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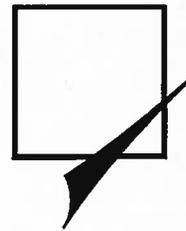
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# **Improving Structural Policy Under Conditions of Hybrid Governance: *Multi-Actor Constellations, Integrated Feedback Instruments and the Use of Evaluation Results***

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As compared to national policies, European structural policy is evaluated extensively. Although the last decade shows considerable success in institutionalizing evaluation processes, the effectiveness of evaluations in terms of the use of their results for policy development could be improved. The existing problems stem from a tension generated by the hybrid governance of structural funds implementation, i.e. the mixture of management by results and bureaucratic rule steering. Against this background, institutional and alternative means for enabling and ensuring the effectiveness of evaluation of the structural funds are discussed. The analysis shows that such an input of evaluation findings into the processes of policy development and improvement can be supported by regulatory requirements. However, they should be complemented by incentives that address the needs of de-central implementing actors.

**KEYWORDS:** evaluation; governance; implementation; management by results; policy development

## **Evaluation of European Structural Policy**

The dissemination of evaluation practice and its contribution to the development of an evaluation culture is one of the key success stories of the EC structural funds implementation over the last 10 years or so. In 1988, the Council, together with the Commission, codified a policy model for implementing the structural funds that is centred around a programming approach. For tackling socio-economic development problems in certain regions or sectors, programmes are set up by national or regional administrations. In doing this, they collaborate with relevant actors from the region or sector and with the European Commission which, in the end, has to adopt the programmes. These documents comprise problem analysis, development strategy, specific measures and a budget to finance them. This model contains a comprehensive approach to evaluation by defining a complete

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cycle of *ex ante*, intermediate and *ex post* evaluations for each programme. The evaluations cover the total expenditure of structural funds and their findings will be an integral part of the policy process. Since 1989, a considerable improvement of evaluation methodologies, as well as the development of a supportive evaluation culture, can be observed. However, deficiencies remain that cannot be denied. The basic challenges are methodological problems of assessing the impact of a broad variety of eligible measures, a wide range of clients of the evaluation to be satisfied, and finally to feed evaluation results into the policy process of reformulating the programmes.

The latter issue came to my attention in the context of a series of projects in the field of structural funds I was involved in during the last few years.<sup>1</sup> Considering the governance structure of the structural funds' implementation system, I developed the conceptual argument that the specific mixture of management by results on the one hand, and bureaucratic rule steering on the other hand, influences the conditions for the use of evaluation findings. In this article, I present the conceptual argument and develop some tentative conclusions on how to enhance the use of evaluation results. First, I provide a brief sketch of the development of the structural funds' model of policy implementation and the success of evaluation until now, as well as the persisting remaining problems. In the light of this development and a sketch of the hybrid governance of structural funds implementation, I compare the capacities of evaluation and other feedback instruments. Finally, I discuss conceptual proposals on how to enable and ensure the use of evaluation findings in the policy process of structural funds implementation.

### **A Policy Model with In-built Evaluation System**

The development of the European structural funds is well documented in the relevant literature (cf. among others Armstrong, 1995; Bache, 1998; Hooghe, 1996a; Wishlade, 1996). The procedural core of its policy model is formed by an elaborated exercise of formulating multi-annual programmes that is complemented by systematic evaluations. Before this policy model was introduced in the large reform in 1988, the structural funds served as a refinancing instrument for projects generated within the context of the member states' own structural policies or support schemes. Only at the margins of the policy were small niches for experimentation available. For example, within the so-called 'Integrated Mediterranean Programmes', new programme approaches to European structural policy were applied, laying the conceptual foundations for the Commission's proposal for the structural funds reform in 1988 (cf. Smyrl, 1998).

This simple system of inter-state budget transfers was completely overhauled in the large reform in 1988. Accompanied by a doubling of the budget (followed by a second doubling in 1993), a new implementation model was codified in the structural funds regulations:

- The structural funds are implemented jointly by the European Commission, national departments and regional or local authorities. Each of them remains formally autonomous. However, they share responsibilities in

setting up strategies and implementing them together. In addition, relevant societal and private organizations such as the labour market organizations, social policy or environmental organizations are partially involved in the implementation system.

