



Service Level Agreements
a tool for maintaining efficiency?

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Agenda

- Introduction
- About the challenges ahead us
- About a tool to meet the challenges: the SLA
- About the experiences of the Hungarian implementation of SLAs



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Introduction

- Specialty: capacity development projects
- Regional experiences: Romania, Hungary
- Experiences in ERDF, ESA, CF, EARDF
- Team Leader in the evaluation of the SLA system at Hungary (Coordination Managing Authority, 2010)



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Challenges

- It is not easy to head a managing authority
- There are
 - strict deadlines;
 - goals and indicators to be reached;
 - pressure for high absorption;
 - nervous superiors pushing for faster administration;
 - limited TA budgets;
 - etc.....



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Challenges

- Of course it is not easy to be a manager at any complex organisation neither..




BUT

- in a company there are (usually)
 - straight command chains from top to bottom;
 - common goal sets in the whole organisation;
 - motivation system for the employees;
 - competition between the suppliers.



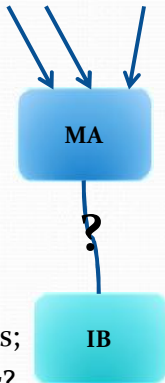
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Challenges

- The MA and IB organisational setup has a few negative attributes according to organisational management aspects,
 - the command chain discontinue at the organisational borders;
 - the MA and the IB not always share the same goals;
 - the IB's role is not always clear: college or supplier?



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Challenges

- The must have management tools support regularity more like efficiency:
 - audit trails;
 - procedures;
 - reports.




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Challenges

- The 2011/0276 EC. regulation even increases the challenges for the implementation system:
 - by emphasizing efficiency, and efficiency based financing (e.g. joint action plan, milestones)
 - by introducing the multifund logic, leading to more IB-MA relations;
 - by decreasing the number of audits, the IB's control activity became the last defense line;
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A potential solution: the SLAs



Purpose

- The MAs always search for new management solutions, to meet those challenges.
- Usually this quest involves the adaptation of private sector practices, like:
 - controlling methodologies;
 - development methodologies (LEAN, Six Sigma);
 - quality assurance techniques;
 - performance management tools;
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About the Service Level Agreement

- The SLAs were introduced in the private sector, to support the performance management of outsourced or purchased activities, like:
 - telecommunication;
 - energy;
 - call-center;
 - IT support;
 - applications;

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About the Service Level Agreement


- The SLA is the „unit cost model” of the Technical Assistance budget:
 - it makes easier the payoff between the MA and the IB;
 - decrease the financial restraint of the capacity development;
 - on the other hand, it needs more careful planning, than the real cost based financing.

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The experiences at Hungary



Context

- The SLAs were introduced by the National Development Agency (all MAs) at 2007;
- The organisational system was developed that time in more parallel ways:
 - capacity was increased (tasks were increasing too);
 - all MAs were integrated to the NDA;
 - some IBs merged;
 - new procedures, new management, new softwares,....
- The NDA had find the cost based financing method too inflexible and resource consuming.

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The Hungarian SLA system




Σ 7 MA, 15 IBs, 32 SLAs

Σ 38 610 fee unit payed off/2 years

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The Hungarian SLA system

- The SLAs had three distinct block:
 - the legal agreement;
 - the list of services and fee units;
 - the quality criterias and remuneration;
- The financing had three blocks:
 - the flat rate covering „unmeasurable” services;
 - the fee units for „measurable” services;
 - the remuneration.

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The Hungarian SLA system

- The same flat rate fee was paid in every quarter:
 - management;
 - administration;
 - call-center, etc.;
- The fee units were paid on performance basis, eg.:
 - one project-proposal was checked;
 - one finance-claim was verified;
- There were fee units categories for different call for proposal categories, regarding their resource needs.

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The Hungarian SLA system

- The remuneration was paid according to the rate of compliance to the quality criteria, like:
 - average lead time;
 - client satisfactions (beneficiaries);
 - client satisfactions (MA);
 - use of the SMIS;
- The remuneration was paid on yearly basis.

