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THE ANALYSIS OF ABSORPTION CAPACITY OF PROJECT BENEFICIARIES CONTRIBUTING TO CROSS-BORDER PROGRAMMES BASED ON THE MOST FUNDAMENTAL CRITERIA

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Abstract: *Subsequent to the experience with the international aid programmes of the 1990's, from the very beginning of the accession negotiations and since 2004 in particular, the notion of absorption capacity of using EU funds has gradually been in focus. The subject of early scientific investigations concentrated mainly on the analysis of the macro-economic conditions of individual countries; furthermore, on increasing absorption capacities as well as how to develop the institutional system of cohesion policy further. After 2004, however, succeeding further rounds of the enlargement as well as after the programming period 2007-2013 in particular – meaning as well the conclusion of the EU budgetary period – the analysis of absorption capacities could be produced at the level of project beneficiaries.*

The aim of this study is to examine the most prominent determinants influencing successful outcomes and the quality of vigorous projects managed by potent beneficiaries and consortia participating in the European Territorial Co-operation Programmes with the contribution of Hungary. In the course of research correlations between determinants have been subject to econometric analysis revealing the fact that the implementation capacities of state-owned project beneficiaries and those of the non-governmental sector diverge significantly. Moreover, the study aims to show how the institutional system distributing EU funds tends to be rather lax towards the beneficiaries with weak absorption capacities, thus sacrificing the efficiency of developments for pure statistics..

Keywords: *structural fund, cohesion policy, absorption capacity, European territorial cooperation (JEL code: R58)*

INTRODUCTION

The use and disbursement of EU funds for the financing period 2007-2013 reached its peak in 2015. In parallel, the programming period 2014 - 2020 also began on 1st January 2014. The new financing period has been amid great disputes since the beginning and it has had its share of failures as well, for example in the case of the EU summit of 23rd November where the heads of states and prime ministers of the Union failed to come to an agreement on the community budget. Naturally, the underlying tension was among net contributor and beneficiary countries in this case as well. The arguments made by net contributor countries and the European Commission – among others – referred to the low absorption capacity of net beneficiary countries, which is a phenomenon that had increasingly been in the focus of research in the years prior to the fifth wave of the enlargement. The authors *Herves*

and *Holzmann* (1997) prepared the first such EU study, which included a theoretical and empirical analysis of absorption capacities and problems. Their study can be mentioned among the first such published literature with the aim of providing a theoretical and practical approach to and measuring the problem of absorption following macroeconomic analysis. The authors examined the issue of absorption from a strict economic point of view in the case of less developed regions and countries. Although the European Commission (EC) also examined the structural policy and the efficiency of implementation in a plethora of assessments in the following years (*Bradley and Barry*, 1999) – namely whether establishing social and economic cohesion and reducing existing differences was successful – the term of absorption capacity was not used in these documents until the turn of the millennium. In view of the imminent enlargement wave of 2004 – since the countries to join the Community were much poorer than the EU average

– the Commission and professional circles as well began to place increasing emphasis on the issue of absorption capacities (Pires, 2001)..

