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## EXECUTIVE SUMMARY

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This Report presents the summary of findings and conclusions in the evaluation of the project selection system in the frame of the Operational Programme “Competitiveness and Cohesion 2014-2020” (hereinafter: OPCC). The purpose of this evaluation was to assess relevance, effectiveness, efficiency and consistency of the project selection system, including procedures of direct awards and compliance with horizontal principles. It is important to stress that the relevance of the system was evaluated only from the perspective of the contribution of the project selection to the goals of regional development, especially reducing regional inequalities. The starting point for the implementation of evaluation are seven evaluation questions which were set in the Terms of reference:

1. In which manner does the project selection support the goals of regional development, especially reducing regional inequalities?
2. To which extent the implemented selection criteria and mechanisms in different awards procedures are leading to the selection of projects which are aligned with OPCC goals (in all priority axes)?
3. Have selected projects contributed to the accomplishing of the horizontal principles and in which extent?
4. Are changes needed (in order to simplify procedures and made them more efficient) in the selection and evaluation procedures in order to improve them? If the answer to the question above is YES, which are those changes?
5. Is there consistency between OPCC indicators, selection criteria and evaluation forms?
6. Are the criteria clear, precise and with unambiguous titles, descriptions, evaluation methods and weighted points?
7. Are proposed criteria consistent and do they allow a comprehensive project evaluation?

Considering the complexity of evaluation questions, as well as a wide scope of the evaluated topic (the entire OPCC), the evaluation methodology was based on the implementation of a larger number of different collection and data processing methods. The most important are the following:

- Desk analysis of main characteristics of 142 OPCC Awards procedures which were initiated until 11/03/2018, including the analysis of territorial distribution of contracted projects.
- Simulation of the effects of regional criteria through its scoring system on the basis of a smaller number of selected Awards procedures.
- In-depth desk analysis of 34 Awards procedures which were evaluated on the basis of a specially designed methodology from the aspect of relevance, effectiveness, efficiency and consistency of selection criteria.
- On-line survey of applicants (successful applicants/beneficiaries, unsuccessful applicants and potential applicants – those who never applied for EU funding under OPCC), members of the selection board and external assessors.
- Interviews with the members of the Managing authority, Intermediary bodies and members of the OPCC Monitoring committee.

After results were collected from each individual method, the evaluation team have triangulated them in order to define the key findings and recommendations for improvement of the project selection system.

The key findings and recommendations for individual evaluation question are as follows:

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### IN WHICH MANNER DOES THE PROJECT SELECTION SUPPORT THE GOALS OF REGIONAL DEVELOPMENT, ESPECIALLY REDUCING REGIONAL INEQUALITIES?

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- Data/information basis for establishment of contribution of regional development goals does not exist, except in the case of reducing regional disparities.
- **The project selection system supports the decrease of regional inequalities to a very limited extent.** Implementation of regional criteria was recorded in 40 out of 142 Awards procedures. Limited implementation of regional criteria in comparison with the implementation of OPCC as a whole is mostly related to the large number of Awards procedures for one predetermined applicant where regional criteria implementation is missing.
- Disadvantaged areas are showing below average number of supported projects (in total number of awards) as well as their value. This is the most prominent in the case of local self-government units in former first group of development, which indicates that existing methods of regional criteria implementation are not securing sufficient effects on the territorial distribution of projects.
- In cases where the regional criteria were implemented, in most of the cases it included the method for obtaining additional points in relation to the level of development.
- It is a positive finding that in the majority of Awards procedures with the competitive element, the regional criteria were used, but almost exclusively by additional points method. In those Awards procedures the weight contribution of those points varied from 5% to 20% in the total allocation of points.
- The effect of additional points on the territorial distribution is varies considerably, depending on the thematic area. In Awards procedures related to SME's, a high positive correlation between the share of regional criteria and the share of beneficiaries from the less developed areas was recorded, while in the case of energy efficiency, a high negative correlation was recorded.
- The simulation of regional criteria weight increase has shown that the increase of share has its limits i.e. the threshold after which the further increase does not contribute to a more favourable territorial distribution.
- The success of regional criteria implementation primarily depends on the number and quality of applications which are related to the investments in the less developed areas and much less on the height of the weight ratio.

