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PROJECT MANAGEMENT AND TECHNICAL ASPECTS OF COHESION POLICY

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Financial rules and mechanisms of the structural funds

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Introduction

It is difficult to summarise the financial rules and mechanisms of the structural funds in just five or six pages. However, we intend to give some hints and tips on the main key elements to be taken into account by someone working with these, both at a programme and project level. For this reason, this contribution will touch upon some elements from the legal basis and the usual practice in structural funds. The reader should understand them as being merely an introduction or an indication of where to find more detailed and necessary information for daily management.

Sound financial management

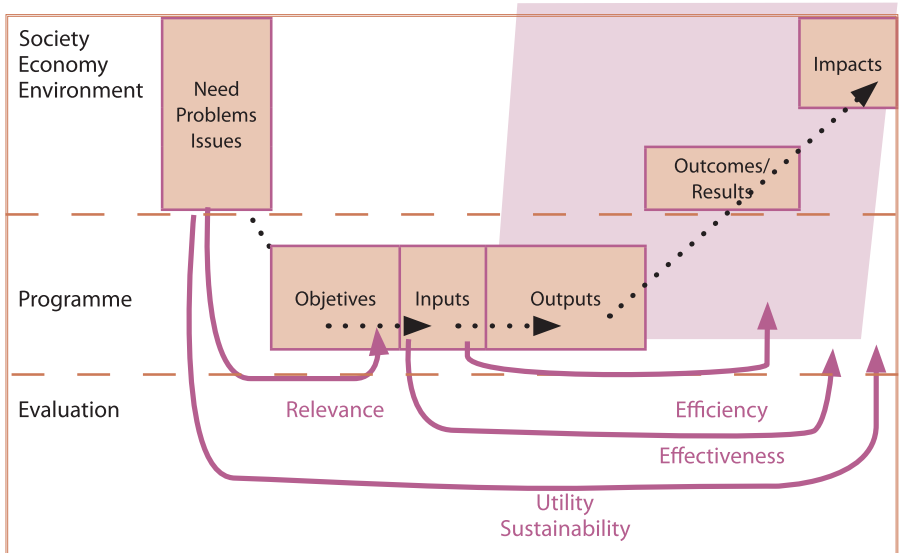
All the financial instruments of the European Commission have a common legal basis: the financial regulation¹ and its implementing rules². Therefore, the financial rules and mechanisms of the structural funds are consistent with them, while developing their own specificities. From this common source we would like to focus on a specific key article of Regulation 1605/2002: the one stating the principle of sound financial management, as the basis for the efficient use of public money. The three pillars of the article are:

- **The so-called 3Es**, e.g. the idea that the budget has to be used according to the principles of economy, efficiency and effectiveness:
 - Economy requires that the resources shall be made available in due time, in appropriate quantity and quality and at the best price.
 - Efficiency is concerned with the best relationship between the resources employed and the results achieved
 - Effectiveness is concerned with attaining the specific objectives set, and achieving the intended results
- **SMART Objectives**. There has to be a clear set of objectives when spending money via a programme or a project. These objectives have to be **Specific, Measurable, Achievable, Relevant and Timed**. **Objectively Verifiable Indicators (OVI)** will be used to measure the success in achieving the expected results of the actions.
- In order to improve decision-making, institutions must undertake **evaluations** and their results will be disseminated.

1 Council Regulation (EC, EURATOM) N° 1605/2002 with its amendments

2 Commission Regulation (EC, EURATOM) N° 2342/2002 with its amendments

Figure 14. Sound Financial Management



Source: the author

Conclusion: the sound financial management of European funds has nothing to do with accounting, audit and control, but with using of the money for a purpose, following certain key principles and being able to evaluate the success of the intended results. That is why the structural funds emphasise the strategic approach to all its programmes in the 2007-2013 financial perspectives. That is also why defining SMART objectives and adequate OVI have become the first necessary step in achieving a good programme and project.

Other relevant applicable EC Regulations and Directives

Before dealing with the specific regulations of the structural funds, two relevant legal topics have to be underlined, as they have been the origin of a great deal of misunderstandings and subsequent ineligible expenditure in the past: public procurement and state aid.

With regard to public procurements, the key element is knowing when they are applicable. Directive 2004/18/EC of the European Parliament and Council on the coordination of procedures for the awarding of public works, public supply contracts and public service contracts states that the contracting authorities obliged by these rules are the States, regional or local authorities, bodies governed by public law and associations of the mentioned institutions. What is a body governed by public law?³ It is any body that:

³ We sometimes find the wrong term of “public equivalent bodies” instead of “body governed by public law”

- a. Is established for the specific purpose of meeting needs in the general interest, and not having an industrial or commercial character;
- b. Has a legal character; and
- c. Is financed, for the most part, by the State, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or other bodies governed by public law.

As public expenditure is a requirement for structural funds regulations, only bodies falling into these categories may be eligible. Private bodies may only be eligible if the co-financing of the funds comes entirely from public bodies. Private foundations or NGOs, with only private members, will be considered as bodies governed by public law and be eligible for funding, but also subject to their national public procurement laws.

Another key topic is State Aid, regulated in Articles 87 and 88 of the Treaty. It is the only rule mentioned in this chapter deriving directly from the Treaty, which gives an idea of its importance. The control of State Aid is a challenging issue in all programmes. Just one mention should be made here regarding the exception of the notification requirement: the *de minimis* aid. This exemption of notification is defined in Commission Regulation (EC) N° 1998/2006. It deserves a careful reading and has a host of exceptions according to different economic sectors (especially for agriculture and transport sectors). The general rule is that the total *de minimis* aid granted to any one undertaking shall not exceed 200,000 euro over any three financial year period. This ceiling is applicable regardless of the objective pursued, or whether the aid is granted with national funds or with resources coming from the Community.

Structural fund regulations

The structural funds have an extensive set of regulations and jurisprudence, taking into account that they are now in their fourth generation. As indicated in the introduction, it is impossible to do little more than describe some key elements to be taken into account, but with the strong recommendation for a more in-depth study of all applicable rules by those professionals working with them. The specific regulations of the structural funds are:

- Regulation (EC) 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (ERDF)
- Regulation (EC) 1081/2006 of the European Parliament and of the Council on the European Social Fund (ESF)
- Regulation (EC) 1082/2006 of the European Parliament and of the Council on the European Grouping of Territorial Cooperation (EGTC)

- Council Regulation (EC) 1083/2006 laying down general provisions on ERDF, ESF and Cohesion Fund
- Commission Regulation (EC) 1828/2006 setting out rules for the implementation of Council Regulation (EC) 1083/2006 and Regulation 1080/2006 of the Parliament and of the Council

Programmes structures

Structural funds are managed by means of operational programmes⁴ by the member states or regional authorities delegated by them. In order to achieve the best performing management and adequate separation of functions, the different bodies responsible for the funds are, as defined in Article 59 and following Regulation (EC) 1083/2006:

- Managing Authority
- Certifying Authority
- Audit Authority
- Monitoring Committee

In addition, the programme authorities may decide to have the additional support of:

- Joint Technical Secretariat
- Intermediate Bodies

Relevant rules

Some relevant rules of the aforementioned regulations are:

1. Automatic De-commitment

The Commission will automatically de-commit any part of a budget commitment in an operational programme that has not been used for payment by the 31st of December of the second year following that of the commitment. This rule is usually known as N+2.

For the new member states, as well as Greece and Portugal, the rule will exceptionally be N+3 between 2007 and 2010. The programmes of the Objective European Territorial Cooperation (ETC) including countries where N+3 is applicable, will also use this rule.

2. Eligibility of expenditure

In accordance with Article 56 of Regulation (EC) 1083/2006, the eligibility rules will be defined by the member states, with some exceptions indicated in Regulation (EC) 1828/2006. This article mentions that:

⁴ Operational programmes follow the National Strategic Reference Frameworks and define specific objectives for a certain territory or field of action for ERDF, ESF or Cohesion Fund

- “The amount of the expenditure is justified by accounting documents having a probative value equivalent to invoices”. As this is an ambiguous definition coming from the previous regulations, most member states and ETC programmes give detailed instructions on the type of supporting documents necessary for each type of expenditure, including the ones needed for the award procedure, commitment of the expense, payment and proof of delivery of services or goods.
- “In case of in-kind contributions, the co-financing from the Funds does not exceed the total eligible expenditure excluding the value of such contributions”. This is a rather common sense rule to avoid making profit by the valuation of non-paid in-kind contributions. It is important to stress that these kinds of contributions are becoming quite rare.