- The programming documents are negotiated between the member state actors and the Commission. Based on an analysis of the development problems of the respective region, they comprise a set of objectives of the programme, a strategy to attain them by spending the given budget, and specific measures to be taken in order to implement the strategy.
- The requirement of additionality will ensure that the European resources do not simply replace national expenditure for structural policy. In addition, each project is funded from the structural funds as well as from national or regional budgets. In practice, the national or regional match funding can either be acquired for every single project (as, for example, in the UK) or the EC resources are attached to national or regional support schemes, including their budget lines (as, for example, in Germany).

Since the beginning of 2000, new regulations have been in force that were adopted by the Council as part of the 'Agenda 2000' package. They define a more decentralized model of implementing the funds. The Commission's competencies will be concentrated on the more strategic issues of the programmes and de-central actors will have more responsibility and more flexibility in implementing the programmes. Complementary to this decentralization, the feedback instruments of monitoring, evaluation, and financial control will be strengthened (see below). These changes are, on the one hand, certainly a result of a power struggle between the Commission and the member states in the Council. On the other hand, the new model is less than a move towards re-nationalization (Sutcliffe, 2000). It is not yet certain if the new model will actually shift too much power and influence among the involved actors: the rationale behind the new model is management by results, and this basically means negotiating on results together, decentralizing competencies and responsibility for results and centralizing control of de-central actions. To what extent the new model will shift power and competencies will therefore depend on the extent of actual decentralization on the one hand, and the efficacy of the feedback instruments on the other hand. Of greater importance for the analysis here is that the new model reflects implementation experience in at least two respects: first, the last 10 years of implementation have shown severe inflexibility and, particularly, the rigidity of decision making within the multi-actor constellation. Second, the potential of the in-built systems of evaluation and monitoring has been under-used. Thus, the more recent changes build on the progress already achieved in terms of evaluation quality and culture.

## **Successful Institutionalization of Evaluation and Remaining Challenges**

While the substantive impacts of EC structural funds are the subject of ongoing political, as well as academic, debates, procedural innovations and the

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institutionalization of systematic evaluation, in particular, are widely acknowledged. When the regulatory requirement to evaluate the structural funds comprehensively was introduced in 1988, this was possible as part of an overall package deal of the European Council. Extensive and intensive evaluation was accepted by the net-paying member states in order to enable the Commission to control the southern member states that receive major shares of the funds (cf. e.g. Pollack, 1995). In addition, the evaluation system attached to the implementation system can be characterized as the symbolic component that stands for the responsible use of the Community's money after it is transferred to the less developed regions.

#### ***Quantitative Increase and Qualitative Improvements in Evaluation***

Before 1989, evaluations of structural policies had a low profile in Europe. After the extensive reform in 1988, a significant quantitative as well as qualitative increase in evaluation efforts can be observed (Bachtler and Michie, 1995). The quantitative development is most visible: in a recent study, more than 380 evaluations were counted, for just the 1997 intermediate evaluation. In addition, the Commission launched transnational and thematic evaluations. National administrations commissioned numerous sector evaluations. An indicator of this significant expansion is the development of an evaluation market and a sharp rise in the number of consulting firms (C3E, 1998: 8–9, 14–15; for a more general assessment of the European evaluation market cf. Leeuw et al., 1999).

The development of evaluation led to a rise in professionalism. Academic teams from universities, new departments and subsidiaries of large international consultants and many new small firms conduct evaluations. The standard methodological tools are refined and adapted to the evaluation of structural funds programmes: in the framework of activities such as the Commission's specific programme for that purpose (MEANS); the growing number of European and national evaluation societies; and not least in the framework of many studies done in the regions. In general, not only a significant expansion of evaluation efforts, but also a considerable improvement in evaluation quality can be observed, that becomes most visible in outstanding studies such as the Irish mid-term review (Honohan, 1997) and the meta-evaluation (CSF Evaluation Unit, 1998) or those presented in the good practices conferences organized by the European Commission, for example Seville in 1998. Among the clients of evaluation, i.e. mainly among the officials implementing the programmes as well as among horizontal partners, a supportive evaluation culture is developing. Meanwhile, evaluation is also becoming a normal part of spending policies, particularly in the northern member states. Among other public subsidy schemes, evaluation of the structural funds can thus be characterized largely as a success story. It is due, first, to the obligation laid down in the regulations and second, to the initiatives of the Commission (Bachtler and Michie, 1995; Lindley, 1996). However, specific challenges remain that are due to the nature of the structural funds as an EC policy instrument, and their implementation by a multi-actor constellation.

