



## Implementing Regional Development Policies: What are the key factors for success?

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### **Workgroup 2: How to ensure effective project identification, prioritisation and preparation for regional development?**

#### BACKGROUND PAPER (Executive Summary)

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#### 1. Introduction

##### Guiding questions:

- *Is there anything to learn from the EU Commission's new preferred approach to "regional development plans"? Regional Strategies and Plans – how deep and how early do we need to plan in order to ensure focus and concentration of resources on key interventions and projects?*
- *Regional Planning – is there a "smart" road to effective regional planning for regional development that rapidly identifies feasible programmes and projects?*
- *How can we manage together a pipeline of projects under preparation for financing and wider (mid-term) investment planning?*
- *What are the conditions and capacities required to prepare a large pipeline of regional development projects?*

Practitioners of regional development are often confronted by an underlying tension: **should they put more time and effort into policy and strategy or should they focus more concretely on what to do and how (issues often implied by the term "policy implementation")?** In the context of programmes and projects, this simply means the following: **an investment programme that seeks to support policy or strategy implementation cannot succeed if it fails to rendezvous with effective investment projects and related "soft" development activities.** Results, impacts



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and sustainability: these are but an impossible dream if we cannot identify, prepare, and ultimately implement, well-designed projects. This holds good for all kinds of projects at all times.

Countries in transition (ENI, EU Pre-Accession or Candidate, and even certain new EU member states<sup>1</sup>) often do not have in place the requisite policies and strategies for regional development. Moreover, it is the case that they often lack the instruments (programmes, schemes, projects and institutions) to ensure effective implementation. There need to be extremely close and tight linkages between strategy and its implementation through programmes, and especially on the ground. The **absence or inadequacy of this link has been a recurrent and major problem in the countries discussed below** and, more generally, in others at a similar stage of development.

This summary paper is based on experiences from four different countries, three of them around the moment of EU Accession and facing the opportunity and challenge to finance their development through EU Structural Funds.

Country <sup>2</sup> - date	Context	Main Actors
Czech Republic 2003-4	Preparation for first EU Structural Funds programmes (Operational Programmes – Regional Development; Human Resource Development (labour market); Industry and Enterprise)	Ministry of Regional Development (Ministry of Industry and Trade; Ministry of Labour and Social Affairs) NUTS 3 level regions ( <i>krajs</i> ) Local public authorities
Bulgaria 2007-8	Preparation for first EU Structural Funds programmes (Operational Programme – Regional Development)	Ministry of Regional Development & Construction NUTS 2 level regional secretariats Local public authorities
Romania 2007-9	Preparation for first EU Structural Funds programmes (Operational Programme – Competitiveness)	Ministry of Economy Deconcentrated/intermediate bodies of Ministry of Economy (SME Agency; National Agency for Research; also Ministry of Information and Communications Technology) Local public authorities, private companies, universities etc
Moldova 2012-on-going	Follow up effort to stimulate project development consequent to first experiences of	Ministry of Regional Development & Construction

<sup>1</sup> One might want to suggest even some older EU member states!

<sup>2</sup> Some of the people involved in the Czech, Bulgarian and Romanian experiences have also been involved in regional development in Moldova. This has allowed for lessons to be learned and applied in Moldova.

	Regional Development 2010-11	Ministry of Environment; Ministry of Economy/Energy Efficiency Agenc; certain other line nistries) Regional Development Agencies (3) Local public authorities (especially <i>rayon</i> level) Municipal level local public authorities, water companies, schools, hospitals etc.)
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The intervention areas were quite different from country–to-country, and include public infrastructure (urban, social), SME/business development, RTD/Innovation, ICT, labour market support, tourism and especially in Moldova environmental infrastructure (water & sanitation, solid waste management).

**2. Is there anything to learn from the EU Commission’s new preferred approach to “regional development plans”? Regional Strategies and Plans – how deep and how early do we need to plan in order to ensure focus and concentration of resources on key interventions and projects?**

Our understanding is that for the current Structural Funds programming period (2014-2020), the EU Commission (and especially the Directorate General for Regional and Urban Policies) has sought to encourage the earlier identification of projects for funding, in order to avoid “granulation” effects that usually have arisen from projects, belatedly conceived often in the context of “calls for project proposals”. By “granulation effect”, we refer to the situation – deriving from poor design of the programme implementation systems and often inadequate responses from beneficiaries – whereby projects are often much too small and disconnected in cases where they should be larger and systemically linked. The new approach implies **a form of upfront choreography and pre-selection of projects, or at least project concepts - a practice which until now has been required by the Commission only for projects supported under to the EU’s Cohesion Fund.** Member states do not necessarily need to share with the Commission details of such projects but are strongly encouraged to pre-select for each programme a number of projects and ensure a process that will mean these projects can be of good quality, and be funded in a timely manner. In Romania, for example in the new programming period, this has led to a greater effort than in the past to pre-identify projects that can then be prepared and eventually funded.

