



**Implementing the New
Generation of Programmes:
Project Development,
Appraisal and Selection**
—
English Executive Summary

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***IQ-Net
Improving the Quality of Structural Fund
Programming through Exchange of
Experience***

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PREFACE

The research for the following paper was undertaken in preparation for the second meeting of Phase II of the Objective 2 exchange of experience network IQ-Net, which took place in Saarbrücken in the Saarland, Germany, on 7-9 June 2000. The paper has been revised following the seminar.

The paper is the product of desk research and fieldwork visits among national and regional authorities in Member States (notably in member regions of the IQ-Net Consortium) as well as Commission services during spring 2000. The field research team comprised:

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The paper is supplemented by a series of reports addressing approaches to project development, appraisal and selection in individual Member States (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Spain, Sweden and the UK).

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Implementing the New Generation of Programmes: Project Development, Appraisal and Selection

1. EXECUTIVE SUMMARY

1.1 Introduction

As the content of the new Objective 2 programmes is finalised, attention is now focusing on programme delivery. The systems for generating, appraising and selecting projects are at the heart of all programmes, determining the efficiency and effectiveness of programme implementation. In 2000-06, these systems will have to deliver quality projects to meet quantified targets, make financial commitments at the required rate, be sensitive to the requirements of equal opportunities and sustainability, and be stringent and transparent to meet the monitoring and control obligations. Systems are currently being refined to meet these challenges.

To facilitate an international comparative discussion, the main paper sets out a basic typology of approaches for organising Structural Fund project selection, and then considers various elements of practice, notably how responsibilities are allocated, and what tools and methods are used (including how selection criteria assist the process). Structural Fund project selection breaks down into a series of stages, which themselves fall inside the wider Structural Fund cycle from programme development to final evaluation. These stages (project generation, submission, appraisal leading to recommendation, decision-making and follow-up) are also examined in the paper. Finally, the paper highlights some of the proposed changes to project selection systems designed to pursue three core objectives: increased efficiency, effectiveness and transparency.

This summary focuses on two aspects of the paper, setting out the typology of Structural Fund project selection systems and looking ahead to consider some of the emerging changes proposed to improve future project selection.

1.2 The organisation of project selection: a typology

There is no uniform approach to project generation, appraisal and selection among EU Member States. Different systems reflect national practices and conventions, and depend *inter alia* on the relationship between Structural Fund spending and national programmes. To enable diverse national approaches to be compared and discussed, the main paper categorises them according to their degree of 'administrative additionality' - the extent to which Structural Fund decision-making has required the establishment of new, dedicated structures and systems.¹

¹ Of course, the categorisation should be treated with caution given the complexity of Structural Fund allocation arrangements, but it provides a useful shorthand in discussing contrasting systems.

At one extreme are programmes with high administrative additionality, delivered through EU-specific management and project selection structures. These are termed '*differentiated systems*'. Among the Member States employing such approaches are *Belgium, Denmark, the Netherlands, Sweden* and the *United Kingdom*. In these cases, most European resources are allocated through Structural-Fund specific channels and structures. Appraisal and recommendation are carried out by Structural Fund secretariats or other competent organisations and/or committees, while final decision-making is typically the responsibility of a committee representing the Structural Fund programme partnership.

At the other end of the spectrum are systems with low administrative additionality, which use domestic policy decision-making channels for Structural Fund resource allocation - here called '*subsumed systems*'. In such systems, eg. in *Germany, Austria* and *Spain*, most Structural Funds are allocated through existing economic development channels. Projects are appraised and selected through established domestic resource allocation channels, with decision-making often delegated to single competent agencies rather than reserved for dedicated Structural Fund focused committees.

Falling between these two extremes, several Member States (eg. *France, Finland* and *Italy*) have 'composite' systems relying on domestic appraisal and decision-making systems but with additional, Structural Fund-specific elements.

Table 1.1: Distinctive features of differentiated and subsumed Structural Fund decision-making systems

	Efficiency	Effectiveness	Transparency
Differentiated systems	A single system operates across a whole programme.	Can promote strategic coherence across a programme and enables an overview to be easily maintained.	Greater visibility of Funds and easier overview of how decisions are made.
	BUT has to be established and operated. Requires a marketing effort.	BUT some actors with limited sectoral expertise prepare recommendations.	BUT possible conflicts of interest in decision-making.
Subsumed systems	Benefits from pre-existing channels.	Appraisal & decision-making by sectoral experts.	System can be simple for applicants.
	BUT challenging for the Structural Fund programme co-ordinator to maintain an overview	BUT fragmentation leading to a potential lack of overall coherence. Hard for Structural Fund co-ordinator to influence decision systems.	BUT overall Fund visibility can be low. Overview of decisions and criteria is difficult to compile.

The two broad approaches present different inherent merits and risks, which are summarised in Table 1.1. Overall, differentiated systems tend to be relatively less efficient in that they involve the creation of additional structures and procedures, but this also means that they are more easily made transparent. The opposite is true for subsumed systems.

1.3 Renewing project selection systems for 2000-06 - the three priorities

Regardless of the detail of their approach to selecting projects, three core objectives are driving changes to Structural Fund project appraisal and selection systems for the 2000-06 period. These aim to: increase the administrative efficiency of systems; to improve their ability to deliver strategic choices; and to enhance transparency. Improving the strategic effectiveness of decision-making is a universal issue. Administrative efficiency tends to recur more strongly as a theme among those with differentiated systems, while transparency concerns are more prominent among those with subsumed systems.

1.3.1 Programme effectiveness – strategic project selection

It is a challenging task to ensure that the portfolio of projects implemented under a Structural Fund programme adds up to more than the sum of its parts, that the projects are the most appropriate to contribute to the achievement of the programme's strategy and that they are both locally relevant and regionally significant. Various changes are being considered by programmes to enhance their strategic capacity. Among the examples set out in detail in the paper are:

- the increasing use of larger and/or integrated projects to achieve synergies and coherence at the meso scale (eg. the new Integrated Projects and Territorial Integrated Programmes in *Italy*); and
- the increased attention being paid to the project development and follow-through stages as an opportunity to improve project quality (eg. the proposed creation of an *External Unit for Co-ordination and Project Development* in *Niederösterreich* to pursue these functions).

1.3.2 Administrative efficiency – streamlining systems

A recurrent theme is the desire to increase the speed of Structural Fund project decision-making and to reduce its complexity and cost in terms of personnel inputs, committee time, etc. The strongest focus has been on reducing the burden of the distinctive structures created for Structural Fund decision-making (eg. in the *UK* where the burden has been considerable, and in *Denmark*, *Finland* and *France*). Examples include:

- streamlining dedicated project-selection committees in *Denmark* and *France*;
- the further computerisation of Structural Fund administration in *Italy* and *France*; and
- simplification of selected project submission and selection procedures, eg. in *Italy*.

A complicating factor is the need to avoid compromising the quality of decision-making through administrative rationalisation.

1.3.3 Transparency – openness in decision-making

The transparency of Structural Fund decision-making systems is likely to increase for most applicants and partnerships in the next round, thanks to new provisions requiring programme implementation mechanisms to be set out in

programming documents. Previously, they only described the obligatory structures and systems eg. the form and roles of the Monitoring Committee and the monitoring system. In addition, it seems likely that selection criteria will be set out more systematically at measure level in many programme complements (eg. in *France* and *Italy*).

In some subsumed systems, project selection was deemed particularly opaque during the last round of programming. Regions in *Austria* and *Germany* are among those proposing innovations to improve overall transparency.

- In *Austria*, this is to be achieved by designating a lead organisation for each measure, responsible for co-ordinating decision-making across all the organisations participating in that measure. Selection will continue to operate through national channels, but the introduction of the measure co-ordinator is expected to make the Structural Fund component of awards more explicit, to improve co-ordination and to help to focus project selection more strategically.
- In *Nordrhein-Westfalen*, the innovation comprises the introduction of a system enabling project decision-makers to supply information on a more systematic basis to the European co-ordination unit on how they selected the projects chosen for European funding.

Implementing the New Generation of Programmes: Project Development, Appraisal and Selection

1. INTRODUCTION

As programmes are finalised over the coming months in negotiation with the European Commission, attention is shifting to the delivery of the new programmes. Implementation of the programmes will be challenging, given that the obligations on Member State authorities and programme managers are significantly greater than before.

Under decentralised programming arrangements, the Member States have more scope to manage and amend programmes in return for specific responsibilities for implementing and monitoring the effectiveness of the measures taken. At programme level, the managing authorities are responsible for the collection and transmission of financial and statistical data on the implementation of measures, the specification of monitoring indicators, baselines and targets, and the preparation of annual implementation reports. Member State authorities also have primary responsibility for organising the mid-term evaluations. With respect to financial control, they are responsible for ensuring the effectiveness of supervisory systems, the transparency of financial management systems and the correction of irregularities. These obligations are backed up by annual review meetings with Commission services and tighter examination of expenditure by the Commission. Most significantly, the Commission is holding back four percent of the indicative allocation for each Member State as a 'performance reserve', to be distributed to programmes at the mid-point of the programming period on the basis of performance.

In this environment, there is greater pressure on Structural Fund managers to ensure the effective delivery of programmes, 'sound and efficient management' and financial implementation. On the other hand, some regions now have 10-15 years experience of managing integrated Structural Fund programmes over successive programming periods and much has been learned about effective delivery. It is evident that, across the EU, there has been a progressive increase in the sophistication of both strategies and implementation arrangements over the past decade. Programme managers and secretariats have developed considerable expertise in the management of programmes, partnership working, programme implementation and the monitoring and evaluation of projects and programmes. Previous IQ-Net research suggests that this evolution of programming is being carried forward into the 2000-06 programme period, with better analysis, more consultation, increased quantification and pro-active delivery mechanisms.²

² Bachtler J, Downes R, Michie R, Rooney M L and Taylor S (1999) New Structural Fund Programming: Laying the Foundations, *IQ-Net Thematic Paper* 6(1), European Policies Research Centre, University of Strathclyde, Glasgow.

A critical element of programming is the delivery of projects. The systems for generating, appraising and selecting projects are at the heart of all programmes, determining both the efficiency and effectiveness of the funding allocation process. In the coming programming period, these systems will have to:

- deliver quality projects to meet the quantified targets,
- be efficient in managing financial commitment at the required rate,
- be sensitive to the requirements of equal opportunities and sustainability, and
- be stringent and transparent to meet the monitoring and control obligations.

There is no uniform approach to project generation, appraisal and selection among EU Member States. Different systems reflect national practices and conventions. They depend on the relationship between Structural Fund spending and national programmes. In some countries, the Funds are channelled through domestic funding circuits and project selection systems, while in others there are EU-specific management and project selection systems.

However, all systems share a range of common challenges. Underpinning the processes of project generation, appraisal and selection are a series of inter-related requirements of systems:

- to provide a mechanism for allocating resources;
- to enable prioritisation between competing bids for support;
- to ensure that projects meet the regulatory requirements;
- to determine that projects contribute to programme objectives and priorities;
- to respond to the Commission's policy agenda;
- to select the 'best' projects to maximise programme impacts;
- to ensure value for money in the allocation of public funds from all sources;
- to demonstrate to partners that funding allocation decisions are fair;
- to ensure effective scrutiny, transparency and accountability for audit and control purposes and safeguards against fraud; and
- to provide visibility for European funding.

The systems used to select projects for Structural Fund support vary significantly between Member States, with further (although less marked) variation within countries. Hitherto, systems have not yet been comprehensively examined in any research study. In particular, while the European Commission has initiated studies addressing many other themes of common relevance, including partnership, programme management and technology and innovation, it has not undertaken specific work on project selection, in part because of subsidiarity issues. Project selection is a

distinctive phase of Structural Fund programming in that the detail of the form and functioning of systems is, to a large extent, outside the control of the Commission. On the other hand, the *outcomes* of project selection are of central concern to the Commission, given their interest in ensuring that the Funds are spent “in accordance with the objectives established, the regulatory provisions, and according to the principles of sound financial management”.³

Against this background, the following paper seeks to analyse the processes of project generation, appraisal and selection across the EU.

Specifically, the paper has the following objectives:

- to chart the evolution of Structural Fund project selection systems to date and to identify the main influences shaping them;
- to provide a comparative overview of the diverse project selection systems in partner Member States and regions;
- to examine the main stages of project decision-making and to identify distinctive practices; and
- to consider the challenges for project selection in the new programming period, and to highlight the emerging responses among partner regions, with a focus on potentially transferable practices.

The paper begins by discussing the context for current approaches to project appraisal and selection, tracing the development of systems over time. It then identifies the main differences between funding allocation mechanisms for the Structural Funds among EU countries, contrasting those countries that use domestic funding systems (subsuming EU project selection within national decision-making systems) with those Member States that have distinct and separate EU funding allocation systems. Thereafter, the paper focuses on the detailed characteristics of project generation, application, appraisal and selection systems. Approaches to transversal or horizontal dimensions (sustainability and gender mainstreaming) are also highlighted. Finally, the paper concludes with a summary of the key issues to emerge.

2. EVOLUTION OF PROJECT APPRAISAL AND SELECTION

The development of project generation, appraisal and selection systems has to be seen as part of the general evolution of implementation arrangements for programming over the past decade. Progressively, programme delivery has become more pro-active over successive programming periods since 1989, attempting to take a more integrated, developmental approach in the generation and selection of projects.

Prior to the reform of the Structural Funds, project funding decisions were taken by the EC, which was sent project dossiers by relevant Member State authorities. From 1989, project selection responsibility was delegated to Member State level for most projects, and it was up to national authorities to determine the structures through which this would be undertaken.

³ CEC (1989) *Guide for Monitoring Operational Programmes*, Commission of the European Communities, Brussels.