The exceptions to the national rules regarding the eligibility of expenditure are mentioned in Articles 48 to 53 of Regulation (EC) 1828/2006:

- Financial charges (Article 49)
- Expenditure by public authorities (Article 50)
- Overheads (Article 52), with the important innovation of the acceptance of flat rates under certain conditions
- Depreciation (Article 53)

In compliance with Article 7 of Regulation (EC) 1080/2006, the non-eligible expenses are the following:

- The debit interest
- The purchase of land exceeding 10% of eligible expenditure
- The dismantling of nuclear power stations
- Recoverable VAT
- Housing above certain limits. There are special conditions for the eligibility of housing.

3. Accounting System

Article 60 d) of Regulation (EC) 1083/2006 obliges the MA to ensure that the beneficiaries “maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules”. As a consequence of this article, some member states and ETC MA are setting up internet-based accounting systems for the beneficiaries. However, not all of them are doing so, and there is no detailed description of the content of this accounting system in most cases.

The importance of the accounting system, both at a programme and project level, becomes more important when Article 14 of the aforementioned Regulation indi-

cates that “at written request of the Commission, the member state shall provide the Commission with the information referred to the accounting within 15 days of receipt of the request (or any other agreed period), for the purpose of carrying out documentary and on-the-spot checks”.

4. Availability of documents

Article 90 of Regulation 1083/2006 obliges the MA to ensure that all supporting documents regarding expenditure and audit on the operational programme concerned are available for the Commission and the Court of Auditors for:

- 3 years following the closure of the programme or
- 3 years following the year in which partial closure took place

The documents will be kept either in the form of originals or in certified copies. It should be taken into account that most programmes will not perform partial closures, and that the last date for payment request to the EC is December 31st 2017. This means that most programmes will be closed in 2018 or later, and the documents will have to be available until 2021.

It will be a great challenge both for programmes and projects to set up an accounting and archiving system able to provide the EC and the Court of Auditors with the required documents until 2021. In the case of ETC projects with trans-national partnerships, this challenge becomes even greater, and it will have to be tackled by means of partnership agreements. Managing programmes and projects does not finish with the receipt of the last payment, as the grant can be lost later on if the “period-open-to-control” is not adequately planned.

5. Use of the euro

Article 81 of Regulation (EC) 1083/2006 states that the certified statements of expenditure shall be denominated in euro. The conversion into euro is to be done by using the Commission’s monthly accounting exchange rate for the month during which the expenditure was registered in the accounts. The EC publishes the monthly exchange rates in Inforeuro: <http://ec.europa.eu/budget/inforeuro/index.cfm?Language=en>

6. Audit trail

The concept of audit trail was a very important innovation in the regulations for the 2000-2006 period and it has been improved in the new regulations. Article 60 f) of Regulation (EC) 1083/2006 obliges the MA to set up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held. According to Article 15 of Regulation (EC) 1828/2006, an audit trail shall be considered as adequate where it complies with the following criteria:

- It permits the aggregate amounts certified to the Commission to be reconciled with the detailed accounting records and supporting documents held by the Certifying Authority, other managing structures and the beneficiaries
- It permits verification of payment of the public contribution to the beneficiary
- It permits verification of application of the selection criteria established by the Monitoring Committee for the operational programme
- It contains in respect of each operation, as appropriate, the technical specifications of the financing plan, documents concerning the grant approval, documents relating to public procurement procedures, progress reports and reports on verification and audits carried out.

The first two items were included in the regulations applicable for the period 2000-2006 after the results of the audits and checks carried out by the EC and the Court of Auditors for the programmes and projects in the period 1994-1999. After the last checks, both of them have been kept and two more have been added. This gives an idea of the weakest points encountered, and not to be forgotten by the present programme and project managers.

7. Publicity Rules

Publicity and communication have become increasingly important for structural funds. Even though there was a specific regulation in the 2000-2006 period, the rules are now set out in a single article, together with visibility guidelines. Article 69 of Regulation (EC) 1083/2006 states that:

- The member state and the MA for the operational programme shall provide information on and publicise operations (projects) and co-financed programmes.
- The information shall be addressed to EU citizens and beneficiaries, with the aim of highlighting the role of the Community and ensuring that assistance from the Funds is transparent.
- The MA for the operational programme shall be responsible for publicity in accordance with the implementing rules

Article 2 to 9 of the implementation rules, e.g. Regulation (EC) 1828/2006, sets out the requirements for:

- Presentation of a Communication Plan of the operational programmes and of the projects
- Information measures for the beneficiaries
- Specific instructions on the use of the emblem, the boards, etc...

8. Auditing of Projects

Articles 16 and 17 of Regulation (EC) 1828/2006, supplemented by Appendix IV, describe the scope of the audits and the method of sample selection. Responsibility for its execution falls to the MA, base on annual audit plans.

Moreover, the European Commission and other competent bodies⁵ may undertake financial checks of the projects during their functioning period or during the open-to-checking period mentioned in the section on availability of documents.

These bodies will have access to all the partners' documents and accounting systems in order to determine the eligibility of the expenditure and the fulfilment of the grant award and the applicable legislation. The beneficiary will have to grant access not only to the project's accounting, but to the general accounting of the institution.

⁵ Such as the Court of Auditors or the Anti-Fraud Unit (OLAF)

Procurement procedures applied to the European funds for candidate and potential candidate countries

Hugo Ruiz Taboada

Introduction

This contribution describes the procurement procedures corresponding to the European Commission's financial instrument for candidate and potential candidate countries, and the comparison with the EC funded structural funds for member states. In reality, the implementation of those procedures should help in the development of the national procurement procedures in order to bring them into line with the structural fund framework.

What is Procurement?

Procurement is defined as “the acquisition of goods, works and/or services at the best possible total cost of ownership⁶, in the right quantity and quality, at the right time, in the right place and from the right source for the direct benefit or use of corporations, or individuals, generally via a contract and following established procedures”.

The European Commission (EC) has a number of specified and advance procedures of its own which are applied for the acquisitions required or funded by the EC. The main legal basis is provided by the EC Consolidated Directive on Public Procurement, adopted in March 2004.

Procurement should be distinguished from grants, which are also awarded by the European Commission. Procurement procedures are used when a Contracting Authority wants to purchase a service, goods or work in exchange for payment. A procurement procedure leads to the conclusion of a public contract. The procedures, as well as the management of the whole project, remain under the control of the Contracting Authority.

In contrast, Grants are a financial contribution from the Contracting Authority to a project carried out by an external organisation. Grants can also take the form of direct financial contributions to the organisation itself (usually a non-profit beneficiary), which is in turn responsible for all procurement procedures (competitive and transparent ones are required) and project management.

⁶ “The best possible total cost of ownership” is a general concept which is defined in the bibliography and by different public institutions by other expressions such as “the best value for money” or “the most economically advantageous offer”. The specific criteria generally used for selection of the best offer are: Price, Payment Terms, Delivery period, Technical Performance (scope, quality, after sale services) and Tenderer capabilities.

Why Procurement procedures? Why do they require specialised management?

Public procurement, which represents 16.3% of the Community GDP, is an important sector of the European economy. Therefore, the harmonisation of procedures for concluding public contracts is a major achievement in the development of the internal market.

The European legislation has encouraged competition between firms by means of transparent and competitive selection procedures. First of all, in order to make sure that tenders are assessed in conditions of effective competition, contracts⁷ should be awarded on the basis of pre-defined objective criteria which ensure compliance with the principles of:

- transparency,
- non-discrimination and equal treatment.

Secondly, strict rules are applied to the tendering and the awarding of EC contracts. By applying the fundamental principle of competitive tendering to Public Procurement, qualified contractors must be chosen without bias and based on the best value for money. The full transparency rule, requested for the use of public funds, must also be followed.