The experiences of the countries examined in this Paper **would strongly support a shift towards upfront project pre-identification.** This shift appears particularly



appropriate to many new member states, and more widely to other countries outside the EU. Of course it would require a more pro-active and pro-development approach from many ministries – but this is long overdue. So-called “operational programmes” (the basic EU-member state programming document in Structural Funds) have unfortunately become steadily less operational and more formalistic in the period 1994-2013. By this we mean that the omission of more and more operational details, especially any reference to the precise focus, scope and organisation of programmes, schemes and projects has reinforced a laissez-faire tendency with regard to what is actually financed and to development outcomes. This “laissez-faire” approach may have suited Western European member states (anxious to resist what they see as excessive interference from the EU and in any case comforted by relatively good internal planning processes); but it has been poorly geared to the needs of new member states, and is not a good direction for Neighbourhood and Pre-Accession States.

Each of the three EU states studied in this Paper faced huge difficulties around, or on entry to the EU, precisely because they had little idea about what types of projects they would support with the substantial EU funds provided to them. Most of their efforts were expended on higher level strategy documents whose disconnect from operational reality became rapidly obvious at implementation stage. They lacked the kind of internal planning process and corresponding documents that most Western European administrations would have developed over many years in different sectors. In many of the new member states, below their “operational programmes”, there was a vacuum: no such vacuum existed in many Western European countries, more used to extensive and repeated regional (and sectoral) planning exercises. All three experiences indicate that prospective project-makers need to know the following as early as possible: **how many of which kind of project are required and by when?** Furthermore, **how is this question to be answered?** If this is not answered, how can pro-active project identification and preparation actually take place?

The Czech, Bulgarian and Romanian experiences were robust, if belated, attempts to: (i) identify a set of fundable projects and seek to prepare them; and, (ii) at least in Czech Republic, and especially in Bulgaria, to apply lessons from the project level to better focus specific areas of intervention/measures, schemes and programmes. But none of these efforts could overcome the fundamental problem, namely, that the operational programmes were drafted (with few exceptions) **with inadequate reference to what could be achieved on the ground.**

The emerging lessons seem to be that:

- Ideally there needs to be a robust planning process and the core programme document (in the three cases studied the “operational programme”) should be

sufficiently detailed to clearly point towards the kind of projects required and provide the operational conditions in which they should be located.

- If, however – and unfortunately - , it is the case that the operational programme does not give adequate detail, then **some form of pragmatic, “smart” intervention will often be required to identify and prepare projects**. The alternative of doing nothing is not acceptable. The pragmatic approaches in Czech Republic and Bulgaria especially appear relatively successful.

#### Questions to debate at the workshop:

- *What kind of “operational planning” that would avoid some of the problems described, would be possible in your countries?*
- *How “operational” should an operational programme really be? Typically these include a long analysis leading to some form of synthetic findings, a rationale and intervention logic, and a series of generalised priorities, at best broken down into areas of intervention providing a list of a la carte and disconnected “eligible activities” that could form projects, or parts of projects. Is this enough to give guidance as to what is really required? Or is it only as much as “Brussels needs and should know”?*
- *Are there lessons for international budgetary support for regional development? For example, should it be more closely linked to ensuring that operational planning down to and including identification of main kinds of projects is already in place?*

### **3. Regional Planning – is there a “smart” road to effective regional planning for regional development that rapidly identifies feasible programmes and projects?**

Already the Bulgarian experience involved an extensive, but pragmatic mapping of 1,500 initial possible project ideas. This was undertaken primarily to help identify possible projects which would then be prepared (see Q3). But it also gave rise to very clear identification of practical problems and bottlenecks surrounding their conception and further development of projects. It generated very specific recommendations and possible design improvements for particular areas of intervention in the “Operational Programme for Regional Development”, then under preparation. Its forecasts for the future implementation of the OP were in the end largely correct. This suggests that a **better understanding of the realities on the ground would have provided a good**