In the 1989-93 programming period, project selection was often rudimentary. EPRC research on Objective 2 programmes⁴ shows how, in the initial stages of programming, the programmes were disjointed in management and administration. Most countries initially sought to limit the impact of EU regional policy on their systems of governance, while maximising their control over the Funds. In part, this reflected the administrative challenge of implementing EU regional policy and the difficulty of adapting to the distinctive management culture of the European Commission.⁵ The institutional management (for the first time) of multi-annual programming, integrated operations - especially between ERDF and ESF - and partnership were highly demanding. There was a lack of acceptance of the Structural Funds as an independent area of policy and a resistance to changing established administrative structures and systems.

Initially, programme management was essentially department or agency based, each administering department operating programme measures through established structures and with little cross/inter-departmental liaison or communication. Early approaches to programme delivery were opportunistic, reflecting the approach to programme management. The perception among partners of the programme as a vehicle for drawing down funding was shared among beneficiaries who saw the programme in terms of 'grant opportunities'. The need to commit resources rapidly, following a delayed start to CSFs and OPs led to a widespread tendency to take projects 'off the shelf' or to select projects on a 'first come first served' basis.⁶ Evaluation research found that project planning could be weak, sometimes derived from simple abstract ideas or borrowed from other regions or agencies. Prior research and piloting were unusual, and consultation and co-operation between agencies were limited.⁷

As subsequent evaluation of the 1989-93 Objective 2 programmes made clear,⁸ the pressure to commit funds quickly meant that little systematic project appraisal was carried out, although most regions did develop formal appraisal methods. In early programming periods, the predominant type of ERDF project supported was infrastructural, often involving major transport and environmental projects. Programmes would support relatively few but large projects, which would be appraised by the application of a core technique suited to such projects – cost benefit analysis. Once relevant techniques became established, this became a manageable process. However, the nature of the criteria and procedures varied greatly between regions, and guidelines were often taken from national practice, with little amendment. In one region in France, for example, project selection was placed under

⁴ Bachtler J and Taylor S (1999) *Objective 2: Experiences, Lessons and Policy Implications*, EPRC Report to DG Regio, European Commission, available electronically at http://inforegio.cec.eu.int/wbdoc/docgener/evaluation/rado_en.htm.

⁵ Eskelinen H *et al* (1997) Appraisal of the Finnish Objective 2 Programme: Reflections on the EU Approach to Regional Policy, *Regional Studies*, 31(2), 167-172. Huber W (1996) *Regionalpolitik in Österreich und Kohäsionspolitik der EU*, Diskussionspapier, Federal Chancellery, Austria, mimeo.

⁶ CEC (1997a) *The Structural Funds in 1996: 8th Annual Report*, Commission of the European Communities, Office for Official Publications of the European Communities, Luxembourg.

⁷ Turok I (1997) Evaluating European support for business development: evidence from the Structural Funds in Scotland, *Entrepreneurship & Regional Development*, 9, 335-352.

⁸ Ernst & Young (1997) *Ex post evaluation of the 1989-93 Objective 2 programmes*, Evaluation and Documents Series No.4, DG XVI, European Commission, Brussels.

considerable time pressure to meet CSF submission deadlines leading to an almost random distribution of funding between different projects. In another region, selection criteria were considered to be effectively the same as eligibility criteria, so that virtually any eligible application was accepted while funds were available. Project appraisal and selection criteria appear to have been restricted to financial indicators. A similar situation seems to have operated in some Spanish regions, where project appraisal was mainly concerned with basic technical criteria such as project feasibility and the capacity of applicants to raise matching funding.

The Netherlands was one of the only countries to have well developed appraisal procedures. For ERDF, formal project selection criteria were adopted from the start of the first programming period, although more slowly for ESF. Nevertheless, the extent of competitive application for ESF was such that, by the end of the 1989-93 period, some 30 percent of ESF project proposals were being rejected. In the UK also, sophisticated appraisal procedures were adopted relatively early on, led by *Western Scotland* and *North-East England*, although there was substantial regional variation. Changes in the UK approach to additionality and match funding enabled a wider range of organisations to apply for funding, increasing competition for resources and the development of selection criteria.

The range of types of intervention that could be supported by Structural Fund programmes was expanded greatly by the 1993 Structural Fund regulations, and programmes were actively encouraged to take up these opportunities. This led to a range of new challenges for Structural Fund programme actors. Growing emphasis was placed on areas including 'soft' business development interventions, community economic development, human resource development, technology and innovation, and environmental projects outside the infrastructure sphere.

The 1994-96 programming period marked a significant change in approach to project appraisal and selection. Programme administration moved from a 'list of projects' approach to a more systematic and co-ordinated method of allocating resources.⁹ The programming concept became more firmly embedded as the strategic management of multi-annual programmes began to be accepted as conducive to efficient and effective planning. Commenting on experiences in Objective 1 and 6 regions, the Commission noted that the 1994-96 period had:

*"in some cases...seen the development of relatively sophisticated scoring systems for co-financed projects. The systems put in place take account of a wide range of factors simultaneously and in addition to assessing eligibility they look at selection criteria both at priority and measure level. For example, priority criteria which are common to all projects include project outputs, value for money, private sector leverage and more recently environmental impact."*¹⁰

⁹ Bachtler J and Taylor S (1999) *op.cit.*

¹⁰ CEC (1998) *Mid-term Review of Structural Interventions Objectives 1 and 6 (1994-99)*, DG XVI, European Commission, Brussels.

Similar conclusions were evident in Objective 2 regions. Interim evaluation of the 1994-96 programmes showed that greater information and awareness among partners was increasing the competition for funding, with a corresponding effect on project selection procedures.¹¹ However, not all such systems were successful. Interim evaluation research indicated that transparent and objective criteria might not be a sufficient condition to ensure the selection of the best projects and that checks on the credibility of the applicant information and output forecasts were necessary.

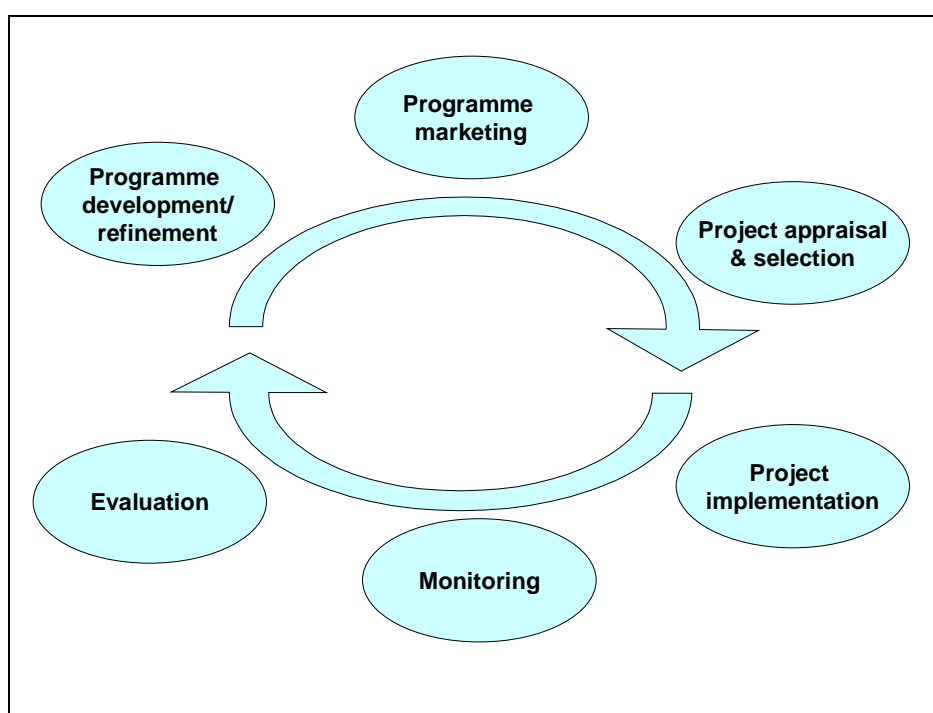
Trends begun in 1994-96 were continued and reinforced over the 1997-99 period: (i) more, smaller projects had to be appraised, increasing the administrative burden on programmes (ii) new, inexperienced applicants were getting involved, requiring familiarisation with the operation of the Structural Funds; and (iii) new techniques were needed to undertake the appraisal of this wider population of projects, taking into account a broader range of sector-specific issues. In addition to the diversification of project types, the Commission has, over time, brought to the fore transversal issues which it requires programmes to take into account across all projects. Incorporating employment creation, technology and innovation, environment and, more recently, gender mainstreaming and the information society has been a significant challenge for programmes which has by no means been accomplished yet.

In the best cases, programme delivery is moving towards an holistic, strategic approach along the lines of the 'virtuous circle of programme delivery' (see Figure 2.1).¹² This requires programme managers and partners to see the programming cycle as a continuum. It begins with the development of the programme, itself built on thorough analysis and input from previous programme experience. Programme marketing involves the active generation of projects (interacting with potential applicants to bring forward projects meeting strategic objectives and priorities) and providing pre-application advice to improve the relevance and technical quality of project applications even before submission. Then, professional approaches to project selection (implemented variously by programme-specific mechanisms or using domestic decision-making channels) require formal and systematic appraisal and selection procedures, exploiting (where appropriate) increasingly sophisticated methods for scoring, weighting and ranking projects, or involving independent experts and/or specialist panels in the selection process. Thereafter, it is important to see project award as the start of a process of close and continuous monitoring and 'project after-care', all supported by effective computerised management information systems able to track projects from initial proposal submission to completion. The experience generated in the stages of the programming cycle in turn contributes to refining the strategy and programming practice.

¹¹ Bachtler J and Michie R (1997) The Interim Evaluation of Objective 2 Programmes, *IQ-Net Thematic Paper* 2(1), European Policies Research Centre, University of Strathclyde.

¹² Fitzgerald R (1996) Generating Good Projects, *IQ-Net Thematic Paper* 1(3), EPRC, University of Strathclyde, and Bachtler J and Taylor S (1999) *op. cit.*

Figure 2.1: Virtual circle of programme delivery



3. FUNDING ALLOCATION MECHANISMS: NATIONAL DIFFERENCES

3.1 Regulatory context

There are few regulatory requirements for the specific systems used for generating, appraising and selecting projects. The regulations have historically been specific about the forms and rates of assistance, the eligibility of actions, the supervisory role of Monitoring Committees and the involvement of the Commission in the case of major projects. However, they have not prescribed the systems to be used for allocating funding.

The references to project selection in the 2000-06 regulations remain limited, in line with the move towards decentralised programming. There is little direct reference to project selection procedures themselves. The EC commentary on the new regulations states explicitly that one of the elements of decentralised programming is that the *‘Member State or the managing authority implements the programme (in particular, organising the selection of projects)’*.¹³ Specifically, it is the responsibility of the Monitoring Committee to *‘consider and approve the criteria for selecting the operations financed under each measure within six months of approval of the assistance’*.¹⁴

¹³ CEC (2000) *Structural Actions 2000-2006 Commentary and Regulations – the Structural Funds, the Cohesion Fund, the Instrument for Structural Policies for Pre-accession*, Commission of the European Communities, Luxembourg, pp23.

¹⁴ Council Regulation (EC) No. 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds, Article 35.

The regulations are more prescriptive regarding the rates of assistance to be given to projects, the rules for eligibility of expenditure and the obligation to ensure that Funds have been used according to the agreement issued at project approval.

- The rate of assistance will depend on the Community interest in terms of environmental protection (application of the ‘polluter pays’ principle) and of promotion of equality between men and women.
- National eligibility rules will be applied unless the Commission finds it necessary to draw up common rules on the eligibility of expenditure.¹⁵
- The Member States will be responsible for ensuring that the measures being supported by the Funds do not undergo any major modification within five years of the decision to contribute.

The Commission has continued to reserve a project selection role for itself where major projects and global grants are contained within programmes.¹⁶ Major projects are now defined as those over €50 million which comprise an economically indivisible series of works. Article 26 of the Framework Regulation sets out the information required by the Commission to take its decisions on major projects, the factors against which the Commission will appraise them, and the timetable over which decisions will be made. Article 27, meanwhile, sets out the information required for the Commission to approve the establishment of a global grant mechanism.

The variety of additional guidance issued by the Commission in preparation for the new programming period contains further, limited and discretionary indications on project selection systems. The performance reserve fund will be allocated on the basis of three groups of criteria, relating to efficiency, quality of management and financial execution of the programmes. The guidance note on the performance reserve fund proposes “*the proportion of projects selected using transparent selection criteria*” as one of the possible qualitative criteria to judge the quality of management.¹⁷

3.2 Role of the Commission

Reflecting the lack of regulatory direction, the Commission has not had a major role in the development of project generation, appraisal and selection systems in most Member States. Its role has tended to involve promoting the development of formal and transparent appraisal systems and selection criteria, determining the eligibility of actions or projects, and publicising ‘good practice’ examples of Structural Fund projects.

The influence of the EC in project decision-making appears to have declined over time, at the same time varying between Member States. Beyond the regulatory requirements, (eg. EC approval of large projects), the extent of EC influence has, to date, very much depended on the interpretation of subsidiarity taken by each Member State and its systems of governance.

¹⁵ A separate regulation has since been approved concerning eligible expenditure (Council Regulation No....)

¹⁶ Council Regulation (EC) No 1260/1999, Articles 25-7.

¹⁷ CEC (1999) *The New Programming Period 2000-2006: Methodological Working Documents. Working Paper 4 - Implementation of the Performance Resource*, DG Regio, Brussels.

Tensions have sometimes arisen between different tiers about the legitimate role of the EC (eg. in the UK and France).

Unsurprisingly, interviews with EC desk officers indicate that systems relying on domestic decision-making circuits for Structural Fund project selection are regarded as less transparent to Commission services. The Commission would not be fully appraised of the details of all the systems through which decisions have been taken nor the characteristics of projects selected as a result (eg. Germany and Austria). The decision-making systems of those with dedicated Structural Fund-specific channels are much better understood. Here, Commission officials may be fully appraised of the decisions which have been made and how, and may even have participated actively in shaping the system and making some of the individual decisions (eg. in the UK and Belgium).