On the basis of findings described above, the following recommendations for improvement of the implementation system were determined:

1. To implement "stronger" methods that would secure advantage for applicants from less developed areas, primarily through implementation of special Awards procedures exclusively for less developed area or through implementation of "regional quotas" as a part of the overall allocation for all areas.
2. To establish priority areas for the implementation of more efficient methods that would secure support to applicants from less developed areas.
3. To take into more consideration the differences in development in the less developed areas and to ensure a higher level of favourability for the least developed areas within the Awards procedures.

4. To support more strongly partnerships of applicants from developed and less developed areas with the purpose of knowledge transfer and strengthening of absorption capacities.
5. Redefine regional criteria in such a manner that it is not only related to investment location, but also to develop qualitative assessment of potential project contribution to the reduction of regional inequalities.
6. To increase capacities in the least developed areas for project preparation and implementation through higher technical support which would help generate a higher number of quality project ideas.

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### TO WHICH EXTENT THE IMPLEMENTED SELECTION CRITERIA AND MECHANISMS IN DIFFERENT SUPPORTS LEAD TO THE SELECTION OF PROJECTS WHICH ARE ALIGNED WITH OPCC GOALS (IN ALL PRIORITY AXES)?

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The project selection system has installed mechanisms which, in principle, ensure the selection of projects which are aligned with the OPCC goals. However, at the same time the system has a number of shortcomings which decrease its effectiveness and this was the reason why the system was evaluated as partially effective. The key identified system shortcomings are as follows:

- The absence of established quantitative goals in Awards procedures i.e. target values of indicators (when Awards procedures are being published) are making the later comparison of planned and achieved results much harder.
- Higher accent on the assessment of projects' and Awards procedures' contribution to decreasing the gap with the EU average is missing (the EU dimension is lacking). This is related to the way how the OPCC indicators were defined.
- The absence of mandatory selection criteria which would be unequivocally related to the assessment of effectiveness i.e. assessment of project's contribution to the relevant OPCC goals. Instead of that, criterion 1 "Value for money" is not being implemented consistently and in some of the Awards procedures this criterion is mostly developed in a way that it measures the project's cost efficiency (which was expected, if we consider in which manner criterion was initially defined), and only to a limited extent it is used as a (real) measure of project's effectiveness.
- Low scoring threshold was recorded in many Awards procedures in relation to the criteria measuring the effectiveness (usually, that is criterion 1 "Value for money").
- Questions for assessment of project applications' quality are defined in such a manner that they do not allow substantial assessment on the basis of assessors' knowledge and experience (strictly objective approach which decreases possibility of subjectivity).
- In the case of awards with predefined beneficiary, deeper re-examination of findings of cost-benefit analysis (in the cases when it is mandatory) is missing, and especially better elaboration in the case of analysis of options.

On the basis of findings described above, the following recommendations for improvement of the implementation system were established:

1. To define target values of indicators for a specific Award procedure: all public Awards procedures must have clearly defined indicators and target values that are trying to be reached by the Awards procedure.
2. During the elaboration of indicators for a specific Awards procedure, to direct more towards measuring Croatia's position in comparison with the EU average in the area related to the specific Awards procedure.
3. To establish new mandatory criterion as a part of Common National Rules (ZNP 06) which will exclusively be related to the assessment of project application effectiveness, i.e. It's contribution to Awards procedures'/OPCC goals. To ensure clear instructions in the elaboration of such criterion and its distinction from other mandatory criteria, especially the criteria for the assessment of efficiency and intervention logic of project application.
4. To ensure a significant share of points for project application effectiveness criteria in the total number of points.

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## HAVE SELECTED PROJECTS CONTRIBUTED TO THE ACCOMPLISHING OF HORIZONTAL PRINCIPLES AND IN WHICH SCALE?

