



**GETTING UNDER WAY -
THE FIRST PHASE OF IMPLEMENTING
THE 2007-2013 PROGRAMMES**

**Review of Programme Developments:
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PREFACE

The research for this paper was undertaken in preparation for the 24th IQ-Net meeting HELD in Śląskie, Poland, on 28-30 May 2008. The paper was written by Heidi Vironen.

This paper is the product of desk research and fieldwork visits during spring 2008 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium). The field research team comprised:

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Austria

- State Government of Niederösterreich, Economic and Tourism Department
- State Government of Steiermark, Economic Policy Department

Belgium

- Agency for the Economy of Vlaanderen, Europe Economy

Czech Republic

- Ministry for Regional Development

Denmark

- Danish Enterprise and Construction Authority

Finland

- Regional Council of Keski-Suomi
- Ministry of Employment and the Economy

France

- Délégation interministérielle à l'aménagement et à la compétitivité des territoires (DIACT)

Germany

- Nordrhein-Westfalen, Ministry of Economy, SMEs and Energy, EU Affairs Unit
- Sachsen-Anhalt, Ministry of Finance

Greece

- CSF Management Organisation Unit, Ministry of Economy and Finance

Italy

- Lombardia Region, Presidency, Central Directorate for Integrated Programming
- Ministry of Economic Development and Institute for Industrial Promotion (IPI)

Poland

- Śląskie Voivodeship (Marshal's Office)

Portugal

- Financial Institute for Regional Development (IFDR)

Spain

- País Vasco, Provincial Council of Bizkaia, Department of Economy and Finance

Slovenia

- Government Office for Local Self-Government and Regional Policy, EU Cohesion Policy Department
-

Sweden

- NUTEK, Swedish Agency for Economic and Regional Growth

UK

- Department of Communities and Local Government
- ONE NorthEast
- Scottish Government
- Welsh European Funding Office

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Disclaimer:

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.

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EXECUTIVE SUMMARY

The approval of the National Strategic Reference Frameworks (NSRF) and nearly all Operational Programmes (OP) by the end of 2007 started the implementation process in earnest across the EU Member States. Among IQ-Net partners, the first phase has been spent on awareness-raising activities and programme launch events. Most partners have also managed to get project generation under way. The early results suggest (generally) high levels of awareness and high demand for funds, although challenges remain, not least in terms of generating quality projects.

Commitments and payments remain limited, mainly due to the need finalise management and control systems. However, most partners are optimistic with regard to n+2 and financial absorption. Other administrative challenges relate to monitoring arrangements, institutional changes and partnership management. Efforts are also being made to ensure coordination with other programmes, such as those under the Territorial Cooperation Objective, or in other closely linked policy fields, such as rural development and R&D.

While the main focus has been on the 2007-13 period, the closure of the 2000-06 programmes continue to require attention, not least due to the approaching deadlines for final payments. Other operational issues include audit and control, as well as EU-level developments such as the *ex post* evaluation, which collectively ensure that the old programme period remains on the administrative agenda.

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1. INTRODUCTION

Following the approval of the NSRFs, nearly all Operational Programmes were approved by the end of 2007. After a sometimes lengthy negotiation process with the Commission, IQ-Net partners have finally started the implementation process in earnest. The past six months has been a busy period for programme managers, with launch events, communication activities, and early rounds of project generation. First results appear to be positive in terms of beneficiary/partner awareness and demand for funding, although various challenges remain. Commitments and payments continue to be limited, largely due to the finalisation of the control and management systems which is necessary before payment requests can be submitted to the Commission. The early stages of implementation have also been coupled with various other administrative and implementation issues, including those related to coordination with other EU programmes.

While the main focus has clearly been on the 2007-13 period, the approaching closure deadlines have kept the 2000-06 programmes firmly on the agenda. Many partners are facing challenging times in the lead-up to final closure, with the scope for corrective financial actions remaining limited. In addition, operational issues, such as increased audit and control measures, as well as human resource and monitoring challenges, have added an extra burden.

The objective of this paper is to review recent developments relating to the 2007-13 and 2000-06 programme periods. Section 2 provides an update of the early stages of the new programme period, including an overview on the approval process of the Operational Programmes, and IQ-Net partners' experiences with regard to the first stages of implementation. The section starts by outlining the approval process of the partner programmes, including an overview of outstanding issues. Subsequent chapters focus on communication, project generation, funding commitments and spending issues. Recent administrative and implementation challenges are also outlined, most notably in relation to management and control systems, monitoring arrangements and partnerships. Lastly, the section reviews partner approaches to coordination with EU programmes relating to Territorial Cooperation, Rural Development and FP7.

Section 3 focuses on the 2000-06 programme period. This includes an overview of the financial progress and the recent operational challenges faced by the IQ-Net partners in the lead up to the final closure. A brief overview of the challenges related to the n+2 rule over the programme period is also provided.

Section 4 briefly outlines the latest developments at the EU level, most notably concerning the *ex post* evaluation of the 2000-06 programmes. Section 5 concludes the paper and raises points for discussion.

2. THE 2007-2013 PROGRAMME PERIOD

Approval of the 27 National Strategic Reference Frameworks (NSRF) by the European Commission between December 2006 and October 2007 paved the way for the adoption of the 332 ERDF and Cohesion Fund and 118 ESF Operational Programmes (OP). Most OPs were approved by the end of 2007. However, as noted by the Commissioner for Regional Policy, Danuta Hübner ‘...the real implementation is just beginning: the programming documents set out the intentions of Member States, these intentions must become a reality.’¹ Time spent on programming, negotiations with the Commission, and domestic factors have meant that implementation, in many cases, did not start in earnest until 2008.

The first section of this paper briefly reviews the approval process of the IQ-Net partner OPs and discusses some of the outstanding issues that remain to be negotiated with the Commission. Subsequent sections look at the early stages of implementation, including the experiences of IQ-Net partners with programme launch and project generation activities, a review of the first funding commitments, and expected challenges with spending in the new period. The final sections focus on administrative and implementation issues, the contribution of the programmes to the Lisbon Strategy and their coordination with other EU programmes.

2.1 Approval of the Operational Programmes

Despite the fact that the new budgetary period started officially on 1 January 2007, the OPs were not adopted and ready for implementation until much later. The Community Strategic Guidelines² were not adopted until 6 October 2006, after which the Member States had five months to submit their respective NSRFs and OPs to the Commission (latest by 6 March 2007), although this deadline was not met in all cases. Submission of the NSRFs and OPs was followed by further negotiations with the Commission before the final approvals were reached. The NSRFs were approved between December 2006 (Malta) and early October 2007 (Luxembourg), while the OP approval process continued until the end of 2007 (see Figure 1)³.

Despite the Commission’s assurances that this has been the fastest-ever programming exercise⁴, most partners found the timeframe for negotiation and approval to be problematic. Reasons for delay were most commonly related to the NSRF approval process, not least because negotiations concerning the OPs often did not start until after the approval of the NSRFs (Czech Republic, Finland, Slovenia). In other instances, there were domestic reasons, such as late

¹ Professor Danuta Hübner, EU Commissioner for Regional Policy, Exchange of views with the Committee on Regional Affairs, European Parliament, 22 January 2008, Brussels

² Council Decision of 6 October 2006 on Community Strategic Guidelines on Cohesion, OJEC No L 291 of 6 October 2006.

³ While most OPs were approved by the end of 2007, as of 14 May 2008 two programmes (in the Czech Republic and Italy) were outstanding.

⁴ RAPID Press Release, *Danuta Hübner: Record Payments for Cohesion Policy in 2007*, IP/08/204 of 12 February 2008, Brussels.

start with the Strategic Environmental Assessments (Denmark, Greece, Italian Research and Competitiveness OP) or the delayed submission of other programmes within the Member State. For instance, while the Welsh programmes were submitted early, delays occurred because other (English ESF) programmes were submitted later, and the Commission wanted to ensure a uniform approach within the country, not least with respect to indicators. Lastly, it is important to acknowledge that not all programmes had difficulties. Nordrhein-Westfalen, Portugal and Vlaanderen for instance found the negotiation and approval timeframes largely acceptable. Similarly in Länsi-Suomi, delays were seen as partly advantageous, as consequently much needed time was released for other tasks, such as for the closure of the 2000-06 programmes.

Figure 1: Time from submission to approval of IQ-Net partner programmes

IQ-Net partner	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07
AT - Niederösterreich															
AT - Steiermark															
BE - Vlaanderen															
CZ - Střední Čechy															
DK - Denmark *															
ES - País Vasco															
FI - Länsi-Suomi															
FR - France															
DE - Sachsen-Anhalt *															
DE - Nordrhein-Westfalen															
GR - Greece															
IT - Lombardia															
IT - Research and Competitiveness OP															
PL - Śląskie															
PL - Human Capital OP															
PT - Portugal															
SE - Sweden															
SI - Slovenia															
UK - North East England															
UK - Scotland															
UK - Wales															

* For Denmark and Sachsen-Anhalt, also the approval of the ESF programme is shown in the table.

Note: See Annex 1 for more detailed information on submission and approval dates.

2.2 Outcome of the negotiations

Negotiations with Member States and regions involved many programme-specific issues. Nevertheless, some commonalities amongst the IQ-Net partners emerged. The general perception of the negotiations was good; they were regarded as having been conducted

efficiently (for the most part) and in a positive spirit. This was facilitated by the frequent communication that took place prior to the formal submission of the OPs, as well as the informal approach to the negotiations. However, the negotiations were not always straightforward. Problems occurred as a result of different interpretations of the Regulations, with the Commission authorities often pushing for the inclusion of very detailed information (Greece), resulting in delays. This was particularly the case with respect to indicators (Finland, Scotland, Sweden), for which the Commission was not able to provide clear guidance. Problems were also reported concerning relations with Commission staff; in more than one case, the Commission representative changed during the negotiations, complicating the process. Other partners noted that Commission representatives responded differently to different programmes on similar issues.

Despite the sometimes lengthy negotiation processes, significant changes to the partner programmes were rare. In most cases, strategic changes were agreed prior to the official submissions.⁵ As discussed in more detail in past IQ-Net Review Papers⁶, the final phases of negotiations and the subsequent changes to the programmes focused mainly on issues related to: interventions (restructuring of Measures between Priorities; inclusion of new Priorities and Measures; links between domestic and Structural Funds interventions etc.), cross-funding (between ERDF, ESF, EARDF, EFF), Lisbon earmarking; and on various other administrative and technical issues (management and implementation systems; issues surrounding the definition of indicators etc.). Recommended changes were integrated into the programmes without major challenges, although in some programmes this process was more straightforward than in others, not least in terms of time. There were also no reported difficulties in aligning the Priorities of the programmes with those of the NSRFs, largely due to the coordinated drafting processes.

Although all the IQ-Net partner programmes have now been formally adopted, there are still some outstanding issues on which partners are awaiting approval or further guidance from the Commission. Issues to be finalised relate to: sectoral eligibility (Scotland); project selection and generation (North East England, Scotland); contingency reserve (Greece); profit-generating projects (ROP Střední Čechy); indicators (Portugal, Sachsen-Anhalt, Sweden); and evaluation plans (Sachsen-Anhalt).

- **Sectoral eligibility issues.** In Scotland, the OPs are due to be revised and submitted to the Commission after agreement from the Programme Monitoring Committee. In addition to general clarification issues, changes concern the inclusion of food and forestry sectors to the ESF OP, and a relaxation of restrictions under the rural Priority of the ERDF OP.

⁵ Gross, T. and Vironen, H (2007) *Getting off the Ground - Launch of the New Programmes*, IQ-Net Review Paper No 21(1), European Policies Research Centre, University of Strathclyde, Glasgow.

⁶ See the following IQ-Net Review Papers: Gross, T. and Vironen, H (2007) *Getting off the Ground - Launch of the New Programmes*, IQ-Net Review Paper No 21(1), European Policies Research Centre, University of Strathclyde, Glasgow; Gross, T. and Davies, S (2007) *Programmes in Transition - between closure and start*, IQ-Net Review Paper No 20(1), European Policies Research Centre, University of Strathclyde, Glasgow.

- **Project generation and selection issues.** In North East England, further clarification was required with respect to project selection criteria and the proportion of the programme being spent through non-competitive selection (concerning discrete projects highlighted in the OP, e.g. Business Link, capital element of the ‘innovation connectors’). The Commission has sought reassurance on the rationale, accountability and partnership support for this approach. In Scotland, the Commission also required assurances that funding would not be provided for SMEs from other countries, and that support would be made available for large-scale redundancies.
- **Contingency reserve.** In Greece, the only current outstanding issue concerns the contingency reserve, under which Member States may reserve an amount of their annual Structural Funds allocation (one percent under Convergence, and three percent under the Competitiveness and Employment objective) to cover unforeseen local or sectoral crises linked to economic or social restructuring or the consequences of opening up trade.⁷
- **Profit-generating projects.** In the case of the ROP Střední Čechy, all recommendations from the Commission were incorporated into the programme. However, the Managing Authority is hoping for more practical guidance from the Commission with respect to profit-generating projects. This also remains a challenge in France (although without Commission involvement). The French authorities perceive the regulations concerning profit-generating projects to be very complex and, as such, discourage private-sector actors from participating. This is particularly due to the perceived excessive monitoring requirements that follow after a project’s completion.
- **Indicators and evaluation plans.** In Sachsen-Anhalt, the programme document provided limited information on evaluation plans and on indicators. To reach an agreement with the Commission, the OPs included a statement that an evaluation plan and a full indicator system would be provided within six months of programme approval. At the time of writing (May 2008), the Managing Authority was in the process of finalising these requirements. In Sweden, the indicators were approved at the same time as the OPs, but the Commission subsequently recommended that Sweden should include further information on baselines and objectives. This was finalised in the second Monitoring Committee meeting in early 2008 and also subsequently approved by the Commission.

Problems with monitoring indicators were a common issue in the negotiations. As noted by the partners from Portugal and Vlaanderen, the core indicators proposed by the Commission did not include detail on their definition. As a result, Member States were left to define the

⁷ Council Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund, OJEC No L 371 of 8 December 2006.

necessary methodology for calculating the indicators. In response, DG Regio is in the process of developing a section on the Info regio website to facilitate the exchange of information across the Member States as part of the evaluation network. It has been suggested that information with respect to indicators will also be included in this section.