In future, the EC is likely to have an increasingly limited role in project selection itself. As desk officers step back from the outcomes of project selection, a more strategic role might be to limit their involvement to the systems and procedures which produce these outcomes, focusing on the criteria used for project selection and the mechanisms through which they are operationalised. Early indications are that desk officers will certainly be encouraging EC priorities to be fully reflected in the detailed programme complements, including through selection criteria.

3.3 Influences on national mechanisms

Within the limits of the overarching Structural Fund regulations, Member States have had considerable latitude in terms of the exact form of their approaches to project generation, appraisal and selection, there has been a longer evolution of selection systems in the 'older' Member States. 'New' Member States only established their responses in 1994/5 and, at that time, made very different choices: Austria decided to use pre-existing, domestic regional policy channels; Sweden created Structural Fund-specific structures; and Finland chose to use a combination of these two approaches. It appears rare for great change to take place once an overall approach has been determined. At national level, the most fundamental changes take place: (i) when a Member State is newly eligible and makes its initial decisions about project selection systems; and (ii) when the regulations are changed, requiring a response or providing an opportunity for a revised approach.

Several influences of varying importance together appear to shape the overall approach to Structural Fund resource allocation mechanisms within any Member State.

- *The conception of the role of the Structural Funds in domestic economic development activity.* For example, they may be seen as a financial 'compensation mechanism' for contributions made to the EC budget, as a catalyst for innovative economic development, or as an opportunity to develop strategies which build regional identity.
- *The influence of legal frameworks governing public sector activities.* In Italy, public authorities (the regions in the case of Objective 2 programmes) are responsible for Structural Fund project selection. Their activities are ruled by administrative law, which sets out the principles by which they have to work. Likewise, in *Germany* and *Austria*, the

competencies of different sectoral organisations are set out clearly in law and have to be respected in the delivery of Structural Fund programmes. The European co-ordination units have a specific remit to work in a complementary way with these organisations.

- *The influence of administrative traditions.* For example, both the Danish and French systems of Structural Fund committees are in accordance with national administrative traditions. In the case of Denmark, the origins lie in a strong emphasis on horizontal partnership and the lack of central government grant scheme mechanisms. In France, committees enable co-ordination between the various actors involved in economic development at the regional level, enhancing outcomes. By contrast, German regions have little tradition of committee-based decision-making.
- *The demand for Structural Fund support.* For example, growing competition from a widening range of partners for available resources in the UK led to the emergence of intricate and demanding systems able to produce robust, transparent decisions. This contrasts with the situation in many other Member States where this appears to be less frequently the case.
- *Judgements weighing the cost of dedicated structures against the significance of the Funds.* In some cases, decisions are made about the relative merits of creating dedicated structures for the Structural Funds or using existing ones, relative to the amount of resources available, the cost of creating new structures and the likely duration of the availability of the Funds.

Across any Member State, project selection systems are rooted in their own institutional logic. Once the overall architecture has been decided, it tends to stay in place. There is usually relatively little variation among programmes within a Member State in terms of the broad principles of their project selection systems. However, there is often variation among programmes in the *detail* of the systems applied (who is involved, what criteria are used and how, etc).

In every programme, however rigid the framework within which it operates, a process of evolutionary change is observable, responding to a range of pressures and influences from various directions (EC, national, regional) and with a variety of catalysts (institutional learning, economic change, policy change, political factors).

The scope for change appears to be greater in programmes which have their own dedicated, Structural Fund decision-making structures than in programmes which rely on domestic channels for decision making. In these latter cases, Structural Fund co-ordinators may not have authority to impose changes and have to work in tandem with a large number of organisations to introduce different ways of working. Consequently, in programmes which rely on pre-existing decision-making channels, change tends to be slow and uneven across the different organisations involved in project selection, depending on their individual activities, attitudes and circumstances.

At the programme level, changes in selection systems might take place: (i) where new approaches are piloted for one or more initiatives, and are then

mainstreamed across a programme as they prove their utility; (ii) where external initiatives generate and pilot specific ideas eg. the RIS and RITTS strategies (eg. *Lower Austria*); and (iii) when evaluations (usually interim) are undertaken which address operational issues. Recent evaluations of the *North Jutland* programme generated three recommendations for project selection which are being acted upon for the next round: shorter project processing times; improved guidance for applicants; and follow-up on project approval with detailed information for successful applicants on the conditions of awarding support. The emphasis placed on operational recommendations depends, first, on whether evaluators are asked to address this area at all, and second, on whether project selection systems are an issue of particular concern (eg. *Flemish* evaluations have given this issue little emphasis as overall satisfaction rates among applicants are high).

Most changes to selection systems take place incrementally over a long period of time, refining specific parts of the selection system gradually eg. introducing a computerised application form, changing the balance between the weighting of selection criteria or adding additional ones, or undertaking more vigorous project generation in response to low demand or quality of proposals. In some cases, change also happens as a programme progresses and resources become more scarce, leading to a need for more stringent selection.

3.4 Categorising national systems

There are various ways of categorising the resource allocation systems of Structural Fund programmes. The basic approach used in this paper is to consider decision-making systems on the basis of their 'administrative additionality'¹⁸, ie. the extent to which decision-making is undertaken using specially established systems. At one extreme of the continuum are dedicated systems established solely and specifically for deciding on Structural Fund co-finance. At the other end of the spectrum are programmes using existing, domestic policy decision-making channels for Structural Fund resource allocation. For convenience, these systems can be termed 'differentiated' and 'subsumed'.¹⁹

- **Differentiated systems.** In some countries, Structural Fund programmes are considered as separate, dedicated instruments requiring their own organisational arrangements for project generation, appraisal and decision-making. This approach has been used in the *UK, Belgium, Denmark, the Netherlands* and *Sweden*. In these systems, a programme's policies are developed by a range of economic development actors through a discursive consultation process, and then applications are invited under the programme. Recommendations on the award of Structural Fund co-finance are prepared by secretariats, single competent agencies and/or panels of experts, using a framework agreed among the programme partners (often approved by the Monitoring Committee). Decisions are

¹⁸ De Rynck S (1994) *The Europeanization of Regional Development Policies in the Flemish Region*, EUI Working Paper RSC No 94/5, European University Institute, Florence.

¹⁹ Taylor S, Rooney M L and Bachtler J (1999) *Outsourcing Programme Management: A Comparative Assessment*, Report to the Nordrhein-Westfalen Ministry of Economics, SMEs, Technology and Transport, European Policies Research Centre, University of Strathclyde, Glasgow

then taken on a partnership basis by dedicated decision-making committees. Committees typically comprise a representative selection of programme partners brought together to make project decisions on behalf of the whole programme or a geographically targeted part of it.

- **Subsumed systems.** In other countries, Structural Fund project generation, appraisal and selection functions are largely embedded within established domestic policy channels. Projects are generated and appraised, and decisions made on Structural Fund co-finance through pre-existing systems, by the relevant competent authorities. This approach is exemplified by *Germany, Austria and Spain*, where, at the programme development stage, participating economic development organisations (eg. government departments, agencies) bring forward those aspects of their strategies and programmes which the Structural Funds could co-finance. These organisations are then allocated envelopes of funding to implement those schemes or projects which are accepted for inclusion in the programme. Where business development schemes are co-financed, firms apply to the scheme managers, and are awarded funds for projects which may include an EU contribution. These applicants do not complete separate Structural Fund forms, or go through a separate decision-making process, and the relevant agency often decides alone on both the domestic and EU parts of the funding package.

Using this categorisation, the following sections provide a short overview of the project selection systems in place in the Member States of IQ-Net partner regions for Objective 2-type programmes. Of course, given the complexity of project appraisal and decision-making systems, including the tendency for different procedures to be in place for different types of project, any such categorisation has to be considered schematic and only a starting point for analysis. In reality, most Member States' systems display elements of both of these approaches, so much so that some, eg. *France, Finland and Italy*, could be seen as 'composite' types. The position of Member States is summarised in the table below, highlighting the structures in use for project appraisal and then for decision-making.

Table 3.1: Structural Fund Project Decision-Making Systems

Type of system	Member State	Project Appraisal	Project Selection
Differentiated (EU-specific)	<i>Belgium, Denmark, Netherlands, Sweden, UK</i>	Secretariat, expert panels and/or technical committees	Dedicated Structural Fund Committee
Mixed	<i>Finland, France, Italy</i>	Single competent authorities for most projects	Dedicated Structural Fund Committee in Finland and France
Subsumed	<i>Austria, Germany, Spain</i>	Usually single competent authorities	Usually single competent authorities

3.5 Structural Fund-specific systems: project selection using dedicated structures

3.5.1 Belgium (Flanders)

During the 1994-99 programming period, dedicated decision-making structures were used for the two Flemish Objective 2 programmes. The main contact point with project applicants was the programme secretariat, chosen by the Flemish government. Each programme had an overall co-ordinating secretariat, also responsible for the ERDF proportion of the funds, and an ESF secretariat. In *Turnhout*, the IOK (an inter-communal partnership representing the municipalities) was the secretariat responsible for ERDF administration and the regional GOM (a public corporation promoting regional development in the Flemish provinces) for ESF funding (there is one GOM in every province).

In *Flanders*, project applications will continue to be received by the relevant secretariat on a continuous basis. Part of the remit of the secretariat is to assist applicants with the application process and ensure that they have fulfilled the necessary requirements. They are not, however, directly involved in the decision-making process. Completed applications are assessed by the relevant secretariat using a standard questionnaire. The aim of this method is first, to verify that projects are eligible for support and, second, to highlight projects which demonstrate quality over and above the minimum requirements. Applications, together with the project assessment, are passed onto the programme management committee where funding decisions are taken. In the new programming period, the provinces will be responsible for choosing the programme secretariat but, in terms of the project selection process, limited changes are planned to the current system.

3.5.2 Denmark

Denmark's decision to use dedicated structures for the implementation of its Structural Fund programmes was shaped by insufficient pre-existing regional policy structures. Since 1991, the government has not operated any form of regional financial incentives.²⁰ As a result, EU-specific structures and systems were created for the implementation of EU policies.

In the 1994-99 period, each of the Objective 2 programmes had a broadly similar administrative structure for project selection involving a dedicated programme secretariat, advisory committees, a co-ordinating committee, a steering committee and national decision-making bodies. In *North Jutland*, for example, applicants for Objective 2 funding submitted their completed application forms to the Structural Fund secretariat, the *North Jutland* County regional policy division. The secretariat assisted the development of projects and then prepared a brief summary in each case with a recommendation on whether or not it should receive support. This was based on a series of criteria which aimed to establish the project's contribution to general regional development objectives.

²⁰ Yuill D, Bachtler J and Wishlade F (1999) *European Regional Incentives 1999*, 18th edition, London: Bowker Saur.

The project summaries and recommendations were passed first to an Advisory Committee, comprising regional actors with expertise in specific sectors, and then to a Co-ordinating Committee (made up of representatives from the county, local districts and social partners) for a more strategic assessment. The recommendations generated by these committees were then passed on to the Regional Steering Committee (RSC) which took decisions. Its members included social partners, district representatives and the county at regional level. For ESF, the RSC's decisions were final, but for ERDF projects, final endorsement was required from the Danish Agency for Trade and Industry (DATI). The DATI checked the legality of applications and made the final funding decision - although this generally did not differ significantly from the recommendation received from the RSC.

A number of criteria were applied to all applications for Objective 2 funding, addressing eligibility as well as fundamental project aspects such as employment, SMEs and innovation projects, and project content. However, very few projects which fulfilled the eligibility criteria were subsequently rejected. A nationally produced manual set out guidelines for ERDF funding, in particular clarifying some of the more complex technical issues.

3.5.3 *The Netherlands*

During the 1997-99 programming period, there was a fairly standard approach to project decision-making in the Netherlands, particularly in the final stages of approval. Project development and application submission took place through programme-specific, provincially based organisations. These were either dedicated secretariats, such as Eskan in the 1997-99 *Arnhem-Nijmegen* programme and MEACON in *South Limburg*, or the province authorities as in the case of the *Groningen-Drenthe* programme.

Following application submission, projects were assessed for technical eligibility either by the secretariat, a specific department within the provincial administration (*Arnhem-Nijmegen*), or specially dedicated organisations such as the SNN in *Groningen-Drenthe*. In the SNN, for example, projects were appraised for suitability and coherence with the programme strategy as well as with Community policy. Recommendations on the basis of these assessments were made available to the programme-based Steering Committees whose membership was selected by the Monitoring Committee. Final decisions were normally taken by the steering committees, but where applications were either very large or complex, the final decision was taken by the Monitoring Committee.

3.5.4 *Sweden*

Following EU accession, new structures were created to implement Structural Fund programmes in Sweden. Structural Fund decision making took place principally at regional level, with the national organisations ensuring technical eligibility and acting as the paying authority.

The project appraisal and selection system in Sweden was broadly similar across all programmes, with slight regional variations. The initial appraisal of projects was undertaken by a Structural Fund secretariat, based in a County Administrative Board (CAB), which was also responsible for administrative

support, information dissemination and contact with the national authorities. Project applications with secretariat recommendations were then passed to a Decision Group, the formal decision-making body for each programme. The Decision Group comprised municipality and county politicians and civil servants, with the politicians being in the majority. Projects approved by the Decision Group were then passed to the relevant, Fund-specific, national authority. At this stage, rejection was only ever related to issues of technical eligibility.

There was some programme-level variation in terms of additional project selection inputs in the 1995-99 period. Advisory groups were used in the *Fyrstad* programme, for example, comprising local civil servants and municipality officials. In *Bergslagen*, where the programme spanned five counties, a 'Sekretare' from each participating CAB was principally responsible for dealing with project applications from their own counties. The five Sekretare then met once a month to discuss the project applications, with the aim of identifying high-quality projects from a regional, and not just county, perspective. These recommendations were then passed to the Decision Group.

In the new programming period, the principal change to this system of project selection is the formal incorporation of the Decision Groups into the CAB structure, a move designed to increase transparency. For each programme, one CAB has been nominated by the central government to act as the managing authority, and the Decision Group (now to be called the Structural Fund Delegation) and the secretariat (to be called the Structural Fund Division) will be part of its administrative structure. The composition of the Structural Fund Delegation will remain broadly the same. The paying authority role has also been regionalised to the managing authority CAB for each programme.