Nevertheless, studies were commissioned by the Commission for the Third Report on Social and Economic Cohesion (ÖIR, 2003). Within the framework of these examinations the aim was to analyse the rate of fund use in the context of the implementation process with targeted questions and data collection. At the same time, the most relevant documents regarding absorption capacity were made within the framework of the institution development parts of the Phare programmes at the beginning of 2000s. The development of the first set of indicators is linked to these evaluations, which already experimented with the use of qualitative and quantitative criteria in case of Ireland, Spain, Portugal and three former GDR states. The evaluations focused on institutional structures as well as administrative resources. According to a study in 2002 (NEI, 2002), the causes of absorption problems can essentially be traced back to the deficiencies of three areas of capacity: macroeconomic, administrative and financing. The absorption capacities of cohesion countries were compared with the capacities of pre-accession countries – such as Hungary and Slovenia. Here, restructuring and system building recommendations were also defined in order to ensure the consistency of the cohesion policies of these countries with that of the EU Structural Policy. The literature pointed out the great impact of macroeconomic factors on the effectiveness of Structural Funds. Yet the success of resources use significantly depends on other factors, fundamentally the administrative and financing absorption capacities of the individual countries. It can also be seen from the abovementioned example that the literature in question placed emphasis on macroeconomic, administrative and institutional system aspects. However, the analysis of the absorption capacities of project beneficiaries has less been the subject of such research thus far. This is somewhat understandable as the programming period 2007–2013 is the first complete financing period, in which the newly joined countries – fundamentally possessing weaker capacities – were involved in using funds throughout the entire period, thus also providing a suitable framework for examining resource absorption capacity of the beneficiary side. Such evaluations can have a great added value as the conclusions on the one hand may promote practical implementation: planning of operational programmes; drafting project calls based on these programmes, the design of monitoring activities, risk management etc. On the other hand, they can orientate the institutional system of Cohesion Policy and the consultancy sector around it on the type of activities project beneficiaries may contribute to increasing the absorption of EU funds while fully exploiting the available institutional capacities and resources with a focus on the capacity building areas on demand. The European Territorial Cooperation Programmes (ETC), with the participation by Hungary, provide a suitable framework for performing such a research as opposed to the so-called „mainstream” operational programmes, since they also allow expanding evaluations on the possible effects triggered by the absorption capacities of the project beneficiaries of

the partnering countries coming both from Member and Non-Member States. Examinations related to the absorption capacities of project beneficiaries prove to be very useful from the aspect of the abovementioned practical applications as well, if they are able to reveal (or exclude) possible correlations between certain characteristics of beneficiaries. These include the quality of their submitted project application documents and the success of implementation in case of applications where funding is granted.

METHODOLOGY

If we aim to examine the correlation between the characteristics of project beneficiaries, the quality of applications and the success of the implementation of their projects related to a specific area of EU fund use, then first it is worth doing so along the most cardinal differences of the characteristics among project beneficiaries. Such significantly important characteristics include the legal status (state organisation or NGO) of project beneficiaries, their registered office, which also includes the essential territorial aspect in these assessments. The first part of the study aims to provide an overview on the application and evaluation phases. The relation between the abovementioned applicant characteristics and the success of the project are examined based on the compiled database in the first part of the study. The aim is to find an answer regarding the existence of a correlation between the attributes of the selected project beneficiaries (legal status, registered office) and the quality of the applications. The subject of the second part of the study is the examination of the implementation phase of projects where funding is granted. By including further relevant data, we aim to quantify and make the degree of implementation success comparable through developing a penalty point system, as well as examining a correlation and links with a univariate analysis between the attributes (legal status and registered office) and the implementation success of projects. This examination hopefully aids in confirming those two hypotheses, which are regarded and used as evidence in making cohesion policy during practical decision-making. According to a widely-accepted perception, the public sector is less capable of drafting a suitable quality application due to its unique decision-making and implementation mechanisms and less experience in fund management compared to that of the civil sector, as well as possessing a lower success rate in implementation. NGO-s, civil organisations reappeared following the change of regime both in Hungary as well as in Central and Eastern European Countries (CEECs). Their maintainance, activities and operational costs could be fundamentally ensured by grants beside the possible low normative support since the beginning of the 1990s. Large scale funds accessible through application for state or local government entities became essentially typical only from the start of accession negotiations since the end of the 90s. On the other hand, consortia with project beneficiaries including countries/territories demonstrating greater experience regarding fund management and its quantity are presumably capable of submitting better quality applications and executing them with a higher degree of success. During

the implementation of cross-border programmes, in the programming period 2007-2013, Hungarian partners had the opportunity to implement joint projects not only with project beneficiaries of other EU member states, but also with IPA (Croatia until mid-2013 and Serbia) as well as ENPI-countries (Ukraine). We apply the hypothesis that projects submitted within the framework of programmes for EU and IPA-states – due to the greater experience of project beneficiaries in these countries – are of better quality and their implementation is accompanied by fewer problems than in the case of ENPI-programmes, because of the relative inexperience of the project beneficiaries in the Ukrainian partner country.