Finally, it should be noted that, in France, possible changes may be expected to the approved OPs once domestic regional innovation strategies are finalised. These strategies are currently being developed under guidance issued by the Directorate for Enterprises of the Ministry of Industry. The regions have recently established strategic committees composed of all relevant stakeholders (public sector, firms, researchers, academics) to work on the innovation analyses. Interventions under the strategy may be co-funded by the ERDF OP over a two-year period (until end 2009) which, in some cases, may entail relatively large amounts of funding (€1 million). The analysis has to be integrated with sectoral strategies and may lead to changes in the OPs, in order to specify or target interventions and actor groups better.

2.3 Alignment with key EU priorities

Following the negotiation process, an analysis⁸ by the Commission concluded that the quality of the programmes has improved substantially, particularly with respect to the key EU priorities. In addition to challenges related to globalisation, demographic and environmental issues, Member States and regions have clearly shifted their priorities in line with the Lisbon Strategy by earmarking significant investment for competitiveness, jobs and growth⁹.

- **Research and innovation are major priorities.** Over €86 billion, representing 25 percent of Cohesion policy resources (€347.4 billion) is allocated to support the Lisbon target of increasing R&D expenditure to three percent of GDP. For instance, in Spain, despite the reduction of funding in 2007-13, R&D expenditure is expected to double in absolute terms to approximately €8 billion, representing 23 percent of the total budget.
- **Recognition of information and communication technologies.** Cohesion policy investment in ICT services and infrastructure is similarly expected to double from the past programme period, and to reach €15.3 billion. The largest budgets are evidenced in Poland, Italy, Greece, Slovakia and Spain.
- **Support for businesses.** Approximately €27 billion, representing eight percent of Cohesion policy resources, is being invested in businesses, particularly in SMEs. For instance, in Finland, €343 million will be directed at business start-ups, while in Poland

⁸ European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions on the results of the negotiations concerning cohesion policy strategies and programmes for the programming period 2007-2013*, 14 May 2008, Brussels

⁹ RAPID Press Release, *Cohesion policy 2007-2013: Hübner and Špidla welcome shift in priorities set to boost jobs and growth*, IP/08/744, 14 May, Brussels

business creation is promoted by reducing the number of days required to set up a business from 60 to seven.

- **Improving education and training.** Approximately €26 billion will be invested in improving the quality and availability of education and training. This includes support for projects to facilitate lifelong learning and to prevent students leaving school early (e.g. Portugal, Greece and Italy). €19 billion will be made available to remove barriers to employment, especially for women, young people, older and lower-skilled workers, migrants and ethnic minorities; €10 billion has been allocated to those facing poverty and social exclusion and experiencing difficulties in returning to the job market. Furthermore, €2 billion will be invested in improving public administration and services.
- **Improving the quality of the environment.** Environmental investments amount to €105 billion in 2007-13. In many of the EU12 Member States, this includes funding to improve the environmental infrastructure to better comply with EU legislation. For instance, Latvia plans to increase (from nine to 62 percent) the percentage of inhabitants benefiting from waste-water management services. Similarly, the need to mitigate the impact of climate change, has become central to the EU policy agenda, with investment of €48 billion.

2.4 Early stages of implementation

Generally, the implementation of the OPs was not started until after the Commission's approval process, although some countries/regions accepted applications prior to approval in order to minimise delays. Preparations for programme launch were often started much earlier, not least in the form of various communication activities. The next sections review the experiences and challenges that IQ-Net partners have faced in the early stages of implementation.

2.4.1 *Raising actor awareness through communication*

The start of the new programme period was often celebrated with a symbolic launch event involving politicians, Commission officials and the media. In addition, partner programmes have initiated national and regional actions to disseminate targeted information to potential project applicants. The basis for the communication activities is set out under the Article 1 of the Implementing Regulation, which requires the Managing Authorities or the Member States to develop specific Communication Plans (see Box 1). These had to be submitted to the Commission within four months of the adoption of the OPs.

Box 1: Structural Funds Communication Plans

According to the Regulations, the plan should include:

- the aims and target groups;
- the strategy and content of the information and publicity measures to be taken by the Member State or the Managing Authority, aimed at potential beneficiaries and the public, having regard to the added value of Community assistance at national, regional and local level;
- the indicative budget for implementation of the plan;
- the administrative departments or bodies responsible for implementation of the information and publicity measures;
- an indication of how the information and publicity measures are to be evaluated in terms of visibility and awareness of Operational Programmes and of the role played by the Community.

Many of these activities had already started during the programme drafting and public consultation phases. A wide-range of communication methods have been implemented by IQ-Net partners, and beneficiary/partner awareness is reportedly high. Facilitating factors have been: the early start of the awareness-raising activities; new institutional set-ups (Denmark); the continuation of the programme from the past period (Länsi-Suomi); and the discontinuation of micro-zoning, which has enabled dissemination of information at a larger scale (Steiermark). The key communication methods used by the IQ-Net partners include the following.

- **Regional information campaigns.** In addition to national-level events, regional campaigns have been held in the forms of road shows, seminars or smaller-scale meetings, and have included either a general introduction to the new programme period or more targeted information sessions. In Střední Čechy, such events can be categorised into three different groups: seminars targeted at specific groups, providing general information on funding opportunities under the programme, and a subsequent follow-up seminar providing more detailed information; seminars focused on specific thematic issues, such as control, monitoring etc.; and workshops for each Measure of the ROP. Due to the high level of interest in the seminars and workshops, the Managing Authority is to continue these activities. In Śląskie, the region organised a 'Structural Funds Programme Fair' following the format of the EU Open Days, including stands for the different OPs and thematic discussion panels. Kentriki Makedonia was the only Greek programme to organise regional information campaigns. In Niederösterreich and Střední Čechy, best-practice examples of successful projects funded under 2000-06 period were presented.

- **Newsletters, helplines, television,** In addition to events, partners have used print media, television and phone services to increase awareness. In Niederösterreich, there is a regular newsletter, covering recent issues related to the programme period, as well as a more specialist journal *Raumdialog*. Local newspapers, specialised magazines and TV have also been utilised (e.g. Střední Čechy). In Wales, there is a bilingual telephone helpline to provide professional advice to all prospective and final sponsors/beneficiaries (also possible via the website).
- **Websites, electronic bulletins.** Increasingly, partners are disseminating information through electronic media, particularly websites, because of their accessibility, but also for environmental and transparency reasons. In Wales, the website performs a number of core programme management business functions, including: a facility for posting, browsing and sharing project ideas in advance of formal submissions of Expressions of Interest; on-line access to the first stage in the application process; access to the new e-government gateway interface to be used for all communications between Welsh European Funding Office and project sponsors relating to project submissions, claims, payments and performance review).

Box 2: Coordination of communication activities in Greece and Portugal

In Greece and Portugal, informal networks have been created to facilitate effective and coordinated communication. In Portugal, the network consists of programme Managing Authorities, as well as NSRF and ESF and ERDF representatives. The network will focus on exchanging experiences and good practices, coordinating the specific communication activities (with respect to the NSRF, the different funds, and the OPs), as well as monitoring the results of the Communication Plans. The first outcome of the network concerned the identification of communication territories for the NSRF, the different funds and the OPs.

2.4.2 Early launch through shadow round

In most instances, programmes were not opened for applications until after they had received Commission approval. However, as reported in a 2007 IQ-Net Review Paper¹⁰, some programmes accepted funding applications prior to this, in order to avoid implementation delays (e.g. Czech Republic, France, Italian Research and Competitiveness OP, Länsi-Suomi, Sachsen-Anhalt, Scotland, Slovenia).

These so-called ‘shadow rounds’ of applications involved a certain financial risk; in the event that the Commission requested major changes to the programme, projects would have to be

¹⁰ Gross, T. and Vironen, H (2007) *Getting off the Ground - Launch of the New Programmes*, IQ-Net Review Paper No 21(1), European Policies Research Centre, University of Strathclyde, Glasgow.

funded from domestic sources. Therefore, some partner programme made no funding commitments, but used the shadow rounds to get the programmes started and to prepare applications for commitments at a later stage (Czech Republic, France).

Others went beyond this, although commitments and payments were often restricted to certain interventions (Länsi-Suomi, Sachsen-Anhalt, Scotland). For instance, in Länsi-Suomi, applications prior to programme approval were only accepted under Priority 1 (promotion of businesses), for which the monitoring system was operational.¹¹ In Sachsen-Anhalt, the Managing Authority recommended strongly that commitments and payments should only be made for interventions in fields where the Commission had raised no questions or where there would clearly be enough *Land* funding to cover for any changes in project eligibility under the ERDF and ESF OPs. In Scotland, the one-year shadow rounds for the two ESF programmes were limited to Priority 1 (focusing on employability and social inclusion). These were used to provide some bridging support for vulnerable projects targeting the hardest-to-reach groups outside the labour market. Structural Funds only provided match-funding for projects and, overall, six projects were funded in the Highlands & Islands and 48 in Lowlands & Uplands Scotland, totalling some €10 million (£8 million) in awards.

Following the experiences of the shadow rounds, evaluations are currently being planned in Scotland and Italy. The European Structural Funds Division in the Scottish Government has commissioned an evaluation of the shadow round (between April and August 2008), assessing the extent to which projects addressed the programmes' goals through evaluation of the impacts of the funded projects. Similarly, an evaluation is planned for the Italian Research and Competitiveness OP on the objectives and targets achieved, and on the levels of commitment and expenditure.

2.5 Project generation

Most partners have managed to get their project generation activities under way, either through the earlier shadow rounds or following the Commission's approval of the programmes. Challenges have mainly related to workload and time pressures (Portugal), notably the requirement for partners to set up the necessary structures for project generation (Greece, Nordrhein-Westfalen). For instance, in Nordrhein-Westfalen, the fact that a significant amount of funding will be allocated through competitive calls has entailed a heavy workload concerning their design, launch and project selection structures. In Greece, challenges stem from the fact that all project beneficiaries require to be accredited in order to be eligible for funding.

In the early rounds of project generation, the demand for funds has been high in a number of partner programmes (Länsi-Suomi, Nordjylland, Nordrhein-Westfalen, Norra Mellansverige, Scottish Lowlands and Uplands, Śląskie, Slovenia, Spain, Steiermark, Střední Čechy). The

¹¹ In Finland, there is a separate monitoring system for business aids, called TUKI 2000. However, data from this system are required to be transferred to the integrated EURA 2007 monitoring system, which in May 2008 was in its final stages of preparation.

factors facilitating this demand include: proactive and targeted approaches to project generation, such as the use of targeted calls, expressions of interest and pre-studies, as well as a direct contact with potential applicants; new institutional arrangements and new types of projects; use of 'contact points' to mobilise project applicants; continuity of programmes, limited funding, and the end of micro-zoning.

- **Targeted calls, expressions of interest, pre-award studies.** Some partners have adopted proactive and targeted approaches to project generation. These have generally ensured a high level of demand, as well as the submission of quality projects. In Denmark, some regions have used targeted thematic calls, and the region of Nordjylland has used 'expressions of interest' (rather than full applications) during the first call for applications (for projects larger than €66,000). In the Norra Mellansverige OP in Sweden, the number of pre-studies (90 in total) financed prior to programme launch contributed to the number of quality project applications. In ROP Střední Čechy, demand under the 'regional transport infrastructure' Measure was ensured largely due to 'pre-negotiated' project proposals.
- **Direct contact with applicants.** This has often been helpful in generating applications for funding (e.g. Diputación Foral de Bizkaia, ROP Střední Čechy, Steiermark). Steiermark has made use of intermediaries, termed 'multipliers' (i.e. banks, regional managers, business chambers), while in ROP Střední Čechy the Managing Authority established direct contact with a number of organisations and institutions that were considered as potentially interested in funding opportunities. This strategy was used across the different Priorities and Measures, and is set to be continued in the future, although in more a targeted way. In the Diputación Foral de Bizkaia, the beneficiaries (provincial funding departments or local authorities) are identified and selected at the programme formulation stage for all Measures, based on their proposed schemes and projects. These beneficiaries are then responsible for take-up of funding.
- **New institutional set-up and new types of projects.** In Denmark, the new regional development set-up has allowed a more holistic approach to project generation. In each region, the Regional Growth Fora partnership body is a key player in Structural Funds administration and for regionally-based economic development activities. This has allowed the Structural Funds programme to be marketed as a particular funding opportunity within a wider array of strategies for regional economic development, rather than as a separate element. As such, there has been more publicity for the programme than hitherto. Furthermore, the ERDF OP is expected to concentrate on relatively large networking and infrastructure projects involving many different partners. Initial interest has been high, despite the more time-consuming process for developing project applications, and the need for additional support to be provided by the regional programme Secretariats, at least in Nordjylland. Similarly in Scotland, project generation is expected to be simpler, not least due to changes to the delivery system and because fewer and larger projects are being supported.

Box 3: Initiatives in Śląskie to support the generation of good-quality projects

The Regional Development Unit in the Śląskie Marshal's Office has several initiatives underway to support the generation of good quality projects. These include the following.

- An 'on-line' local information system for management and implementation of the ROP (called SIWIZ). This is expected to be compatible, though not directly linked, with the national SIMIK 2 system for data transfer and monitoring of programmes. While SIMIK 2 will require relatively basic data, SIWIZ will aim to generate more detailed information in order to serve as a programme management tool.
- PARTNER II has been launched as a continuation of the PARTNER system that operated for the Integrated ROP in 2004-2006. It provides a base for project details and as a forum for exchange of information on Structural Funds, and serves as a tool for project generation and for learning and publicity under the ROP. It allows potential beneficiaries to identify opportunities for project proposals and provides a mechanism for the rapid dissemination of information on the ROP and more broadly on the new programme period.
- Training is provided to potential beneficiaries as new project calls are being prepared. This includes three components: general information about the ROP; detailed information on the particular call, based on the Programme Complement; and support on the development of an initial project feasibility study. There are plans to extend this system to provide ongoing support for successful project applicants.

- **Use of contact points, mobilising project applicants.** In Portugal, so-called 'thematic rationality centres' have been created in support of the Managing Authority to mobilise the supply of good-quality project applications. Some French regions are also doing this through specific communication seminars, while in Vlaanderen the programme Secretariat will use the provincial and city contact points.
- **Continuity of programmes, limited funding, end of micro-zoning.** The fact that some programmes are continuing largely unchanged from the past period, and the more limited levels of funding have ensured high levels of awareness and subsequently high demand for funds (e.g. Länsi-Suomi, Norra Mellansverige). In Vlaanderen, the ending of micro-zoning has meant that the geographical and actor range has been increased and, as such, the authorities consider that there will be sufficient demand for funds.