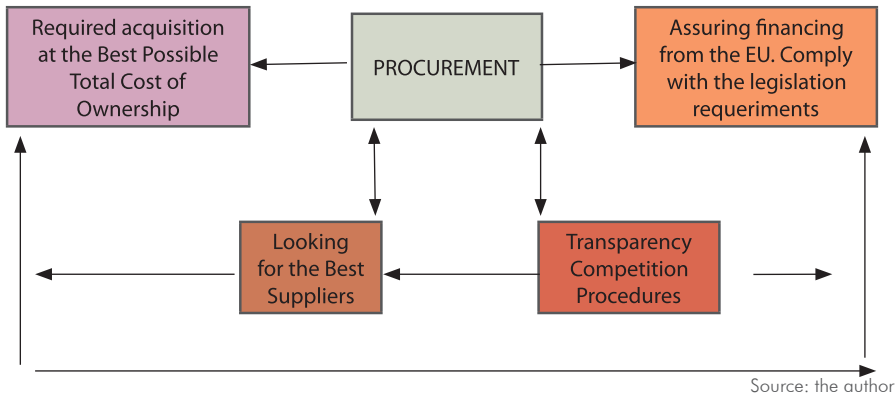
The requirements for transparency and competition procedures would not seem to be useful in some cases, as these can often reduce the chances of finding the best offers from qualified contractors. This applies for example to small purchases and/or standardised products. The technical specifications/terms of reference, the documentation requirements and the volume of the tender document⁸ can make the preparation of a winning offer very difficult even for qualified suppliers. Furthermore the extensive practice of putting together several sub-projects and/or contracts to attract larger potential suppliers and reduce management costs may not be appropriate for all cases.

By experience, getting the best suppliers for each contract in each city/country exceeds the administrative accomplishment of transparent and competitive procedures and calls for a proper supplier management. This requires officers and experts with sound experience in each sub-sector of procurement, and local knowledge of potential contract providers, as well as a sound personal work ethic. These three qualities will allow them to attract the best suppliers in the corresponding speciality and place, as well as avoiding personal bias and fulfilling the obligatory procedures.

⁷ See the principles contained in the EC Treaty and Directive 2004/18/EC of the European Parliament and of the Council of March 31st 2004 on the coordination of procedures for the awarding of public works contracts, public supply contracts and public service contracts

⁸ In recent years the EC has been promising to prepare an ad-hoc and simplified standard tender document for small contracts.

Figure 15. Procurement drivers



Furthermore the EU is continually updating the rules concerning procurement procedures by means of simplification, harmonisation and modernisation. The last revision introduces for instance a new procedure - the competitive dialogue, and promotes the development of electronic procedures in order to adapt to modern administrative needs.

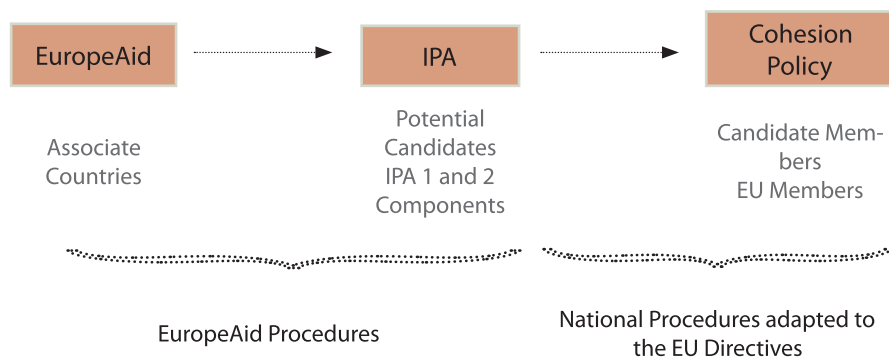
Procurement in major financial instruments: Pre-accession instruments and the European Cohesion policy

According to the Copenhagen criteria, further clarified by the 1995 Madrid European Council, candidate countries must be able to put the EU procurement rules and procedures into effect by transposing them into national legislations. Candidate countries must also have the appropriate administrative and judicial structures to implement the legislation. Specialised implementing bodies are also required in most cases. These are the prerequisites of the mutual trust needed for EU membership.

The *acquis* on public procurement includes general principles of transparency, equal treatment, free competition and non-discrimination. Specific EU rules apply to the awarding of public contracts for works, services and supplies, for traditional contracting entities and for special sectors. There are also specific rules on reviewing procedures and the availability of solutions.

Therefore the national procurement procedures of the candidate members should be adapted to the EU directives in the framework of the Cohesion policy. They should also be in line with Europe Aid and IPA procedures applied to EC funded programmes, which follow the "Practical Guide to Contract procedures for EC external actions" (PRAG).

Figure 16. Procurement Models for EU funds



This conversion implies an important demand for specialised work and training of the implementation agencies and officers. Technical assistance can help in this process, but in reality it implies the modernisation and further capacity-building of the whole public administration.

In the following lines we summarise the main features of the financial instruments for which the procurement procedures should be applied.

The Pre-Accession Instruments

These instruments aim at improving cohesion with the European Union, by decreasing economic and social disparities, increasing competitiveness and environmental sustainability, and facilitating the integration of new member states via the gradual implementation of the *acquis communautaire*, including its provisions on procurement.

For the 2007-2013 period, the EU's former programmes and financial instruments (Phare, ISPA, SAPARD, CARDS, as well as specific pre-accession instruments for Turkey) have been replaced by a single comprehensive instrument to assist Western Balkans countries and Turkey: the Instrument for Pre-Accession Assistance (IPA), created by *Council Regulation (EC) No.1085/2006 of July 17th 2006, establishing an Instrument for Pre-Accession Assistance (IPA)*. It is an integrated framework used to assist candidate countries (Croatia, Turkey and the Former Yugoslav Republic of Macedonia) and potential candidate countries (Albania, Bosnia-Herzegovina, Montenegro, Serbia and Kosovo).

The IPA is made up of five components, each of them covering priorities defined according to the needs of beneficiary countries: support for transition and institution-building, regional and cross-border cooperation, regional development, human resources and development and rural development. The financial resources of the two first components apply to both categories of countries, whereas the other three only apply to candidate countries. IPA intervention and management for these three latter components is organised in such a way as to prepare candidate countries to manage the below-mentioned European funds covering the same areas.

On the basis of the indicative financial framework and political priorities, multi-annual indicative planning documents are prepared for each country benefiting from the IPA (candidate or potential candidate countries): 3,551 million euro have been awarded to these countries over the 2007-2009 period. Financial aid concentrates on supporting the stability of public institutions and the rule of law, and helps the country to participate in the EU cohesion and agricultural policies.

The funds available in the framework of the EU Cohesion policy

An objective of the implementation of the financial instruments for candidate and potential candidate countries to the EU accession is their convergence to the framework of the European Cohesion policy, as defined over the years by the Lisbon Agenda, the European Employment Strategy and the European Sustainable Development Strategy.

The EU Cohesion policy, as set up in the 1986 Single European Act, aims at "reducing disparities between the various regions and the backwardness of the least-favoured regions"⁹.

For the 2007-2013 period, 347 billion euro were made available for Cohesion policy. Hundreds of projects receive funding by way of the various European financial instruments of the Cohesion policy. The principal instruments are the two structural funds - the European Regional Development Fund (ERDF) and the European Social Fund (ESF) - and the Cohesion Fund.¹⁰

These instruments contribute to three objectives. The first one, under which the poorest member states and regions are eligible, is the Convergence objective (82% of the total amount). The remaining regions are targeted by the other two objectives: Regional Competitiveness and Employment (16% of the structural funds), and European Territorial Cooperation (2.5% of the structural funds).

⁹ Since the Lisbon Treaty, another dimension has been added to this policy. Indeed, in this treaty it is referred to as "economic, social and territorial cohesion". The idea underlining this evolution is that Cohesion policy should also promote more balanced and sustainable "territorial development".

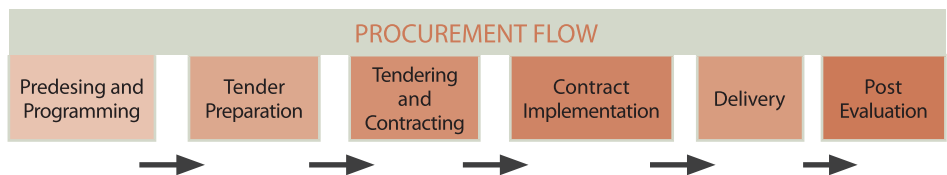
¹⁰ Other financial instruments may also be used by the EC in the framework of the Cohesion policy: the European Agricultural Fund for Rural Development (EAFRD) and the EU Solidarity Fund (EUSF).