Analysing the relation between the legal status of applicants as lead beneficiaries, registered offices according to countries with the quality of the applications for funding

A database was required in order to apply the characteristics of applicants and project beneficiaries for statistical and econometric evaluations. The datafile included project data of programmes financed by the European Regional Development Fund (ERDF), the Instrument for Pre-Accession Assistance (IPA) and the European Neighbourhood and Partnership Instrument (ENPI), where Hungary acted as the Joint Managing Authority in the programming period 2007-2013. The source of data is the Monitoring and Information System (IMIS 2007-2013), which was established to meet and manage the data requirements of organisations (managing authorities, national authorities, joint technical secretariats, information points, certifying authority etc.) contributing to the implementation of the programmes. It also assists communication with partner countries as well as the participants of the institutional system along with project beneficiaries. The database includes the project data submitted for the call for proposals of the bilateral programmes with Croatia, Romania, Serbia, Slovakia and the quadrilateral programme with Romania, Slovakia and Ukraine. The data file includes a total of 3427 items; all items are marked with an individual identification number and identify a project submitted at a phase of project implementation. The individual projects include the following information:

- programme;
- project ID/identifier;
- registered office (0-domestic, 1-partner country leading partner);
- project type (soft or infrastructural development);
- nature;
- partner number;
- evaluation score;
- state or NGO organisation¹;
- formal mistake;
- partner numbers with regard to nationality.

This information and attributes allow tracking and making

a comparison between individual programmes, and the early phase of the project lifecycle – submission and project evaluation – both according to territorial and basic quality criteria. During the current and later econometric evaluations of the study, the „applicant” or „project beneficiary” designation indicates the so-called lead beneficiaries acting as heads of individual applicant consortia. Although each consortium must consist of members from many nationalities in accordance with the programme rules, the subsequently evaluated characteristics can also mix even within one consortium, yet leading partners have a significant importance and thus an impact on project quality and implementation success during the implementation of ETC projects. They are responsible for submitting the project, furthermore, it is only the lead beneficiary that signs the contract with the institution system, so in technical, financial and legal sense they are responsible for implementation towards the administration. A precondition of entering the evaluation phase for a submitted proposal is compliance with formal criteria. Noncompliance with this criterion raises the question of deficiencies in project writing capacities, thus we first examined the relation between the “non-governmental organisation applicant” and formal mistake categorical variables with the help of a contingency table based on the hypothesis established above (table 1). The test mentioned examines the question whether two – categorical – criteria are independent of each other. Null hypothesis is the independence, which means that the distribution of one variable does not depend on the value of the other (e.g.: the distribution of the formal mistake variable is the same with state and NGO legal status as well). The application of the method is justified by the fact that in contingency tables – due to the significantly large sample size – plenty of observations are included altogether and also in each individual cell, and the approach that observations (projects) are independent of each other is acceptable, thus the conditions of probe application are fulfilled.

Table 1
The relation between the formal mistake and the legal status shown in a contingency table

project beneficiaries	formal mistake				Total
	no		yes		
	(number)	(%)	(number)	(%)	
state/local government	1854	78.6	504	21.4	2358
NGO	813	76.0	256	24.0	1069
Total	2667	77.8	760	22.2	3427

Non-governmental nature and formal mistakes are dependent according to our hypothesis. The chi2 probe related to the independence of two variables in the data of the table (H_0 : the two variables are independent; H_1 : not independent) p -value (0.101) suggest that the two variables are independent of each other. Therefore, it can be stated that non-governmental nature is not linked to the probability of a formal mistake. Following the analysis, the relation between attributes of non-governmental applicants and formal mistakes is examined, while an evaluation of the relation with the score for the previous variable – the consecutive step of the

1 Under state organisations, in this present case, the central public administration bodies as well as the territorial and local bodies are meant, including those entities in which these bodies have at least 50% direct or indirect ownership. All the other project beneficiaries received NGO classification.