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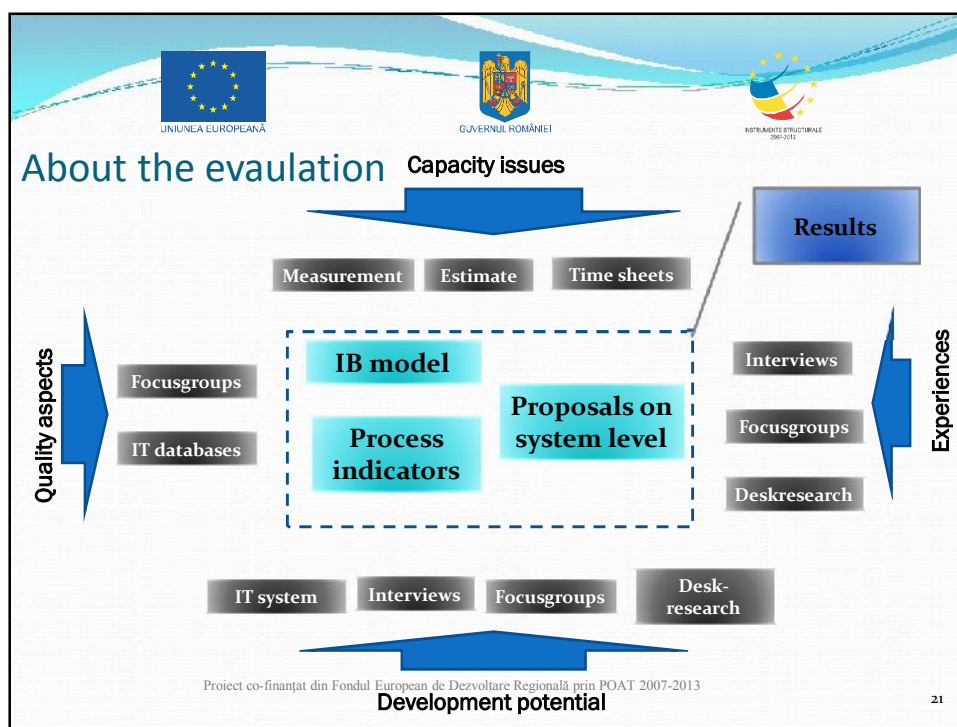


About the evaluation

- The evaluation was initiated by the NDA (Coordination MA and the Financial Department);
- The aims were:
 - to have a system evaluation;
 - to clear some disputed fee units;
 - to analyse if the quality criteria were appropriate;
 - to find possibilities to decrease the lead times;
- The evaluation was aiming to support a facelift of the SLAs.

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The experiences

- The SLAs had made it possible to increase the capacity and the absorption in the appropriate timing;
- The SLAs has increased the performance and client oriented approach at the IBs;
- The SLAs had forced the introduction of performance and quality management tools at the IBs, which had positive effect on the performance.

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The experiences

- The management capacities were not alligned to the management possibilities, provided by the SLAs;
- The SLAs has caused financial risk for the IBs, which was detaining capacity developments;
- Classical SLAs cannot work in the TA financing. The real cost should be verified by ex-post clearings.

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The experiences

- These SLAs were not classical SLAs:
 - the services should be defined more clearly;
 - the quality requirements should be defined more clearly;
 - ...
- The SLAs without competition, cannot bring the optimum performance
 - limited competition should be introduced;
 - other performance management methods must be maintained (e.g. personal motivation of the IB's mgmt)

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Main findings and conclusions

- The SLA is a good tool
 - to maintain and manage efficiency;
 - to set and manage the quality requirements;
 - to fasten the TA payoffs;
- But it needs to be adapted to the special needs of the state sector and the TA finance rules.
- The SLA is not effective solely, it must be an integrated part of a coherent management system.

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Thank you!

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