### **Specific Challenges**

The specific nature of EC structural funds implementation also leads to specific challenges in evaluating the programmes. In principle, they will not differ from the 'ordinary' problems of evaluating public policy such as a lack of methodological realism, i.e. some work is judged as being too academic, and there are shortcomings in the proper selection and use of methodological tools (cf. C3E, 1998: 15). However, some features of the structural funds tend to amplify difficulties as regards methodology, incorporation into the policy process and evaluation culture.

**Methodological Problems** First, the assessment of socio-economic impacts of public spending is usually the most demanding task for evaluators. However, in the realm of structural funds, the methodological problems tend to be even more complicated. This results mainly from the set of objectives of the policy and its transformation by the multi-level and multi-sector actor constellation.

The formulation of the overall policy framework laid down in the regulations, and even more the formulation of the concrete programmes, is happening in a context of multi-level governance (cf. Marks, 1996; Hooghe, 1995). All the involved actors from different levels (local, regional, national, European) as well as from different sector policies (such as economics, labour, social affairs, agriculture, environment, equal opportunities) hold different specific interests and preferences. Because of that, they have different cognitive expectations towards the evaluation (cf. Barbier, 1999). To reach consensus among the involved actors, many specific objectives will be included in the programmes. As a result, the complexity of the set of objectives of structural policy tends to be increased, which is – in comparison to other public policies – quite complex anyway. The more complex the set of objectives, the more serious are the methodological problems related to impact assessment.

**Gearing Evaluations towards the Policy Process** As in many other areas, evaluations can be symbolic, stand-alone tools, which are not integrated in the policy process (cf. Wegener, 1998). The most visible reason is the common timing deficit, i.e. in some cases evaluation results are there when nobody needs them and there are no evaluation results when decisions on (re-)programming are on the agenda. In many cases, this appears to be due to the different rationales of political/administrative and social science processes that make the commissioners of evaluations regularly tender too late. A typical example can be taken from some of the Community Initiative programmes: after the mid-term evaluation was commissioned, decisions on changing the financial plans of the programmes were made. Only a few months later, first results of the evaluation studies were scheduled – incidentally, nobody had the idea of changing schedules, neither that of the evaluations nor that of re-programming.

However, there are additional reasons that partly derive from the structural funds' multi-actor constellation. The latter tends to support an expansion of the evaluator's tasks: to reach a consensus among those negotiating on the terms of reference, specific preferences of each actor are considered and, if necessary,

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included. In the end, this reflects the broad scope and the set of objectives of the programmes. Although considerable resources are earmarked for evaluation, a concentration on the specific needs of the programme management can be hampered because the expert is expected to produce findings on every issue of the programme. As a result, the resources for answering the most important questions can be limited considerably.

**Co-operative and Confrontational Evaluations** Finally, the multi-level structure can lead to confrontations. Besides having different strategic and substantial preferences, the actors on different levels may try to maximize their competencies. In such constellations, evaluations can purposefully be used as instruments. Especially in the case of *ex ante* evaluations in 1994, examples of highly confrontational exercises of evaluations and counter-assessments have been observed e.g. in Germany and the United Kingdom.

To summarize, a positive overall picture of the development of evaluation can be drawn, although important challenges are remaining. Evaluations have become a routine operation in structural funds implementation. Methodological tools are being developed and tailored to the structural funds. An ongoing development of professional capabilities within the administrations, as well as in universities and consulting firms, can be observed. Last, but not least, there is a supportive evaluation culture developing among the officials: although confrontational use is still reported, evaluation is increasingly understood as a welcomed feedback instrument and continuous advisory service, and the attitude of treating it just as an additional bureaucratic duty is decreasing.

### **Effective Evaluation of Structural Funds Programmes**

Evaluations produce information and knowledge on the process and outcomes of the implementation of the programmes. Evaluations are effective if their findings are actually used for the improvement of policy. A necessary precondition is, of course, that evaluations produce findings that are actually *useful*. In this section, I first highlight the governance mode of the structural funds. It forms the reference framework for feedback instruments and can be characterized as a hybrid type that comprises management by results as well as bureaucratic rule steering. Second, I discuss the capacities of the feedback instruments evaluation, monitoring, and financial control and show that the new regulation puts a larger emphasis on results as compared to the previous one. Finally, I discuss regulatory and alternative instruments for enabling and ensuring the use of evaluation findings for the improvement of policy.