application cycle - as the precondition of granting a fund comes next. The scores received in the quality evaluation of the applications can be divided into two groups based on the grouping attributes in the interest of the analysis. We applied the hypothesis that the expected scores for the non-governmental applicants that have a longer history regarding the use funds and the scores of governmental applicants differs significantly in this case as well. Two independent sample *t*-probes (H_0 : no difference between the value of the two population; H_1 : there is a difference) were applied during the evaluation of the two groups due to the large sample size. This test examines whether the expected value (average) of the two groups differs from each other with regard to a continuous variable; the null hypothesis is that there is no difference between the expected values of the groups (e.g. no difference between the expected value of state and NGO legal status). The application of the method is justified by the fact that the sample size is large (thus the question of normality is irrelevant), and the sample-taking is independent. Following the 0.003 *p*-value - although there was a statistically significant difference between the two groups - the difference between the points of 68.3 and 70.2 is not noteworthy. Analysis carried out following the evaluations of the relations between the abovementioned categorical variables suggest that the results for participants with governmental and public legal status do not differ significantly.

Beyond the evaluations related to the abovementioned legal status, it is worth examining the issue of registered office as it is of special relevance in case of ETC programmes. The IPA group includes candidate and potential candidate countries with closer political and economic ties to the European Union, while the ENPI-group is made up of countries that are included under the European Neighbourhood and Partnership Instrument. IPA countries can use more significant EU funds considering their closer ties, and have longer history of funding. Based on this, it is a safe assumption that IPA countries possess greater absorption capacities behind old EU and new member states both at institutional and at applicant levels than ENPI countries. Cross-border programmes provide a suitable area for examining the presumed relationships as Hungary jointly manages programmes with new member states (Slovakia, Croatia (July 1st, 2013 accession)) with IPA (Serbia), and with an ENPI country (Ukraine). Layered, descriptive statistics of project scores for the individual states were prepared to prove assumptions. On the basis of these, we examined whether we can conclude a difference between the expected scores of individual programmes submitted for the ERFA/IPA and ENPI programmes. We carried out a single factor ANOVA test (H_0 : no difference between the expected values of scores for individual countries; H_1 : there is a difference) due to the large sample size. The test allows for the comparison of a continuous variable (e.g. score) among many groups. The subject of its examination is whether the expected value (average) of many groups differs from each other regarding the continuous variable. The null hypothesis is that there is no difference in the expected values among the groups (e.g. no difference between the expected value

among programmes). It is important to note that rejecting null hypothesis does not mean that all groups differ from each other, but it only means that not all match. The application of the method is justified by the fact that our sample size is very large (therefore the question of normality is not relevant), as well as by the fact that the sample taking is independent. Such variables of the ANOVA-probe were also run during the analyses that are not sensitive to the conformity of group deviation. Based on the abovementioned we found that null hypothesis can be rejected (p -value < 0.0001), thus the expected value is not the same with all countries. Robust probes, taking the possible damage of deviation homogeneity into account, also gave the same result. A „post hoc” testing was applied to identify which countries would have different values. This method allows for determining which group(s) would show differences from the other groups that cause the null hypothesis not to be present in case of rejecting it. In this present case, the Tukey-B method was applied within „post-hoc” testing, which „aims” to classify groups into homogeneous categories (into such categories that show no significant differences among groups that belong to the same category, on the contrary, in the groups belonging to different ones). The mentioned method formed the following two sets from the countries (table 2).

Table 2
The homogeneous groups of the programmes according to their points created by the Tukey B method

TukeyB ^{a,b}			
Programme	N	Group classification at $\alpha=0.05$	
		1	2
Serbian	487	67.7347	
Romanian	821	68.2957	
Croatian	252	68.3770	
Slovakian	771	70.0663	
Ukrainian	336		75.2937

It can be stated that the Serbian (IPA), Croatian (former IPA current ERFA), Romanian (ERFA) and Slovakian (ERFA) applications form a homogenous set from the aspect of average score, the Ukrainian programme is the only exception. Therefore, it can be concluded that the post hoc testing lead to a contrary result in case of the individual programmes. Although the homogenous set is disrupted by the Ukrainian quadrilateral ENPI programme, the scores of content evaluation differ significantly upwards and not downwards contrary to expectations and the hypothesis compared to the ERFA and IPA- programmes. It is necessary to examine whether the results of formal and quality project evaluations are reflected during the implementation of the project in order to have correct conclusions drawn from the examinations above. Are projects implemented with similar success in the case of state and public project beneficiaries, and is the implementation of projects related to the Ukrainian programme more successful than the other programmes? Revealing these relationships can

help to determine the objective performance of an institutional system with a unified structure and operating based on the same documented method of procedures even though there is a division according to programmes. Such atype and quality is an essential precondition for appropriate decision-making in cohesion policy, as well selecting possible areas (e.g. capacity building) for development.