3.5.5 *United Kingdom*

The approach to Structural Fund project selection in the UK reflects two principles that underpin the allocation of funding under domestic policy regimes: value for money and competition for funding.

The basic structures for programme delivery in the UK comprise: a secretariat which undertakes the administrative tasks associated with project selection, including initial project appraisal for completeness and eligibility; specialist committees or working groups to advise on issues of project selection; and a Programme Management Committee (PMC), which takes the decisions on project funding.

In the first instance, project applicants submit applications to the programme secretariat which undertakes co-ordination and much of the project generation and appraisal work – these are the regional Government Offices in England and the programme management executives in Scotland and (in the past) in Wales. Most programmes use scoring systems to compare the merit of project applications. The administration of the scoring and selection process is generally undertaken by secretariats themselves but is increasingly supported by specialist groups of partners, some of which were already established in the first programming period, and which use their expertise to support the

comparative assessment, ranking and selection of projects. Two types of group have been created:

- area-based groups of local partners, whose role is to ensure that project applications are congruent with the priorities of local strategies and partnerships;
- theme-based groups of partners or experts, whose role is to ensure that project applications meet the selection criteria of priorities and measures.

Many UK programmes use one or both such groups. Recommendations are then submitted to a programme management committee for formal decisions.

3.6 Subsumed systems: project selection using domestic channels

3.6.1 Austria

Austria first became eligible for Structural Fund support in the 1995-99 programming period, when it chose to implement the Funds through existing policy delivering systems. The appraisal of Objective 2 co-financed projects was integrated into the selection systems of pre-existing economic development incentives, operated by government ministries, funding agencies and special banks at both federal and *Land* levels. Consequently, there are separate implementation channels for ERDF and ESF funds, and the selection of ERDF-funded projects is spread across numerous funding agencies and instruments.

Applicants apply for funding under individual national schemes through the appropriate funding agency. Over 160 Federal and *Land* schemes are co-financed by the Structural Funds, each one with its own regulatory guidelines covering objectives, eligibility criteria and general conditions of support. In a minority of cases, additional criteria have been introduced to accommodate Structural Fund priorities. Award decisions are made by the individual agencies for both the national and EU funding elements, and there is no overarching decision-making structure for Structural Fund co-financed projects.

The implementation of the ESF is less complex. An independent institution responsible for the administration of employment and training policies, the Labour Market Service (*Arbeitsmarktservice, AMS*), has been given responsibility for ESF implementation by the Federal Ministry for Labour, Health and Social Affairs. The AMS operates through a network of regional and local offices, with the regional offices taking the lead role in ESF administration. Although each *Land* has responsibilities for implementing ESF actions at regional level under Objective 2, this generally takes place through the AMS structure.

One of the key changes in the management structures for the Structural Funds in the 2000-06 programming period is the introduction of a responsible funding agency for each programme measure (*Maßnahmeverantwortliche Förderstelle, MF*). This development is designed principally to make the implementation system more transparent and efficient, but it may have an indirect impact on project selection. While the support guidelines of each funding agency will remain the principal factor determining project selection,

the concentration (in a single agency) of decision-making and co-ordination responsibilities for Structural Fund co-finance could enable a more strategic orientation in the selection of projects.

3.6.2 *Germany*

In Germany, Objective 2 is implemented through domestic administrative structures and systems for economic assistance. The German Objective 2 programmes are managed at Land level, typically by a co-ordination unit in the *Land* ministry for economics. However, these units are not implementing units and generally are not responsible for co-ordinating decision-making on project selection, although they may have a role in verifying the technical eligibility of (particularly larger) projects. Their main remit is general Fund administration and the provision of documentation.

Among the Länder organisations responsible for project decision-making vary, but they comprise principally the implementing units of various *Land* ministries (mainly economic ministries), selected regional banks and agencies. The process of decision-making varies between measures: some decisions are taken by an individual department within a ministry, while others use inter-departmental committee-based structures or draw on expert/technical advice. The diversity of those involved in decision-making means that the criteria used for selection vary widely within and between programmes: while eligibility criteria suffice in some cases, other implementation units may apply both eligibility criteria and strict quality criteria.

3.6.3 *Spain*

In Spain, Objective 2 project decision-making is undertaken by competent authorities at both national and regional levels, rather than through any programme-specific committee-based structure. The style and timing of Objective 2 project selection is based heavily on the existing public funding structures.

Part of the project selection process effectively begins during the programme development stage, when decisions are made whether selected actions will be included within an Operational Programme or not. Ministries and departments of the regional authorities identify aspects of their multi-annual plans and programmes which could be co-financed through the Funds – either specific projects or specific schemes or initiatives. These proposals are submitted to the authority compiling the programme (national authority for national projects, regional authority for regional projects), which assesses what should be included - based on the likely levels of funding available and the Structural Fund rules about what is eligible under the programmes.

Those authorities whose proposals are accepted are allocated resources to implement their measures during the programming period, making decisions on their own projects for both the domestic and EU financing components. Although the relevant authorities acknowledge the contribution of EU money from the Funds, the EU funding is, effectively, integrated into their individual annual income and expenditure budgets, counted as part of the total income

from external sources²¹. They then become responsible for the take-up of the Funds through eligible actions, and for reporting on this activity to the relevant European co-ordination unit. Where anticipated projects do not go ahead as planned, they may be replaced by 'reserve projects', provided that these are eligible, and therefore legal replacements, and that they are agreed by the relevant Monitoring Committee. The responsible implementing organisation selects the proposed replacement project based on a range of criteria, including the Structural Fund eligibility rules, the situation of the project being implemented, the position in the period of the programme and the volume of investment involved.²²

Local projects are managed differently. Decision-making for these is undertaken through a competitive procedure. A call for applications is made during the programme development process or during implementation by a relevant regional organisation (in the Catalan *Generalitat*, this is the *Direcció General de Administració Local* - DGAL) to attract applications under specific headings. Those which best fit the programme objectives are selected. At the project generation stage, the regional administration frequently provides technical or financial aid to local organisations to help them in the project development process.²³ Domestic co-financing for such projects comes either from the local budgets or resources allocated to the local level by the regional administration.

3.7 Composite systems: project selection using both domestic and dedicated channels

3.7.1 Finland

In Finland, the Regional Councils were the managers of the Objective 2 programmes during the 1995-99 programming period. The Councils were responsible for overall co-ordination of programmes and chaired the Regional Management Committees (RMCs), multi-sectoral fora responsible for approving the EU funding element of project applications. However, the regional offices of national government ministries (unified within regionally-based Employment and Economic Development Centres since late 1997) played a very important part in the project selection process.

Depending on their nature, projects could be either submitted to the relevant decentralised State agency (or referred to them by the Regional Council), or submitted to the Regional Council or municipality. They might then be scrutinised by an advisory group, if appropriate, following which they would be assessed according to the criteria of the agency providing co-finance. If positively assessed, the project would then be submitted to the regional RMC or working group on business aid to be considered according to the EU project selection criteria.

²¹ Held G and Sanchez Velasco, A (1996) Spain, in: Heinelt H and Smith R (1996) *Policy Networks and European Structural Funds*, Avebury, Aldershot, 227-256.

²² Martin Jadraque (1997) *Summary of the Study on the Administrative Procedures in Spain applied to Programmes with ERDF Part-financing*, November 1997.

²³ Malaquer i Amorós (1996) Application of European Regional Development Fund for Objective 2 in Catalonia: Planning, Monitoring and Evaluation, *European Planning Studies*, 4(3) 347-356.

Most business development projects were from *Kera* (a specialised financing company supporting exports – now amalgamated with the Finnish Guarantee Board and known as *Finnvera*), *TEKES* (the national technology agency) or the Ministry of Trade and Industry. These projects went to the special working group on business aid (to protect commercial confidentiality), a small group of specialists, which made the selection decision, although the RMC would be informed of the basic details of the proposal.

The RMC/working group could only grant approval for the EU portion of the project funding; the co-funding authority would then have to take a decision on its own funding element. This last agency was considered to be taking the final decision on the project. If the RMC/working group rejected the proposal, the co-funding partner could not grant EU funding, but could consider whether to support the project wholly from State resources instead. If the project did receive EU co-funding, the specific State agency involved became responsible for following it through to implementation.

In certain cases, the SPD Monitoring Committee at central level could be involved in project decision-making, eg. for large projects or those of special significance, and projects in which the only other co-finance came from a municipality.

Under this system, the regional offices of national government ministries exerted a large degree of control over the majority of projects approved, as they were responsible for approving the national co-funding portion. While the RMC was officially meant to take the decision on the Structural Fund element of projects, decisions had in effect already been made by the representatives of the national ministries as the ‘competent authorities’ in the course of their day-to-day work.

For the 2000-06 programming period, the system has been changed to more realistically reflect this fact. The RMCs will now no longer approve the EU element of projects; instead, this will be decided independently by each organisation approving domestic co-funding. The RMCs will only get involved in projects over a certain size and the size limits will be specified by each individual region. The parallel system of working groups on business aid will no longer be required.

3.7.2 *France*

There is a clearly identifiable national approach to Structural Fund project appraisal and selection in France, but with differences between regions and programmes in terms of the detail of the systems established. Universal features of the system are submission, ‘instruction’ (appraisal and logging by a single agency), followed by forwarding to a technical committee to generate a recommendation and then to a decision-making committee to make the final decision.

Funding applications and necessary documentation are submitted to the designated organisation authorised to accept all project proposals for a given programme, or to the appropriate organisation for assessing projects. In the next stage of selection, the project is entered into the region's computerised monitoring database and passed on to the relevant organisation responsible for assessing projects under the measure in question. Some organisations will be

based at *département* level and others at regional level. In a process of dialogue with the applicant, a formal application dossier is gradually brought together, which becomes a '*rapport d'instruction*'. The project is checked for Structural Fund eligibility, completeness and feasibility, and a recommendation is made on its suitability for funding and the financial package which should be allocated to it.

Following this, there is a technical assessment of the project by a technical committee, which examines, among other things, eligibility and financial feasibility. The technical committee then makes a recommendation to the decision-making committees which take the final funding decisions. In some cases, a formal document is prepared and signed by the *Préfet*, in order finally to mark the official approval of projects. Projects under different measure headings are dealt with by different technical and decision-making committees depending on their characteristics.

3.7.3 Italy

Structural Fund administration and implementation in Italy is undertaken by the regional councils and therefore integrated within domestic economic development decision-making structures. Each measure is the specific responsibility of a department of the regional government. In the past, project selection procedures were managed mainly by the regional administration, although some measure implementation was also out-sourced to external organisations (ie. financial engineering) although this is more the exception than the rule.

Direct aids, soft aids and financial engineering measures are implemented through calls for applications, while infrastructure and animation and promotion measures are operationalised through different procedures which involved greater strategic assessment due to the nature of projects and/or the associated high commitment of resources. The selection methods employed for infrastructure and promotion projects are similar. In a public call for applications, the administration invites relevant organisations to submit projects under specific headings, after which the projects that best reflect the aims of the measure are chosen. This involves a greater degree of strategic assessment than is the case for business projects, with final results often following agreed adjustments.

For the generation of business projects, calls are issued in the regional 'official journal' and indicate to whom applications should be submitted - usually the office within the region responsible for the measure and associated project selection. All project applications are evaluated and scored on the basis of specific criteria. The first check verifies that eligibility criteria have been met, after which the project is fully appraised. The criteria address economic viability, the employment and environmental impact (and in some cases the impact on female employment) as well as other elements considered to be priorities. Most regions have developed standard methodologies and their own software packages to carry out appraisals, although some use external organisations. Project selection is subject to the approval of the regional executive (the *Giunta*) for all projects in *Tuscany* and for some in *Lombardy*.

3.8 The implications of different types of selection system

It should be emphasised that the above descriptions of national structures and systems are short summaries of complex procedures. Nevertheless, they do provide some insight into the various national procedures and practices and the main differences between the two broad approaches of Member States.

While it is difficult to compare systems from different national and institutional contexts, the two broad approaches present different potential advantages and disadvantages, which are summarised below.

Table 3.2: The relative merits of 'subsumed' and Structural Fund-specific decision-making channels

Systems relying on pre-existing domestic decision-making channels	
Administrative Implications	
<ul style="list-style-type: none"> ✓ No time lost establishing and embedding new structures at the start of Structural Fund eligibility. ✓ Fast and efficient implementation through established channels and expertise. ✓ For short-lived and small programmes - no resources are wasted setting up new structures. ✓ No need for dedicated publicity for Structural Fund programmes or new selection procedures. ✓ Streamlined form-filling - usually one set of application forms for domestic and EU portions of financing for businesses. 	<ul style="list-style-type: none"> ? High administrative burden for Structural Fund co-ordinators working with many funding agencies (100+ actors involved in decision-making in NRW; 160 schemes receiving Structural Fund support in Austria)
Strategic Implications	
<ul style="list-style-type: none"> ✓ Projects are appraised and decisions made by specialists/experts. Not always the case in differentiated programmes, where generalist secretariats often do some appraisal. 	<ul style="list-style-type: none"> ? Potential lack of overall coherence. Difficult to assess new projects relative to the overall portfolio of approved and potential projects. ? Integration of ERDF and ESF - applications still have to be made separately if there are different Funds involved ? Difficult to involve specific interest groups in decision-making - eg. economic and social partners, environmental and equal opportunities experts. ? Difficult for the Structural Fund co-ordinating office to influence the practices of the competent decision-making bodies or to be directly involved.
Transparency Implications	
<ul style="list-style-type: none"> ✓ System is straightforward for businesses, who apply once for funding and do not have to concern themselves with the intricacies of different sets of rules for different funds. 	<ul style="list-style-type: none"> ? The overall visibility of Structural Fund monies and programmes may be limited ? Potential lack of transparency about how decisions are actually made - no-one has an overview ? There may be no consistent, dedicated criteria in use relating to the EC's priorities and/or the specific aims of the Structural Fund programme, beyond the core eligibility criteria.