### ***Rules versus Results: The Hybrid Governance of Structural Policy***

The dominant governance modes of an implementation system define the incentives for the individuals acting in it. Put more generally, the governance structure shapes the rationales that guide actors' behaviour. Being an instrument for delivering subsidies under the framework of structural policy, the structural funds are characterized by a hybrid governance structure comprising elements of

management by results and elements of bureaucratic rule steering (cf. Naschold, 1995: 64-74).

- The programmes will help to attain specific socio-economic *objectives*. The Treaties and the structural funds regulations on the European level formulate more general objectives that are specified in the programmes for each region or sector within the member states. Put simply, the programming documents are contracts between European, national and sub-national actors. They define development objectives for a certain region or sector, financial contributions to a budget, and a strategy to attain the objectives.
- At the same time, the Treaty, the structural funds regulations as well as the national and regional budgetary and competition laws define the budgetary and procedural rules for spending European and national money which have to be complied with when implementing the programmes. These rules, for example, define the eligibility of certain costs or how much subsidies can be given to which sorts of beneficiaries.

As a result, the programmes are implemented under a two-fold reference framework.<sup>2</sup> However, in the final analysis, the success of structural policy depends on the outcomes and impacts of the programmes – and therefore on the delivery of the results agreed on in the programmes. The management-by-results element of the implementation system needs new instruments for feedback and control as compared to classical bureaucracies. For managing the latter, it was sufficient to control rule compliance and evidence of use of the funds. As regards the results of implementation, these controls are less important – but not obsolete, because they are still required in order to prevent fraud and opportunistic behaviour. Nonetheless, the attainment of its socio-economic objectives decides the success of the policy. Therefore, rule compliance is just the necessary condition, but the delivery of results is the sufficient condition for success under the framework of management by results (cf. Bussmann, 1995: 372). The programme managers therefore need management tools that are capable of tracing the attainment of objectives as well as the compliance with rules. A brief look at the feedback instruments that are already implemented by central and de-central managers of the structural funds programmes will show that for these different tasks, different instruments are necessary.

### ***Different Ends, Different Means: Evaluation, Monitoring and Financial Control***

As compared to public policies in most nation states, the European structural funds are characterized by a sophisticated and differentiated system of monitoring, evaluation and financial control – at least in principle. This is related to their historical development (see above), the specific relations between the European and national levels of government and administration, and the specific administrative limitations of the responsible agency, the European Commission. These specific conditions of the European policy have facilitated the introduction and development of a set of three complementary instruments that produce feedback on the process and results of implementation:

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- In administrative systems, the compliance with rules is being controlled externally as well as internally, i.e. by audit offices and courts as well as by internal revision or by *financial control* services. In addition to simply comparing rules and actions, financial control can produce findings concerning the quality of administrative processes, e.g. on the efficiency of programme management. But it cannot produce findings on the performance of the policy in terms of the attainment of objectives, because assessments of substantial outcomes are not the subject of financial control.
- *Monitoring*, done internally by the programme management, produces information on the progress of implementation. This information is, in principle, distributed among the actors involved in implementation and programme management as the basis for fine-tuning of the programmes. By comparing indicators for the progress of implementation with monitoring data (financial and physical output) as well as indicators on the level of policy objectives and statistical data, an ongoing controlling of the implementation by central as well as de-central actors is possible.
- *Evaluations* conducted by external experts also compare objectives and results by using indicators. The crucial difference from monitoring, however, lies in the analysis of causal relationships between the observed development of indicators, implemented policy and the performance of the implementation system. Because evaluations are done externally, experiences from other regions and policy instruments, as well as results from social science research, can be transferred. Monitoring is oriented at the operational issues of implementation, i.e. input and output figures. Evaluation is oriented at the strategic level, i.e. the strategic objectives of the policy and the outcomes of the programme implementation. To conclude, evaluations have the potential to trigger complex (double-loop) learning, because they challenge the underlying theories of action (cf. Seyfried and Schwab, 2000). On the contrary, based on monitoring information only instrumental (single-loop) learning is possible (cf. Argyris, 1976).