The analysis of factors determining the success of project implementation through penalty points and univariate analyses

Factors affecting the implementation of individual funded projects – partly also analysed in the first phase – provide the subject of evaluation in the second phase of the empiric analysis. Penalty points were used to express a delay in project implementation with figures to allow the most objective determination of successful or possibly unsuccessful project implementation. Such evaluations can be of great help when determining territorial and technical focuses related to the capacity building activities of the project beneficiary, or defining resource concentration, as well as in the preparation of risk analysis and mitigation related to monitoring activities, thus reducing the danger of insufficient scale of programme level drawdowns. The examination begins with the assumption that if a project is able to meet requirements included in the contract and sufficiently use granted funds in accordance with the provisions of the document, then the absorption capacity of the project beneficiary can be regarded as sufficient from the implementation aspect. The previously introduced database was expanded in this phase. Only those projects were selected from the database for obvious reasons, where examinations were carried out, so they received funding because of their scores. These are closed, so implemented projects (791 projects – as of April 31st 2014). The following variables – relevant from the aspect of examination – were included in the database:

- document submissions required for the contract before/after deadline;
- number of requests for amendments submitted during implementation;
- number of irregularity procedures;
- closing, compared to original deadline (delay in months).

Abovementioned variables and the administrative procedures originating from them highly obstruct implementation and extend the completion period. The significant delays of individual projects quickly accumulate at the level of operational programmes, which increases the previously mentioned annually arising repayments originating from the so-called $n+2/3$ rule.

Completion of conditions included in the subsidy contracts by the deadline has a major role in the future life cycle of a funded project – especially in the case of infrastructural projects – from the successful implementation aspect. Required documents were submitted by the deadline in 79.6% of the projects. 1-3 penalty points were assigned in even distribution to documents required for contracts that were not submitted by the deadline (delays were divided into three identical frequency parts) in order to make variables causing

delays based on the defaults of the beneficiaries comparable in later phases of the analysis; the trisect points – so the 0.33 and 0.67 are quantile – there was a delay of 7.00 and 21.24 days). We determined the number of penalty points in all the other categories in later phases of the analysis based on a reference point for non-application of a professional weight in the given category that should be 1 penalty point in this category – that is 1-7 days delay.

Project beneficiaries often face the constraints of submitting amendments to contracts during the implementation of projects. This step is required in an insignificant number of cases due to unforeseen reasons (*vis maior*), but in most cases because of insufficient planning and/or project implementation/management. The institutional system must assess amendment requests within 30 days based on the so-called internal programme implementation manual that provides a unified regulation for individual programmes. Consequently, considering the reference established in the case of contracting (1 week 1 penalty point) while 0 in the cases when the amendment request is missing, 4 in the case of one amendment request, and 8 penalty points are assigned to projects with more than one amendment requests.

Delays originating from contracting, as well as delays arising from administration related to the irregularity procedure, which highly influences the completion date of a project beyond the previously mentioned factors. A government decree specifies that the institutional system of cohesion policy must close the procedure within 45 days following the initiation of the irregularity procedure. Projects affected in irregularity receive 6 penalty points – taking into consideration the 45 days of administrative procedures – while following the logic of contracting and amendments to contracts.

Beyond contracting, submission of amendment requests and irregularity procedures in many cases the deficiencies in management capacities cause months and even years of delays. In this case, ignoring categorisation, 4 penalty points are assigned to the relevant project. Based on penalty point cumulation the distribution of total penalty points originating from planned or actual project closure is rather distorted due to the individual basic causes (we will take this into consideration later). Overall it can be said that the average penalty point is 10.1 (median: 8.0), the minimum is 0, the maximum is 104 points.