2.6 Speeding up project generation

Considering the relative success of the early stages of project generation, there is currently limited focus on activities to speed up project generation. It is, of course, important to note that these are the results of the very first rounds of project generation activities, and

therefore strategies may need to be revised at a later stage, as many partners are yet not in the position to assess success (e.g. ROP Střední Čechy). However, some of the planned or implemented actions to speed up project generation among the IQ-Net partners include the following.

- *Greece*: The launch of project calls has been faster than in past periods due to the fact that the necessary management and implementation structures were in place, assisted by the hiring of an external advisor hired to set up the system.
- *Spain*: Thematic networks at the national-level are being created to provide fora for the exchange of experience and ideas on specific themes (such as local economic development, innovation, social inclusion etc.). These networks may provide the means to speed up project generation, although no formal meetings have yet taken place.
- *UK - Scotland*: In the Lowlands and Uplands programme, there has been some concern about the take-up of funding under the rural Priority. In order to speed up project generation under this Priority, the definition of eligible activities is planned to be relaxed. This is currently being negotiated in the Programme Monitoring Committee and subject to Commission agreement.
- *UK - Wales*: Applications will be made online through an expression of interest form (rather than using a traditional calls for application approach), which is expected to speed up the project generation, appraisal and selection process overall. The system serves as an initial gateway, with the application required to meet certain criteria before it is allowed to the system. The application then enters the development phase, where the applicant is working with Project Development Officers to get the project to a stage where it can be approved, if that is possible. The PPIMS (past performance information management system) will automate the decision-making and claims process and allow projects to check the progress of claims online.

2.7 Challenges in generating quality projects

Although demand for funding has generally not been a problem, there have been some challenges with respect to generating good-quality projects (e.g. Śląskie Human Capital OP, Slovenia), certain types of projects (e.g. Scotland), or projects that do not meet all the technical criteria (e.g. Vlaanderen).

- *Belgium - Vlaanderen*: Although the generation of projects has not been a particular problem, there are some concerns that many new submitted projects are not 'ERDF proof' (i.e. while they are of good quality in terms of project descriptions and objectives, they do not fulfil the technical requirements relating to costs, revenues, public procurement and State aid procedures).
- *Poland - Śląskie*: Under the national ESF-funded Human Capital OP (for which the regional self-governments are the Intermediate Bodies), there is an excess demand for

funding across the Priorities, but the level of project quality is variable. For instance, there is strong demand for funding under education, but the Śląskie region is inexperienced in utilising programmes in this field. In response, the ESF unit is planning to create a network of contacts (e.g. people in the education establishment committed to the OP), who could provide advice and training on project applications, budgeting etc. Furthermore, they recognise links with the local authorities (*gminas*) as important, not least due to their competences in the education field. The local level is perceived to have the potential to play an important role in bringing together different Ministries, policy areas and funding streams and ensuring that the broad range of interventions possible under the heading of human capital are designed and implemented in a coordinated way. The common challenge of generating enthusiasm amongst administrators for ESF projects with relatively long time-scales and softer, less tangible outputs than traditional infrastructure projects is evident here. As a result, the ESF unit is placing particular emphasis on promotion and awareness-raising. Over the next 1-2 years, the aim is to identify and publicise case studies and to be as responsive to beneficiary requests as possible.

- *Slovenia*: Despite the fact that there has been an excess demand for funds, some projects have not met the formal requirements, although in the subsequent calls, the quality of applications has improved. The Government Office for Structural Policy and Regional Development and the Intermediate Bodies continue to disseminate information on funding opportunities, not least to ensure better-quality projects.
- *UK - Scotland*: In Scotland, the restructuring of the development agency, Scottish Enterprise, and the transfer of some economic development powers to local government may have an effect on the project pipeline. As a result, the ability of the Scottish Enterprise and local government to come forward and propose projects under certain Priorities and under successive rounds could falter, particularly since Scottish Enterprise is the key player in terms of Lisbon-related activity in Scotland. If there is insufficient demand, this will put pressure on the Intermediate Administration Bodies to promote the programme and generate projects, which had not been expected (or budgeted for) when preparing Programmes.

2.8 Commitments and payments

Although IQ-Net partners have initiated extensive project generation activities, the level of commitments remains limited. In fact, **there are several partner programmes which, at the time of writing, had not made any commitments** (Italian Research and Competitiveness OP, Lombardia, North East England, Śląskie, Vlaanderen), with projects at various stages of appraisal and selection.

The complexity and time required for project appraisal and selection varies greatly between programmes. For instance, in Vlaanderen, project appraisal and selection follows a three-step approach, whereby applications are first pre-screened by the programme Secretariat and the

contact points (at the Provincial level), then passed on to technical workgroups set up for each Priority, after which a final decision will be made by the Monitoring Committee. Funding is committed under specific conditions, and the applicants have six months to comply with these. Once all the conditions have been fulfilled, the contract will be signed. Following this procedure, the partners in Vlaanderen were expecting funding decisions for Priorities 3 and 4 (Economic Environment; Urban Development) in the course of April 2008 and for Priority 1 (Knowledge Economy and Innovation) in June 2008. Others who have yet to make commitments have different timescales for doing so, with partners in Śląskie forecasting the first commitments for September, the Italian Research and Competitiveness OP for October, and País Vasco for the end of 2008.

Even in those IQ-Net partner programmes where funding has already been committed, the levels of commitment are generally limited (Denmark, France, Länsi-Suomi, Niederösterreich, Nordrhein-Westfalen, Portugal, Sachsen-Anhalt, Scotland, Slovenia, Steiermark, Střední Čechy, Sweden, Wales). For instance in Sachsen-Anhalt, limited commitments are anticipated for the first two years, mainly due to delays in approving the OPs. The Austrian *Länder* of Niederösterreich and Steiermark, in turn, have been reluctant to make significant commitments prior to the approval of the management and control system. In Finland, the delayed adoption of the Structural Funds Eligibility Act (which came into force on 5 December 2007), and the EURA 2007 project management and monitoring system have delayed the funding commitment process. In Nordrhein-Westfalen, programme managers report modest levels of commitments, which vary depending on the type of instrument. However, this is not regarded as problematic given that large blocks of funding can be committed under competitive calls (once the project selection panel decides on the projects) and loan funds (when they are fully operational), and a slow start-up phase was generally expected, so there is no real pressure to accelerate the allocation of funds.

For those IQ-Net partners where funding commitments are relatively high, the main challenge is to manage the high demand, with a developing backlog of applications to be processed. In the case of many Swedish programmes, high commitment levels reflect the large number of application, which are having to be processed with limited staff resources and time available. In the case of Danish programmes, many projects continue to await approval at the national-level due to new State aid rules and the administrative burden related to the dual EU/domestic programme management.

Reflecting the relatively low levels of commitments at this stage of programme implementation, **the level of payments is very small.** Although first advance payments from the Commission in 2007 amounted to approximately €7 billion, many partners have hitherto made payments largely using domestic sources (Denmark, Länsi-Suomi, Nordrhein-Westfalen, Sachsen-Anhalt, Slovenia). This is because the submission of the first interim application for payment to the Commission is not possible until the finalisation of the management and control systems (discussed later), as stipulated in the Article 71 of the General Regulations. Partners are expecting payments to be made, at the earliest, in April/May 2008 (Niederösterreich, Norra Mellansverige), late summer (France, North East England) or autumn/end of year (France,

Greece, Italian Research and Competitiveness OP, Lombardia, Länsi-Suomi, País Vasco, Śląskie, Steiermark, Střední Čechy, Vlaanderen).

2.9 N+2

With the continuation of the n+2 rule (and n+3 in the EU12, Greece and Portugal until 2010), programmes are required to spend funds by the end of the second (or third) year following the year in which they were committed. Failure to meet the annual spending targets means that money will be returned to the Commission budget and therefore lost to the programmes.

Many partners are not anticipating any n+2 (or n+3) problems at this stage (Norra Mellansverige, País Vasco, Slovenia, Střední Čechy, Wales), largely due to the high levels of demand and the types of projects in the pipeline. On the basis of experience in 2000-06, challenges are expected at later stages in some programmes (France, Sachsen-Anhalt, Śląskie, Wales)

2.10 General spending issues

One set of IQ-Net partner programmes are expecting that financial absorption will either be the same (Střední Čechy, Wales) or less challenging (North East England, Nordrhein-Westfalen, Spain) than in 2000-06. The main reasons are the reduced resources (North East England, Spain), different project types (e.g. in Greece, the focus is on more tangible development projects and in Nordrhein-Westfalen, there is a shift from infrastructure to firms and clusters), and the expected fall in project numbers (e.g. in North East England, the number of projects is expected to fall from 1,500 to c.200). Furthermore, North East England notes that there is now a clearer alignment between the Structural Funds programme and the major source of economic development funding in the region (the domestic Single Programme). In Greece, the efforts underway to ensure that there is necessary competence in the responsible bodies is expected to prevent any shortcomings with respect to spending.

However, **other programmes are forecasting potential challenges with regard to spending in the current period**, not least due to more ambitious objectives and targets (Lombardia), but also due to the larger amounts of funding, more sophisticated projects, and more responsibility for spending at the regional level (Śląskie).

Partners have adopted different strategies to respond to these challenges. For instance, in Denmark, six-month budget cycles have been introduced to ensure that programme administrators are now better equipped to take corrective action if a project falls behind schedule. Others are focusing activities on the early stages of the programme period. For instance, the Scottish Lowlands and Uplands, Vlaanderen and Śląskie programmes plan to 'front load' the launch of calls in the early stages, although the capacity to do this is in Śląskie is constrained, to a certain extent, by administrative capacity. In Vlaanderen, stricter approach to expenditure management is being taken than in the 2000-06 period: there are plans to increase the funding under Priority 1 (Knowledge Economy and Innovation), which is currently experiencing a high demand; projects are expected to be approved without too many

conditions (project promoters have six months to fulfil these conditions); projects generally only run for two years, with longer projects implemented through a phased-approach; and forecasts of project performance are being required on a quarterly basis from the project promoters.

There are also other contextual factors that may impact on spending, most notably those linked to the economic outlook and planned changes to governance structures. According to the Commission's Spring economic forecast¹², EU growth is expected to slow down to two percent in 2008 and 1.8 percent in 2009 from the level of 2.8 percent recorded in 2007. The unfavourable macroeconomic development is expected to have an effect on the demand for EU funds. In the UK, there is concern with respect to exchange rates; the current Sterling-Euro rate adds c. ten percent to programme resources and increases the spending challenge.

Changes to regional development responsibilities in England and in Finland may also have implications on spending EU funds. For instance, in England the Sub-National Review¹³ may lead to significant reorganisation of the architecture of governance and economic development in the English regions during the programme period, with a greater role for sub-national bodies. In Finland, the regional governance project (ALKU) is similarly expected to affect spending. The ALKU-project looks into the reorganisation of regional governance and division of work between the different authorities; for instance there is the possibility of merging some of the Regional Council¹⁴ and T&E Centre¹⁵ regions and to remove project-related responsibilities from the State Provincial Offices. Should more simplified regional governance be implemented (the project is still at the planning phase and will not be finalised until 31 March 2009 and implemented until 2010), the more centralised control of payments would potentially alleviate problems associated with payments (which at the moment are currently spread across a number of authorities).

¹² RAPID Press Release, RAPID Press Release, *Spring economic forecast 2008-2009: growth moderates, price pressures a worry but, overall, EU weathers external headwinds rather well*, IP/08/649 of 28 April 2008, Brussels.

¹³ The Review of sub-national economic development and regeneration, also known as the Sub-National Review (SNR), was published in July 2007 and set out a number of reforms at local, sub-regional and regional levels. The SNR announced that the regional tier will be streamlined leading to an increased strategic role for RDAs. The SNR sets out a more programme-based approach to delivery for RDAs in the future and presumes that they should delegate funding to local authorities or sub-regions wherever possible to support economic development.

¹⁴ Regional Councils are joint municipal authorities, comprising all the municipalities in a region. There are 19 Regional Councils in Finland.

¹⁵ There are 15 regional T&E Centres (Employment and Economic Development Centres) in Finland which provide advisory and development services for businesses and individuals. They operate under the Ministry of Trade and Industry and are based on the combined resources of the Ministry of Trade and Industry, the Ministry of Labour and the Ministry of Agriculture and Forestry.

Box 4: Spending challenges in Portugal in 2007-2013

Spending challenges in Portugal are closely linked to the changes introduced in the 2007-2013 programme period, notably:

- increased provisions for human resource development. ESF funding under ESF is c.37 percent of the total Structural Funds available to continental Portugal, corresponding to over €6 billion and representing an increase of ten percent from the levels of support provided under the CSF III;
- significantly more funds for the sustainable economic growth, which will receive over €5.5 billion (involving the thematic Competitiveness OP and the Regional OPs and representing an increase of 12 percent from the levels of support provided under the CSF III; and
- a major increase of funding under the ERDF co-financed ROPs, which will receive c.55 percent of total ERDF funds allocated to continental Portugal and representing an increase of nine percent from the levels of support provided under the CSF III.

2.11 Administrative and implementation issues

In addition to the issues already discussed, there are other administrative factors which have made the early stages of implementation particularly challenging, most commonly related to the finalisation of the management and control systems, as well as monitoring procedures, governance, human resources and partnership.

2.11.1 *Management and control systems*

One of the current tasks concerns the finalisation of management and control systems and the preparation of the reports linked to this process. Payment requests cannot be submitted to the Commission prior to the system being approved. The basis for this is set out in Article 71 of the General Regulation, which requires Member States to submit to the Commission a description of the management and control systems (including the organisation and procedures of the Managing and Certifying Authorities, Intermediate Bodies, and the Audit Authorities), accompanied by a report assessing the system, and an opinion on the systems compliance with the requirements of the Regulation.

As the reports are due prior to the submission of the first interim application for payment or, at the latest, within 12 months of the approval of the OP, most partners are currently in the final phases of preparation. Indeed, in many instances, reports are currently being processed by the Audit Authorities (or by other respective bodies independent of the Managing and Certifying Authorities) before their submission to the Commission. Some Member States are

further ahead, with Sweden having already submitted its reports, and Slovenia having received an approval concerning one of its programmes (OP on Environmental and Transport Infrastructure).

Partners have reported some general challenges in the preparation of the reports. These concern resource-related issues, such as staff limitations (Polish Human Capital OP) or inexperience due to staff changes (Sachsen-Anhalt), as well as time pressures (Greece, Sweden). For instance, in Greece, the adoption of a single report for the various programmes meant that there were delays, not least due to the involvement of several authorities in the process. Czech programme managers noted challenges due to inconsistencies with the domestic legislative framework. Other significant issues, which have made the process more onerous than originally expected relate to reporting requirements and audit procedures (Niederösterreich, Nordrhein-Westfalen, Sachsen-Anhalt, Steiermark).