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The selected projects have contributed to the realisation of horizontal principles, i.e. a significant effect of horizontal selection criteria in that sense was positive and significant. However, there is plenty of space for the improvement of the system. The key findings are as follows:

- A high contribution of selected projects i.e. the selection criteria is primarily the result of mandatory application of criteria which are ensuring contribution to the achievement of horizontal principles.
- Implementation of horizontal principles in the selection criteria is not sufficiently elaborated, especially in the sense of adjustment of the criteria to thematic specificities of individual Awards procedures.
- The biggest problem represents the lack of systematic monitoring of the achievement of horizontal principles during project implementation as well as later, after their completion. In those circumstances it is not possible to fully evaluate the effects of selected projects in the accomplishment of horizontal principles.
- The implementation of horizontal principles in selection criteria has two unwanted effects on applicants. On the one side, in the case of Awards procedures where a minimalistic approach in relation to scoring importance of relevant criterion was used, and especially related to the promotion of equal opportunities and social inclusion criteria, applicants are not investing sufficient effort in the elaboration of project activities which would ensure appropriate horizontal contribution of the project. From the other point of view, in order to score more points by all means, applicants are prone to promise the implementation of different activities with a horizontal contribution in their applications. At the same time, those activities are often not being implemented, i.e. there is no knowledge on their implementation due to the earlier mentioned problem with the monitoring of the projects' implementation.

On the basis of findings described above, the following recommendations for the improvement of the implementation system were established:

1. To elaborate potential manners for the implementation of horizontal principles in the Guidelines for implementation of horizontal principles; to contextualize its application according to specific thematic areas and to present more examples of good practices to applicants.
2. To improve monitoring of the implementation of activities during the implementation of selected projects in relation to the application of horizontal criteria in order to create the needed feedback which would allow the assessment of the effects of implementation of the horizontal criteria during the selection procedure.

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## ARE CHANGES NEEDED (FOR SIMPLIFICATION AND INCREASING THE EFFICIENCY) IN THE SELECTION AND EVALUATION PROCEDURES IN ORDER TO IMPROVE THEM?

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The conclusion of this evaluation is that project selection procedures are too complex, they last too long and changes which would simplify and shorten them are needed. Instead of a maximum of 120 days (which should be the duration of the regular selection process), in practice, in majority of Awards procedures with competitive elements, this deadline is between 180 and 360 days. The main reasons for slow decision making in the selection process are the following:

- Shortcomings in application forms, primarily in relation to too big a number of verified criteria, particularly in project's eligibility stage and this, consequently takes a lot of time. Also, in many cases, the implementation of similar questions was noticed and that should also be avoided;
- Frequent communication with applicants in order to explain specific parts of the application form which is also time consuming;
- Shortcomings related to objection system in relation to decisions which are submitted to applicants after every selection procedure stage, and which are, due to lengthy solving time, significantly slowing down the adoption of final decisions in the project selection process;
- The eFunds system used in the management and control stage of the project selection is still time consuming due to lots of time needed for manual data entry, i.e. insufficient connectivity and automatization of specific processes, which also prolongs the selection procedure;
- Too large administrative burden for an insufficient number of officers involved in the selection procedure inevitably leads to delays of the process;
- Inclusion of 3 sides (managing authority, level 1 and 2 intermediary bodies) in the selection process prolongs the whole procedure, contributing further to its complexity;
- Insufficient procedural flexibility of the selection system in the case of direct awards;
- Too rigid rules for the introduction of replacement members in the Selection board, when, in the case when a person is included as a replacement member, the same person must stay until the end of the procedure;
- Insufficient quality of Instructions for assessors in some cases consequently lead to prolongation of evaluation procedure;

On the basis of findings described above, the following recommendations for the improvement of the implementation system were established:

1. To simplify the selection criteria, especially the number of the eligibility criteria (decrease of their number). To avoid repetition of similar questions i.e. asking for similar data on different places in the application form.
2. To introduce special project selection procedures in the case of Awards procedures where only one potential applicant exists. In relation to this issue, we recommend the merging of eligibility and quality assessment stages in a single selection procedure.
3. To reduce the possibility for applicants in relation to asking for clarifications for specific parts of application. To consider the option that clarifications are allowed only in circumstances where incompatibility between different parts of application exist, while the issue of insufficiently clear data should be excluded as a reason for clarifications.
4. To improve the eFunds system in relation to the work of the management and control system (SUK) bodies, primarily through the reduction of manually entered data; the whole evaluation process organized through a specific on-line module which would be part of the eFunds system.
5. To increase the number of officers who are exclusively or most of their time working on project selection tasks.
6. To organise the whole project selection system at one place (level 1 or level 2 intermediary bodies).
7. To ensure support to applicants in the case of direct awards in the preparation of project applications in order to increase the level of the quality of submitted projects and decrease the duration of the selection procedure.
8. To change rules related to the introduction of substitute Selection board members in a manner which would allow more flexibility in relation to their participation (to allow one-time participation).
9. To define more clearly the selection criteria and to elaborate better Instructions for assessors in order to reduce uncertainty and the need for clarifications during the selection process. Likewise, to define better specific parts of the tender (Awards procedure) documentation, e.g. it would be desirable to implement a precise description of what has to be written in specific parts of the Feasibility study and to implement limitation related to the maximum number of pages which would facilitate the work of both applicants and assessors.
10. To ensure that assessors have sufficient time for the evaluation of project applications.
11. To ensure more frequent direct communication and working sessions between the Managing Authority and Intermediary bodies, to allow regular exchange of experience and discussion on the possible solutions for the improvement of the project selection system (including guidelines for applicants).

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## IS THERE CONSISTENCY BETWEEN OPCC INDICATORS, THE SELECTION CRITERIA AND THE EVALUATION FORMS?

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Consistency between OPCC indicators, selection criteria and evaluation forms exists; however, the level of the consistency is not satisfactory. The key findings are as follows:

- Insufficient compatibility of specific selection criteria (from the form of criteria for selection of operations) and accompanying methodology with questions for the qualitative assessment within the awards procedure is observed. In the case of more Awards procedures it is noticed that one quarter, or even more, of specific selection criteria are not elaborated through questions in the form for quality assessment.
- In many cases the very low level of connection of awards procedure's indicators with questions for a Awards procedure's qualitative assessment is also problematic (Awards procedure indicators are not being used in the elaboration of selection criteria in sufficient scope).

On the basis of the findings described above, the following recommendations for the improvement of the implementation system were established:

1. To improve the compatibility of the OPCC's goals and specific Awards procedures through the improvement of compatibility of indicators in the Awards procedure and specific selection criteria with questions for the assessment of a project's quality. Every specific criterion must be elaborated with at least one question; every Awards procedure's result indicator must be measured in at least one of the Awards procedure's questions (not related to indicators, such as number/value of contracted projects which represent the Awards procedure's outputs).
2. To continuously monitor and assess whether OPCC indicators are appropriate from the perspective of their contribution to national strategic goals in areas of public policies, and, if needed, to revise OPCC indicators used as a basis for establishing the Awards procedure's indicators.

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## ARE CRITERIA CLEAR, PRECISE AND WITH UNAMBIGUOUS TITLES, DESCRIPTIONS, EVALUATION METHODS AND WEIGHTED POINTS?

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The selection criteria are mainly clear, with mostly precise and unequivocal titles, ranking methods and scoring system. However, as in most other areas of the project selection system, there is still plenty of room for improvement in this segment.

- In a number of cases, partial or total overlapping of criteria is noticed - selection criteria mutually, selection and eligibility criteria, and eligibility criteria, indicating the possibility for merging or deleting certain criterion in favour of others.
- In a number of cases it is noted that among the selection criteria there are criteria which, with their formulation, are more in line with eligibility criteria, particularly when assessing the appropriateness of financial resources and management capacities, where it results that the selection of projects without the minimum resources available is possible.