Systems with dedicated Structural Fund-specific channels	
Administrative Implications	
✓ A single decision-making system is applied for a wide range of interventions. Changes to the whole system can be made relatively easily.	? Lack of familiarity of applicants with the system when it is first introduced can lead to problems and delay. ? May need to market the SPD to generate proposals ? A significantly larger than anticipated administrative load for some Structural Fund programme secretariats. ? Possible greater administrative load for partners involved in project assessment and decision-making. ? Cost of establishing and running a separate system.
Strategic Implications	
✓ Potential for greater strategic coherence between the actions supported by the programme. Possible to maintain an overview.	? Some actors will play a part in preparing and/or taking decisions in areas where they have limited expertise.
Transparency Implications	
✓ Greater visibility of Structural Fund programmes. ✓ Easier to determine how Structural Fund resource allocation decisions are arrived at.	? Possible conflicts of interest where the partners involved in a partnership-based selection mechanism are also applicants and beneficiaries.

From the viewpoint of managing authorities, subsumed and differentiated approaches have very different administrative and management, and thus resource, requirements. Where subsumed systems are used, the greatest effort of secretariats is in developing programmes, then steering and monitoring their progress. For programmes with Structural Fund-specific mechanisms, the process of generating project applications, appraising them and supporting project selection, often by committee, can also be very demanding. This has implications for the size of secretariats, which can be relatively modest for subsumed programmes, but tend to be larger in the case of differentiated ones.

Table 3.3: Administrative requirements of subsumed and differentiated programmes

Programme phases	Subsumed programme	Differentiated programme
Programme development	Co-ordinator role focuses on organising the common elements of SPDs eg. the regional analysis, and providing guidance to competent authorities proposing programme components, then brings together their programme components and ensures overall coherence.	Significant role for the co-ordinator. Has to involve partners in designing a joint strategy based on a common diagnostic effort. Significant dialogue with competent authorities which can all influence the programme as a whole.
Project generation	Not required for the Structural Fund programme <i>per se</i> – programme delivered through existing instruments and channels. Benefits from their existing publicity arrangements and profile.	Most or all measures in the SPD have to be actively publicised to attract suitable applications. If applicants require guidance on their application, this may be provided by competent authorities or by the programme secretariat.

Application	Applicants apply once for funding	Applicants make an application for the Structural Fund portion of funding
Project appraisal and selection	Project appraisal and selection are undertaken by the competent body for any given policy. They decide on domestic and EU portions of funding at the same time, using a single procedure. No committee structure needed except to exchange information or 'rubber stamp' project decisions.	Project appraisal undertaken either by competent body for any given policy or by the overall programme administrators. Selection often undertaken on behalf of all programme actors by a representative committee of partners. This may have 'political' participation. Decision-making committees, where they exist, are serviced by programme administrators.
Programme steering	All have a Monitoring Committee - requiring administrative support.	
Monitoring and Reporting	Programme-wide data has to be supplied to the EC. A designated organisation at national or regional level operates the monitoring system, undertakes analyses and collates the necessary reports. Financial monitoring is most common, but, increasingly, physical monitoring is also being undertaken.	
Evaluation	Both require an organisation to co-ordinate programme-wide evaluations and, in some cases, thematic evaluations and other one-off studies (call for tender, selection of evaluators, steering evaluation, integrating results, etc).	

4. PROJECT GENERATION AND APPLICATION

Project generation is a critical stage of the project cycle. Effort at this stage to influence the type of projects coming forward, and then the detail of their design and presentation, can contribute to improvements in overall programme performance by influencing the quality of applications. The degree to which project generation is necessary depends on the type of funding allocation system and the balance of programme expenditure. Some programmes have a significant proportion of pre-determined expenditure allocated during the SPD development process, for example for major infrastructure projects. Others have used partner organisations to co-ordinate project generation and applications for particular sectors or areas. Where programmes rely on direct applications, there is evidence of increasing attention being given to working with applicants, in particular to enhance application quality and strategic coherence. This section of the report addresses the stages of project generation and application for Structural Fund co-financing, highlighting the main ways in which these processes are undertaken.

4.1 Project generation and application - variation by timing and project form

Diverse practices exist across the EU for project generation, but three broad types of project can usefully be highlighted:

- projects which are pre-selected as part of the programme development process;
- 'direct', single applications for co-financing which are made during programme implementation; and
- applications which group together multiple known or future projects.

4.1.1 *Pre-determined projects – application and selection during programme development*

Many programmes explicitly identify, in the programming document, some large projects which will be supported during the programming period. This practice was more widespread when infrastructure projects dominated, but it still occurs, most frequently for major ‘flagship’ projects. Examples from the 2000-06 round include provision to co-finance the second phase of the fifth stage of the NOVI science park in *North Jutland*, and support for further elements of the major *Euroméditerranée* initiative and for port investments in *PACA*.

Spain is one of the few countries where project pre-selection at the programme development stage is widespread. It arises from the fact that national and regional government departments allocate their own resources in advance using a system of multi-annual strategic expenditure plans, and so do not have resources available to generate *ad hoc* new proposals for co-financing under Structural Fund programmes. As a result, relevant national and regional co-financed projects are frequently selected from pre-existing expenditure plans and strategies and are then included in the Operational Programme (see Box).

SELECTION OF PROJECTS DURING PROGRAMME DEVELOPMENT IN SPAIN

In *Spain*, actors from national ministries and departments of the regional authorities identify aspects of their multi-annual plans and programmes which could be co-financed through the Funds. They then submit these proposals to the authority compiling the programme (national authority for national projects, regional authority for regional projects), which assesses what should be included - based on the likely levels of funding available, the Structural Fund eligibility rules, and the required strategic, territorial distribution of projects.

Those authorities whose proposals are accepted are allocated resources to go ahead with projects during the programming period, making decisions on their own projects for both the domestic and European financing components. In effect, while the relevant authorities acknowledge the contribution of the Structural Funds, this is integrated into their own annual income and expenditure budgets, counted as part of their total income from external sources.²⁴ They then become responsible for the take-up of their envelope of Funds through eligible actions, and report on this activity to the relevant European co-ordination unit which in turn informs the Monitoring Committee.

Where anticipated projects do not go ahead as planned, they may be replaced by ‘reserve projects’ during programme implementation, provided that these are eligible, and therefore legal replacements, and that they are notified to and agreed by the relevant Monitoring Committee (a form of committee-based decision-making). The responsible implementing organisation selects the proposed replacement project based on a range of criteria, including the Structural Fund eligibility rules, the readiness of the project to be implemented, the position in the programming period, the volume of investment involved and the objectives of the project.²⁵

4.1.2 *Direct application systems*

The majority of projects applying for Structural Fund support would be submitted as direct single applications, invited during the programming period

²⁴ Held G and Sanchez Velasco, A (1996) *op. cit.*

²⁵ Martin Jadraque (1997) *op. cit.*, p9.

either by the Structural Fund secretariat or by the competent authorities with delegated responsibility for specific measures or sub-measures. The pro-active generation of such projects, including through the use of calls, is discussed in more detail below.

4.1.3 Packages of projects

In certain cases, mechanisms have been established to enable multiple projects to be approved in principle as a group, and their detailed implementation, sometimes including project-specific decision-making, to be delegated.

The first example are the so-called ‘packages’ and ‘action plans’ introduced in *England* and, more recently, *Wales*. In the 1997-99 period, in an effort to engage partners more in the process of project selection and to cope with the rising number of project applications, some regional programmes in *England* experimented with structures and systems enabling partners to take on responsibility for deciding on groups of applications. Two types of group application system were tried, in particular, using:

- *packages*, whereby a partner group devises a coherent set of actions for implementing part of the SPD in an area or sector and determines selection criteria but leaves project appraisal and selection itself in the hands of programme managers; and
- *action plans*, whereby a partner group devises a coherent set of actions for implementing part of the SPD in an area or sector and then takes administrative and financial responsibility for project appraisal and selection.²⁶

The action plan approach was first mooted in 1996 following the UK Efficiency Scrutiny Report which emphasised the need to make Structural Fund administration faster and more streamlined. Decision-making had become slow and a major burden on Government Offices. In November 1996, the Department of the Environment (DoE) issued guidance recommending that action plans should be used for implementing the English plans.

The action plan concept arose from the approach taken to domestic economic development in *England* under the Single Regeneration Budget administered by the integrated regional Government Offices. The intention was that partners should not just have influence on the strategic direction of areas or sectors but take administrative and financial responsibility and be accountable for project selection. Although strongly favoured by DoE, they were only used to a significant extent in *North-West England* and partially in the *West Midlands*. Reflecting the fact that partners were unwilling or unable to be an ‘accountable body’ (taking financial responsibility for their reserved envelope of funding), the more popular type of group application used in England was the package approach, particularly in North East England.

Following devolution in Wales, new administrative arrangements based on partnership action plans have been introduced to deliver all Structural Fund programmes in 2000-06. As set out in interim guidance by the Welsh

²⁶ For further details see: Taylor S and Downes R (1997) Meso-level Partnerships and Structural Fund Implementation, *IQ-Net Thematic Paper 3(3)*, European Policies Research Centre, University of Strathclyde, Glasgow.

European Funding Office,²⁷ the purpose of the action plans is “*to allow a more strategic approach to the delivery of the objectives and targets set out in the SPD and associated programme complement*” with the aim of promoting “*greater partnership working throughout the region to secure high quality integrated regeneration and economic development programmes*”. Provision exists for action plans to be drawn up at three levels: regional, sub-regional and local.

- *Regional Action Plans* cover the whole programme area and relate to a particular theme or sector, drawing on measures within a single priority. Regional plans have been developed for: human resource development, community capacity building, employment, tourism, innovation, business support, sites and premises, information society, agri-food, and SME finance.
- *Local Action Plans* can to be drawn up at the level of individual local authority areas, potentially covering a number of priorities and measures. They are intended to be developed within the framework of regional (or sub-regional) plans, co-ordinating activities that target local needs without duplicating the contents of other plans.
- *Sub-Regional Action Plans* are at a scale between the regional and local plans, and can be drawn up where there is a specific geographical or structural problem to be addressed within the context of a single priority.

The preparation and implementation of action plans, drawn up for a three-year period in the first instance, is being undertaken by Partnership Management Boards. Mirroring the composition of the Monitoring Committee, these Boards are to have equal representation involving one third of members from the public sector, one third from the private sector and other social partners and one third from the voluntary and community sector. It is expected that Boards will generally take on delegated operational and financial responsibilities, for which they will have to nominate an ‘accountable body’.

Further examples of the invitation of groups of projects are to be found in the re-introduction of global grants, and the proposed Italian Integrated Projects and Territorial Integrated Programmes described later in this paper.

4.2 Pro-active project generation

Where project applications are invited directly, the approach to generation can be passive or active. In subsumed programmes, the EU programme itself tends not to have - nor to need - a high profile. Here, the amount of active project generation which is undertaken often depends on the vigour of the various competent authorities seeking projects to be co-financed by the Structural Fund programme. By contrast, in regions where projects are generated by the existence of the programme, secretariats and the wider partnership may have to be more pro-active in order to bring projects forward, using various channels, including the SPD, which in this context is a core marketing document, informing potential applicants of the funding opportunities available (eg. the *UK*, the *Netherlands*, *Belgium*).

²⁷ Welsh European Funding Office (2000) *Action Plans: Interim Guidance, Objective 1, Shadow Monitoring Committee*, National Assembly for Wales.

For example, *North Jutland* places considerable emphasis on project generation for its Structural Fund programme, with an extensive region-wide effort including after-work meetings, press and television coverage, Internet use and the briefing of key actors such as the network of local business development officers. The following boxes provide further examples of pro-active project generation techniques.

PRO-ACTIVE PROJECT GENERATION

REGIONAL MANAGEMENT OFFICES IN AUSTRIA

In *Austria*, regional management offices were established across the country following EU accession. Their exact formal remit has never been comprehensively defined, and there is considerable variation in terms of their activities and the motivation, experience and role of individual managers. However, these organisations have often taken an active role in project generation including for Structural Fund co-financing, such as:

- the dissemination of programme-related information,
- the provision of initial support to firms developing projects, and,
- less commonly, the identification and stimulation of projects and support during programme implementation.

OUTSOURCING PROJECT DEVELOPMENT IN ARNHEM-NIJMEGEN

In *Arnhem-Nijmegen*, it was felt that the province of Gelderland (within which the programme was delivered) was not the best equipped to undertake programme marketing and project development. Therefore, these functions were outsourced for both the ERDF and ESF to a regional development company experienced in economic development and with existing knowledge of regional networks and organisations - ESKAN.

SEKRETARE IN BERGSLAGEN

The *Bergslagen* Structural Fund programme covered several County Administrative Board areas. A 'Sekretare' operated in each CAB area to support project generation and appraisal. These designated individuals played a pro-active role in identifying potential projects or bringing them forward. They then also assessed submitted applications and discussed improvements with applicants.

CLIENT MANAGERS IN WESTERN SCOTLAND

As a long-established programme secretariat working with a large number of partners/beneficiaries, Strathclyde European Partnership (the programme management executive for the *Western Scotland* programme) has developed a mix of passive and pro-active mechanisms for working with applicants (eg. workshops, seminars, a guidance manual, Website, partner visits, enquiry service).

One of the more productive mechanisms has been project monitoring visits, which are carried out extensively by secretariat staff. In addition to discussing monitoring issues, such visits have been useful for advising on possible future applications. SEP is currently considering formalising this type of advice by creating 'client managers' in the secretariat: programme management staff would potentially each have responsibility for working with a particular client group from a sector or local area in developing project applications.

4.2.1 *Project generation through calls for projects*

In some cases, projects are generated using ‘calls’ for projects, often published in the national or regional official journal and notifying potential applicants that projects are being invited in given areas. Calls would typically set out:

- the organisation to whom to apply,
- the types of projects sought and the types of eligible expenditure,
- the information required from applicants,
- the project selection criteria,
- the selection process, and
- the associated timetable.