**basis for targeting financial support more effectively towards real needs and possibilities.**

In Moldova, the poor quality of regional development projects across many sectors was observed during first regional development exercise in 2010. Projects were very granulated and disconnected from any wider strategic and operational context. Water and solid waste projects, for example, were far too small, non-systemic and not networked with each other. The same tendency was evident in other sectors. But in Moldova something was done about this problem once it was recognised in a review in early 2011. Some attempt was made to pre-screen project concepts in the regional development exercise of 2012. And since then a more robust form of pragmatic sectoral planning has been initiated in four sectors. **This is described below and offered as good practice.**

In Moldova, the main objective was to carry out a form of more operational and detailed planning that would clearly indicate possible projects to be prepared for later funding. This would give adequate time to prepare them well, and to address related context problems. A pragmatic form of “hybrid” planning was conceived for specific sectors. It was termed “regional sector planning” and was much more precise and focused than existing priorities of regional development strategies. The process took less than a year in each region and sector. Line ministries have been actively involved in “regional sector working groups” along with regional and local representatives and technical practitioners. Today [Spring 2014], Moldova has identified a starting point to project preparation in three, soon to be four sectors, which consists of an initial list of project concepts which are now being taken through the steps of project preparation. **All of these projects are consistent with existing national and sectoral strategies, have been aligned on regional and local needs and demand and are supported by identified stakeholders.** They are being developed with technical assistance but in a participatory process led by Regional Development Agencies.

An alternative approach to this – suggested by certain experts in the environmental field – was to undertake a complex and lengthy “master planning” exercise. It was estimated this would have taken around four years to do and would have required even more substantial resources. A counter-argument against such planning was that: (i) it was not appropriate to the requirements of regional actors and regional development at this stage; (ii) it was too ambitious and difficult, and in any case could be undertaken later by national sectoral ministries as required; and, (iii) it was possible to find a smarter way forward that would produce success and then, in turn, feed into even better (possibly “master”) planning in the long-term.

**The Moldovan experience seems to provide a balanced top-down/bottom up orientation towards identification of projects.** In fact, it helps flesh out the top-down orientations within national policy and strategic frameworks. Results from the exercise

appear to vindicate the approach. In solid waste management, energy efficiency (public buildings), soon water and sanitation – teams will be active working on project concepts that have already been through a first screening and flow directly from the regional sector “programmes” elaborated in 2013.

From this experience and its partial precursors in Bulgaria, Czech Republic, the following questions may be suggested:

#### Questions to debate at the workshop:

- *What other experiences do participants know of which can be described as “smart” in that they involve a rigorous but rapid effective regional planning leading to identification of potentially feasible programmes and projects?*
- *Why is it the case that there is often resistance to a form of regional planning that actually leads immediately to project identification? Are there really good reasons for leaving project identification until much later? What are the consequences if we defer project identification until later?*
- *What are the “top down” pre-requisites for regional planning? What is the role of a regional development ministry in this kind of situation? What is the role of sectoral line ministries?*
- *What are the capacity requirements and challenges? Individually and institutionally?*

#### **4. How can we manage together a pipeline of projects under preparation for financing and wider (mid-term) investment planning?**

However we arrive at project identification – whether through (i) some form of ideal or more pragmatic planning or (ii) some form of project mapping or some combination of both – **there comes a time when we are faced with the task of ensuring that a relatively large number of project concepts can be transformed into good development projects.** If this can be done then they can be financed and implemented and will help produce good outputs and results on the ground – contributing to the development of sectors and regions.

All four countries included in this paper have:

- i. Tried to develop projects according to a “common” but not identical “pathway”. This means projects can be easily tracked and monitored and there is an efficient discipline in the process. The “pathway” used in all the experiences has four stages – **conceptualisation, outline design, elaboration, finalisation**. Broadly the first two stages are those of “pre-feasibility”, stage 3 and 4, stages of feasibility, full design and finalisation. Project actors themselves are involved very closely in all stages and especially in key decisions: their involvement is especially possible and important in the early stages.
- ii. Tried to build this approach into a systemic management tool – ie a project pipeline
- iii. Tried to ensure that project-makers are fully active in project development
- iv. Used technical assistance in their efforts.

In Czech Republic, Bulgaria and Romania the supporting technical assistance limited their role to facilitating the project-makers through the various stages and steps. The main work was done by the project-makers and their own consultants.

In Moldova, however, the technical assistance team provides more formal consultancy and technical support for two reasons: (i) the project-makers have little internal resources and capacity; and, (ii) the sectors being covered are extremely technically complex.