These three instruments are distinguished by the different roles they create for the individuals carrying them out (more providing advice and consulting or more controlling compliance), by the different procedures they use (more inclusive deliberation or more statistical data collection or more control visits), and by the location of the individuals doing the task internally or externally of the implementing organizations. Most important, however, is their different orientation towards the attainment of objectives or to the compliance of rules. Thus, they are complementary rather than supplementary instruments and should be clearly separated from each other. Complementarity at the same time also means that they can build on each other, e.g. evaluations will take into account not only monitoring data but also findings of financial control if there are any available. This can help to avoid illusions about output and outcomes.

### ***Evaluation under the New Legal Framework***

The new regulation<sup>3</sup> shows a development towards a more strategic management of the structural funds, i.e. a stronger emphasis on results as compared to rules and the decentralization of responsibility for attaining them are complemented by stronger feedback instruments, particularly evaluation. As regards evaluation, there are three major changes as compared to the previous regulation:

- The tasks and responsibilities are better defined than previously. For each stage of the evaluation process, the responsible authority is declared. The scope, timeframe and subjects of the evaluations are already clarified in the regulation.
- The monitoring committees are given a stronger role in the evaluation process. Besides the involved administrations, these co-ordination bodies comprise the so-called social partners. These associations from the business sector, trade unions, environmental, equal opportunities and third sector interests will in the future share the competence of the monitoring committees to examine the submitted mid-term evaluation reports.
- The evaluations are closer integrated into the policy process. The *ex ante* evaluation will be part of the programmes, the intermediate evaluation will be the basis for a compulsory review of the programmes and for the allocation of the 'performance reserve' (see below). One year before the end of the seven-year term of the programmes, it shall be updated in order to be a basis for the following programming.

The implementation of the new regulation, i.e. the recently completed programming processes in the regions, already shows a stronger role for evaluations. In many cases evaluators moderate participative programming processes and, in general, there seems in fact to be a better incorporation of evaluation into the policy process. For example, initial programme drafts for the German capital region of Berlin were discussed in a public conference and a series of workshops moderated by the consultants doing the *ex ante* evaluation. For the Irish programme, a similar procedure was applied. In most regions, evaluators prepared discussion papers, commented on the programme draft and in certain cases took part in drafting the programmes. Such close involvement of the evaluator in the strategic exercise of programming raises serious questions on the independence of evaluators and the dangers of capture that can only be touched on but not discussed sufficiently here. Apart from this doubtful practice, overall we can expect more effective evaluation in the future because of clearer definitions of responsibility that will reduce conflicts, a widened audience for the reports and closer ties to the policy process that will facilitate the use of evaluation results. In the remainder of this article I discuss such regulatory means of improving the use of evaluation findings or policy development and compare them with alternative means.

### ***Enabling and Ensuring the Use of Evaluation Findings***

Evaluations can only be effective if their findings are used for the development and improvement of the policy. Incentives for clients, i.e. all the stakeholders

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involved in programming and implementation, lie in the quality of the evaluation methods, processes and findings. In addition to further improving these 'supply-side factors' in terms of further improving the quality of evaluation processes, methodologies and reports,<sup>4</sup> the 'demand side' may bear significant potential for development. If the linkages between evaluation and the policy process are strengthened, the use of evaluation findings can be enhanced and, therefore, the effectiveness of evaluation. In principle, the following incentives can be applied in order to enhance the use of evaluation findings:

- *Institutional obligations* to discuss and use evaluations can be built into the regulation, e.g. by a compulsory examination of the evaluation report by the stakeholders, by a compulsory revision of the programmes after an intermediate evaluation, or by publishing the reports – as the new regulation stipulates (Art. 14, 35, 40, 42 of the General Regulation).
- Evaluations can be *linked to budget allocations* – whether by means of additional funding for successful programmes or by obligatory re-allocation of the budget among different parts of the programme.
- *Reputation effects* can be triggered, e.g. by means of inter-regional comparison or best practice competition. If programme managers are aware of a high visibility of their actions, they will have an incentive to use evaluations as an advisory service.
- Finally, a stronger emphasis on the elements of *management by results* makes evaluation more important. They become more important for the central actors in order to control results. Nevertheless, particularly decentral actors need more analysis about the results of their actions and on ways to improve the performance than within an implementation system governed basically by rules.