- **Detailed reporting.** One challenge has been the level of detail required for the reports (Niederösterreich, Sachsen-Anhalt, Vlaanderen). Niederösterreich has noted that information on the different steps and procedures relating to project appraisal, selection and monitoring is now required in much greater detail than in the past (when this was included in Programme Complements). A further complicating factor has been the large number of bodies which the management and control procedures need to cover. This also applies in Sachsen-Anhalt, where less work had originally been anticipated, considering that the *Land* already had well-established procedures in place for monitoring and audit in 2000-06, as well as detailed descriptions of the procedures in the Programme Complement (and DG Regio's Audit Authority recognised Sachsen-Anhalt as a 'best practice example' in 2007).
- **Procedures of the Audit Authorities.** Many of the above requirements were perceived to originate from the Audit Authorities (France, Nordrhein-Westfalen, Niederösterreich, Sachsen-Anhalt, Steiermark, Vlaanderen). Some noted that it was not so much the level of detail, but the degree of formality and the level of checking by the Audit Authorities that had made the process particularly challenging. In Sachsen-Anhalt, the change of Audit Authority (from an external consultancy to a department at the *Land* Finance Ministry) led to increased complexity, partly because the Audit Authority had been reluctant to draw on existing systems and information, and had taken a strict line in interpreting EU rules in order 'to be on the safe side'. In turn, this created extra work for the Managing Authority.

In addition to the challenges arising in the preparation of the reports, more general issues were noted at the implementation stage, notably the need to provide training and guidance for the administrative bodies, and the perception that procedures have become more complex rather than simplified.

- **Training and guidance challenges.** In Austria, programme managers expressed their concern at potential delays to programme implementation as a result of the changes to

management and control procedures; these are associated with the need to provide further training for all the responsible bodies, particularly with respect to monitoring. In the Polish Human Capital OP, there was uncertainty about whether the guidance from the Ministry of Regional Development would strike the right balance between providing a sound framework for Intermediate Bodies in regional self-government units, while not being too rigid or inflexible to adapt to specific regional circumstances. Similarly, in England, the user manual for OP management and implementation, prepared by the Department for Communities and Local Government, will need to provide guidance that is sufficiently detailed and specific to the OPs, while recognising that the Regional Development Agencies have their own systems and experience in many of the issues covered.

- **More complex procedures.** There is a perception among some IQ-Net partners that changes have not always led to more simplified procedures. Niederösterreich has expressed concern about the administrative procedures for certain Structural Funds interventions, which may lead to authorities preferring the ERDF OP for traditional and 'simple' projects, while more complex ideas are funded through domestic resources. For instance, the Commission rules with respect to setting up risk capital funds are perceived to be so complex that regional partners have decided not to finance any in the OP. Lombardia noted the danger of excessively rigid control procedures. In North East England, efforts are being made to simplify and streamline management and control systems; this relates to the challenge facing RDAs to develop separate but aligned systems for EU and domestic funding streams.

One further administrative issue causing problems for some programmes concerns the introduction of monitoring systems (Finland, Polish Human Capital OP, ROP Střední Čechy, Sachsen-Anhalt, Sweden).

- *Finland:* In Finland, there have been delays in introducing the new project management and monitoring system, EURA 2007. Although the submission of project applications has been possible through the system since October 2007, some sections are still under development. This is expected (perhaps optimistically) to be completed by the end of June 2008. Processing of applications is possible in a paper format, but authorities have generally been reluctant to do so in the event of possible errors that may occur when data are eventually entered into EURA 2007. Such errors have happened in the past and caused delays with payments.
- *Germany* - The adaptation of the efREporter electronic database to the new EU regulations has been difficult, while the 2000-06 programme period is still running.
- *Poland (Human Capital OP):* Integration of SIMIK 2, the new central government systems for data collection and monitoring with the regional unit's own electronic database has been problematic.

- *Sweden:* As in Finland, the most significant administrative problem in Sweden has concerned delays with the NYPs project application and monitoring system that is still not fully functional. However, contrary to the Finnish approach, applications are being submitted in paper format, although decisions are already being made electronically through NYPs.

2.11.2 Governance and human resource issues

While institutional changes for 2007-13 have been undertaken for reasons of simplification and efficiency, these changes have not always been straightforward. In Finland, the creation of the new Ministry of Employment and the Economy in 2008, which took over Managing Authority responsibilities from the Ministry of the Interior (previously Managing Authority for ERDF) and the Ministry of Labour (previously Managing Authority for ESF), has taken place during a busy period and resulted in some delays with respect to the issuing of new guidance etc. Vlaanderen has been dealing with changes to programme administration involving the centralisation of responsibilities and new roles for the previous sub-regional programme secretariats. More general organisational problems include human resource difficulties (staff changes and shortages) or equipment shortages (Polish Human Capital OP, ROP Střední Čechy, Sachsen-Anhalt).

2.11.3 Partnership

One of the guiding principles of Cohesion policy is the principle of partnership, which has been widened for 2007-13 period in the sense that it is applied at all stages of programming and implementation. As set out in the Article 11 of the General Regulation, each Member State is responsible for organising (in accordance with its national rules and practices) a partnership with other authorities and bodies, including: competent regional, local, urban and other public authorities; economic and social partners; and any other appropriate body representing civil society, environmental partners, non-governmental organisations, and bodies responsible for promoting equality between men and women.

Approaches to partnership vary across the Member States, depending on their institutional circumstances. The Commission has noted that, while in many instances the structures for involving partners in programming have improved from the past, there is a need to strengthen cooperation between all the key stakeholders during programme implementation.¹⁶ The experience among IQ-Net programmes is mixed.

Strengthening of partnership in 2007-2013.

- *Finland:* The most notable changes have taken place at central level. In the past, there were tensions between the Ministries responsible for ERDF (Ministry of the Interior) and

¹⁶ 'Member States and Regions delivering the Lisbon strategy for growth and jobs through EU cohesion policy 2007-2013', Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 11 December 2007

- ESF (Ministry of Labour), largely due to different working cultures. The creation of the new Ministry of Employment and the Economy at the beginning of 2008 (which saw the merger of the Ministry of Trade and Industry, Ministry of Labour, and the regional and governance unit of the Ministry of the Interior) is significant, with the new Ministry taking responsibility for both funds and the scope for increased cooperation between the funds.
- *Greece*: Partnership representation has been strengthened, particularly during the public consultation phase. In the Monitoring Committee, the president's veto has been abolished, and the participation of NGOs and socio-economic partners is wider.
 - *Italy (Research and Competitiveness OP)*: Partnership involvement in the Italian Research and Competitiveness OP has increased compared to the 2000-06 period, in both the programming and implementation phases. For instance, the evaluation plan has placed a particular focus on the partnership principle. Socio-economic partners are now members of the Steering Committee which supports the Managing Authority in the identification and organisation of the evaluation activities.
 - *Sweden - Norra Mellansverige*: The Structural Funds Partnership (which prioritises projects and oversees the implementation of the OP together with the Managing Authority) now also incorporates labour market and socio-economic partners. This is largely due to the fact that ESF programme representatives are also part of the Structural Funds Partnership.
 - *UK North East England*: The partnership has become increasingly supportive of the Regional Development Agency's new role and has been able to demonstrate a cohesive regional position in negotiations with the Commission. Indeed, North East England was reportedly the only English region which was able to reach consensus on the Government Office chairing the PME.

Specific challenges in the partnership.

- *Germany - Sachsen-Anhalt*: Partnership was most demanding during the programming phase, when it was difficult to keep the socio-economic partners informed sufficiently about the most recent situation in relation to programming and negotiations. One particular issue was that that DG Employ wanted a specific earmarked budget for the socio-economic partners (SEP) in the ESF OP. Although this actual earmarking did not take place, as the *Land* authorities resisted the idea, a number of steps were undertaken to support the SEP: (a) c. one quarter of ESF funding will be allocated through selection panels, including SEP representatives; (b) support will be given to projects implemented directly by SEP (possibly around two percent of total ESF funding); and (c) technical assistance funds will be used to improve the skills of SEP representatives.

- *Sweden*: Specific problems with the partnership principle in Sweden - particularly in the two northernmost programmes of Övre Norrland and Mellersta Norrland - concern the allocation of responsibilities. Although the national agency Nutek has taken over Managing Authority responsibility from the County Administrative Boards in Sweden (for ERDF), representatives from the Boards continue to take part in the Structural Funds partnership meetings. This has created a certain 'power struggle' between the two organisations, which is currently being discussed with the help of the Ministry of Employment, Energy and Communications.
- *UK - North East England*: The Regional Development Agency's (RDA) new role in Structural Funds programmes has been difficult, given that the RDA is also Final Beneficiary. There has been a collective underestimation of the difficulties faced by the RDAs, given that Structural Funds represent only a very small part of the RDA's total budget (e.g. 10 percent in North East England).

2.12 Contribution to Lisbon Strategy

Member States are required to monitor the contribution of their OPs to the Lisbon objectives. At one level, this involves regular reporting on the contribution of Cohesion policy to the delivery of growth and jobs, as set out in the National Reform Programmes (NRP). In line with this, Member States have submitted their first annual implementation reports for the Spring 2008 European Council summit. In addition, Member States are required to report annually on their Lisbon-earmarked investments under Cohesion policy. In 2009 and 2012, each country will also submit a strategic report containing information on Cohesion policy contributions to the Lisbon agenda. This will be followed in 2010 and 2013 by a Commission report synthesising the national contributions and reflecting on the opportunity, and the need, to adjust programmes to new challenges.¹⁷

The first reporting exercise relating to the objectives of the NRP has been rather abstract, with a focus on strategic issues, as information on actual results is not yet available. In some instances, the OPs had not been approved by the Commission and reporting could not take place (Czech Republic). Looking forward, however, Lisbon-related reporting is not expected to be a major problem, but two specific issues were highlighted in partner programmes: (a) lack of coordination mechanisms between the NRP process and the OPs (Austria, France); and vague categories for Lisbon earmarking (Niederösterreich, Śląskie).

2.13 Coordination with other EU programmes

Links between Cohesion policy and other EU policy areas, such as rural development and R&D, are frequently close, highlighting the importance of coordination to ensure complementarities

¹⁷ 'Member States and Regions delivering the Lisbon strategy for growth and jobs through EU cohesion policy 2007-2013', Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 11 December 2007

and to avoid overlap. Coordination is equally important between different Structural Funds programmes, including those under the Territorial Cooperation Objective. The following section discusses how IQ-Net programmes are responding to Commission's guidance to ensure transfer of ideas from the Territorial Cooperation Objective to the mainstream Structural Funds programmes, as well as their plans to coordinate their respective programmes with the Rural Development and the Seventh Framework Programmes (FP7).

2.13.1 Territorial Cooperation Programmes

The inclusion of the former INTERREG Community Initiative as the third Objective under Structural Funds reflects not only the importance attached to territorial cooperation in 2007-13, but also the need for further coordination with the mainstream programmes. The Community Strategic Guidelines¹⁸ note that success under the Territorial Cooperation Objective is dependent '*on shared development strategies of the territories concerned at national, regional, and local level and on networking especially to ensure the transfer of ideas to mainstream national and regional cohesion programmes*'. In the early stages of the new programme period, some IQ-Net partners have not yet taken action in this area (ROP Střední Čechy, Sachsen-Anhalt, Slovenia, Spain). Many have included territorial cooperation programmes as part of the NSRFs (which is optional) and, as such, ensured closer linkage with the mainstream programmes (Finland, Portugal, Sweden). However, several partners have established relevant structures to support coordination, or undertaken other measures to transfer or even mainstream ideas from the territorial cooperation programmes.

Specific bodies have been created to ensure coordination with other programmes and funds. Coordination may be embedded in the wider regional partnership (Danish Regional Growth Fora) or take place through general coordination bodies or committees, which cover a number of different programmes and funds operated in the 2007-13 period (e.g. Structural Funds Negotiation Committee in Finland; Multi-Fund Committee in France; joint Monitoring Committees in Śląskie). Others have developed specific institutional arrangements with, for instance, the Managing Authority partly or entirely responsible for mainstream Structural Funds and territorial cooperation programmes (Sweden, Vlaanderen). Sometimes, there are no specific bodies, but cooperation takes place through regular meetings between the responsible authorities (Italian research and competitiveness OP, Nordrhein-Westfalen). Outside national and regional structures, EU-level conferences may also play an important role. French partners noted that the 'Regions for Economic Change'¹⁹ series could be used as a platform for disseminating knowledge on the territorial programmes to mainstream Structural Funds programmes.

¹⁸Community Strategic Guidelines on Cohesion, OJEC No L 291 of 6 October 2006

¹⁹ The 'Regions for Economic Change' conferences are designed for national and regional level practitioners and managing authorities as platforms for learning and examining the different ways in which Europe's Cohesion Policy contributes to the Lisbon process or the growth and jobs agenda.

Beyond measures to facilitate coordination between the programmes, some programmes have plans transfer and even mainstream ideas from the territorial programmes (France, Greece, Italian Research and Competitiveness OP, Lombardia, Portugal, Scotland, Vlaanderen). Activities in this field are particularly advanced among the partners in the UK.

- *UK - North East England:* Plans are in place to use a proportion of the programme for experimental projects (INTERREG-type agenda). This includes the possibility of using Technical Assistance to introduce a transnational dimension e.g. through exchange of experience.
- *UK - Scotland:* The Scottish Government, as the Managing Authority, will identify opportunities for projects that have received funding from one programme to have a later stage of their development funded under another programme, if appropriate. For instance, a project developing innovation through Priority 1 of the ERDF programme could benefit in a successive development phase from best-practice/benchmarking work with international partners through one of the transnational programmes (Northern Periphery and North Sea for both Scottish OPs; additionally North West Europe and Atlantic Arc for the Highlands & Islands OP) or vice versa.
- *UK - Wales:* There is support for transnational activity through a range of OP Priorities, aiming to mainstream the outcomes. Particular emphasis will be given to activities with those Member States and regions with which the Welsh Assembly Government has formal cooperation agreements. These include Latvia, Bretagne, Catalunya, Górny Śląsk and Baden-Württemberg. The Managing Authority has established a Transnational Cooperation Unit to support and coordinate action under the programme. Welsh European Funding Office is also looking at developing guidance as to how transnational cooperation can be mainstreamed into the Convergence OP.