- A large number of Awards procedures in its quality assessment is using the binary approach (Yes/No). While this can be understood in the case of direct awards and large projects, the application of such an approach to more competitive awards procedures has been noted, which is not justified.
- When elaborating selection criteria, the approach with a large number of evaluation questions with very low point values is often applied. This approach leads to large fragmentation of the score and reduces the focus on contribution to the main goals of the OPCC, and in some cases, it results with mutual content overlapping of individual scales.
- In the case of a number of Awards procedures, quite a narrow scoring range was noticed and this makes it harder to distinguish projects in line with their quality. In a number of cases it was also noticed that it was not clearly defined which conditions must be fulfilled for a higher/lower scoring grade.
- As mentioned previously, more examples of selection criteria which were not sufficiently clear or precise were noticed, partially due to insufficiently precise definitions of specific expressions (e.g. what is innovation).

On the basis of findings described above, the following recommendations for improvement of the implementation system were provided:

1. When assessing the quality of a project application, avoid using questions with a value of 0 points; set clear limits between the eligibility criteria and the selection criteria
2. To avoid using a large number of criteria with a small span of points (it should be at least 2-3 points between the minimum and maximum values, not just 1 point, since the purpose of the threshold is thus being lost and it is not possible to make a fine distinction between the projects)
3. To redefine the quality assessment criteria in the cases when it, by its content, matches the eligibility criteria more, resulting with the selection of those projects that do not have even the minimum resources available
4. To reduce or completely eliminate the use of the binary scoring system (Yes/No) in the case of Awards procedures with a competitive character.
5. To reduce the use of a large number of evaluation questions with a small scoring value. To ensure an appropriate scoring range in order to distinct project applications of more and less quality.
6. To ensure that the conditions for awarding higher or lower scores in all Awards procedures are clearly specified.
7. To improve the precision of definitions of specific expressions used for formulation of evaluation questions, such as innovation and similar.



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## ARE THE PROPOSED CRITERIA CONSISTENT AND DO THEY ALLOW COMPREHENSIVE PROJECT EVALUATION?

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The proposed criteria are consistent and allow comprehensive project evaluation. In that sense ZNP represents a very firm frame for project evaluation and ensures that evaluation is implemented in a comprehensive manner. Nevertheless, the following has to be stressed:

- When drafting the selection criteria, a rather restrictive approach is applied in the sense that there are very limited possibilities for a subjective interpretation of the assessor as a person who should be competent to provide his/her expert opinion, thereby reducing the comprehensiveness of the assessment.
- The current level of connection of project selection with sectorial strategic documents/goals is very limited, especially in the case of open Awards procedures.

On the basis of findings described above, the following recommendations for improvement of the implementation system were established:

1. To provide more opportunities for assessors to submit their professional opinion on the quality of each aspect of the project application in the evaluation process - to provide more opportunities to use the expert assessment but to provide precise guidance on how the expert assessment is being adopted.
2. To ensure stronger connection of selection procedure with national strategic documents, especially those that came into power after the OPCC was adopted. In the case of Awards procedures when it is assessed as justified, to implement criterion of project application contribution to the fulfilment of goals of strategic documents on the regional and local level (already the case with the Awards procedures for socio-economic recovery of "small cities" and Awards procedures for integrated territorial investments for cities).

**Regardless of a number of identified shortcomings, the evaluation team considers the project selection system, as a whole, a well-designed system with clearly defined procedures and roles of all involved actors.** This type of approach allows a high level of standardisation in acting which reduces the risk of mistakes related to all potential non-transparent actions in the selection process. Equal treatment of all potential applicants during the evaluation procedure is a particularly important characteristic of this system. In relation to the observed system's shortcomings, they only confirm **that there is still enough space for improvement of the selection system.** This is especially related to the **reduction of the system's complexity and higher focus of criteria towards the assessment of potential contribution of projects to the key OPCC goals.**