The ERDF contributes towards financing various kinds of investment, such as those creating new jobs, investments in infrastructure or industrial regeneration. The ESF has been set up to reduce differences in prosperity and living standards across EU member states and regions, and therefore favour economic and social cohesion, with a special focus on employment.¹¹

General rules and guidelines applying to procurement procedures

All procurement procedures follow the same steps: First, the Contracting Authority takes care of the pre-design and programming phases, and it prepares and launches the tender. It then proceeds to contract a supplier or service provider from among those who responded to the call, and follows up the implementation of the contract and the delivery. It finally carries out a post evaluation.

Figure 17. Procurement Flow



The steps are highly downstream interdependent, and therefore problems which are not properly solved in one step, will considerably affect the procurement activities downstream.

Different kinds of procedures may be followed. In the so-called “open procedures”, all interested economic operators may submit a tender, and the contract is given publicly by the publication of a notice in the Official Journal (Series) of the European Union, the official journals of all the ACP States (EDF), on the Europe Aid website and in any other appropriate media. It is the most common form for procurement of public contracts.

In the “restricted procedures”, all economic operators may ask to take part but only those suppliers, contractors or service providers invited by the contracting authority may submit a tender. Such a procedure is recommended for large and complex contracts. In negotiated procedures, a list of candidates (a minimum of 3) is directly established by the Promoter. Under the “competitive negotiated procedure”, the Contracting Authority invites candidates of its choice to submit tenders. At the end of the procedure, it selects the technically compliant tender which offers the best value for money in the case of service tenders, and the cheapest compliant bid in the case of supplies or works tenders.

¹¹ Member states whose GNI (Gross National Income) is lower than 90% of the EU average can benefit from the Cohesion Fund.

A framework contract may also be concluded between the contracting authority and one or more economic operators, in order to establish the terms governing specific contracts which may be awarded during a given period, particularly with regard to the duration, subject, price, implementation rules and the quantities envisaged. The duration of such contracts may not exceed four years, except in exceptional cases, justified in particular by the subject of the framework contract.

The rules applying to the EC standard procurement procedures are for services (e.g. technical assistance, studies, provision of know-how and training), supplies (e.g. equipment and materials) and works (e.g. infrastructure and other engineering works). In the case of external EC actions, they are summarised in the table below, taken from the PRAG:

Table 7. European Commission external actions

SERVICES	$\geq \text{€ } 200,000$ International restricted tender procedure	1. $< \text{€ } 200,000$ but $> \text{€ } 10,000$ Framework contracts		
		2. Competitive negotiated procedure		
SUPPLIES	$\geq \text{€ } 150,000$ International open tender procedure	$< \text{€ } 150,000$ but $\geq \text{€ } 60,000$ Local open tender procedure	$< \text{€ } 60,000$ but $> \text{€ } 10,000$ Competitive negotiated procedure	$\leq \text{€ } 10,000$ Single tender
	WORKS	1. $\geq \text{€ } 5,000,000$ International open tender procedure	$< \text{€ } 5,000,000$ but $\geq \text{€ } 300,000$ Local open tender procedure	
		2. International restricted tender procedure		

Terms of reference (service contracts) and technical specifications (supplies and works contracts) are normally prepared by external consultants and validated by the national authorities.

With regard to tenders for services, bids consist of a "technical bid" and a "financial bid". The technical bid is divided into two main parts. The "Rationale" part contains any comments on the objectives, purposes, results to be achieved and specific activities as described in the Terms of Reference. The "Strategy" part is an outline of the approach proposed for contract implementation, a list of the proposed activities, of the related inputs and outputs, a description of the support facilities and of the sub-contracting arrangements foreseen. It must also contain a timetable of the activities and a logical framework.

The Financial offer includes the budget breakdown and the working days only in the case of unit price contract.

When preparing a tender, it is also crucial to define the selection and award criteria which will be applied by the Contracting Authority. In evaluating technical bids/specifications, attention is paid first of all to administrative compliance. The Committee checks the compliance of tenders with the instructions given in the tender dossier, and in particular the administrative compliance grid. Then technical compliance is tackled: in the case of services contracts, the Committee examines the technical bids while the financial bids remain sealed, and a score is awarded to each tender.

Regarding the financial bid, compliance with the formal requirements is evaluated; it is also important to check that no arithmetical errors have been made. At the end of the evaluation process, the tender with the best value for money is established by weighing technical quality against price on an 80/20 basis in the case of service contracts, and the minimum price in the case of supplies and works.

Concerning the implementation stage, three phases must be distinguished. In the inception phase, the start-up actions needed to make the project fully operational in as short a time as possible must be identified, and be able to be implemented immediately. Operational plans (including activity and resources schedules and budgets) must also be prepared for project implementation.

A monitoring system (including reporting) must be set up, as a continuing function that uses systematic collection of data on an ongoing development and on specified indicators to provide management and the main stakeholders with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds. In the case of supplies and works contracts, external technical supervisors are normally engaged for quality control, work progress and invoice verifications and provisional and final delivery.

The evaluation of the project is defined as a systematic, maximally objective assessment of an on-going or completed project, programme or policy, and of its design, implementation and results, whose aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability.

Procurement issues and their application in the frameworks of the IPA and of the structural funds

The management systems applied to procurement in the two instruments are different:

Table 8. Management systems applied to procurement

IPA	SF
De-concentrated to the European Delegations: ex ante procedures.	Procurement completely decentralised to public administrations of the member states.
CFCU management of the whole procurement process	Ex post control and auditing

As shown, the main differences lie in the players involved in the management system, as well as in the type of control exercised during the procurement phase. The IPA management system keeps the ex-ante control at the level of the EC Delegations and the procurement process is entirely managed by a central agency. As far as structural funds are concerned, local/regional/national public administrations are in charge of the entire procurement process.

The modernisation and simplification process required to work with structural funds needs a decentralisation of the public procurement to the local and regional administrations with sound management mechanisms. This development should take place in parallel with the development of adequate audit functions within the public administrations.

The EC directives apply to all IPA contracts, but only to structural funds for public contracts equal or greater than the following thresholds: 162,000/249,000 euro for service and supply contracts managed by central/other authorities and 6,242,000 euro for works contracts.

Table 9. Different time limits for receipt of tenders applied to the IPA and structural funds procedures:

	IPA	SF
Services	Restricted Procedure: 50 days from the date on which the invitation is sent.	Open Procedure: 52 days from the date on which the contract notice was sent. Restricted Procedure: 40 days from the date on which the invitation is sent. If there is a prior information notice, the minimum can be shortened to 36 days.
Supplies	Open Procedure: 60 days from the date on which the contract notice was sent.	The same as Services
Works	Open Procedure: 90 days from the date on which the contract notice was sent.	The same as Services

The IPA Procurement is open to all natural persons who are nationals (and legal persons established in) of a member state, a country that is a beneficiary of this Regulation, a country that is a beneficiary of the European Neighbourhood and Partnership Instrument, or alternatively a member state of the European Economic Area. In the case of structural funds, no restrictions to economic operators from third countries exists, in conformity with the Uruguay Round agreement.

Concerning the Terms of Reference, a standard model is applied in the framework of the IPA, whereas for the structural funds, national models are followed. In the case of IPA work contracts, FIDIC norms and conditions should be followed.

The shortlist of tenderers for service contracts should contain between four and eight candidates in the IPA framework. In contrast, within the structural funds, the minimum number of suitable candidates invited to tender should be five. In the negotiated procedure with publication of a contract notice and the competitive dialogue procedure, the minimum should be three suitable candidates.

In IPA service tenders, the offer with best value for money is selected by weighing technical quality against price on an 80/20 basis. The technical criteria are its methodology and the curriculum vitae of experts. In the case of supply and work tender evaluation, the successful tenderer is the one submitting the least expensive tender classified as technically compliant during the technical evaluation.

Within the structural funds tenders, when the award is made to the tender that is the most economically advantageous from the point of view of the contracting authority, various criteria linked to the subject-matter of the public contract in question, for example, quality, price, technical merit, functional and environmental characteristics, running costs, cost-effectiveness, after-sales service and technical assistance, delivery date and delivery period or period of completion, are applied. The Contracting Authority may also apply the lowest price criteria only.