2.13.2 Rural Development Programmes

In 2007-13, EU funding for rural development is mainly available from the European Agricultural Fund for Rural Development (EAFRD) under the Common Agricultural Policy Pillar II²⁰. However, Cohesion policy programmes contribute to the development of rural (and urban) areas, although Structural Funds are no longer explicitly earmarked for rural development. Hence, EU-level support to rural areas under CAP Pillar II and Cohesion policy implies possible overlaps, although the EU Regulations²¹ oblige Member State authorities to avoid duplication and to guarantee consistency and complementarity between Structural Funds and the EARD and EFF. This was highlighted as a major challenge, for instance, at the Cohesion Policy Forum in

²⁰ CAP Pillar II includes specific measures aimed at improving competitiveness (Axis 1), reducing negative environmental externalities and enhancing positive externalities (Axis 2), promoting diversification activities (Axis 3) and encouraging local participatory approaches (LEADER, Axis 4).

²¹ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, OJEC No L 210 of 11 July 2006.

Maribor in Slovenia at the beginning of April 2008. Stakeholders attending the Forum were generally against the idea of separating rural development activities from the sphere of Cohesion policy, as this was seen to make the attainment of complementarities difficult and implementation complex.²²

According to Article 9 of the ERDF Regulation²³ “*Member States shall set out in each operational programme the demarcation criteria for the operations supported by the ERDF and those supported by the other Community support instruments*”. Although some partners saw no specific difficulties with the demarcation exercise (North East England, Lombardia, Sachsen-Anhalt, Scottish programmes), not least due to the close cooperation between the programmes during the programming phase, others noted potential funding overlap issues. This applied particularly to: tourism and renewable energies (Nordrhein-Westfalen); rural municipalities and sewage plants (eROP Střední Čechy); cultural heritage (ROP Střední Čechy); small businesses (eFinland, Śląskie, Wales); and innovation in rural economy (Vlaanderen).

Much of the coordination, therefore, remains to be done by the respective authorities. As discussed in the section under Territorial Cooperation Objective, many IQ-Net partners have ensured that the general institutional framework is conducive to cooperation between the different programmes and funds. However, some partners have established specific arrangements to coordinate Structural Funds (ERDF and ESF) with EARDF and EFF.

- *Belgium - Vlaanderen*: A member of the EAFRD Axis 3 (improving the quality of life in the rural areas) committee will attend the meetings of Operational Programme’s technical workgroup for Priority 1 (innovation), to ensure coordination at the project appraisal phase.
- *Finland - Länsi-Suomi*: Coordination of funding will be ensured by the Regional Management Committee (RMC) (composed of representatives from local and national government, as well as socio-economic partners) which are responsible for coordinating regional development activities generally, but which also take an active part in the project decision process. In many regions within the Programme area, such as in Keski-Suomi, the RMC has set up a specific rural unit concerned with the coordination of rural development issues. At the project level, joint project groups of regional implementing authorities (led by the T&E Centres) will also play an important role in ensuring coordination. In Länsi-Suomi, joint thematic calls for applications for the two Funds are also planned.
- *Slovenia*: The Managing Authority for the Structural Funds programmes and the Ministry of Agriculture, Forestry and Food will coordinate actions regularly to prevent any double financing.

²² Conference on the Future of Cohesion Policy, Presidency Conclusions, Maribor, Slovenia, 7-8 April 2008

²³ Council Regulation (EC) No 1080/2006 of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999, OJEC No L 210/1 of 5 July 2006.

- *Sweden:* Coordination will take place at the regional level. ERDF funding applications are submitted to the development agency, Nutek and, in the event that the project could also be eligible for funding under any of the other programmes/Funds, Nutek will contact the relevant authority responsible for that programme. Under the Rural Development Programme, the responsible authorities are the County Administrative Boards. Discussions would, therefore, be held between Nutek's regional representatives (Nutek is represented in all eight programme areas) and the County Administrative Board. Furthermore, Nutek has set up a working group (composed of Nutek, Swedish Board of Fisheries²⁴, Swedish Board of Agriculture²⁵ and the Swedish ESF Council) to strengthen coordination between the ERDF, ESF, and the rural and fisheries Funds.
- *UK - North East England:* The operational management of the ERDF OP and Axis 1 and 3 of the EAFRD (the socio-economic aspects) will be delivered via the RDA (One NorthEast) European and Rural Secretariats. Each Fund will be overseen by its own Secretariat and both will operate under the Agency's 'Programme and Process Handling Framework' which will bring added coherence. Each Programme has been developed within the policy framework established by the agreed North East Regional Economic Strategy (RES). This should ensure increased complementarity, with a greater contribution by both instruments to shared regional objectives. The teams developing the two programmes have worked together to ensure synergy and reduce the risk of duplication between the two Funds. Similar coordination methods will operate during the delivery of the programme in order to avoid double-funding. Further collaboration, in terms of the sharing of information and activity, will occur at the level of the respective Management Committees of the Funds (e.g. a representative of the Rural Development Programme Secretariat will be invited to attend the ERDF Programme Monitoring Committee and, similarly, a representative from ERDF Secretariat will attend Rural Development Programme Group meetings. In addition, systems will be established requiring close collaboration between RDA rural and European teams, programme managers and project developers at project initiation, pipeline and implementation stages.
- *UK - Scotland:* Both Scottish partner programmes will include cross-policy membership of the different decision-making bodies. Complementarity will be regularly reviewed through an annual meeting of the respective Managing Authorities, together with a report on joint implementation of the different Funds, which will be presented on an annual basis to the Programme Monitoring Committee (PMC) as part of annual reporting exercises. The PMC would then be able to refine eligibility criteria and project recommendations to take account of supported activity through the Rural Development

²⁴ The Swedish Board of Fisheries is a government authority responsible for the conservation and exploitation of Sweden's fish resources.

²⁵ The Swedish Board of Agriculture is the Government's expert authority in the field of agricultural and food policy, and the authority responsible for the sectors agriculture, horticulture and reindeer husbandry.

Programme. As part of any mid-term evaluation, the strategic and operational fit between the programmes will be part of formal evaluation.

2.13.3 Seventh Framework Programme (FP7)

Alongside Structural Funds, the Seventh Framework Programme (FP7) forms one of the key instruments in the attainment of the Lisbon goals, particularly with respect to R&D. FP7, with a total budget of €50 billion for 2007-13, provides co-funding for research, technological development and demonstration projects. Hence, even though Structural Funds and FP7 are designed to reflect different EU policies, their coordinated use can help to achieve the aims of the Lisbon Strategy. The basis for this is set out in Article 21 under the Regulation on FP7²⁶ which states that *‘mutual synergies and complementarity should be assured with Community policies and programmes, while also addressing the need for a strengthened and simplified approach to research funding, which is particularly important for SMEs’*.

At EU-level, the Scientific and Technical Research Committee of the EU (CREST) Working Group has developed guidelines with 14 recommendations on how to achieve better coordinated use of FP7 and Structural Funds in support of R&D. These highlight the need to develop specific RTDI strategies and strengthen the governance; to strengthen and develop the RTDI basis; to develop RTDI excellence; to develop R&D cooperation at European and international level; to strengthen the exploitation and economic and social valorisation of R&D results; and to improve communication and information. Furthermore, the Commission is in the process of developing a ‘Practical Guide to EU Funding for Research, Development and Innovation’, which is expected to help project sponsors identify the Funds best suited to their particular circumstances (e.g. FP7, CIP or Structural Funds). The guide will review the various existing Internet sites and information points and explain to what extent several European Funds may be combined.²⁷

At Member State and regional levels, IQ-Net partners provide mixed progress with coordinating between Structural Funds and FP7. Most partners have not yet taken practical steps to ensure coordination (Finland, Italian Research and Competitiveness OP, ROP Střední Čechy, Sweden, Wales), although intentions to do so may have been included in the NSRF or the OPs. Many OPs have promoted and highlighted FP7 funding opportunities under specific Priorities or Measures (Lombardia, North East England, Sachsen-Anhalt, Scotland, Vlaanderen). Some have plans to organise specific events and meetings for Structural Funds and FP7 (Austria, Slovenia), to use the more general coordination bodies for 2007-13 programmes (Spain’s Fund Coordination Committee), or to utilise the services of other networking bodies or organisations (often part of wider EU networks) which provide guidance to firms on EU funding, particularly in the fields of R&D and innovation (Nordrhein-Westfalen, North East England, Portugal, Vlaanderen). In

²⁶ Council Regulation (EC) No 982/2006 of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013), OJEC No L 412/1 of 18 December 2006.

²⁷ http://cordis.europa.eu/fp7/consultation_en.html

Portugal, the Financial Institute for Regional Development is currently developing a document which includes information on the synergies of investments to be financed by FP7 and the Structural Funds. The document will also include information on the national and Community regulations, a list of contacts, information on the specific conditions for the admission and acceptance of project applications, and a list of beneficiaries and the type of financing available.

3. CLOSURE OF THE 2000-2006 PROGRAMMES

While the main focus is on the 2007-13 programmes, 2008 is also the final year of implementation of the 2000-06 programmes and projects, with payments generally due on 31 December 2008. This year will also pave the way for preparations for the financial closure process set to start in 2009. The following sections review the financial progress and the challenges IQ-Net programmes face in the months preceding the final payments. This section reviews the challenges partners have faced with respect to the n+2 rule in 2000-06. This is followed by brief discussion on the recent operational issues related to controlling, human resources and monitoring, before concluding with the recent developments in the lead-up to final closure.

3.1 Financial progress in the EU25

2007 witnessed a record level of payments in the EU25. This is despite the negative prognosis given by the Budget Commissioner Dalia Grybauskaitė in September 2007 after the 2006 budget report revealed that 43 percent of the Structural Funds and 78 percent of Cohesion Funds had gone unused²⁸. In 2007, the four Structural Funds reached a record level of €41 billion in payments, in comparison to €33 billion in 2006.²⁹ This figure is a result of the overlap of the two programme periods, including payments of €34 billion for 2000-06 programmes and €7 billion for 2007-13 programmes. Success was also noted with regard to the n+2 rule, with 99.99 percent of the 2005 annual commitments certified to the Commission at the end of 2007. Nevertheless, 2008 is set to be a demanding year with nearly €36 billion in commitments and over €30 billion in payments remaining to be executed.³⁰

The absorption rates (i.e. the percentage of commitments and expenditure relative to *ex ante* allocations) vary among countries, although the EU12 are slowly approaching the rates of the EU15. According to data released in February 2008 (see Figure 2), the ten new Member States, for which funding began in May 2004, have reached an average absorption of 75 percent, varying between 62 percent for Cyprus and 82 percent for Hungary. Among the EU15, rates were on average at 84 percent, varying between 65 percent for the Netherlands and 91 percent for Ireland.³¹ Hence, challenges for 2008 remain, with Commissioner Hübner highlighting the importance of not only ensuring spending, but also "*the quality of investment*".³²

²⁸ 'New members in EU funds spending frenzy', *Euractiv*, 13 February 2008

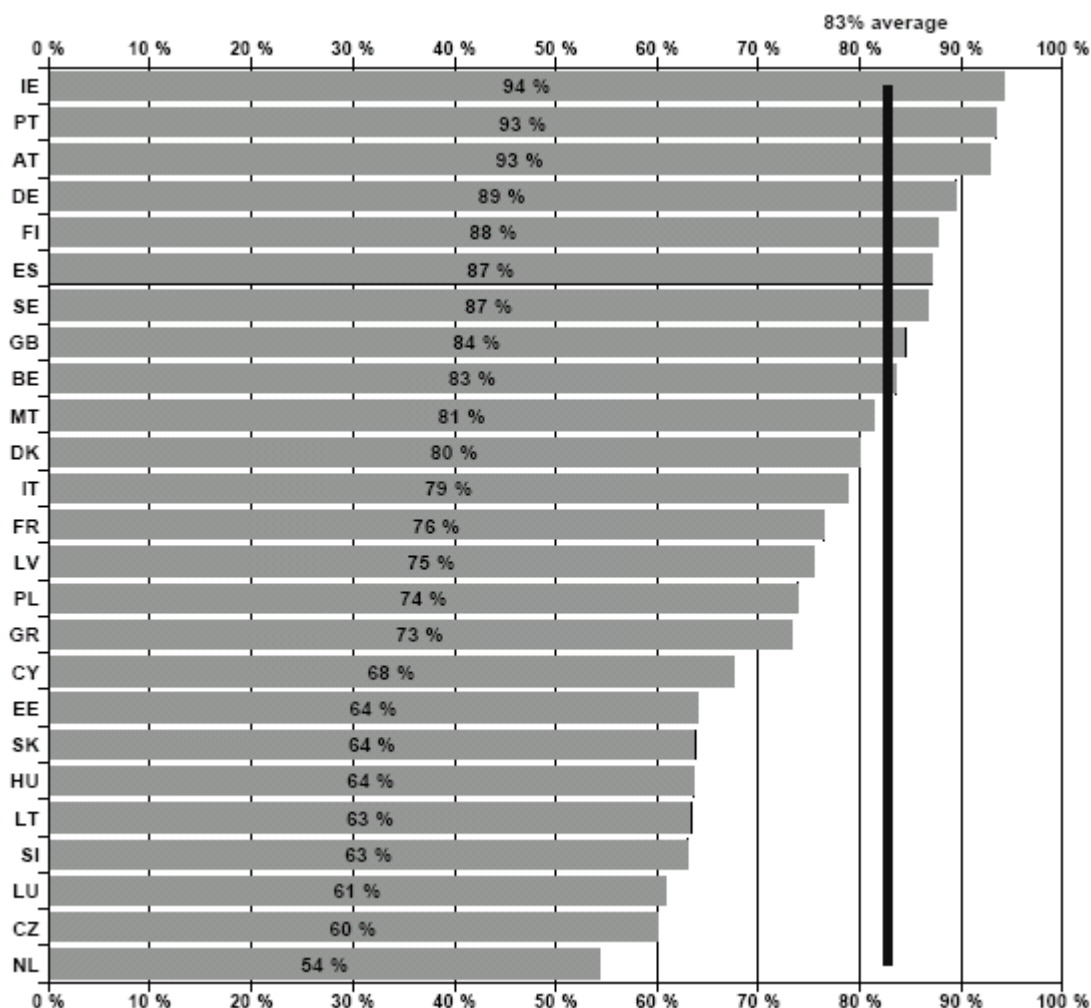
²⁹ RAPID Press Release, *Danuta Hübner: Record Payments for cohesion policy in 2007*, IP/08/204 of 12 February 2008, Brussels.