Of course all these incentives are related to problems, too. Most visibly, the connotation of evaluation and hierarchical control as in the cases of budget (re-)allocations and compulsory obligations can be problematic (Derlien, 1990: 44). Therefore, different elements should be mixed in order to find the most suitable set of incentives. This set will vary among regions and programmes according to the specific needs as well as between the different stages of evaluation. In the remaining part of this article, I show how incentives for the use of findings can be implemented by taking the example of an intermediate evaluation.

The 'causal model' for the use of evaluation results outlined in Table 1 is quite simple and comprises two steps: first, an interaction between experts and stakeholders is necessary which is a prerequisite for any use. It can take the simple form of a presentation of findings and a feedback by the clients. Important differences lie in the definition of 'client', which can range from a single responsible administrative unit to all the stakeholders of structural policy. The German case is close to the first type, whereas in regions like Merseyside (UK) developments towards the latter type have been observable during the last decade. Second, however specific the experts' recommendations might be, they have to be transformed into specific changes in the programme and its implementation structure

and processes. Therefore, evaluation results can only be used for an improvement of policy when they are a result of interaction.

In column 1, the figure shows the interaction between evaluator and client (I.) and four levels of the use of evaluation findings (II.). I give an example for each of the six cases (column 2) and indicate obligatory means for enforcing the use of findings (column 3) as well as examples for alternative incentives for the use of findings which are rooted in the mechanisms outlined above (column 4).

Taking the examples in Figure 1, I compare the potential of institutional safeguards codified in legal texts and programmes on the one hand and other means for enabling and ensuring the use of evaluation findings on the other hand.

The simplest kind of *interaction* between stakeholders and evaluators will be a presentation of results and a discussion and/or feedback by the client(s). The client may be the managing organizational unit or all the involved stakeholders. To ensure such an interaction, the regulation can require a confirmation of the evaluation report by the stakeholders. Alternatively, they could delegate members to the evaluation team. An example for such a radical solution to the interaction problem is an evaluation of the Yorkshire and Humber programme in England (Armstrong, 1998). Such approaches are likely to generate evaluation findings and recommendations that can be implemented more directly and, more importantly, that are more likely to be accepted by the stakeholders. However, they tend to be more time consuming for all participants and require experts who

Table 1. The Use of Evaluation Results

		Example	Obligation in regulations and programmes	Examples for alternative incentives
I. Interaction with the clients	1. Presentation and discussion of results	Presentation and discussion with programme management and stakeholders	Information of the stakeholders	Involvement of stakeholders in the evaluation team
	2. Feedback by the clients	Statement by the stakeholders	Confirmation of findings by the stakeholders	Involvement of stakeholders in the evaluation team
II. Outcome/ impact of evaluation	3. Development of causal action theories	Development of set of objectives and strategy	Revision of the strategy	Political and academic discourses, e.g. based on evaluations
	4. 'Technical' re-programming	Changes in definitions of target groups or eligibility criteria; re-allocation of budget	Revision of the budget	Awarding of outflow of funds and output
	5. Institutional changes	Bundling of competencies, simplification of procedures		Awarding of efficient management, regional action plans
	6. Improvement of co-operation and co-ordination	Changes in the internal management processes or stakeholder consultation routines		Integrated approach of the funds, regional action plans

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are qualified in interactive evaluation approaches. In addition, careful management of the evaluation process between the evaluator, the programme management and the stakeholders is required.

Concerning the outcome of evaluations in terms of policy changes, four levels can be distinguished: the causal theories underlying the programme; the operationalization of the strategy into 'technical' details; the institutional arrangements for implementing the programme; and the co-operation and co-ordination routines of the involved actors:

- The *causal action theories* underlying the programme are reflected in the definition of the problem, the set of objectives and in the strategy to attain the objectives. An example would be the definition that low IT skills of unemployed people are understood as a problem for the region's economic development, the objective being to develop the region by enhancing its inhabitants' marketable skills. The corresponding causal action theory would be that subsidizing a particular kind of training scheme for the unemployed improves their employability: when they are employed, they improve the competitiveness of the firm and, in the end, the regional GDP. The most important results of evaluations are the findings on the impacts of the programmes, including a test of the causal action theories. Based on the evaluation, a (re-)framing of the strategy (Rein and Schön, 1993), or a re-definition of the strategies is then possible, either as an enforcement of the previous theory, as a refinement or as an abolition of theories that were proven to be false. To ensure such revisions of the causal theories, an obligatory revision of the programme can be required. Alternatively, political as well as academic discourses based on the evaluation can be stimulated, whether by an evaluation team comprising stakeholders or by the stakeholders, even if they do not take part in the actual evaluation process. Examples of such discourses may be: public conferences such as those organized during the last programming round; periodical meetings of inter-regional partnerships for strategy discussion and development such as those organized between objective 2 regions; accompanying academic research, such as the regular input of consultants to meetings of many objective 3 monitoring committees. Conferences at the European level or the activities of evaluation societies provide an important backing. However, they alone are not sufficient because the discourse has to be centred around the specific programme and its evaluation.
- '*Technical*' re-programming, i.e. changes in the operationalization of the strategy, may be necessary because of changes in the causal theories or e.g. because of low absorption of measures due to socio-economic developments not foreseen when writing the programme. In order to ensure such necessary change, the regulation may again require a revision of the programme. Alternative incentives are the awarding of outflow of funds and of output, probably the incentive most common to classical bureaucracies. More sophisticated awarding mechanisms are currently being introduced such as best practice competitions or the new performance reserve.<sup>5</sup>

- *Changes in the institutional arrangements* for the implementation of the programme can be based on evaluation findings. Examples are deficits in co-ordination between the actors involved in project selection, multiple responsibilities for measures or, observable in practically all regions, time delays due to cumbersome decision making processes. Such optimizations of the institutional arrangements can result from evaluation as well as from other sources. Obligatory requirements in the regulation in this respect seem to be problematic. Alternative incentives may stem from making awards to those regions with efficient management structures. Based on a completely different mechanism, incentives may also stem from the side of the final beneficiaries: for example, the programme may only be effective if the implementation system has a single interface to its client; or the projects proposed for funding require quick decisions in order not to become obsolete, as in the case of R&D subsidies. In such cases, there will be many bottom-up incentives to optimize the implementation system. An evaluation can then be a welcomed tool, especially if it highlights bottlenecks that hamper the effectiveness of the programme and if it produces suitable recommendations on how to overcome them.
- Finally, the routines for *co-operation and co-ordination* among the involved actors can be subject to change. They deserve particular attention due to the specific nature of the structural funds programmes, including (typically) three levels and many sectors of government. The co-ordination of the vertical and horizontal partners within and around the monitoring committees is a typical example for this issue. Regulatory or even hierarchical means have quite limited potential in this area. Again, the user-side is significant, for example when regional or local action plans are used, as in Ireland and the United Kingdom. Such plans comprise the setting up of a specific micro-strategy and the competence over a budget to implement the strategy by a local or regional partnership. The drawing up of action plans requires considerable co-ordination efforts within the partnership, but also on the part of the implementation system. Such demands stemming from the user side could be strengthened considerably by further developing the so-called 'integrated approach' of the structural funds. However, research suggests that the 'top-down approach', i.e. the regulative requirement, may be far less effective than a 'bottom-up approach' starting at concrete projects, particularly in the context of local or regional action plans (Lang et al., 1998: 53-4).

This brief discussion shows that incentives based on considerations of the effectiveness of the policy as well as the reputation of the specific implementation system and its managers, seem to be more convincing than regulatory obligations. The resource 'reputation' may bear far more potential than that realized up to now. Therefore, such instruments that are based on the mechanism of improved reputation should be further developed.

Regulatory requirements, on the other hand, are double-edged swords: their strength and their importance lie in the definition of tasks and responsibilities

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for evaluation and in its demarcation to other feedback instruments. The new structural funds regulation shows a significant improvement in the definition of evaluation. At the same time, however, the demarcation lines between evaluation on the one hand and monitoring and financial control on the other hand become partly blurred. But this separation is an important subject of the regulation. The main problems arise from counterproductive effects of regulatory requirements. The largest potential for improvement should lie in instruments that are based on the substance and the objectives of the policy. If incentives for improvement are derived from evaluations of the effectiveness of policy, the improvement is likely to be also geared towards enhanced effectiveness – rather than in a roundabout way via the compliance with regulatory obligations. In addition, there are problematic linkages between evaluation and obligation; and obligations can take on a bureaucratic character when there is no substantial need for them.

