to play in the implementation of the funds but was basically restricted to the ministries and some key agencies. The approach to the planning for the next programming period, from 2000 to 2006, has been different in that actors at local and sub-*Land* level as well as social and economic partners have also participated in the planning. Moreover, the European Commission have regularly been consulted and informed about the state of affairs of the planning

process. However, the final decision on the plans to be presented to the European Commission will still be taken by the government of Sachsen-Anhalt and the Federation.

## **2. Institutional structure: From divided responsibility to “fusion” administration<sup>12</sup>**

On the basis of the experience with the Common Task the responsibility for the three structural funds was allocated to three different ministries (i.e. Economic Affairs, Agriculture and Employment). However, there was no institutional structure at either political or administrative level which would have allowed some coordination between the different funds. Once the funds were allocated to the different ministries and the CSF and the OPs were adopted, all horizontal coordination between the different *Land* ministries with view to structural funds stopped. Only from 1997 onwards has an interministerial committee tried to provide some coordination. However, this structure has been limited to the administrative level and has therefore provided no political guidelines. The preparations for the next programming period suggest that Sachsen-Anhalt will take a more coordinated approach to planning and implementing the funds. Although the management structures will continue to be the sole responsibility of the three ministries, different levels of coordination, also with other line ministries, will be established, not only at the level of politicians but also at administrative level and further down to the local level.

## **3. Integrated approach: From an appendix to an integral part of the strategy**

The problems that Sachsen-Anhalt was facing with the integrated approach resulted from the fact that there was no comparable precedent in the Common Task on which the *Land* could base its lessons. Therefore, the integrated approach was initially not reflected in the institutional structure established to plan and implement the funds in Sachsen-Anhalt. Only on the basis of an explicit demand of the European Commission in 1994 did Sachsen-Anhalt create some sort of institutional structure geared to dealing with the requirement to make integrated use of the funds. However, since it was not linked to the main decision-making structures of structural funds in Sachsen-Anhalt, it did not really become operational. For the next programming period Sachsen-Anhalt seems to depart from the Common Task-dominated institutional structure and establish a management structure for the structural funds in which the integrated approach will be reflected at all levels of decision-making. The

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<sup>12</sup> Wessels 1997.

integrated approach will thus no longer be an appendix to the management structure but will become an integral part of it.

Finally, in coming back to the three different elements defined as constituting institutional efficiency, the question of whether this new approach to the structural funds has the potential to contribute to a more efficient use of the funds is discussed below.

“Efficiency as Institutionalisation of innovative elements”:

Assuming that a great potential for innovative elements in the use of the structural funds can be found at local or sub-*Länder* level or in NGOs, the revised management structure could contribute to a more efficient use of the funds since the actors at those levels will participate in the modified management structure more actively and on a regular basis. Although in the second programming period the sub-*Länder* level was also involved in the implementation of the funds (via the REK and RAP), this involvement was not institutionalised. As a result, initiatives that were born in the framework of e.g. the REK and which have therefore followed an integrated approach, still had to go through separate decision-making processes established for the three different funds. The modified procedures stipulate close institutionalised involvement of a number of different actors in the decision-making process and interaction between the different levels of actors.

“Institutionalisation of discussion processes in order to take social differences in value into account”:

In the first two programming periods, the implementation of structural funds was depoliticised. It was basically considered as a mere administrative act on which the political decision had already been taken. So, once the CSF and the OPs had been adopted, civil servants took over the structural funds and implemented them according to the procedures set out in the plans. Except for the subcommittee of the Monitoring Committee, which, however, did not have any decision-making power, the implementation procedures for the structural funds did not provide any forum for discussing political priorities and values. Not only will the new structures institutionalise discussion processes at different levels, it will also put the ball back in the political court. Implementation of the funds will no longer be entirely left to - by definition - non-political civil servants, as it will now also be closely watched by politicians through guidelines.

“Institutionalisation of response speed, which is increased in order to continuously adapt to social change”:

Although there are plans to establish procedures for adapting the funds to social change, no provisions have been made to increase the response speed in order to allow the institutions to respond quickly in order not to slow down the implementation process. It is an open question whether the different levels involved in the decision-making process, namely the state secretaries of the different ministries, the Ministry of Economic Affairs as the management authority, the line ministries, the interministerial coordination group and its subordinate groups (for each integrated initiative) plus the sub-*Land* level, will lead to a cumbersome and slow implementation procedure. The discussion on the reform of the management structures has not dealt with the problem of the response speed extensively.

Overall, the new structures have the capacity to increase efficiency of the management structures. Not only will the flexibility towards the funds, which has been a constant demand from the European Commission, be increased, but different social values and political priorities represented by different social actors will be integrated into the structural funds management in the form of an institutionalised dialogue. However, whether this new structure will be effective or whether this will lead to a trade off in the output and outcome remains to be seen.<sup>13</sup>

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<sup>13</sup> See the question of input and output legitimacy: Scharpf 1999.

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