³⁰ Professor Danuta Hübner, EU Commissioner for Regional Policy, Exchange of views with the Committee on Regional Affairs, European Parliament, 22 January 2008, Brussels

³¹ RAPID Press Release, *Danuta Hübner: Record Payments for cohesion policy in 2007*, IP/08/204 of 12 February 2008, Brussels.

³² 'New members in EU funds spending frenzy', *Euractiv*, 13 February 2008

Figure 2: Payments for the four Structural Funds in 2000-2006



Source: DG Regio, Press Release of 12 February 2008

3.2 Financial situation in the IQ-Net partner programmes

3.2.1 Payment levels

As reported in the last IQ-Net review paper³³, given the generally high commitment levels among IQ-Net programmes, the current focus is on ensuring timely payments. The approaching deadline for the eligibility of final expenditure on 31 December 2008 (30 April 2009 for aid schemes) means that many partners are currently facing time pressure to spend their remaining funds. With these dates in mind, many have set internal deadlines for the last payment claims, ranging from June/July (Czech Republic, Finland, Scotland) to September 2008 (Steiermark, Wales). Despite various activities to maximise spending, some are forecasting that they will fall short of full expenditure (Italian Local Entrepreneurial OP, Länsi-Suomi, North East England). The varied situation among partner programmes is as follows.

³³ Gross, T. and Vironen, H (2007) *Getting off the Ground - Launch of the New Programmes*, IQ-Net Review Paper No 21(1), European Policies Research Centre, University of Strathclyde, Glasgow.

- *Belgium - Vlaanderen*: Many projects have now been closed, and some funding has been left over. Programmes are therefore looking for new projects to absorb funding, a challenging task given that resources need to be spent immediately.
- *Czech Republic*: Despite the fact that the Joint Regional Operational Programme (JROP) was the best-performing Czech OP in terms of payments³⁴ (January 2008), spending difficulties remain. Under the JROP grant schemes managed by the Intermediate Body for Střední Čechy, the most severe situation in terms of unspent funds relates to ESF Measures and projects, with 53 percent of funds remaining unspent. An accumulation of payment requests from the beneficiaries is expected by the set deadline in June 2008.
- *Finland - Länsi-Suomi*: There is currently one ESF-funded Measure 3.4 (activation of local and regional action groups and prevention of exclusion), with a relatively small amount of funding, which is not expected to be realised in full in terms of commitments and payments.
- *Germany - Nordrhein-Westfalen*: A relatively large number of major projects remain to be completed by the end of 2008. Difficulties may emerge, especially past problems with financial absorption have related to large infrastructure projects. It is possible that some major projects may not be completed on time, in which case the project-holders will have to seek financing from other sources. The Managing Authority expects a final payment rate of 99 percent.
- *Italy - Lombardia*: Although all the funds are expected to be fully spent, there are some challenges concerning Priority 3 (environmental resources). This is related to projects which are managed by local authorities, face long implementation procedures (e.g. in case of public procurements) or binding legal frameworks (e.g. environmental protection rules).
- *Poland*: Despite the Integrated ROP witnessing the best performance among Polish OPs³⁵, certain payment problems remain. There are low levels of payment (60 percent) under Priority 2 (human resource development), where interventions are often more complicated and involve coordination between several partners, many of whom may have limited experience and less secure sources of co-funding.
- *UK - North East England*: There are some concerns with spending, as funding continues to be returned from projects, not least due to the more in-depth monitoring that has followed the earlier audit problems (discussed later). Partners are, in fact, not expecting to achieve full commitment, as funding continues to be returned.

³⁴ MRD, Department of the CSF (2008) *Report on overview of development of SFs 2004-2006 spending as of 31 January 2008* (in Czech).

³⁵ MRD (2008) *Wykorzystanie Środków Z Funduszy Strukturalnych Ii Funduszu Spójności W Ramach Narodowego Planu Rozwoju 2004-2006 Oraz Narodowych Strategicznych Ram Odniesienia 2007-2013* Informacja Miesięczna Za Styczeń 2008 R.

3.2.2 Steps towards absorption

To ensure maximum absorption, many partners are implementing final adjustments to their financial tables, although this is becoming more and more difficult in the face of the approaching deadlines (Sachsen-Anhalt). As set out in the Commission's closure guidance for 2000-06³⁶, changes to the Programme Complement which do not affect the Commission-approved financing plan (requests for modifications to the Commission decision on the financing plan were possible until the end of December 2006) are possible until the final date of eligibility of expenditure (i.e. 31 December 2008 or 30 April 2009 for State Aid). Such changes include: transfers between Measures within the same Fund; addition of new Measures; changes to the co-financing rates of Measures (with the total for each source of financing for the Priority remaining unchanged); and transfers between different sources of national public financing (with the national public funding at Priority level remaining unchanged).

Although most partners have made no changes in the past six-month review period, some made reallocations of funding between Measures or Implementing Bodies (Kentriki Makedonia, Länsi-Suomi, Sachsen-Anhalt, Steiermark), changes to the co-funding arrangements (Portugal) and extensions to domestic State aid guidelines (e.g. Steiermark).

- **Reallocation of funding between Measures and Implementing Bodies.** There have been limited reallocations of funding between Measures (Kentriki Makedonia) and sub-Measures (Sachsen-Anhalt), and between the various regional Implementing Bodies (Länsi-Suomi) to adjust the demand for the remaining funds. Among partner programmes, the changes are substantial only in Steiermark, where partners are currently reallocating €4.4 million from Measure 2.3 (R&D and innovation in businesses), which has become available because of implementation difficulties in the Intermediate Body responsible for the measure (*Österreichische Forschungsförderungsgesellschaft*, the Austrian research funding organisation). Approximately €4 million is expected to be reallocated to Measure 2.1 (innovation centres) and Measure 2.2 (research and innovation outside firms).
- **Co-funding arrangements, state aid extensions.** In addition to the reallocation of funding, absorption challenges have been tackled by introducing changes to co-financing arrangements. For instance, in Portugal, modifications made to the 12 Portuguese programmes in the course of 2007 mainly concerned corrections to the co-financing arrangements (both public and private). Other reported activities have included the extension of the domestic State Aid guidelines in Steiermark, for which an internal agreement is expected to be reached by May 2008 (this does not require Commission agreement).

³⁶ European Commission, 'Guidelines on closure of assistance (2000-2006) from the Structural Funds,' 1 August 2006

3.3 N+2 in 2000-2006

While the n+2 decommitment rule was introduced to ensure efficient use of funds, it has also made programme implementation more difficult. Despite the fact that many partners have managed to process payments within the required two-year period following commitment, and hence avoided any automatic loss of funds (Czech Republic, Länsi-Suomi, Kentriki Makedonia, Lombardia, Niederösterreich, Nordrhein-Westfalen, País Vasco, Sachsen-Anhalt, Slovenia, Wales), this has not been straightforward. The following section reviews the experiences of meeting the n+2 rule during 2000-06, including the most problematic phases during the programme period, and the various actions adopted to avoid or minimise decommitment.

3.3.1 Meeting n+2

Despite the fact that the n+2 rule aims to ensure that EU funding is committed and spent within set time limits, it also has negative implications. The time pressure imposed by the rule means that programmes are under significant pressure to make payments, which may be at the expense of project quality.

Difficulties have arisen in the past in relation to large and strategic projects, resulting in absorption pressure (Greece, Polish IROP, Vlaanderen). This may be due to unforeseen delays or weaknesses in estimating the time needed for administering large and complex projects. Moreover, if a major project cannot be completed, it is often difficult to find appropriate alternatives, considering the relatively large amounts of funds.³⁷

Many programmes also experienced problems with ESF due to factors such as complexity, longer timeframes and the more demanding administrative procedures often associated with ESF-funded projects (Czech Republic, Italian Local Entrepreneurial Development OP, Länsi-Suomi, Slovenia). For instance the Italian LED OP faced decommitments of approximately €5.7 million as a result of absorption problems under an aid scheme for training. In Länsi-Suomi, ESF-related problems occurred due to misinterpretation of a home residence rule for students in receipt of ESF support. A problem arose when students in receipt of ESF support changed their location of study and the Commission consequently refused to award funding as the students were no longer within the eligible area. Problems were also experienced with FIFG (Slovenia, Sweden) and EAGGF (Portugal); in Sweden, decommitments under FIFG were almost inevitable due to the excessive amounts of FIFG funding allocated to the northern Objective 1 programmes (contrary to the view of Swedish partners) where demand was low.

Further problems have included: institutional and administrative issues, including personnel-related problems and slow cooperation between the various Structural Funds bodies (Slovenia); co-financing difficulties (England) due to a lack of domestic resources or complex processes of

³⁷ Davies, S. and Gross, T (2007) *The End of the Formal Programming Period for 2000-2006. Review of Programme Developments: Summer-Autumn 2006* No 19(1), European Policies Research Centre, University of Strathclyde, Glasgow.

cost reimbursement; and control procedures related to Article 4 (England, Slovenia, Portugal). A specific problem concerns the submission of payment claims. Project holders have sometimes been slow to submit claims (Czech JROP, ROP Kentriki Makedonia, Slovenia, Steiermark), while the Commission's electronic data processing system caused problems for some programme managers in requiring funding data to be entered at Measure level (the system has been redesigned for 2007-13 so that data is now accepted at Priority level).

3.3.2 N+2 at the end of the programme period

The n+2 rule became increasingly challenging towards the end of the programme period (Länsi-Suomi, Nordrhein-Westfalen, North East England, Portugal, Sachsen-Anhalt, Scotland, Spain, Vlaanderen), especially in 2007. In England, 2007 was problematic because of the increasing emphasis on monitoring; problems were experienced with Article 4, and the Commission suspended payments in April 2007 to 12 English programmes due to deficiencies with controlling procedures (these have now been lifted), which prompted a more cautious approach to payments. Similarly, in Portugal, control procedures caused delays in 2007 (in October 2007 c.€800 million of expenditure still had to be certified). In Sachsen-Anhalt, a higher volume of payments included not only the normal annual tranche, but also the advance payments received from the Commission at the beginning of the period and a backlog of payments related to earlier years of the programme.

In general, problems with n+2 have now been addressed, especially given that there is now limited scope for corrective actions. Most partner programmes are not expecting n+2 problems in 2008 (Czech JROP, Länsi-Suomi, Lombardia, Niederösterreich, North East England, País Vasco, ROP Kentriki Makedonia, Śląskie, Slovenia, Sweden), although considerable effort is still needed to maximise claims and meet deadlines (Scotland, Vlaanderen). On the other hand, some partners are more cautious about making any positive predictions at this stage (France, Portugal, Sachsen-Anhalt, Steiermark).

Although problems associated with n+2 were mostly noted towards the end of the 2000-06 period, some partners experienced challenges much earlier (Nordrhein-Westfalen, North East England, Slovenia, Steiermark), not least due to the late start of the programmes. In Steiermark, this led to small decommitments under ESF. In Nordrhein-Westfalen, small amounts of ESF funds were also decommitted early in the period, although this was not due to implementation difficulties but was because the *Land* government stopped committing funds for any (domestic or EU co-financed) labour market projects while its labour market policy was restructured. Niederösterreich experienced difficulties during the middle of the programme period due to a temporary downturn in the economy which resulted in lower levels of demand for funding.

3.3.3 Measures to manage n+2

Member States and regions adopted different procedures to avoid or minimise the risk of decommitment. Drawing on IQ-Net programme experiences, and strategies reported in earlier IQ-net papers³⁸, the key to meeting the n+2 rule has been management of the flow of project applications, by investing in project generation activity, ensuring close liaison and monitoring of project progress, and ensuring the requisite submission of claims³⁹. The following section describes some of the key activities implemented in 2000-06.

- **Stimulating demand for funding.** Project generation activities often need to be strengthened and intensified where a low level of applications is perceived as a serious threat. Although the efficiency of such actions may vary, depending on the phase of the programme implementation (i.e. early versus late stage of programme period), they normally include animation activities, use of reserve projects, relaxation of project selection criteria or other simplification procedures. In France, a programme for simplification of procedures and stimulation of expenditure was launched in 2002. This included: the possibility of modifying programmes (e.g. opening funds to new categories of beneficiaries, increasing rates of awards, integrating new eligibility fields etc.); strengthening animation to support the generation of projects and assist project applicants in preparing applications; simplification of application, commitment and payment procedures; as well as the stronger involvement of local authorities. Similar efforts were made in many UK programmes, with all Scottish and several English programmes adopting Action Plans for n+2, mainly focused on the improvement of project generation. In the Czech JROP, problems were resolved by simplifying control procedures and financial flows, and through the organisation of seminars targeted at specific groups.
- **Monitoring of problem projects.** As noted earlier, spending challenges are sometimes tied to specific project types. For this reason, many partners have developed procedures for identifying problematic cases. For instance, in Western Scotland, the n+2 Action Plan includes ongoing tracking and monitoring of live project profiles. In Nordrhein-Westfalen, a list of 30 projects with serious problems was developed. These problem projects were then visited by a representative from the Programme

³⁸ Extensive information on partners' n+2 strategies can be found in the following IQ-Net papers: Polverari, L., Bachtler, J and Michie, R (2003) *Taking Stock of Structural Fund Implementation: Current Challenges and Future Opportunities*, No 12(1); Downes, R., Davies, S., Bachtler, J., Michie, R. (2003) *Review of Structural Fund Programming: March-September 2003*, No 13(1); Polverari, L., Davies, S., Michie, R. (2004) *Programmes at the Turning Point: Challenges, Activities and Developments for Partner Regions: September 2003 - March 2004*, No 14(1); Bachtler, J., Josserand, F., Wishlade, F., Yuill, D (2004) *New Horizons for the Structural Funds: Review of Programme Developments: Spring-Summer 2004*, No 15(1); Mendez, C., Bachtler, J., Gross, T., Yuill, D (2006) *The Final Year of the 2000-2006 Period, Review of Programme Developments: Winter-Summer 2006*, No 18(1); Davies, S. and Gross, T (2007) *Programme Review*, No 19(1).

³⁹ Bachtler, J. and Taylor, S (2001) *Programme Review*, 10(1), European Policies Research Centre, University of Strathclyde, Glasgow.

Secretariat to help the project-holder to find practical solutions. Such an approach was perceived as beneficial and is likely to be continued in the future. Nevertheless, partners noted difficulties in finding enough staff time to carry out the monitoring (both in terms of identifying the problem-projects and in providing hands-on support). In order to alleviate these problems, the Managing Authority is planning to use the Paying Authority to analyse information and to identify problem projects.