### **Conclusion**

The understanding that the structural funds are characterized by a hybrid governance structure draws attention to the different purposes of different feedback instruments that are active in the policy model. Besides being the instrument geared towards results rather than rule compliance, evaluation is the key vehicle supporting the element of management by results versus the (still) predominant bureaucratic rule steering. In this respect, evaluation has an important symbolic function in addition to the tasks explicitly described as, for example, in the regulation. The importance of this symbolic function is likely to decrease with the growth of the importance of the element of management by results as compared to rule compliance. However, as long as the latter predominates, three conceptual conclusions appear to be particularly important to enhance evaluations' effectiveness, i.e. the use of their results for improving policy:

- The tasks to be fulfilled by evaluation should be clearly defined in order to clarify the function of evaluation as a feedback instrument oriented to results of the programmes as well as a service to de-central implementers.
- In addition, evaluations should be focused on their specific tasks and separated clearly from other feedback instruments like monitoring and financial control, in order to avoid too tight links between advisory services and bureaucratic rule steering. The separation should cover the subject and process of the three instruments as well as the actors responsible for carrying them out. Otherwise, the results-orientation as well as the advice-orientation to de-central implementers is threatened. Perhaps even more importantly, evaluations cannot develop their symbolic function to support the introduction of management by results if they are interwoven with bureaucratic control instruments.
- Regulatory requirements can be implemented in order to enable and ensure the use of evaluation findings. However, complementary to that, other institutional and substantial means seem to be more promising, particularly if

they address needs of the clients, i.e. de-central implementers as well as administratively and politically responsible actors.

Because the potential of evaluation depends largely on a supportive evaluation culture, the risks of compulsion should not be underestimated: if evaluation is understood basically as a regulatory obligation, it tends to be restricted to the subject for which it is obligatory. For example, the obligation to evaluate the structural funds can be either understood just to evaluate the European monies but deliberately not the national match funding in the programme. Such reactions are likely, if those commissioning evaluations conceive of them as just as another obligation. In an evaluation market shaped by such an understanding of evaluation, the development of consultancies that help the programme managers to get the results they need for legitimizing and justifying the existing instrument becomes very likely (cf. Bushnell, 1998: 367). Control of rule compliance will certainly remain necessary and should be left to other feedback instruments such as monitoring and financial control. Evaluation should deliberately be separated from control and should rather be based on arguments related to the objectives and expected results of the policy.

## Notes

1. These projects include the intermediate evaluations of the Saxony objective 1 programme for 1994–9 and the Interreg programme for the Bavarian-Czech border, undertaken in co-operation with the German Institute for Economic Research DIW and the Institute for Urban Research and Structural Policy IfS respectively; a study for the Commission on the performance of the structural funds' implementation system and reform variations undertaken with Frieder Naschold and Bernd Reissert, and an ongoing academic research project on the implementation of the structural funds in six member states, undertaken together with the latter two colleagues and Hubert Heinelt and financed by the Hans-Böckler-Foundation. An initial version of this article was presented at a workshop at the European Evaluation Society conference at Rome, 29–31 October, 1998. I would like to thank the participants for discussion, members of the German Evaluation Society, Aviana Bulgarelli, Frieder Naschold, Klaus Schömann, Oliver Schwab, Alexander Wegener and two anonymous referees for helpful suggestions and comments.
2. This characterization of the structural funds' governance structure remains on a conceptual level, of course. A straightforward translation to empirical cases would be problematic because of two reasons. First, implementation practice shows that there is considerable predominance of rules (cf. Lang et al., 1998: 22). Second, there is no uniform implementation system throughout the Union. The structural funds programmes as well as their implementation structure and processes vary among the member states (Hooghe, 1996b; Heinelt and Smith, 1996). Therefore, the importance of the elements of management by results may differ widely. However, the national idiosyncrasies vary around a common core, the structural funds' policy model. All programme managers are thus confronted with its hybrid governance structure, whatever the concrete mixture of management by objectives and bureaucratic rule steering.
3. 'Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the structural funds'.

4. Such further improvement can build on the success already achieved (see above).
5. Following Art. 44 of the general regulation, 4 percent of the budget for each member state will be re-allocated at the mid-term of the programme period. The re-allocation shall basically be based on output figures, management quality and the intermediate evaluation.

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