With regard to evaluation of the programme, in the framework of the IPA the Commission regularly evaluates the results and efficiency of policies and programmes and the effectiveness of programming in order to ascertain whether the objectives have been met and enable it to formulate recommendations with a view to improving future operations. In the case of structural funds programmes, the member state is also responsible for programme evaluation, but the EC should be informed.

Development, preparation and implementation of EU funded projects

Stéphanie Horel

Setting the scene: The EU budget and its implementation via Projects funding

For the moment, the more pragmatic “Europe of projects” has replaced the wider project of a Europe that is still waiting for the Lisbon Treaty ratification to regain its momentum¹².

Since the operational part of the EU budget has been adopted as an Activity-Based Budget, projects are now the cornerstones of the EU.

In 2009, the EU budget envisages around 130 billion euro to finance actions and projects in the 31 policy domains in which all the EU countries have agreed to act at an EU level in order to achieve more efficient results.

These 130 billion euro, committed for potential projects, are to be spent following basic rules laid down in the Financial Regulation of the EU budget¹³.

These basic rules are the key to understanding how to develop a project idea into a proposal for EU funding.

A responsibility of the European Commission

EU funds have to be spent in accordance with the Financial Regulation of the EU Budget. This Regulation clearly mentions that the European Commission is ultimately responsible for ensuring the appropriate and efficient spending of EU funds.

To ensure this efficiency, any Community action requires the prior adoption of a basic act. This basic act gives the legal basis for spending the part of the EU budget committed for a specific activity. As an example, funds to be spent on candidate and potential candidate countries are committed under Heading 4 of the EU budget: EU as a global player. Under this heading, the regulation establishing an Instrument for Pre-accession¹⁴ is the basic act laying down, among others, the principles for implementing projects in line with the pre-accession strategy of the EU.

¹² “After the European Council: A Europe of Projects without a Plan?”, Julia De Clerck-Sachsse, CEPS Commentaries, June 16th 2006.

¹³ Council Regulation 1605/2002 concerning the financial regulation applicable to the general budget of the European Communities, June 25th 2002 (OJ L248, 16.9.2002,p.1)

¹⁴ COUNCIL REGULATION (EC) No. 1085/2006 of July 17th2006 establishing an Instrument for Pre-Accession Assistance (IPA)

Apart from defining the European Commission responsibility and the necessity of a basic act, the Financial Regulation also defines the two main mechanisms by which the European Commission will spend EU funds: Grants and Procurements.

Grant contract and procurement contract

Being able to differentiate between the two mechanisms is fundamental for project holders, since they involve a different approach and philosophy. The essence of a project will be totally different depending on whether it is funded by means of a grant or by means of a procurement contract.

In accordance with the Financial Regulation, a grant is a direct financial contribution, by way of a donation, from the EU budget, in order to finance either an action intended to help achieve an objective forming part of an EU policy; or the functioning of a body which pursues an aim of general European interest or has an objective forming part of an EU policy.

Grants are subject to an annual programme and a call for proposals which allows for a bottom-up approach: the call is largely limited to outlining an overall objective to be attained, and it is up to the project holder to propose its own project with a view to reaching this general objective. A grant is a co-financing scheme, which means that the grant beneficiary contributes to the financing of the project. The grant beneficiary is also responsible for implementing the operation, and retains ownership of its results.

On the other hand, a procurement contract is a public contract whose objective is to obtain the supply of assets, the execution of work or the provision of services. It is subject to a call for tenders. In contrast with a grant, which is exclusively for non-profit purposes, procurement contracts allow a profit for the contract beneficiary.

A procurement contract has a top-down approach, since the call for tenders sets out in detail exactly what the European Commission or the Contracting Authority wishes to purchase. The project is entirely financed and its implementation is closely supervised by the Contracting Authority, which will be the owner of the results after completion of the project.

Depending on whether a project will be funded via a grant contract or a procurement contract, the eligibility, evaluation, selection and award criteria will be different.

Three methods of implementation

At the level of the methods for implementing the budget, the Financial Regulation defines three different approaches:

1. Projects which are developed for EU programmes and which are directly managed by the European Commission (centralised management). This approach

ach is applied, for example, for projects under the Research Framework Programme (FP7), and represents the implementation of approximately 22% of the EU funds.

2. Projects which are developed by shared or decentralised management with a responsible institution in the beneficiary member states, which will be accountable for protecting the Communities' financial interest. This approach applies for example for structural funds, and represents the implementation of around 76% of the EU funds.
3. Projects implemented by third party countries or international organisations. This approach is mainly adopted for External Aid activities, and represents the implementation of 2% of the EU funds.

A project will be evaluated with a different evaluation committee set-up and with different evaluation criteria depending on the implementation methods used.

Defining the strategy: anticipation and preparation

Despite the different approaches for spending EU funds, all EU public contracts, whether a grant or procurement, centrally managed or in shared-management, have in common the fact that they have to be implemented following the rules of programming, transparency and equal treatment.

These rules ensure that all economic operators wishing to participate in such projects can prepare themselves and define their strategy accordingly.

Such a strategy cannot be prepared according to one single magical recipe, however some key elements are critical. In particular, it goes without saying that a potential EU project has to fit within the organisation which will be responsible for its implementation. The preparation of a strategy and the development of a project proposal will need political support as well as financial and technical resources inside the organisation.

Acquiring a "European Awareness"

First of all, there is no room for improvising; once the decision is taken to step into the "EU projects playground" an organisation has to acquire a "European awareness" and devote resources to it. In general, the development of an EU project is a new activity which is added to an institution's regular core activities. Therefore, developing and implementing an EU project is not "business as usual", and the organisation implementing the project must find the adequate resources to cope with this new challenge.

Acquiring a "European Awareness" implies getting acquainted with EU policies, programmes and values. Reading and understanding the strategy and reference

documents published by the EU related to the field in which the institution will develop the project is therefore essential.

This point is important, since all EU projects have to address political, economical and social issues which are important at the EU level.

Developing a European Network

Another key element is to develop a relevant “European” Network in order to widen the project holder’s contacts beyond local or national acquaintances. EU projects always contain a multinational element, therefore establishing contacts and building confident relations with potential partners coming from different countries is crucial. This can be done, among others means, by participating in conferences that bring together all the relevant European players in a particular field. In addition, participating in evaluation committees, when external evaluators are needed (e.g. FP7) is useful for developing this European Network, and is a unique opportunity to become familiar with the evaluation process for an EU project.

Developing lobbying skills

The objective of lobbying is to make a project holder visible to the relevant Institution which will be responsible for the implementation of a specific EU fund.

Depending on the nature of a project, in particular if it is going to be implemented by means of decentralised or shared-management, lobbying should first start at the regional or national level, not in Brussels.

On the other hand, project holders might have an interest in meeting the relevant Institutions in Brussels, in particular the European Commission services, in order to check if a particular project idea would be in line with EU objectives¹⁵.

Lobbying the EU Institutions is a transparent key element of the EU system, and is governed by strict rules to prevent any possible corruption.

Depending on its interests, a project holder should enter in contact in Brussels with the relevant organisations (the Permanent Representation of countries, Regions, Local Authorities; Interest groups: Consumer, industries, Trade-Unions, NGOs, etc.) which would be helpful in establishing the appropriate lobbying strategy.

Developing an EU strategy is a lengthy task, and represents a first step towards the development and participation in EU Projects.

This first step allows project holders to be fully aware of all the relevant EU programming documents related to a specific domain of competence.

¹⁵ Special attention should be paid to the timing of such meetings, since it is strictly prohibited to meet with officials of the European Commission during the tendering process

The next step is then to identify the relevant call for proposals or call for tenders, deriving from the programming documents, which provides the basis for the submission of the project proposal.

Finding the appropriate call

Once published, a call needs to be read carefully as it provides essential information. First, it indicates if it is a grant scheme (call for proposals) or a procurement scheme (call for tenders). It also indicates as the implementation method used: a centrally managed project (the Contracting Authority is the European Commission) or a decentralised one (in this case the relevant Contracting Authority will be mentioned in the Call).

The terms of reference accompanying the call provide details about the overall objective of the project, its purpose, the budget available, the envisaged timetable, the exact eligibility criteria, the type of activities to be funded (capacity-building, infrastructure, material etc.) etc.