- **Programme adjustments.** Often spending problems in specific areas of the programme are tackled through programme adjustments. These have most commonly included actions such as: changes to co-financing rates; shifting of funding between different Priorities, Measures and Implementing Bodies; or the introduction of new interventions.
- **Procedures to accelerate expenditure.** Delays and slow expenditure are common concerns for programmes at a risk of decommitment. In response to potential delays in receiving payment requests, many partners developed a detailed timetables for spending (Czech JROP, Scotland, Sweden). Many maintained regular contact with project-holders, to remind them about the set deadlines or engage in other awareness-raising and communication activities. Partners also resorted to making additional payment requests in order to meet their annual payment targets (Finland, Nordrhein-Westfalen, Scotland). In Nordrhein-Westfalen, project-holders were asked to present financial claims twice a year, in order to avoid uncertainty and extra work if left to the end of the year. In situations where management or administrative problems were the reason for unsatisfactory payment levels, changes were made to the management of specific Measures/schemes.
- **Commitments at an early stage.** Many programmes adopted pro-active strategies by focusing commitments on the early stages of programme implementation. In Sweden, n+2 problems were largely avoided due to over-commitment early in the programme period. This was largely done using direct business aids, which helped to absorb funding quickly. In England, the creation of large venture funds and retrospective funding at the beginning of the programme period allowed early spending. However, in Nordrhein-Westfalen, the Managing Authority, found that difficulties with n+2 were often due to unexpected delays at project level and therefore considers that the early planning phase of projects should be approached with caution. While a project which can commit large amounts of funds quickly may be appealing, it may be the case that smaller projects which start commitments more slowly will, in the end, be able to pay out funds more quickly. A paper by the NRW Managing Authority⁴⁰ notes that: it is advisable to adopt the domestic public finance approach of only committing funds which can be paid out in the same financial year; in the case of major infrastructure construction projects (over €200,000), it is important that, after the call for tender has

⁴⁰ T. Sönksen, 'NRW-EU Ziel 2 Programm 2007-2013: Die „neue Freiheit“ will geplant sein - sonst droht der Mittelverfall!', 2008

been published, at least three months are allowed for public procurement procedures, so that no mistakes are made with contractual issues, etc; and the Managing Authority or Intermediate Body needs to monitor the progress of projects effectively (this was done in the case of major projects in Nordrhein-Westfalen in 2000-06, but in 2007-13 the aim is to monitor smaller infrastructure projects also).

Box 5: N+2 strategies in Slovenia

In Slovenia, the Managing Authority addressed absorption challenges in a report for the Government prepared at the beginning of 2005. The report stated the key reasons why no reimbursements from the EU budget were made in 2004 and the main reasons behind the relatively slow submission of claims request to the Paying Authority. The Managing Authority also prepared a detailed analysis of the number of employees involved in the implementation of Structural Funds, with the aim of reviewing the recruitment dynamics in 2004 and 2005, and the need for additional personnel. On the basis of the report, the Government adopted a package of resolutions aimed at faster and more efficient utilisation of EU funds. As a result, there was a significant increase in activities related to the SPD implementation in 2005 and, consequently, a better disbursement of funds. This was possible due to a number of factors:

- intensive education targeted at ministries, final beneficiaries and implementers of public tenders;
- transparent and clearer instructions, guidelines and improved promotional efforts;
- provision of additional human resources for controlling procedures (in relation to Article 4);
- closer cooperation between the Managing Authority and Line Ministries;
- better instruments and better defined eligible costs; and
- simplification of Structural Funds implementation, aimed at providing more active management of Structural Funds at the level of individual instruments.

3.4 Recent operational issues

Reflecting the late stage of programme implementation, no strategic changes have been made to IQ-Net partner programmes in recent months. Recent operational issues have mostly focused on financial control and audit (Czech JROP, Niederösterreich, Sachsen-Anhalt, Slovenia, Vlaanderen), although other issues have been also reported, most notably in relation to human resources and monitoring arrangements, which have often resulted from dual programme management.

3.4.1 Control issues

Recent discussions have focused on the conclusions of the 2006 annual report of the European Court of Auditors, in which it was estimated that 12 percent of Structural Funds payments (representing €4 billion) from the 2006 budget should not have been reimbursed to Member States, because of lack of documentation to justify the payments. Although Commissioner Hübner noted that *‘the 12 percent error rate should be considered as indicating a risk, not a specific amount of money that has definitely been misspent or “lost”’*⁴¹, the Commission is currently facing a long process to address the Court of Auditors’ recommendations. As part of the process, the Commission has adopted a Structural Funds Action Plan to respond to the recommendations on control and monitoring issues in Member States. The Plan focuses on improving control at management level, with an emphasis on training and guidance for Managing Authorities, in order to prevent gaps and errors that may have resulted from complex rules that were not correctly understood or applied. The Action Plan is designed to be a practical way of working with the Member States towards ensuring more reliable and consistent certification of expenditure.

Member States, in turn, have been obliged to submit the annual summaries of their available audits and declarations for 2007. As of April 2008, 25 Member States had sent in summaries or were in the process of doing so. In addition, six Member States (Austria, Denmark, Estonia, Portugal, Slovenia and Wales) had signed a ‘Contract of Confidence’ guaranteeing the reliability of their national audit bodies.⁴² Concerning the submission of the national control summaries on Structural Funds spending, much of the press coverage has focused on Austria and Germany, which were reported to have been threatened with legal action in the absence of these documents.

Other control problems were experienced by partners in Sachsen-Anhalt, relating to on-the-spot controls (Regulation 438/2001 Article 4) undertaken by Intermediate Bodies. In some cases, insufficient numbers of controls were undertaken, while in others, Intermediate Bodies did not sufficiently document the on-the-spot controls in the eREporter electronic monitoring system (i.e. even when there have been enough visits, they have not always managed to collect the needed information). The Managing Authority has now agreed a checklist with the Commission in relation to the Article 4 visits. The Intermediate Bodies must use this checklist in relation to each project, with the aim of identifying projects with potential risk factors. If risk factors show up, the Intermediate Body must carry out an Article 4 visit to the project. One area of complexity is that the risk factors differ between different kinds of project.

⁴¹ Professor Danuta Hübner, EU Commissioner for Regional Policy, Exchange of views with the Committee on Regional Affairs, European Parliament, 22 January 2008, Brussels

⁴² Following the control errors of 2006, the Commission has adopted preventative action to improve the set-up of control and audit systems in 2007-2013. For instance, the Commission has promoted the practice of ‘Contracts of Confidence’ for Member State auditing systems as a means of ensuring the reliability of national audit bodies. Such contracts demonstrate the quality of the audit work carried out by the authorities in the countries and reinforce the joint responsibility for controlling with the Commission left to concentrate on the strategic approach.

Control and audit issues also continue to be high on the agenda in other IQ-Net programmes (Czech Republic JROP, Finland, France, Scotland, Slovenia, Vlaanderen, Wales), partly because, in some cases, procedures from the 1994-1999 period are still ongoing. In Wales, problems with the closure of the 1994-99 programmes are being viewed as a warning of what 2000-06 closure may entail. In 2007, there were three sets of Commission visits concerning 1994-1999 programmes (including two project audits, a systems audit, and correspondence about all three). This was followed by further correspondence, as well as an official hearing in Brussels (in October 2007). As of February 2008, the partners were still waiting to hear with regard to the Commission's final decision.

3.4.2 Human resource and monitoring challenges

In addition to control and audit procedures, there have been other operational issues, particularly concerning human resources and monitoring arrangements. These have most commonly occurred as a result of dual EU/domestic programme management.

The implementation of the 2007-13 programmes and closure of the 2000-06 programmes has created administrative problems (Czech JROP, France, Italian OP Local Entrepreneurial Development, Lombardia, Niederösterreich, North East England, Polish IROP, Portugal, Scotland, Slovenia, Sweden, Wales). The dual management of programmes, particularly where this is the responsibility of the same organisation and staff, has created an extra administrative burden, sometimes coupled with staff retention challenges (Czech JROP, Slovenia). Although temporary staff have in some instances, been considered as potentially helpful, the time needed for training would have been a further complicating factor (Niederösterreich). On the other hand, in Poland, the dual programme management has also partly been seen as a training opportunity for new staff.

Other human resource issues apply where responsibilities for the two programmes are separate. In England, these concern the staffing levels in the Government Offices (responsible for closure), with staff moving on to the Regional Development Agencies (responsible for the new programmes). In North East England, the situation is even more difficult due to staff numbers being reduced (having already faced two rounds of early voluntary severance). In Scotland, the Commission has expressed concern regarding staff retention issues in the Programme Management Executives responsible for programme closure. This continues to be a problem, despite the use of 'retention payments' to encourage staff to stay in post. In Wales, there has also been some loss of key staff, most notably due to the restructuring of the Welsh Assembly Government.

In addition to human resource issues, some partners have experienced difficulties with their monitoring systems (Finland, Sachsen-Anhalt, Slovenia). In Finland, the finalisation of the new project management and monitoring system, EURA 2007, is happening at a time when the focus is also on closure and final payments of the 2000-06 programmes. In Sachsen-Anhalt, Managing Authority has had to introduce changes to its electronic monitoring system to meet the new requirements of the 2007-13 regulations, at a time when it is still being used for the 2000-06

programmes (because the *Land* has not made funding available for a separate database for 2007-13). The Intermediate Bodies, which are responsible for entering data on projects into the electronic system, face difficulties entering data accurately when the system covers both periods. In the Czech JROP, monitoring is affected by the delayed input of data to the system by the Intermediate Bodies, and due to uncertainty surrounding the use of indicators (e.g. some indicators are no longer used and the methodology for calculation has changed).

3.5 Progress with programme closure

With approaching closure deadlines, most notably that of 31 December 2008 for the eligibility of expenditure, partners are increasingly occupied with the final procedures. To ensure efficient and timely closure, many have developed internal schedules in addition to the closure guidance provided by the Commission (Czech JROP, Finland, North East England, Scotland, Sweden, Wales), as well as relevant training or seminars for the responsible bodies (Austria, Portugal). Early and thorough preparation is perceived as crucial, not least due to the lengthy closure processes experienced under 1994-1999 programmes (which in some cases are still continuing). While for some partner programmes, closure is yet not an issue (Austria, Italy LED OP, Poland), in others progress is more advanced, with programmes moving from closure preparation to the actual closure implementation, despite sometimes being challenged by human resource issues (England, Scotland, Wales). Examples of recent closure progress among the partners in the UK are as follows.

- *England:* The Department for Communities and Local Government (CLG) has launched a comprehensive programme to facilitate the closure of the English programmes. This includes the dissemination of an ERDF Closure Pack to all Government Offices (GO), with guidance and instructions on the closure of ERDF-funded elements of the 2000-06 programmes (there are equivalent packs for ESF, EAGGF). In addition, a number of organisations are coming together to provide governance structures for the closure process (e.g. Closure Management Group providing strategic oversight for the closure process; Closure Implementation Group Workshops; European Transition Group allowing the network of GOs to explore risks and resources concerning their roles in closure and in the new OPs). Lastly, CLG is also involved with GO and consultants in closure awareness events for the Objective 2 programmes (initially targeted at the North West Objective 2 programme). The aim is to raise the profile of closure, provide specific guidance to staff on closure and identify areas of concern at an early stage.
- *Scotland:* A Programme Closure and Compliance Group was set up by the Scottish Government to prepare for closure. A Practitioners Group has now been established as a sub-group to examine the issues and problems surrounding closure. The programmes are currently working to a strict closure timetable. In November 2007, the Scottish Government wrote to Chief Executives of all project sponsors to draw their attention to the key dates in the closure process, the need to submit claims by the due date or risk decommitment, and the need to retain project records for the auditable life period. Programme Management Executives (PME) and Intermediate Administration Bodies (IAB)

followed this up with a letter to partners reinforcing this message, and asking project sponsors to consider the timing and volume of their claim submissions during 2008, to enable the PME/IABs to understand and manage the likely patterns of claims submission appropriately.

- *Wales:* Following the general Closure Pack for the UK programmes, Welsh European Funding Office held its first Closure Group meeting in February 2008 and produced a specific closure pack for Wales (tailored to each Fund and Programme). There is a phased approach to testing and implementing this guidance, starting with the Urban Community Initiative as a pilot. The closure pack will also go through a few tests, and the Article 15 body (i.e. responsible for providing the Commission with an overall conclusion on the validity of the final payment application) will feed back informally from an early stage.

Partners are also increasingly interested in issues arising after closure, particularly with respect to the follow-up of results. In the absence of clear guidance from the Commission, programme managers are unclear on how to proceed with this issue. Some plan to stop project follow-up as soon as the final report to the Commission has been submitted (Sweden), while others have not specified a timetable and aim either to consult the Commission (Finland), to forecast the timetable at the time of closure (Slovenia), or to continue collecting final monitoring data from projects as long as is deemed necessary (Nordrhein-Westfalen).

4. OTHER EU-LEVEL DEVELOPMENTS

4.1 Ex post evaluation of 2000-2006 programmes

One the major ongoing activities at the EU-level concerns the ex-post evaluation of the ERDF co-funded Objective 1 and 2 programmes in the 25 Member States during 2000-06. As stated in the Commission tenders *‘the evaluation will aim to establish the impact Structural Funds in Objective 1 and 2 regions on economic and social cohesion, assess the effectiveness and efficiency, identify the Community added value and lessons for the future.’* Results of the study will also feed into the forthcoming EU budget review in 2008 and 2009 and be used for the discussion of the next round of Cohesion policy period. There are 11 Work Packages under way, listed in Table 1 below.

The approach to the current ex post evaluation exercise is notably different from that of the previous evaluations. The ex post evaluation of 1994-99 programmes attempted to cover a wider set of issues, resulting in some criticism. For instance, the European Court of Auditors⁴³ identified a number of shortcomings in the evaluation approach and in the quality of assessments made. In the current exercise, the Commission has given considerable attention to the tendering process in order to clarify what is required and what is achievable. The focus is on selected themes (11 Work Packages) facilitated by the use of case studies and results from the Work Package 2 (which focuses on the availability and quality of data needed for the *ex post* evaluation).