In the following part of the evaluation the subject of the examinations – similarly to the assessment part of the application phase and for testing the abovementioned hypothesis – is the correlation of penalty points considering the state/public status of applicants for the individual variables. In the absence of significant deviation found between the two sectors, it can be observed following the test that the average penalty point is lower by about 2 for NGOs (8.86 compared to 10.68). Since the size of the sample is large, it is possible to compare averages with a *t*-probe (H_0 : the expected value of the two populations is the same, H_1 : they differ) given that we have reason to assume consistent deviation, thus $p=0.03$, that is the difference can be said to be significant at the commonly

observed significance level of 5%. Therefore, following the examination of these variables it can be stated that NGO/non-governmental sector which possesses more experience in the grant management is more capable of implementing funded projects in accordance with our hypothesis.

ANOVA-type probes are used to compare differences of absorption capacity among the examined ERFA, IPA and ENPI programmes also considering implementation to check whether the expected values of scores significantly differ from each other.

The descriptive statistics of the abovementioned is illustrated in table 3.

Table 3

Stratified statistics of the penalty points according to the programme

Programme	N	Average	Deviation	95% confidence interval for the average		Minimum	Maximum
				Lower limit	Upper limit		
Romanian	354	11.4661	10.16494	10.4036	12.5286	.00	53.00
Slovakian	190	9.1421	14.57750	7.0560	11.2282	.00	104.00
Ukrainian	21	15.9048	15.70320	8.7568	23.0528	4.00	72.00
Serbian	127	10.0157	10.22678	8.2199	11.8116	.00	56.00
Croatian	99	6.2828	10.45890	4.1968	8.3688	.00	56.00
Total	791	10.1441	11.71667	9.3264	10.9619	.00	104.00

The difference both with ANOVA (H0: the expected population value matches in all groups, H1: there is at least one group, which has an expected value differing from the others), and also with – justified by the small sample size of one group – robust alternatives (for similar hypothesis pair) is significant at all significance levels. Examinations in this case

proved our initial hypothesis that when consortia from EU or IPA countries with more experience implement the projects jointly, they are able to carry them out with a better result than in the case of programmes where project beneficiaries of ENPI with less experience participate as well. Based on the averages of penalty points, a negative difference can clearly be detected in the case of the ENPI Ukrainian programme when compared to the results of the other programmes. This result however, is exactly contrary to the previous expectation, according to which we can expect fewer problems in the event of better quality – ones with higher points – projects. Partial results occasionally producing opposite than expected results justify a joint evaluation of the conclusions from the two partial analyses even more so, thus allowing the definition of systemised properties.

FINDINGS AND RESULTS

Our examinations focused on the relations among beneficiaries, proposal writers, planners and project implementation abilities related to applications within the cross border cooperation programmes, in many cases divided according to programmes. Our hypothesis, which assumed that the non-governmental sector with longer history related to project proposals has a higher success rate in receiving funds, was not confirmed during the analysis regarding proposal writing. Our other hypothesis also proved to be wrong, which assumed that poorer quality proposals are submitted to the Ukrainian ENPI programme. We have found that the proposals of the Serbian, Croatian, Romanian and Slovakian programmes form a homogeneous set based on their point averages and though the Ukrainian programme was the only exception – contrary to expectations – this was due to higher points.

Examinations on implementation proved that univariate models show a significant correlation with the success of project implementation (contracting within deadline, low number/absence of irregularity and amendment procedures, and appropriate scheduling of project closures) and the state/NGO project beneficiary status, as well as the fund management abilities of the consortium members from the partnering countries participating in the programmes. Our hypothesis compared to the first part of the analysis was proved which assumed that consortia with non-governmental lead beneficiaries are more successful at implementing projects (NGO an average of 2 less penalty points). The univariate examination applying a division according to programmes also handled the Ukrainian programme separately from the otherwise homogeneous set. Our hypothesis, which assumed less experience from the Ukrainian project partners of the ENPI programme and that they are therefore less capable of dealing with difficulties in implementation, was proved in the part on implementation.