All the documents accompanying the call should be studied carefully since the proposal has to fit exactly within the framework provided.

At this stage, three basic questions have to be answered positively before starting to draw up the proposal:

- Is the project holder eligible?
- Is the project idea relevant to the call?
- Is the project idea feasible within the framework of the call (activities, budget and time constraints)?

If only one answer to these questions is negative, then the project will not be feasible under this specific call. Finding a more appropriate call is then indispensable to ensure EU funding for the project.

If all the questions are answered positively, then the next step will be the drafting of the proposal.

Drafting the proposal to comply with EU requirements

Defining an EU Strategy, having a project idea and having identified the relevant call for its development are not sufficient. The project idea has now to become an administrative file and has to be developed into a proposal matching specific EU requirements contained in the call.

Partnership/Consortium building

The proposal preparation is a “rehearsal” for the project itself. It is a first test to check if the partnership or consortium is viable. A partnership or consortium must

be established based on coherence and complementarities between the partners. Coherence and complementarities can be defined on geographical grounds (need for a multinational partnership), on competences (specific expertise, management skills, past experience in EU projects, etc.) and on the legal status of partners (public, private, SME, etc.). The consortium or partnership should be set up in order to achieve a critical mass that allows an optimal development of the project.

The Project Leader, nominated between the partners, is responsible for the overall preparation of the proposal. It will coordinate the Partner's contributions to the proposal depending on their area of expertise and in accordance with a very strict agenda. The preparation timetable is another key element, since the deadline for submitting the proposal to the Contracting Authority is very strict.

The content of the Proposal

The last step for the project's development is the drafting of the proposal to be submitted. This proposal will be the basis for evaluating the project, and this is the reason why particular care should be taken to ensure it complies clearly with the evaluation and award criteria contained in the terms of reference.

The proposal will be evaluated by an evaluation committee, whose composition varies depending on the implementation methods used (centralised, decentralised or shared-management) and which will be evaluating many projects competing for the same funds. Therefore the proposal has to stand out from the other submitted proposals, and its content will need to provide the evaluation committee with clear indications on various aspects of the project.

i) EU Added Value and Innovation

The content of the proposal should demonstrate that the project holder is perfectly aware of the EU preoccupations or strategy in the specific issue relevant to the call.

This should be reflected in the rationale for the proposal, where the evaluators should be able to see clearly that the project will be part of an overall EU strategy as developed in the relevant EU documents.

The drafting of a proposal should prove that the project is innovative and of EU Added value. The question to be answered is why should the EU finance this proposal? To answer this question, the proposal has to focus particularly on the innovative nature of the project and on how it will create something original and different from the existing products and/or methods. In addition, the EU Added Value of the project has to be crystal clear to the evaluation committee: the proposal should demonstrate that the project will contribute significantly to European and/or National methods and practices.

ii) Management settings

The project leader is responsible for ensuring efficient management settings for the

appropriate development of the project in coherence with the pursued objectives. The work packages and financial plan contained in the proposal must reflect a shared responsibility and commitment among partners.

In addition, relevant monitoring methods and indicators have to be clearly mentioned in the proposal, as they will be used to measure and report on the attaining of the project's objectives.

iii) Visibility and Communication

One key issue for the EU is to ensure the highest possible visibility for the projects it finances. The proposal has to address this concern, and must provide communication and dissemination of results and visibility actions in conformity with the EU Visibility Guidelines.

iv) Sustainability

If funded, a project will be receiving financing for a limited period of time; therefore, it has to be designed in order to organise its own sustainability after the end of the EU funding. The proposal has to establish a serious plan ensuring the sustainability of the project's results.

v) Transversal issues

Apart from the specific issue to be addressed in line with the call, the project should participate in addressing other transversal issues such as gender equality and growth, as well as Employment and Environmental issues, which are of critical importance to the EU. The proposal should therefore demonstrate that the project will be developed taking into account these transversal issues.

Last but not least, the form of the proposal should not be underestimated. The way a proposal is presented should be pleasant to read for the evaluators, who will be evaluating many proposals in a very short time.

In order to make their task easier, it should be as didactical as possible, using figures, schemes and graphics when appropriate. The use of acronyms or jargon should be avoided if not defined beforehand. The sentences should be kept as short and as simple as possible. A last recommendation would be to have a final draft of the proposal read through by a native English speaker.

Anticipation, adequate preparation and good cooperation are key words for developing a good proposal for EU funding, which is a basic condition for a well-managed future project.

All the efforts made by the partners in developing the right proposal will not only be rewarded with EU funding but, more importantly, will ensure a smooth and efficient implementation of the project.

BOX 8

Projects, Grants, Programmes: some basic references

Programming and Budget

<http://ec.europa.eu/budget>

Grants of the European Commission

<http://ec.europa.eu/grants/>

Regional Policy – Inforegio. Regional development projects

http://ec.europa.eu/regional_policy/projects/stories/index_en.cfm
Database with around 1000 interesting examples of projects.

JASPERS. Joint Assistance to Support Projects in European Regions

<http://www.jaspers-europa-info.org>

The main objective of JASPERS is to help member states to make more rapid and effective use of the EUR 350 billion grant finance made available by the EU for the implementation of EU Cohesion policy during the 2007-2013 period.

European Parliament

<http://www.europarl.europa.eu/tenders/invitations.htm>

List of notices of invitations to tender, calls for expressions of interest and calls for proposals opportunities.

Your Europe

<http://ec.europa.eu/youreurope/>

Euractiv

<http://www.euractiv.com>

Euro Project Virtual Community

http://eu-project.vc/component/option,com_marketplace/page,show_category/catid,3/Itemid,35/

Grants and Public Contracts

http://europa.eu/agencies/public_contracts/

The gateway of research and development in the EU

<http://cordis.europa.eu/>

Practical management of a project cycle. The logical framework

Victòria Planas

Project management cycle: an approximation

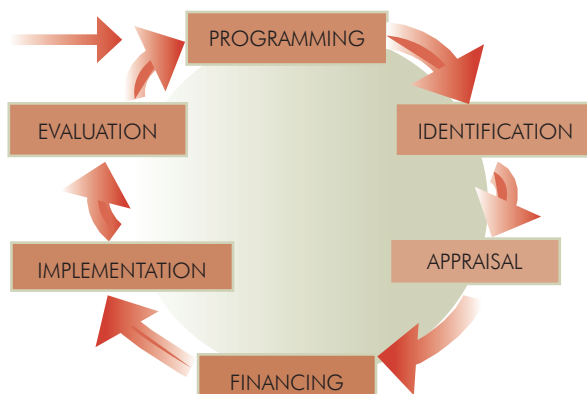
Every project should have a Project Planning definition stage: it is a compulsory institutional procedure for every intervention. Every project has a start and an end point. It is often conceived of as having a life cycle consisting of a logical sequence of interdependent stages. The output of these stages, the logical framework, will also be used for monitoring and evaluation purposes.

The Project Cycle follows the life of a project from the initial idea through to its completion. It defines the key decisions, information requirements and responsibilities at each phase. This methodology is called the Project Cycle Management (PCM). The PCM is a methodology for the preparation, implementation and evaluation of projects and programmes based on

- the Integrated Approach
- the Logical Framework Approach.

The life cycle of a project is presented below:

Figure 18. The project cycle



Source: Europ Commission-Europe Aid (2002) p.3

The Integrated Approach is the continuous examination of a project throughout all the phases of the project cycle, to ensure that issues of relevance, feasibility and sustainability remain in focus.

The Logical Framework Approach (LFA) is a methodology for planning, managing and evaluating programmes and projects, involving stakeholder analysis, problem analysis, analysis of objectives and strategies, preparation of the logical framework matrix, the activity and the resource schedules. It is a tool to design a project in a systematic and logical way. It looks like a framework and aims to present information about the key components of a project in a clear, concise, logical and systematic way. The logical framework model was developed in the United States and has since been adopted and adapted for use by many other donors.