Considering that the evaluations have been started at a time when the 2000-06 programmes are being closed and the 2007-13 programmes just launched, some IQ-Net partners have questioned the usefulness of the exercise (Austria, Greece, Finland, North East England), for two reasons: many results of the 2000-06 period are not yet available (i.e. final funding data and achieved targets); and any results generated will not be ready in time to feed into the 2007-13 programmes (at least not at the early stages). Some also expressed their concerns about the potential overlap of the various tasks that are currently under way (Sweden). However, overall, the ex post evaluation was recognised as beneficial, particularly if it is able to identify innovative solutions and procedures. Some partners were interested in the results because of the absence of earlier large-scale evaluations for their country (Slovenia).

⁴³ European Court of Auditoris, ‘Information note by the European Court of Auditors on Special Report N° 10/2006 concerning ex post evaluations of Objectives 1 and 3 programmes 1994-1999 (Structural Funds)’, 13 September 2006, Luxembourg

Table 1: Ex post Evaluation Work Packages

Work Package	Objective	Timetable & Scope
WP1: Coordination, analysis, synthesis	Assessment of the macroeconomic background to 2000-06; assessment of the quality of strategies; information to facilitate the implementation of other WPs; support in certain management tasks.	October 2007 - December 2009 EU 25
WP2: Data feasibility study	Availability and quality of selected data needed for the <i>ex post</i> evaluation (e.g. indicators).	October 2007 - January 2008 EU 25
WP3: Macroeconomic modelling	Impact of Cohesion policy in Objective 1 regions.	Spring 2008
WP4: Structural change and globalisation	Impact of Objective 2 programmes supporting regional structural change and enabling adaptation to globalisation.	October 2007 - December 2008 Selected Objective 2 programmes
WP5a: Transport	Contribution of ERDF to the development of EU transport system.	April 2008 - June 2009 18 selected Member States
WP5b: Environment and climate change	Contribution of ERDF to the implementation of environmental strategies.	April 2008 - June 2009 14 selected Member States
WP6: Enterprise environment and innovation	Effectiveness of instruments used to promote enterprise environment and innovation.	December 2007 - June 2009 Productive environment, RTD and innovation themes under Objective 1 and 2 programmes.
WP7: Demographic change and gender issues	Impact of ERDF on supporting gender equality and enabling adaptation to demographic change.	December 2007 - June 2009 12 selected regions
WP8: Sectoral model on transport	Impact of Cohesion policy programmes on transport system.	June 2008 - March 2009
WP9: Rural development	Assessment of ERDF contribution to rural development and analysis of its impact.	December 2007 - December 2008 Focus on 5 Member States
WP10: Efficiency: unit costs of major projects	Focus on two aspects: 1) Output efficiency: unit investment costs of infrastructure projects and completion times, with an analysis of possible cost and time overruns; 2) Result efficiency: cost per job created by productive investments.	June 2008 - June 2009 Sample of 155 ERDF supported major projects
WP11: Management and implementation systems	Focus on five tasks: 1) Overview of MIS in EU25; 2) Effectiveness and sustainability of MIS in EU10; 3) Added value of EU Cohesion policy in EU15 (focus on MIS); 4) Analysis of how MIS support the integration of sustainable development in Cohesion policy programmes in EU25; 5) Twelve case studies.	December 2007 - June 2009 EU25 (focus on EU10)

Source: DG Inforegio (http://ec.europa.eu/regional_policy/tender/tender_en.htm)

At this stage, most programmes are not planning to undertake their own *ex post* evaluations, for different reasons. Some found the contribution of the MTEs and UMTEs (or other earlier evaluations) as sufficient for informing the 2007-13 period (Austria, Finland, North East England). Among IQ-Net partners, only the Czech Republic is planning to carry out a separate *ex post* evaluation under two OPs, although the scope and timetable have yet to be specified. In Austria, Lombardia and Poland there are plans for other evaluations.

- *Austria*: Although there are no plans to carry out additional *ex post* evaluations, the Austrian Conference on Spatial Planning (ÖROK) has commissioned an evaluation of the macroeconomic impact of Structural Funds in Austria since 1995. This evaluation is being undertaken by the Austrian Institute for Economic Research (WIFO), with the results expected in Autumn 2008. In addition, there will be an evaluation looking at the qualitative effects of Structural Funds since 1995.
- *Italy - Lombardia*: The region of Lombardia is undertaking various assessments and evaluations in fields which can provide orientations and suggestions for the 2007-13 programme period. Their planned work concerning the fashion meta district work is discussed in Box 6 below.

Box 6: Analysis of the Fashion Meta Districts in Lombardia

In Lombardia, a group of researchers will undertake an analysis of the Programme's effects on enterprises in the fashion meta district (e.g. aggregations and the supply chain of textile, textile machinery, leather industry etc). The focus is on:

- perceptions of the enterprises with regard to accessibility, consistency, and adequacy of public support; and
- issues regarding enterprise positioning in international and global markets; identification of good practice and possible tools and instruments of public support.

The research is primarily aimed at monitoring results and performances achieved as a result of public support to the programme, but also at analysing the intangible effects of the interventions. Results are expected by the end of 2008 and will contribute to the implementation of Priority 1 on innovation and knowledge economy of the 2007-2013 programme, which includes the fashion meta district as one of the strategic areas of development.

- *Poland*: Although there are no plans for an *ex post* evaluation, regional programmer managers are keen to publicise successful projects as examples of good practice (e.g. in the area of entrepreneurship) as a means of raising awareness of the benefits of

Funds and as part of the launch of 2007-13 OPs. However, the extent of this exercise depends on the availability of funding.

4.2 Future of EU Cohesion Policy

Following the official launch in September 2007 of the debate on the future of Cohesion policy, the first round of public consultations were carried out by the end of January 2008, followed by a Cohesion policy conference under the Slovenian Presidency in April 2008. The Fifth Progress Report on Economic and Social Cohesion, due to be published in June 2008, is set to report further on the debate and with reflections of the stakeholders.

The key conclusions of the first round of the Commission's public consultations highlighted⁴⁴: high levels of confidence in Cohesion policy; the need to focus support on all regions, particularly the poor; the need to widen the scope of regional policy to address key challenges such as climate change, globalisation and demographic challenges; and wide recognition of the importance of subsidiarity and partnership principles.

These issues were echoed in the Cohesion policy conference organised under the Slovenian Presidency at the beginning of April 2008. The conference aimed to focus on the rationale of Cohesion policy in terms of its structure, scope and objectives, as well as possible improvements to delivery mechanisms. The main messages delivered included⁴⁵:

- that Cohesion policy remains one of the fundamental pillars of the EU;
- that Cohesion policy and its instruments have genuine European added value;
- that Convergence should remain the primary focus, while Territorial Cooperation Objective was also fully endorsed as being fundamental to the pursuit of Cohesion policy objectives. Some reservations remained with regard to the Competitiveness and Employment Objective, although the majority argued for Cohesion policy to be implemented across the EU;
- that Cohesion policy should not become overloaded with policy objectives. While strong commitment to the Lisbon Agenda was reaffirmed, Cohesion policy was felt to be broader in scope;
- that the principle of subsidiarity should be strengthened;
- that the strategic and programming approach of Cohesion policy is important for addressing territorial challenges, especially at regional and local levels; and that restructuring activities in rural areas should be returned to the sphere of Cohesion policy;

⁴⁴ http://ec.europa.eu/public_opinion/archives/fl ash_arch_en.htm

⁴⁵ *Conference on the Future of Cohesion Policy, Presidency Conclusions*, Maribor, Slovenia, 7-8 April 2008

- that the improvement of Cohesion policy delivery mechanisms needs a strong commitment from all levels; and
- that the proposals for simplification need to be explored further in the next rounds of the debate and, if agreed, introduced before 2014.

5. CONCLUSIONS

Since the IQ-Net meeting in November 2007, and following the final rounds of negotiations, nearly all Operational Programmes have been approved, and partners have finally started implementation in earnest. During the past six months, the programmes have gradually moved from launch and communication activities to the first rounds of project generation. Although awareness and demand for funding are generally high, various challenges remain not least with respect to the quality of projects. Commitments and payments continue to be limited, largely due to the need to finalise management and control systems before the submission of payment requests to the Commission. Further, the various administrative and implementation challenges, as well as the attention needed to ensure coordination with other EU programmes, have added an additional workload to the implementation progress.

While the focus has clearly been on the new programme period, the closure of the 2000-06 programmes remains on the agenda, particularly with the approaching payment deadlines. Programme partners have been increasingly occupied with the final procedures in order to ensure efficient and timely closure. Also at the EU level, the start of the *ex post* evaluations has kept the focus on the 2000-06 programmes.

ANNEX 1

Submission and approval of IQ-Net programmes

IQ-Net partner	Number of OPs approved / total number		Submission of OPs	Approval of OPs
	ERDF	ESF		
Austria	9/9	2/2		
Niederösterreich	1	-	30.10.2006	04.05.2007
Steiermark	1	-	30.10.2006	04.05.2007
Belgium	4/4	6/6		
Vlaanderen	1	1	25.05.2007	Oct 2007 (ERDF)
Czech Republic	13/14	3/3		
ROP Střední Čechy	1	-	07.11.2007	03.12.2007
Denmark	1/1	1/1	Nov 2006	16.04.2007 (ESF) 05.07.2007 (ERDF)
Finland	5/5	2/2		
Länsi-Suomi	1	-	02.02.2007	27-28.10.2007
France	31/31	5/5	Feb - June 2007	Jul - Dec 2007
Germany	18/18	18/18		
Sachsen-Anhalt	1	1	Jan 2007	22.10.2007(ERDF) 22.11.2007 (ESF)
Nordrhein-Westfalen	1	1	Dec 2006	19.07.2007 (ERDF)
Greece	10/10	4/4	Mar 2007	Oct - Nov 2007
Italy	27/28	24/24		
Lombardia	1	1	Mar 2007	01.08.2007
Research and Competitiveness OP	1	-	03.08.2007	21.12.2007
Poland	20/20	1/1		
Śląskie	1	-	Mar 2007	Sep 2007
Human Capital OP	-	1	July 2007	27.09.2007
Portugal	10/10	4/4	05.03.2007 (except TA OP)	05-12.10.2007 (TA OP 21.12.2007)
Slovenia	2/2	1/1	16.2.2007	27.08.2007 - 21.11.2007
Spain	23/23	22/22		
País Vasco	1	1	Mar 2007	20.12.2007
Sweden	8/8	1/1	Feb 2007	Aug 2007
United Kingdom	16/16	6/6		
North East England	1	-	Apr 2007	Dec 2007
Scotland	2	2	Mar 2007	LUPS 27.09.2007 H&I 03.11 - 22.11.2007
Wales	2	2	Jan 2007	Aug -Sep 2007

Source: DG Inforegio, (27 March 2008); EPRC research



Improving the Quality of Structural Funds Programming through Exchange of Experience

IQ-Net is a network of Convergence and Regional Competitiveness programmes actively exchanging experience on practical programming issues. It involves a programme of research and debate on topical themes relating to Structural Funds programme design, management and delivery, culminating in twice-yearly meetings of members. IQ-Net was established in 1996 and has successfully completed three periods of operation: 1996-99, 1999-2002 and 2002-07. A new phase was launched on 1 July 2007 (Phase IV, 2007-10).

IQ-Net Meetings

24 partners' meetings and a special 10th anniversary conference have been held in nine European countries during 12 years of operation of the Network. Meetings are held at approximately six month intervals and are open to IQ-Net partners and to observers interested in joining the Network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.



IQ-Net Website

The IQ-Net Website is the Network's main vehicle of communication for partners and the public (www.eprc.strath.ac.uk/ignet). The launch of Phase IV has been accompanied by an extensive redesign of the site which comprises two sections:



Partner Intranet Pages available exclusively to IQ-Net members.

Public Pages which provide information on the Network's activities and meetings, allow the download of IQ-Net Reports and Bulletins, and provide a news section on issues relevant to the Network.

The Partners' section of the website provides exclusive services to members of the Network, including access to all materials prepared for the IQ-Net meetings, a list of EU27 links (programmes, institutions, economics and statistics etc.), partners' contact details, a partners' blog and other items of interest.

IQ-Net Reports

The IQ-Net Reports form the basis for the discussions at each IQ-Net meeting. They present applied and practical information in a style accessible to policy-makers, programme executives and administrators. The reports can be downloaded, at no charge, from the IQ-Net website. To date, around 25 thematic papers have been produced on both 'functional issues' (e.g.

management arrangements, partnership, information and communication, monitoring systems) and ‘thematic issues’ (e.g. innovation, enterprise development, tourism). A similar number of papers have also been produced to review developments in the implementation of the Network’s partner programmes.

IQ-Net Thematic Papers

- Making sense of European Cohesion policy: 2007-13 on-going evaluation and monitoring
- Turning ideas into action: the implementation of 2007-13 programmes
- The New Generation of Operational Programmes, 2007-2013
- National Strategic Reference Frameworks and OPs, 2007-2013
- Preparations for the Programme Period 2007-13
- Territorial Cohesion and Structural Funds
- Cohesion Policy Funding for Innovation and the Knowledge Economy
- The Added Value of Structural Funds
- Information, Publicity and Communication
- Mid-term Evaluation of the 2000-06 Programmes
- Mainstreaming Horizontal Themes into Structural Fund Programming
- The Structural Funds: Facilitating the Information Society
- Information into Intelligence: Monitoring for Effective Structural Fund Programming
- At the Starting Block: Review of the New Programmes
- Tourism and Structural Funds
- Preparations for the New Programmes
- The New Regulations and Programming
- Strategic Approaches to Regional Innovation
- Effective Responses to Job Creation
- The Evolution of Programmes and Future Prospects
- Equal Opportunities in Structural Fund Programmes
- The Contribution of Meso-Partnerships to Structural Fund Implementation
- Regional Environmental Integration: Changing Perceptions and Practice
- Structural Fund Synergies: ERDF and ESF
- The Interim Evaluation of Programmes
- Monitoring and Evaluation: Principles and Practice
- Generating Good Projects
- RTD and Innovation in Programmes
- Managing the Structural Funds - Institutionalising Good Practice
- Synthesis of Strategies 1994-96

IQ-Net Bulletin

The IQ-Net Bulletin promotes the dissemination of the Network’s activities and results. Thirteen issues have been published to date, over the period from 1996 to 2007. Bulletins are published using a standard format, with each providing summaries of the research undertaken and reports on the discussions which take place at IQ-Net meetings. The Bulletins can be downloaded from the IQ-Net website (public pages). A printed version is also sent out to the IQ-Net mailing list.



Admission to the IQ-Net Network is open to national and regional Structural Funds Managing Authorities and programme secretariats. For further information or to express an interest, contact Professor John Bachtler (john.bachtler@strath.ac.uk) or Laura Polverari (laura.polverari@strath.ac.uk).