They also often contain a standard application form in an annex, to be used by applicants, or indicate where this can be obtained. In some cases, the outcomes of open calls are subsequently published in the same national or regional official journal that published the original call (eg. in Italy and Finland), thereby increasing transparency.

Calls for projects are used for various reasons. In some cases, eg. Italy, they are the established channel to generate project applications from businesses and local authorities. In other cases, they are used more rarely, and only considered where there is a particular objective to be pursued, notably raising awareness of a given initiative, establishing conditions of competition between applicants to improve the quality of applications submitted, or gaining an overview of the amount of likely demand for a measure.

CALLS FOR PROJECTS IN NEW AREAS - PACA

In the next round, *PACA* is likely to launch calls for projects under specific headings in order to enable improved communication of the new programme's priorities and to bring forward projects in a timely way. One such call is planned for a measure supporting the ‘Information Economy’ (new firm formation in Internet-based sectors, etc).

Introducing competition into the application process will not be an aim of the calls. It is believed that quality is achieved instead through discussion between the competent authorities and potential project applicants, taking a good idea and turning it into a workable project meeting Structural Fund and domestic requirements.

KICK-STARTING AN INNOVATIVE MEASURE THROUGH CALLS FOR PROJECTS

NORDRHEIN-WESTFALEN

In *Nordrhein-Westfalen*, under the initiative 'Future Concept' (being co-financed under measure 2.1 of the new SPD), a committee structure and competitive calls will be used - on an experimental basis - to generate projects fostering co-operation between universities and SMEs. Projects will be generated through a competitive call open to universities, colleges, institutes, businesses and individuals who will be asked to submit projects contributing towards:

- networking and improving co-operation between the knowledge and commercial economies,
- the development of new products, services, processes or methods, and
- commercialisation of the resulting innovations.

Following an initial appraisal to verify eligibility factors, projects will be chosen by a selection committee with high-level representation from the economic and knowledge sectors, and from the political arena. If the process is successful, it will be repeated at regular intervals. It may also be possible to transfer the method of project selection to other measures or initiatives co-financed by the Objective 2 programme.

Calls for projects can set one or more deadlines, or be open for the whole programming period. In the latter case, for European funding, the deadline would be the end of the programming period, or the exhaustion of funds available, whichever was sooner. The table below sets out the relative advantages and disadvantages of using one or more fixed deadlines or opening a continuous call for projects. A compromise between the two systems can be to introduce deadlines for applications, but to make these relatively frequent across the programming period. Under this system, a project which is insufficiently mature on first submission would be postponed to second submission.

Table 4.1: Relative merits of fixed deadlines and continuous calls for projects

Calls using one or more fixed deadlines	
✓ Can focus the publicity and information effort - potentially more efficient than undertaking both for the whole programming period.	? Often, applicants will submit proposals which are immature - starting late, then rushing to meet the deadline.
✓ Can get an early idea of how many projects are around.	? Peaks of demand for project advice and then a high workload for project appraisers.
✓ May increase project quality through the incentive of competing for limited available funds.	? Inability to accommodate projects between bidding rounds - can cause delays or deter good projects.
✓ Depending on the appraisal system in use, it may be more possible to consider projects strategically, eg. assessing what combination of available projects will be optimal and, where there is duplication, which project will be best. ²⁸	

²⁸ In the case of some Italian measures, for example, projects are generated using calls with fixed deadlines, but are then scored against a strict list of criteria. Those meeting the necessary threshold are funded, preventing such strategic rebalancing.

Continuous calls	
✓ No 'rushing to the deadline' - projects can be developed to maturity and then considered for funding.	<p>? Can lead to limited responses because there is no imminent time limit.</p> <p>? Not always an opportunity to raise project quality through competition.</p> <p>? Potentially not very strategic. Cannot consider a whole portfolio of projects at one time, so may have an imbalance at the end - too many of one type of project.</p> <p>? When funds are used up, some projects which are of higher quality but were submitted later might miss out on funding.</p>

5. PROJECT APPRAISAL AND SELECTION

5.1 Project selection systems

Whatever application system is used, programme managers need to arbitrate between applications and select those that meet the criteria of the programme. This section considers the structures used for project appraisal and decision-making and the processes which are employed. It also discusses three important issues influencing the design of project selection systems: administrative efficiency; the transparency of resource allocation; and the need to allocate resources strategically.

In generalising about the form and functioning of selection systems, it is important to remember that there is considerable variation within the programmes of some Member States in how different types of project are appraised and selected. Systems depend on:

- *the size of projects* - there may be automatic, simplified and routine procedures for small projects, but more involved, higher-level procedures for larger, complex proposals;
- *project type* - infrastructure, business aid, human resource development etc;
- *the co-financing partner* - national government versus regional authorities, agencies of the State versus other types of partner; and
- *whether projects are part of the main programme, or part of a distinct sub-programme* - eg. UK action plans, Italian Integrated Projects, and future French global grant arrangements.

INTERNAL VARIATIONS IN PROJECT SELECTION SYSTEMS:

ITALY

Italy has three broad selection systems: the first for the three broad types of business support (direct aids, soft aids, financial engineering), the second for infrastructure and the third for animation and promotion measures. Business support is implemented through calls made by specific regional offices.

The other two types of project are subject to different procedures involving a more strategic assessment, in particular because such actions tend to be more varied as a group and to involve major resource allocation. Here, there would be a more strategic process involving dialogue between the (often public sector) applicant and the regional administration to make agreed adjustments and eventually reach approval for funding.

NORDRHEIN-WESTFALEN

In NRW, the 2000-06 SPD details four administrative mechanisms for projects:

- **Ministerial administration procedure:** for measures carried out partially or totally through *Land* ministries.
- **Decentralised administrative procedure:** administration is carried out in the *Land* government sub-offices which have the competence to receive applications, assess them and approve funding, rather than in the *land* ministries.
- **Bank procedure:** applications for business support projects are administered via selected banks.
- **Decentralised non-public procedure:** used for measures which can be standardised (eg. loans), where there is no need for a project decision on the part of the *Land* government. Those undertaking these procedures are chosen because of their technical competence and good access to the relevant target groups.

5.2 The process of project appraisal and selection

Once projects have been submitted, the processes of appraisal, selection and approval begin. Decision-making on applications involves at least two distinct phases: project appraisal leading to a recommendation, and then formal selection. These two stages are not always clearly separated from one another, for example where the same organisation appraises and then selects projects as part of the same process – a consolidation which tends to take place where large numbers of small, routine applications are being considered. In most other cases, the distinction is clearer.

Project appraisal addresses various issues. A project might be assessed more than once to deal with these in the most effective way, with each appraiser or group of appraisers addressing the project from a different angle. Assessors would either build on the work of the previous appraiser(s), or would act in parallel with others (see Boxes below).

Under most, if not all systems, an initial appraisal verifies the completeness and basic eligibility of a project to filter out applications which are clearly ineligible or incomplete. A second stage of more detailed analysis is undertaken for projects passing the first stage. Beyond the basic test of

eligibility, the stages of appraisal might incorporate an expert appraisal, and a 'political' opinion. The more detailed appraisal(s) would lead to an initial (or in some cases final) recommendation about whether a project should be funded and, if so, by how much.

PARALLEL PROJECT APPRAISAL PROCESS – PAIS VASCO

In the *Basque Country*, in the Diputación Foral de Bizkaia, local projects are appraised twice, once by the European section and once by the department specialising in the theme of the project in question. This dual assessment enables an informed dialogue between domestic and European funding experts, leading to project decisions which fully take into account both European and domestic priorities. The following outcomes of the dual assessment are possible:

Sectoral view	SF view	Result
Yes	Yes	Project is approved
No	No	Project is rejected, but with possible dialogue with the applicant about future resubmission
No	Yes	Dialogue to see if the applicant can resolve the issues causing the specialist to reject the project
Yes	No	Project may still go ahead, but without European funding

CONSECUTIVE PROJECT APPRAISAL STAGES - DENMARK

In *Denmark*, there are several consecutive stages of project appraisal:

- Structural Fund secretariats undertake basic initial project appraisal, verifying that a project is complete.
- The project dossier, with the secretariat's summary then passes to the relevant Advisory Committee (for sectoral expert input).
- It then goes to a Co-ordinating Committee (consisting of representatives of the county, districts and social partners).
- Only then does a project go on to the Regional Steering Committee for a decision. These decisions are final for ESF, but have to be endorsed by a further process for ERDF - confirmation by the Danish Agency for Trade and Industry.

Who undertakes the different stages of appraisal? Depending on the system in place, a part or all of the appraisal might be entrusted to relevant competent authorities or to staff in Structural Fund secretariats. In some cases, the function might be outsourced by public authorities to external organisations eg. to financial institutes for financial engineering measures in some Italian regions and to selected banks for business aid measures in many German regions.

Project appraisal processes involve checking the match between projects and selection criteria. The types of criteria used are discussed below. It is important not just which are used, but how they are applied, including the relative weight given to different criteria and the way in which qualitative indicators are employed. In terms of the detail of appraisal, several

approaches are used. Examples include *automatic appraisal* and the use of *scoring systems*.

Automatic or 'yes/no' *appraisal systems* are used in parts of some *Italian* programmes, and the *Flemish* selection framework. Automatic systems can be implemented by administrators rather than thematic experts, and have limited room for the exercise of discretion, and so are less open to manipulation according to political agenda or favouritism. The outcomes are relatively transparent and easily replicable. A disadvantage of the approach is that it works better for some criteria than others, and is not very sensitive to the variation in quality between different projects of basically the same type.

Scoring systems, in turn, are frequently part of the *UK* and *Dutch* Structural Fund decision-making procedures. Such systems are useful when there is a need to prioritise between a large number of fundamentally similar 'sound' projects (eg. under the ESF). They also give an enhanced role to appraiser judgement (in deciding which scores to give under selected questions). If scoring is relied on entirely, however, it can be open to manipulation by applicants looking to gain maximum scores and thus funding. In addition, this approach may not always fit the 'style' of decision-making in place, for example where basic eligibility and quality is appraised technically, but decisions are made on the basis of the judgement of relevant partners. Finally, while scoring might allow more subtle assessment, it also brings in an element of subjectivity, with more room for actors to promote one project over another for non-objective reasons.

In the *UK*, scoring systems have now been used since the early 1990s, as a response to the growing competition for funds (see Box).

Scoring systems were considered but rejected in *North Jutland*. There are several reasons for this:

- the Objective 2 programme generates a wide range of projects and it was believed that a scoring system would help little in deciding between them because of their diversity;
- prioritising between sound projects was seen as a political task which should be undertaken by the programme's dedicated committee structures rather than by a scoring system; and
- it was feared that scoring systems could make project selection even more demanding and slow.

In any project appraisal system, there are difficult balances to strike. First, systems should not be too stringent as this could lead to limited consumption of resources, yet they should not be so broad that they allow poor quality projects to be funded. Second, while they might aim to give projects the most rounded possible appraisal, they also need to be realistic so that programmes can progress in a timely manner. Project appraisers are often operating with little time and imperfect information, and the pressure of meeting programme implementation targets sometimes has to take precedence. This will be particularly important in the new round with the decommitment rule. Finally, while systems must aim to produce transparent, replicable results, they should also reserve some role for expert judgement, in order not to be manipulated by applicants and to remain able to respond appropriately to innovative proposals.

PROJECT SCORING SYSTEMS IN THE UK

Many UK programmes use yes/no and scoring systems to score, filter, recommend or in some cases approve project applications. When they were first widely introduced in the 1994-96 programme period, such systems represented a significant step forward in ensuring more rigorous, systematic and transparent scrutiny of project applications. They brought in a range of specialist expertise and broadened involvement in the programme, contributing to greater objectivity of programme management and ensuring project assessment by individuals with specialist knowledge and experience, as well as helping to ensure that higher quality projects were selected.²⁹

However, they were not without problems, especially in the early years (1994-1996). There has been a learning process wherever scoring systems have been introduced, driven by issues such the following.

- The neutrality of groups was sometimes questioned (eg. Yorkshire and Humber), especially where group members were also applicants.
- The groups were constrained by lack of expertise, resources and adequate data on which to base decisions. Area-based groups were not always able to take a strategic view (West Midlands).
- Systems involved lengthy processing times, of up to 40-50 weeks between application and offer in some cases (Greater Manchester) and multiple scrutiny of applications (Industrial South Wales).
- They could be seen as bureaucratic and confusing by applicants (East Midlands).
- Scoring systems provided a way for partners to avoid conflict by 'hiding behind' the scores rather than discussing the merits of projects subjectively with respect to their strategic value to the programme. Simple systems provide only crude rankings, and applicants quickly become adept at tailoring applications to meet the criteria. More sophisticated systems rely heavily on the integrity of those making the selection, especially in the case of marginal projects.

In promoting the consistency of appraisal, whether by competent authorities or by Structural Fund secretariats, a straightforward mechanism is the drafting of a detailed guide to project selection. In *North Jutland*, the work of those appraising projects in the Structural Fund secretariat is guided by a 'case officer manual' which guides the team in the application of the programme's objective criteria. Likewise in the *Netherlands*, a fixed 'manual of operations' is developed for each programme and approved by the Monitoring Committee for use in project selection. The *Sweden North* programme posed particular challenges here since this programme spans more than one province, requiring common standards and approaches across the region. The ability of European co-ordinating units to impose such an approach on competent authorities making decisions may however be limited. In more devolved systems, the criteria being applied are agreed with the European co-ordinating units, but some of these units have very little influence over how they are actually applied in practice.

²⁹ ECOTEC (1999) *Interim Evaluation of the ISW Objective 2 Programme 1997-99 and ex-post evaluation of the ISW Objective 2 Programme 1994-96*, ECOTEC Research and Consulting Ltd, Birmingham. EKOS (1999) *Western Scotland 1994-1996 Programme Final Evaluation*, EKOS Ltd, Glasgow.

5.3 Structures for project appraisal and decision-making

As noted above, it is rare that Structural Fund co-financing decisions are taken by a single individual in a single organisation. Instead, multi-stage processes are used and/or committee structures are involved.