On one hand, the logical framework merges Project Cycle Management (PCM) and Logical Framework Approach (LFA). On the other hand, drawing up a logframe has two stages (an analysis phase and a planning phase), which are carried out progressively during the Identification and appraisal phases of the project cycle:

Table 10. Merging PCM and Logical Framework Approach

	7 steps of the LFA		2 phases of the PCM
Analysis Phase	Step 1: Stakeholder analysis Step 2: Problem analysis Step 3: Analysis and objectives Step 4: Analysis of objectives	➔	2nd phase of the PCM: Identification
Planning Phase	Step 5: Preparation of the logical framework matrix Step 6: Preparation of activities Step 7: Preparation of resources schedules	➔	3rd phase of the PCM: Appraisal

Analysis phase

Step 1: Stakeholder analysis

This is the first step before designing a project. A deeper analysis of the problems is required in order to have a comprehensive understanding of the context and the situation the project aims to change. In an environment where there are many different players, it is often a major challenge to coordinate action and establish partnerships. To do this, it is very important to know about all the stakeholders involved and to understand their interests and position with regard to the context in which the project will be developed.

It is important to use a participative approach involving the main stakeholders for the context in which the intervention is to be made. The usual stakeholders are the beneficiaries, the local authorities and the representatives of the civil society (women's groups, NGOs, etc.). Indeed, understanding the problems that need to be addressed requires consulting local sources of information. It is very important that the project team take into account the stakeholders' points of view and their inputs in terms of their understanding of the local reality.

The main objective of the stakeholder analysis is to identify the players involved, their characteristics, their actions, their roles and their positioning. Some questions that can help identify the stakeholders are:

- Who will benefit from the project?
- Who could have an interest in the project?
- Who is likely to participate, even indirectly, in the implementation of the project?
- Who could feel threatened by the project?
- Who is working in the same field of activity?
- Who has the moral authority in the environment of the project?

Step 2: Problem analysis

A practical tool for formulating the problems and their interrelations is the Problem Tree. This is a classical participatory tool. It is a visual method for understanding the different aspects of a problem. It is called a Problem Tree because a diagram of a tree is used, where the trunk represents the main problem, the roots represent the causes and the branches the effects.

The objective of this tool is to identify problems which need to be targeted, and the relations of cause and effect between them. This participatory method helps to stimulate exchange and constructive debate between different points of view. The idea is to list and position the problems according to their cause-effect relationships. The main problem is placed in the middle and its causes positioned below and its effects above. The causes of the causes and the ultimate effects are then sought. The Problem Tree allows problems to be analysed in terms of cause and effect. It helps to define and understand the problems linked to a situation and how they are interrelated.

The inputs from beneficiaries and people who are well-informed about the local situation are obviously very necessary. A problem is not an "absent solution", but an existing negative state. E.g.: "Insecticides are not available" is not correct. The correct problem is: "The harvest is infected with insects". The Problem Tree therefore aims at defining the genuine and comprehensive causes of a given situation.

It can be relevant to use the Problem Tree to clarify situations that are particularly complex.

Step 3: Objective analysis

At this stage it is essential to have a thorough and detailed view of the unsatisfactory situation people are facing. The next step is to translate each problem into a solved situation e.g. into the objective to be attained. For instance “There are no alternative sources of income” can be translated into “alternative sources of income have been created”.

The Problem Tree helps to visualise how the situation is perceived. When problems are translated into solved situations, the result is an Objective Tree, with the same shape as the problem tree but filled with objectives. These objectives can then be clustered together based on the expertise needed to attain them: “production”, “training”, “construction” etc. This exercise gives a clearer view of the situation in terms of possible fields of intervention.

An objective (whatever it may be) must be expressed in terms of an achieved situation, not as an activity. E.g.: “increasing agricultural production” should not be written, but rather “increased agricultural production”.

Step 4: Analysis of strategies

At this level, this consists of choosing which cluster(s) of objective will be taken up by the project or will be left to other players, or to a following phase. In this stage, it is necessary to make choices in the operation’s field of intervention.

Usually the choice will be determined by criteria for choosing the intervention logic for the project from among different project alternatives. Some of the criteria are:

- Available resources
- Probability of achieving the project
- The organisation’s own mandate
- Organisation operational policy
- The purpose and its results
- Cost
- Timeframe
- Risks

To perform a Strategy Analysis and to define the “Operational Strategy”, these 3 steps must be followed:

- Identify objectives not to be pursued (not desirable or not feasible)
- Choose Group objectives or clusters of objectives, to obtain possible strategies or components (clustering)
- Determine Overall Objective and Project Purpose

Planning phase

Step 5: Preparation of the logframe matrix

Once the analysis phase is finalised, the planning phase is entered. The purpose of this phase is to formulate the way in which objectives are to be achieved. This is done using a matrix, in which the intervention logic (overall and project purpose, expected results and activities), the assumptions and pre-conditions, the Objectively Verifiable Indicators (OVI) and the Sources of Verification (SOV) will be defined.

The Logical Framework Matrix is the main document of the LFA. This matrix provides a summary of:

- Why a project is carried out
- What the project is expected to achieve
- How the project is going to achieve it
- Which external factors are crucial for its success
- Where to find the information required to assess the success of the project
- Which means are required
- How much the project will cost

The Logical Framework Matrix is not rigid: due to the fluid contexts of interventions, it can be re-adapted when necessary during the implementation phase.

Table 11. Standard Logical Framework Matrix.

Intervention Logic	Objectively Verifiable Indicators (OVI)	Sources of Verification (SOV)	Assumptions
Overall Objective	OVI	SOV	Assumptions
Project purpose	OVI	SOV	Assumptions
Expected results	OVI	SOV	Assumptions
Activities	Means	Costs	Assumptions
			Pre-conditions

The matrix has four columns and four rows, and there are two ways to read the logical framework: the vertical logic and the horizontal logic.

The vertical logic is the relationship between the 1st and the 4th row

Intervention Logic	Objectively Verifiable Indicators (OVI)	Sources of Verification (SOV)	Assumptions
Overall Objective	←	→	Assumptions
Project purpose	←	→	Assumptions
Expected results	←	→	Assumptions
Activities	←	→	Assumptions
			Pre-conditions

The vertical logic works as follows:

- Once the Pre-conditions are met, the Activities can begin;
- Once the Activities have been carried out, and if the Assumption at this level holds true, Results will be achieved;
- Once these Results and the Assumptions at this level are fulfilled, the Project-Purpose will be achieved;
- Once the purpose has been achieved and the Assumptions at this level are fulfilled, contribution to the achievement of the Overall Objectives will have been made by this project.

The horizontal logic measures the effects and resources used by the project through the specification of key indicators, and the sources of verification

Intervention Logic	Objectively Verifiable Indicators (OVI)	Sources of Verification (SOV)	Assumptions
Overall Objective		→	Assumptions
Project purpose		→	Assumptions
Expected results		→	Assumptions
Activities		→	Assumptions
			Pre-conditions

a) First column: Intervention Logic

The first column is called “Intervention Logic”. It sets out the basic strategy underlying the project, and works as follows:

Means allow Activities to be carried out; by carrying out these Activities, the Results are achieved; Results collectively achieve the Purpose, and the Project purpose contributes to the Overall Objectives.

There is a Hierarchy of objectives defined in four levels:

1. Overall objective: The broader impact(s) which the project will contribute to, but will not be able to attain entirely.

2. The overall objective is the highest and ultimate goal to which the project contributes and which justifies the intervention. It defines the impact which cannot be attained by the project alone.
3. Project purpose: The outcome of the project; what should be achieved at the end of the project.
4. Expected results: Specific outputs which will contribute to the realisation of the project purpose. The question is: what do I need to do in order to reach the project purpose?
5. Activities: Specific activities that will be undertaken during the project. Each expected result is related to a set of activities necessary to put in place the service involved.

b) Second column: Defining the Objectively Verifiable indicators (OVI)

The indicators (OVI) are the detailed description, in terms of quantity, quality, target group(s), time and location, of the overall objective, the project purposes and the results.

For each Result, the OVI specify the Project Purpose, and the Overall Objectives:

- What - the change you want to achieve
- How much – the quantity
- How well - the quality
- For Whom - the target group, the beneficiaries
- When - the timing
- Where - the location

Later on, during project execution, it will allow those involved to measure the level of completion of the project and to take corrective actions. Choosing an indicator is a process defined in two steps:

1. First step: Specify well: Are the indicators precise enough in terms of: what, by whom, for whom, where and when?
2. Second step: Is the indicator S.M.A.R.T?