CONCLUSIONS

The significant controversial difference between the results of the two partial analyses precisely indicates deficiencies in the operation and evaluation of the institutional system. The European Commission continuously emphasises the main principle for fund use which can most easily be described as „value for money“. This effort is aimed at producing real added value regarding fund use rather than „burning them up“. Contrary to and also in parallel with this, it aims to motivate individual member states to use funds in time and sanctions programmes not being able to comply with the previously accepted schedule of fund use with the so-called $n+2/3$ rule. The compliance with these two directions results in frictions and a kind of balancing in order to meet the expectations of both sides.

In order to practically implement the principle regarding quality developments and objectives, the monitoring committee of the programme approves the evaluation method, which determines the lower point limit required for funding in the initial stage of launching each programme. This also serves as a kind of quality guarantee. However – considering the analysis results contrary to each other – where the projects with the less experienced Ukrainian consortium partners receive the most points, it can be concluded that they have an advantage in allocating and spending funds in time against the emphasised „good value for money“ principle of the Committee during the evaluation of individual project rounds – presumably due to the insufficient number and quality of submitted proposals.. This, in certain cases, (see e.g. the Ukrainian programme) can lead to the systematic „upscoring“ of projects. This kind of evaluation deviation – as it is described above – can be counterproductive as project implementation flounders the most in these programmes. Naturally, this „partial“ evaluation phenomenon – unfortunately – is a logical reflex from the institutional system if it wants to meet all committee requirements, at least in the beginning it does not want to lose funds, but few sufficient quality proposals are submitted for a call, or it is constrained by different treatments related to proposals submitted by government organisations.

LIMITS AND IMPLICATIONS

The constraints of this study aimed at examining strictly the narrow project cycle must be surpassed to evaluate these system level problems and in many cases the neglected project generation and project tutoring (especially in the case of government institutions and inexperienced (potent) project beneficiaries) must be recognised, which is fundamentally an issue linked to programming cycle.

Good implementation of these activities could greatly contribute to boosting the number of sufficient quality and quantity of submitted proposals for individual project calls. Naturally, this requires both institutional and applicant side as well. The institutional system must ensure the framework during the planning of individual operational programmes, which contribute to defining relevant development needs in

time within the operational programmes. At the same time, the predictability of the institutional system is significantly important, which in our case refers to publishing the schedule and content of project calls in time and also following them. From the aspect of the widely interpreted applicant side, it is important to develop those basic capacities that allow individual potent institutions and organisations to submit proposals for project calls with a greater chance. The more such viable organisations are established, the more intense the competition for funds will be, which will also have an effect on the quality of implementation. Our evaluation proved that the systematic development of these capacities is necessary, because the responses (partial evaluations) of the current institutional system distort the system, temporarily cover up problems and are counterproductive, and its negative effects can be detected at the level of implementation, which arise cumulatively at programme and budget levels in the form of fund loss at the end of the years.

The frames of this study do not expand beyond the framework of the project cycle. But in order to define those reasons, factors and deficiencies in capacity, which need to be developed to elevate more and more organisations into the world of potent applicants, the focus of analysis in future research must be shifted. The next step must concentrate on detecting those factors being able to reveal capacity reasons and most importantly deficiencies that disable many organisations even at a theoretical level to exploit EU funds or at least submit a proposal and apply for funds. Successfully mapping these factors and developing these capacities could boost the number of high quality applications and reduce the number of projects where difficulties are experienced during the implementation phase. The examinations in this study carried out by a programme division pointed out that it is worth focusing on the entitled areas of the ENPI programme from a territorial aspect in the case of entities with basic proposal writing skills. Although, the attributes of lead beneficiaries were used at project level within the framework of this current examination, the previously determined territorial focus is still relevant, as the EU members of the quadrilateral Ukrainian programme also jointly manage bilateral programmes from the groups, however only the Ukrainian programme formed a separate category during the examinations. It would be important, in the interest of refining the capacity development focus, to concentrate attention on correlations of consortium composition in future evaluations. Such a research direction could possibly point out to the extent of regional differences in absorption capacity within individual countries, equally detectable at the level of project beneficiaries, along with the attributes of organisations making up a consortium responsible for the abovementioned results.

The method of research with such a direction can also mean a significant support even in the case of using mainstream operational programmes for every part of the programme cycle.

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