Committees bring the input of multiple actors to the appraisal and decision-making process. A universal function of the Monitoring Committee in whatever system is to approve the overall project appraisal and selection process itself. In systems with several Structural Fund committees, two or more tiers are used, one or more to generate or refine recommendations and one to take formal decisions. At the appraisal stage, committees frequently consist of technical or independent experts whose perspective may refine initial project recommendations and resolve issues (eg. in France). Decision-making committees, in contrast, tend to consist of individuals who represent the wider partnership.

Dedicated committees are used for most or all Structural Fund project decision-making in *Belgium*, *Denmark*, the *Netherlands*, *Sweden*, the *UK*, *France* and *Finland*. The following table sets out the committees involved for project appraisal and the generation of recommendations, and for decision-taking itself. Most of the recommendations of appraisal committees are approved by the decision-making tier, and are thus sometimes simply ‘rubber stamped’ by the latter.

Table 5.1: Dedicated committees contributing to Structural Fund resource allocation

	Project Appraisal and Generation of Recommendations	Project Decision-making
Belgium - Wallonia	A <i>Technical and Financial Committee</i> (TFC) for ERDF and one for ESF generate recommendations, ranking available projects in order of priority to support Monitoring Committee decision-taking. The ERDF committee is chaired by the Walloon Minister for International Relations, while the ESF committee is chaired by the Ministry of Employment. Experts can be invited onto the committees in a consultative capacity.	The <i>Monitoring Committee</i> formally takes decisions, based on the recommendations of the TFCs. A project is only approved when it has passed through both committees, although the recommendation of the TFC is likely to be followed.
Belgium - Flanders	In 1994-99, a <i>Steering Committee</i> met in Limburg, preparing decisions confirmed at the Monitoring Committee.	In Turnhout, the <i>Monitoring Committee</i> (with the participation of the EC) had the final project selection role for 1994-99 projects.
Denmark	Two tiers of appraisal committees operated in 1994-99 in <i>North Jutland</i> . Following the initial assessment by the Structural Fund secretariat, project dossiers went to <i>Advisory Committees</i> for sectoral expert appraisal, then to a <i>Co-ordination Committee</i> for strategic appraisal. The resulting recommendation was then passed to the <i>Regional Steering Committee</i> .	The <i>Regional Steering Committee</i> takes decisions, but, for ERDF, these are only finally approved subject to a technical check by the Danish Agency for Trade and Industry at national level.
Finland	Expert <i>Advisory Groups</i> met in Finland during the 1995-99 period, but were more involved in project development than formal appraisal.	In 1995-99, <i>Regional Management Committees</i> (RMC) made the final decisions on Structural Fund projects. In practice, they had most influence over regional projects.

	The <i>Working Group on Business Aid</i> meeting before the RMC would take decisions on business development projects, which were then 'rubber stamped' by the RMC.	Those projects being co-financed by national ministries were passed by the RMC, but decisions were effectively taken by the ministries.
France	Various <i>Technical Committees</i> (TC) meet to refine the initial recommendations of single competent authorities before these are put to the official decision-making committee(s). Often, the regional TCs for the Structural Funds are also project decision-making committees for the State-region <i>Contrats de Plan</i> - an efficient dual use of these structures. Their focus might be business development and technology, tourism or infrastructure.	Decision-making committees (with various titles) meet to take final decisions on Structural Fund support for projects. There may be more than one decision-making committee for any programme, eg. in the PACA 1994-99 Objective 2 programmes, there was one committee for business development projects and one for all other projects. For the 5b programme, the split was geographic, with decision-making committees at regional level <i>and</i> , for local projects, at <i>Département</i> level.
Netherlands		In Dutch Objective 2 programmes, most project decisions are taken by a <i>Steering Committee</i> (SC), whose operation (including the criteria used for project selection and priority setting) is approved by the programme's <i>Monitoring Committee</i> (MC). Large or complicated projects, or those where the SC could not come to a decision, are referred up to the MC.
Sweden	Approaches varied by region in 1995-99. In <i>Fyrstad</i> , <i>Advisory Groups</i> operated in 1995-99, aiding project applications before they reached the more politically charged atmosphere of the DG. In <i>Bergslagen</i> , the five Sekretare (responsible for project assessment in each of the five CAB areas in the Objective 2 programme) met to discuss the project applications they had each received, bringing a regional dimension to assessment and enabling prioritisation. The Sekretare group then made recommendations to the programme's DG.	<i>Decision Groups</i> comprising regional politicians and civil servants, and chaired by a County Governor, take decisions. They are informed in their decision-making by appraisals and recommendations prepared by Structural Fund secretariats and, where they exist, by other groups.
UK	In England in many cases, no committees sit prior to decision-making committees. Initial recommendations are prepared by members of Structural Fund secretariats, calling on <i>ad hoc</i> advice from sectoral experts where necessary. For some Scottish Structural Fund programmes, <i>Advisory Groups</i> (eg. for infrastructure, business development and human resources), met in 1994-99 to provide expert appraisals of projects informing the decision-making undertaken by Programme Management Committees. They comprised independent sectoral experts representing no organisational affiliation - an important dimension of their perceived value.	<i>Programme Management Committees</i> take final project decisions. They consist of partners representing the whole partnership.

In other countries, where overarching committees are not relied on as the primary organ for decision-making, there may be committees operating for selected parts of programmes only. In many cases, these committees would have been established in any case for decision-making on domestic funding. Their rationale is frequently to unite technical experts to enable project issues to be resolved through targeted discussion.

Table 5.2: Committees contributing to selected elements of Structural Fund decision-making

Italy	<p>Specific tasks under specific measures, eg. making a selection from the business development projects generated by calls (direct and soft aids), might be decided by a dedicated technical committee or group. The group would meet regularly for continuous calls and following the deadline for time-limited calls.</p> <p>In addition, panels of experts might be called on to decide large and complicated projects where the expertise of multiple agencies is needed (eg. technology parks and RTDI projects in <i>Piemonte</i>).</p>
Germany	<p>Under selected measures or actions, groups of relevant technical partners meet to ensure that all important aspects of complex projects, eg. economic infrastructure, have been able to be considered in making a funding decision.</p> <p>In the case of specific schemes, more formal committee structures might operate eg. the <i>Land-Kreditausschuss</i> in <i>Nordrhein-Westfalen</i>. These committees typically meet to decide both Structural Fund and non-Structural Fund co-financed projects.</p> <p>Project selection for the new <i>Nordrhein-Westfalen</i> initiative 'Future Concept' will be undertaken by a dedicated committee.</p>
Spain	<p>Decisions on selected schemes are taken by committee structures. Examples include two nationally co-financed technological development schemes for firms, the <i>Programa de Fomento de la Tecnología Industrial</i> (PFTI) and the <i>Programa de Calidad y Seguridad Industrial</i> (PCSI). Applications are assessed by two evaluation committees, one called the 'Committee for Industrial Development and Design' and the other the 'Committee for Industrial Technology, Quality and Safety'.</p>

Committees have one or more functions. Where committees are used more actively for the actual processes of project appraisal and selection, their roles vary, but might comprise:

- ensuring that the relevant input of multiple actors is brought to bear on project assessment, and that assessments undertaken by individuals can be adjusted to take account of wider expertise and knowledge;
- co-ordinating economic development activities, ensuring that actors are up to date with the wider activities of related actors in the programme in question and potentially reducing duplication; and
- bringing a 'partnership' endorsement to decisions taken with public funding, both for projects approved and those rejected.

Where two or more tiers of committees meet, they might be distinguished in several ways:

- bringing the input of different actors/constituencies to bear, for example, marking a split between technical expertise and the application of a 'political' dimension (eg. *France, Denmark, Sweden*);

- enabling a local then a regional perspective to be effectively taken into account (*France* and *Sweden*); and
- enabling high-level committee workload to be better managed by resolving the bulk of the caseload prior to the decision-making meeting, so enabling the latter to focus its time more effectively on the larger and more complex or controversial projects.

Where committee structures are not used, the objectives of these structures are often achieved through other means. For example, co-ordination can be achieved through more informal and *ad hoc* channels of communication. In *Austria*, for example, when more than one agency is involved in an award decision (a situation occurring relatively frequently), the division of support is made on the basis of informal contacts rather than formal committee structures.

Partnership endorsement can be gained by involving the partnership in defining or approving the system which is applied by single organisations in the selection of projects. In *Cataluña*, a Department of the Generalitat at regional level selects the local government projects to be co-financed by the Objective 2 programme. It does this, however, using a framework agreed with organisations which represent the interests of local government in the region. Likewise, in Italy, the project selection systems which are used by the variety of regional government departments first have to be approved by the programme's Monitoring Committee, comprising a representative selection of partners.

Equally, the input of independent experts to the project appraisal and selection process does not have to be undertaken through formal channels, but can instead be organised on a more *ad hoc* basis. In *Sweden North*, there is interest in increasing the use of external advice in the project selection process, but it is not yet clear how this will be done. Greater openness to expert input has to be achieved without slowing down the system too much. Expert input will be used both to show that the programme is not 'closed' and to benefit from the expertise of the wider partnership, business federations and the private sector more generally.

5.4 Outcomes of project decision-making

The outcome of any project appraisal system is a recommendation - that a project should be rejected, postponed, approved with conditions or approved unconditionally, and on what grounds. For positive decisions, the level of funding to be allocated would also be indicated. Recommendations are then considered and a formal decision made on them. Proposers of approved projects are informed officially that their project can go ahead, and the implementation and monitoring process begins. Those whose projects require modification are also informed.

Rejected projects rarely reach the final decision-making stage in most Member States. Instead, if a project is clearly ineligible or inappropriate, a process of dialogue often identifies this at an early stage and rejection takes place quickly if the issue cannot be resolved.

A contrast is the *UK* system, where projects are submitted for committee deadlines, and many would only be rejected at the decision-making forum. Where projects are rejected, either before the final decision-making stage or at this forum, there is often room for them to be resubmitted at a later date in modified form, responding to the comments of the selectors. The exceptions are projects which are ineligible for reasons which cannot be resolved - eg. those located outside the eligible area, of no economic development relevance or breaking the EC's state aid rules.

5.5 Issues influencing the design of project appraisal and decision-making systems

5.5.1 Streamlining project selection systems and structures

A recurrent theme, both in the Structural Funds and outside has been the wish to increase the speed of project decision-making and to reduce its complexity and cost in terms of personnel inputs, committee time, etc. The strongest focus has been on reducing the burden of the distinctive structures created for Structural Fund decision-making (eg. in the *UK* where the burden has been considerable, and in *Denmark, Finland* and *France*). The following examples illustrate the streamlining of dedicated project selection committees in *North Jutland, PACA* and *Finland*, the computerisation of administration in *Italy* and the simplification of project submission and selection procedures, again in *Italy*.

STREAMLINING DEDICATED PROJECT SELECTION COMMITTEES NORTH JUTLAND

In *North Jutland*, project selection took at least four months in the last round. This was seen as rather lengthy,³⁰ especially for business projects where timetables are more urgent. As a result, the process will be streamlined in the next round, through changes to committee structures, and the introduction of global grants. In terms of committees, it is possible that the following will take place:

- removing the Advisory Committees and extending the Co-ordination Committee instead; and
- allowing the Chair of the Regional Steering Committee to approve business development projects recommended by the Co-ordinating Committee (although infrastructure projects would still go to the Regional Steering Committee as a whole because they have a political dimension).

³⁰ COWI (1999) *Evaluering af det nordjyske Mål-2 program - Endelig rapport*, Aalborg: Nrdjyllands Amt.

PACA

For simplification, in *PACA* the final formal stage of decision-making - the drawing up of the *Arrêté* and its signature by the *Préfet* - will be discontinued, as it has been deemed to have no value added for the decision-making process. In addition, the considerable number of committees operating for Objectives 2 and 5b in the last round will be streamlined. There will be a need to combine or choose between the former geographically-based decision-making structures of 5b programmes and the thematically based structures of Objective 2.

It is likely that, in future, there will be a single main decision-making committee, the *Comité Régional de Programmation* (CRP), with only business-related project decisions being taken at a parallel regional-level committee, the *Comité Régional des Aides Économiques* (CRAE). The planned changes in *PACA* would mean that no more decisions would officially be taken at *Département* level, but projects would instead have to pass via the regional committee for final approval.

Technical Committees will continue, and there will be more of these than decision-making committees. To avoid the multiplication of committees, the thematic committees operating at regional level to take decisions on *Contrat de Plan* projects would be used as much as possible to serve as the '*Comités Techniques*' for relevant Structural Fund projects. The final decisions for these projects would then be taken at the CRP or CRAE.

FINLAND

The Regional Management Committees led by the Regional Councils formally took all the final decisions on Structural Fund projects in *Finland* in the last programming period. In practice, they had most influence over regional projects, and little say over national projects. Projects being co-financed by national ministries were passed by the RMC, but decisions were effectively taken by the ministries.

The role of the RMCs is to be changed for the next programming period, in accordance with an Act which came into force at the beginning of the year. In future, the RMCs will take a more strategic role, proposing the financial allocations between regional ministry offices and regional government, and only deciding on projects in exceptional circumstances (eg. very large projects). Most project decisions will formally be made in the TE Centres in future - the regional offices of government ministries. This change means that the RMC's official role now reflects the actual role it will play.

In addition to the above changes, the former Advisory Groups, which brought together specialists to improve the quality of proposals at an early stage, will no longer sit. Instead, the RMC will be able to appoint 'permanent and special experts' directly, who will bring their expert input to meetings, but without voting powers.

INCREASED USE OF COMPUTERISATION

ITALY

In Italy, the wider introduction of computerisation will accelerate the whole process of project selection, from the collection of application forms to the initial eligibility assessment, scoring, decision-making and the printing of award letters.

These changes are taking place hand in hand with the networking of the monitoring system in Lombardy and Tuscany, which will give direct access to more actors and mean that projects can be followed through very efficiently into implementation.