The results of these experiences are generally quite impressive: in Czech Republic projects worth several hundred million EURO were rapidly brought to finalisation within 14 months, especially in the small business, roads, social/community infrastructure and tourism. In Bulgaria, a large number of projects were brought through the first two stages. In Romania the results were more mixed and the conditions for implementation of this approach more problematic. The sectors may not have been the most suitable. Lastly, in Moldova, since start 2014, around 33 possible project concepts in energy efficiency worth around 25MEUR are in Stage 2, and soon a number of these will enter Stage 3 (full elaboration). Three major solid waste management projects are already under elaboration in Stage 3. And it is expected that around 30 water and sanitation projects worth around 60 MEUR will be developed through to end of Stage 2: thereafter a smaller number of these will be elaborated further. In short, Moldova can already see the end stages of a project pipeline which from mid-2015 (until end 2016 at least) will be producing projects collectively worth around 100 MEUR.

The experiences suggest a common understanding of how any project progresses from concept to ready-for-financing is essential to any pipeline approach. Despite differences, if a “common” pathway can be described, then any project can be managed and monitored in terms of the pathway. This then allows us to give numerical



values to progress steps or milestones and enables aggregation and comparison. A “common” pathway is not an “identical” pathway and need not interfere with the specific approaches often used by different professionals and institutions to project development. To use a linguistic analogy: they can continue to speak their vernacular language (French, Romanian, Czech or whatever) but they must also be able to understand their actions and those of others according to a common Esperanto. The Pathway Approach provides a common Esperanto and sectoral projects can understand its key steps according to their own methodologies.

#### Questions to debate at the workshop:

- *Do we often rely too much on experts to do the project “thinking”? Is it not the case that a more participatory and effective process can be designed to project development that better balances the roles of project stakeholders (actual owners of assets) and external technical expertise?*
- *The experiences of all countries suggest that when it comes to project development, there is too little focus on economic and financial viability and on the “developmental” benefits. Is it the case that in the relevant countries project development is too often about mainly engineering issues?*
- *Whose job is it really to lead the organisation and management of project pipelines? Which institutions need to accept this as their job?*
- *How long should we allow for a process of developing a pipeline of projects? What does this depend on? Are there any clear patterns?*
- *If every country could do like Moldova would there not be a need for international donors and EU to move towards a more integrated form of financial support than is the case today?*

#### **5. What are the conditions and capacities required to prepare a large pipeline of regional development projects?**

If there is any advantage in applying any of the elements of practice discussed in this paper, then the question might be posed: **how we can ensure success?** And more concretely: **what conditions and capacities are required?**

On the basis of the experiences – taken together – the following lessons are suggested:

- **Good programming that leads to identification of projects is essential.** This requires that programme-makers know and understand the operational level, specifically the kinds of projects that are required and the prevailing conditions. Or at least that they are closely connected to this level. Structures such as the regional sector working groups used in Moldova are useful in this regard. Someone needs to be able and willing to put these in place and to facilitate them. That might be a task for RDAs, as in Moldova.
- **Programming and project development capacities are not merely formal** Those involved have to understand more than process and procedure. They need to have some developmental understanding and experience, especially relevant to the sectors in which the projects are located.
- **Very often in the experiences reviewed it can be seen that project-makers focus excessively on technical and engineering issues.** This suggests that there is a need for capacity development to ensure sustainable economic, social, environmental projects and related services.
- **The entire process of project pipeline management requires a high level of management and monitoring.** In the cases described here it was done largely with the assistance of external consultants. That is not a satisfactory solution. These competencies need to be more embedded in organisations like regional development agencies.
- **Ultimately, regional project pipelines should be managed by agents for regional development.** To effect this task, they need to get inside the heads of project-makers and understand the necessary results-oriented focus that all investments and development activity must have. They must be facilitators and capacitated as such, possessing appropriate coaching and listening skills. They require some technical knowhow, especially for later stages of project development. In short, there need to be balanced teams of facilitators and experts working closely together, and especially with the project-makers.

Questions to debate at the workshop:

- *Is there currently a tendency to view programme management, including project selection, as something that should be done by national ministries while project development and preparation should be done by regional and local actors? If so, does this presumption hold for all sectors, or only for certain typical regional development sectors (such as small business infrastructure, regional and local roads, tourism, water and sanitation and other environmental structures usually under the operational responsibility of local public authorities)?*

- *How can national policy makers and programme managers be better connected with development realities on the ground?*
- *What level of support to local public authorities can, and should, RDAs give with regard to project identification, mapping and preparation? How much can reasonably be asked of regional development as opposed to deconcentrated state agencies?*

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