Specific: does it really measure what the project aims to achieve? Is there no other more relevant indicator? Is it “true” and reliable (would other people arrive at the same figure?)

Measurable: Can it be easily measured?

Acceptable: Is it commonly accepted?

Relevant: Is the target value of the indicator achievable? Is it necessary?

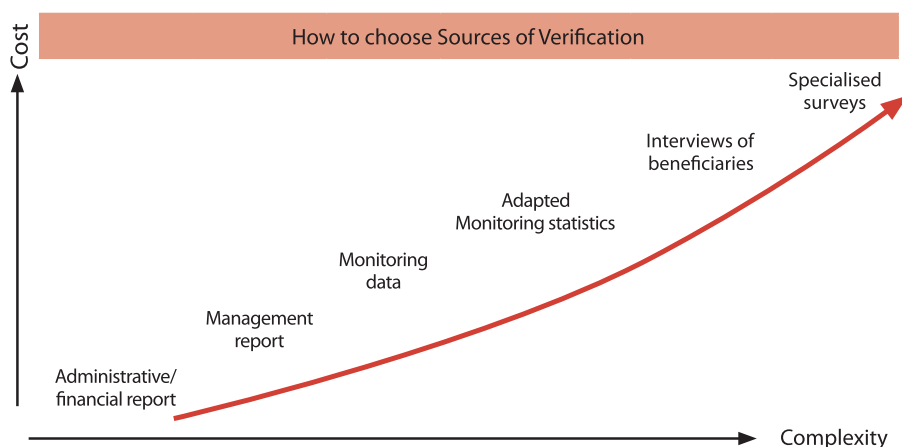
Time bound: Does the indicator state in how much time the achievement must occur?

c) Third column: Defining Sources of Verification (SOV)

The SOV will show where and how to find the data needed to establish the indicators: registration books, statistics, surveys, activity reports, etc. It indicates where and in what form information on the achievement of the Overall Objectives, the Project Purpose, and the Results can be found.

SOV must meet some criteria: availability, feasibility, accessibility, specificity and low cost.

Figure 19. How to choose Sources of Verification.



The SOV should specify the format in which the information should be made available and who should provide the information.

If adequate sources cannot be found to establish an indicator, this indicator will have to be modified.

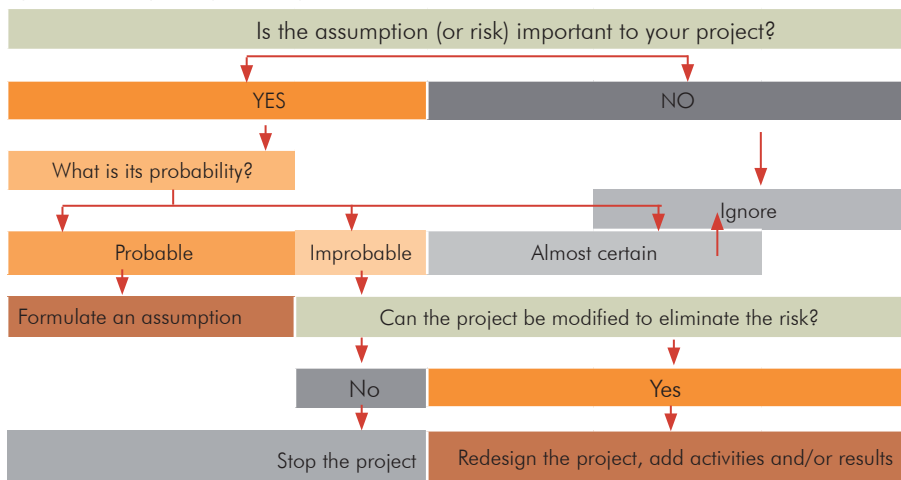
d) Fourth column: Defining assumptions and pre-conditions

Assumptions and preconditions are external factors, events (or non-events), or decisions that are of importance for the success of the project but are beyond the control of the project. They influence or even determine the success of a project, but lie outside its control. They answer to the question: "what external factors are not influenced by the project, but may affect its implementation and long-term sustainability?"

Assumptions are conditions that must exist in addition to the output of the project for the project to be successful. Pre-conditions differ from assumptions in that they must be met before a project can start. (e.g.: without the implementation of certain policy measures by the partner the project may not be executed.)

Assumptions and preconditions should always be formulated in a positive way. To make sure that the assumptions are properly defined, they can be passed through the assumption test:

Figure 20. Defining assumptions and pre-conditions.



At the level of Activities, the “means” and “cost” boxes replace Objectively Verifiable Indicators (OVI) and Sources of Verification (SOV).

Means are physical and non-physical resources that are necessary to carry out the planned activities and manage the project: human resources, material and financial resources. Costs are the translation into financial terms of all the identified resources (means)

It is very important to have a final check of the intervention logic.

Steps 6 and 7: Making a chronogram or operational plan and resources schedule

The operational plan, also called a ‘chronogram’, is a tool to be provided together with the logical framework in the Project Document.

For each activity the person(s) in charge, list sub-activities and their timing are specified, and the necessary means defined.

All information can be summarised in graphical format. This is called a Gantt Chart. Again the list of Activities should be copied into an input and cost schedule pro-forma. Each Activity should then be used as a checklist to ensure that all necessary Means under that Activity are provided for.


Figure 21. Gantt Chart.

LOGICAL FRAME WORK

Activities		

PLAN OF ACTION

Year	Year 1							By whom ?
Month	1	2	3	4	5	6	etc.	
Activity 1								
Activity 2								
Activity 3								




Resource-planning: preparing resource schedules. Cost estimates must be based on careful and thorough budgeting.

PLAN OF ACTION

Year	Year 1							By whom ?
Month	1	2	3	4	5	6	etc.	
Activity 1								
Activity 2								
Activity								

MEANS / BUDGET

Means :	Budget
Human resources	
Material / Equipment	
Travel, etc..	



Some problems of the logical framework

Table 12. Problems of the logical framework

Vertical Logic	Horizontal Logic
<ol style="list-style-type: none"> 1. Problems in clarifying and gaining consensus on objectives 2. Conceals disagreement 3. Oversimplification of objectives and design 4. Problems in reducing objectives to a means-ends chain 5. Ritual of validation by superficial assumptions analysis 6. Rigidification of design 7. Ignoring unintended effects 	<ol style="list-style-type: none"> 8. Excessive focus on lower levels 9. Problems in obtaining valid indicators for higher levels and for social types of projects. 10. Tunnel-vision

Some Advantages of the logical framework

LFA can be a useful tool, both in the planning, monitoring and evaluation management of development projects. It is not the only planning tool, and should not be considered an end in itself, but using it encourages the discipline of clear and specific thinking about what the project aims to do and how, and highlighting those aspects upon which success depends.

1. Problems are analysed systematically
2. The objectives are clearly formulated, logical and measurable
3. The risks and conditions for success of a project are taken into account
4. There is an objective basis for monitoring and evaluation
5. A synoptic, integrated view of project objectives and activities and their links to environments
6. Encourages examination of interconnections and assumptions
7. It give measurable, operationalised reference-points for use in appraisal, management & evaluation

Final remarks and recommendations

The main problem is that new member states are not familiar with the method and they do not have any experience in its use. The LFA instrument is a way of describing a Project in a determined logical way, but it should be not considered an end in itself, because of the complexity of development projects which are constantly changing. LFA involves donors, execution project teams and beneficiaries. Therefore, as the project circumstances keep changing, it will be necessary to inform all players involved in the project.

Another problem is that normally in a development process the person involved in the execution or implementation is not the same as the one who prepared the planning documents.

Regarding the technocrats or bureaucrats from new members states which will be asked to adopt these new instruments and tools within the context of Cohesion policy, it will be very important for them to be able to devote a special effort in generating technical skills in order to standardise criteria. It is important to consider that the input of a logframe should be a team effort. In this sense, it is important to generate skills in matters of management participation techniques, in order to approach projects in an overall way, considering different points of view.

At first sight, LFA terminology may seem frightening, since donors use different terms to make reference to the same concept. However, LFA terminology is easy in its application, in fact terms like goal, purpose, outputs and activities refer to objectives but at different levels of the intervention logic. The most important thing is to make people and their needs the key factor throughout the life of the Project Cycle Project.

References

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