SIMPLIFIED SUBMISSION AND SELECTION PROCEDURES ITALY

In *Italy*, a general streamlining of public administration has been pursued under the so-called Bassanini framework law.³¹ The legislative decree N°123/1998, issued under this law, reformed the project selection procedures relating to business support in order to simplify them. This decree (related to fiscal bonuses, tax credits, guarantee concessions, capital grants, interest grants and soft loans) has affected both domestic and Structural Fund resource allocation.

Under the decree, three selection procedures were identified. The first is effectively a 'fast-track' procedure for projects not requiring close scrutiny, the second is a more detailed procedure for larger and more complex projects, and the third provides a method for regional authorities to fund business development schemes but delegate their operation to other organisations.

- *Automatic procedure*: for use with small, straightforward projects not requiring a full technical, economic and financial appraisal. Project applications are checked for completeness and eligibility, and are funded if eligible.
- *Estimative procedure*: for larger or more complex projects, to be selected following a fuller analysis which addresses the impact of the investment, the contribution to measure objectives, the adequacy of costs, etc.
- *Negotiated procedure*: for territorial or sectoral development interventions. Several actors (eg. local and central administrations, local entrepreneurial associations, etc) develop an integrated project consisting of a range of business development schemes. The implementation of these schemes is then undertaken by these actors, using the automatic or estimative procedures.

There are plans to pursue streamlining further, including through simpler application forms. Accelerating procedures will be particularly important in the next round given the new decommitment rule.

FAST TRACK PROJECT PROCESSING SCOTLAND

In *Scotland*, a recent review of the Programme Management Executives³² proposed that project appraisal and approval processes should be streamlined to allow certain applications labelled low risk or uncontroversial (eg. smaller projects from regular partners) to be fast-tracked through the process. This would allow the Advisory Groups and Programme Management Committees to focus on projects requiring more serious analysis and discussion.

5.5.2 Greater transparency in decision-making

The transparency of Structural Fund decision-making systems for applicants and partners is likely to increase in the next round thanks to new provisions requiring that the implementation mechanisms for programmes are set out in programming documents. Previously, these documents restricted themselves to describing the obligatory structures and systems eg. the form and roles of the Monitoring Committee and the monitoring system. In addition, it seems

³¹ Law N° 59, 15 March 1997, Delega al Governo per il conferimento di funzioni e compiti alle regioni ed enti locali, per la riforma della Pubblica Amministrazione e per la semplificazione amministrativa, published in the *Gazzetta Ufficiale* (OJ) n. 63, 17 March 1997.

³² Scottish Executive (2000) *Report of the Steering Committee of the Review of Programme Management Executives*, www.scotland.gov.uk/library2/doc12/rpme-11.asp.

likely that selection criteria will be set out more systematically at measure level in many programme complements (eg. in *France* and *Italy*).

In some subsumed systems, project selection was deemed particularly opaque in the last round of programming. Problems included the fact that:

- in some cases, Structural Fund allocation systems were so fragmented that no organisation held a comprehensive overview of the basis on which these resources were being allocated; and
- applicants were often not sufficiently aware that they had received EU funding for their project, nor how this had been awarded.

Proposals have come forward in both *Austria* and *Germany* to increase overall transparency. In *Austria*, this is to be achieved by designating a lead organisation for each measure, responsible for co-ordinating decision-making across all the organisations participating in that measure. In *Nordrhein-Westfalen*, the innovation comprises a system which project decision-makers will use to report on how the projects they select for European funding were chosen.

TRANSPARENCY IN DECISION-MAKING

THE NEW AUSTRIAN SYSTEM OF 'MEASURE CO-ORDINATORS'

A new element to be piloted in the management structures for the Structural Funds in *Austria* for the 2000-06 programming period is the introduction of a responsible funding agency for each programme measure (*Maßnahmeverantwortliche Förderstelle, MF*). The aim of this innovation, which has been promoted by the Federal Chancellery, is to improve transparency and consistency in how projects are selected. The tasks of the MF, as specified in the SPDs, are as follows:

- advice to applicants on the objectives of the programme and the relevant measure as well as the conditions for the award of co-financing within the measure;
- receipt of award applications;
- assessment of funding applications with regard to their fulfilment of the conditions laid down in the programme for the award of EU monies;
- decision on the award of Structural Fund resources to a project on the basis of the relevant regulatory guidelines (*Richtlinien*) or other legal base and in conjunction with the other decision-makers included in the relevant measure;
- preparation and completion of the award contract relating to the Structural Fund resources on the basis of the finalised award decision (see above);
- control of the project invoices and reports provided by the applicant and required under the conditions for EU co-finance laid down in the programme and award contract as well as proof of the eligible costs and other financial spending related to the project; confirmation of the factual and financial accuracy of the invoices;
- notification of payment of EU monies to the applicant as well as clawback of EU monies where necessary; and
- reporting to the Fund-specific monitoring body.

The exact operation of the MF will differ depending on the number of individual funding agencies involved in the measure. In some cases, the implementation of measures involves a single funding agency so the overview and role of the MF is clear. In the Lower Austrian Objective 2 programme, for example, 11 of the 18 measures (not including technical assistance) have only one funding agency as the implementation channel. In other cases, more than one agency is involved (although efforts have been made in most programmes to limit this number). The approach to co-ordination and decision-making will be broadly left to the individual MF.

Selection will continue to operate through national channels, but the introduction of the MF is expected to make the Structural Fund component of awards more explicit. It should also improve co-ordination and may help to focus project selection more strategically (although this is not universally agreed). However, some authorities at regional level foresee difficulties in achieving the aims set out for the initiative.

TRANSPARENCY IN DECISION-MAKING:

***NORDRHEIN-WESTFALEN* – REPORTING SYSTEM FOR DECISION-MAKERS**

In *Nordrhein-Westfalen*, the European co-ordinating unit is introducing a form which project decision-makers will be asked to complete for each project, illustrating how they have reached their decision (including the criteria used).

This innovation should increase the transparency of implementation methods used across the programme as a whole, and make it more feasible for the small EU co-ordinating unit to maintain an overview of how resources are being allocated at project level.

Depending on how the form operates in practice, there is potential to extend its use in future to supporting the selection process itself, rather than being used merely as a means to report on this process.

REDUCING POLITICAL INFLUENCE OVER DECISION-MAKING *WALLONIA*

In the *Wallonian* Objective 1 programme, an initiative is underway to establish a Structural Fund project selection system which is less open to political influence and more standardised, impartial and transparent. In order to set up the system, a task force has been established comprising a consultant, two private and two public sector representatives and two university representatives. They are formulating an evaluation sheet for project appraisal which will be used in selection. All projects will be assessed on the basis of the same criteria - a new approach in the Belgian context.

5.5.3 *More strategic resource allocation*

It is challenging to ensure that the projects implemented under a Structural Fund programme add up to more than the sum of their parts, that they are the most appropriate to contribute to the achievement of the SPD strategy, and that they are both locally relevant and regionally significant. Various changes are being considered by programmes to enhance their strategic capacity.

For the *Sweden North* programme, for example, the following changes are proposed:

- *Greater private sector role in decision-making:* this is being considered, but actors are not sure at this stage how this will be achieved. They are hoping to influence not only project appraisal but also project generation.
- *Combining local knowledge with a strategic regional viewpoint:* it is hoped that the 'Sekretare' system will enable decisions to be made which benefit from a detailed understanding of the quality of projects from a local and a regional development perspective.
- *Greater focus on programme objectives:* project selection may focus more tightly on the ability of projects to meet programme objectives - although rejecting projects which are theoretically eligible but not sufficiently focused will require courage and could be politically difficult.

North Jutland will be placing more emphasis in the new programme on ensuring that individual projects are integrated into the strategic planning of private firms, if necessary by making them use public advisory services in connection with investment and training projects. In addition, the interpretation of 'demand orientation' will be tightened so that groups of firms will have to apply rather than individual consultants looking to promote new services for the private sector.

Several Member States have proposed initiatives aiming to enhance the strategic potential of programmes, through the use of larger single projects, and thematically or geographically coherent packages of projects. Most of these are at an early stage of development, but a broad indication of initial thinking is given below. A further illustration is given of an initiative to increase strategic focus, involving the creation of an external unit for co-ordination and project development in *Niederösterreich*.

MORE STRATEGIC PROJECTS

LARGER PROJECTS IN SWEDEN NORTH

A desire for more framework or larger projects has been identified in *Sweden North*, in part to bring greater geographical and/or thematic focus to the new programme.

If such an approach is to work, there will be a need to invest in the organisational side of such projects, in order to ensure their smooth implementation: experience with an Objective 5b framework project in the last round was that the project was good, but considerable administrative and financial management difficulties were experienced.

INTER-REGIONAL PROJECTS IN FINLAND

Scope for larger, interregional projects was also proposed in the Finnish programmes. However, these have not really caught on, with only one example so far - a tourism project in which nine regions want to participate. Regional Management Committees have to request that funding be reserved unallocated at central level to fund such projects.

INTEGRATED PROJECTS AND TERRITORIAL INTEGRATED PROGRAMMES IN ITALY

In *Italy*, the intention is to achieve greater strategic coherence through Integrated Projects (IPs) and greater geographic coherence in the projects supported through Integrated Territorial Programmes (*Programmi Integrati Territoriali* - PITs). It is hoped that these initiatives will reflect strategic priorities eg. cluster development, whilst still enabling project selection systems to remain transparent. The regions will still decide on the projects themselves, but with more strategic information guiding them. Because PITs may be slow to develop, they may be postponed to the second part of the programming period.

Piemonte has already trialled IPs for tourism. They were introduced because it was felt that tourism measures could usefully be concentrated more explicitly on the areas where they were relevant. Local authorities were identified to submit programmes (integrated groups of projects) for four specific tourist hubs. These IPs were approved, and then the local authorities implemented them. The initiative was seen as having made a good start, but as having had certain weaknesses, notably a lack of transparency in terms of how the projects were actually selected for inclusion in the IPs which were put forward.

IMPROVING THE STRATEGIC RELEVANCE OF PROJECTS IN NIEDERÖSTERREICH

For part of the new *Niederösterreich* programme, a new external unit for co-ordination and project development is being created to undertake certain functions on an outsourced basis. The organisation, called the EXEC - *Externe Einheit für Koordination und Projektabwicklung* (External Unit for Co-ordination and Project Development), has been included as a soft infrastructure measure in the SPD, and the organisation to undertake the function will be selected through an open call for tender.

The aim of the EXEC is to provide project support and technical and administrative back-up. In more detail, its rationale is to sustainably strengthen processes of economic re-orientation through improved exchange between firms and the public sector, supporting the processes of regional re-orientation identified by recent Regional Innovation Strategy work. The EXEC will be involved in the measures implemented by the *Land* government economic development department (ie. industrial and commercial support), and will work in parallel to support and strengthen strategic processes in firms and to improve the efficiency and effectiveness of business aid and soft infrastructure measures.

In terms of the practical operation of the EXEC, it is currently anticipated that project applications received by the *Land* economic development for measures where they have responsibility will be passed to the EXEC where there is potential for increased quality or further discussion with the applicant.

5.6 The use of selection criteria

5.6.1 Types of selection criteria

Project selection outcomes are usually the combined result of rational and political processes. To structure the rational assessment of projects and inform the political process, they are appraised against multiple selection criteria. The selection criteria used for Structural Fund decision-making have evolved over time, growing in number and sophistication in response to several factors:

- the Commission's changing priorities (eg. the priority placed on employment as the primary objective of Objective 2 programmes and the embedding of horizontal priorities);

- the number and type of project applications submitted from different organisations;
- a regional learning process about the success of different types of project;
- regional economic circumstances; and
- the levels of funding available (including at different stages in a single programming period).

In most programmes, several types of selection criteria are used. Eligibility and quality criteria are used universally, while entry criteria are rarer.

Eligibility criteria are universal criteria, applied by every programme to every project, and which all projects have to meet in order to qualify for the possibility of being funded. Examples are illustrated for the case of Wales below (see Box).

ELIGIBILITY CRITERIA: WALES

Before projects can be considered for funding under the priorities of either Welsh programme, they must meet Structural Funds eligibility criteria. This means that they must:

- normally occur within the programme area (ESF projects might be delivered outside the Objective area, but only if proven to be of direct and demonstrable benefit to persons living or working in the designated area),
- correspond to one or more of the activities defined within the Single Decision (SD),
- contribute to one or more of the programme objectives,
- quantify outputs and provide details of clear and attainable targets,
- demonstrate an additional and sustainable benefit to the economic development of the area,
- be within the categories which the Structural Funds can assist,
- have a sound funding package in place, identifying the recipient of the funds and the sources of match funding. Provide good value for money,
- require the minimum grant necessary to enable the project to proceed (“gap funding”),
- not duplicate existing activity, and
- not substitute for existing or planned expenditure.

Quality criteria are used in several ways:

- to highlight desirable aspects of projects and so influence the form and detail of applications, including by providing a framework for project advisors who are working with applicants to improve their projects,
- to assess whether a project has reached the agreed threshold of quality in order to be funded; and
- as ‘prioritisation criteria’ where funds are limited, to assist in the ranking of eligible projects to enable a choice to be made of which to fund and reject, or of the level of funding to award to each. In fact, quality criteria are used relatively infrequently to help to choose between ‘sound’ projects.

Examples of quality criteria include:

- impact on employment and the labour market, and
- positive impact on horizontal objectives – environment, equal opportunities, technological and innovation capacity.

Entry criteria, which are much rarer, are used to insist that projects must respond to a given programming issue. If the issue is not addressed, a project, while perhaps strictly eligible for funding, would not pass on to full appraisal. Such self-imposed blanket constraints on programmes have to be agreed and applied by the whole partnership in order to be implemented successfully. For example:

- in the Finnish 1997-99 Objective 2 programmes, all projects had to fulfil at least one of five specified employment-related criteria to be eligible;³³ and
- some UK programmes have considered introducing explicit consideration of sustainable development and equal opportunities issues as an entry criteria to ensure more systematic responses.

Selection criteria are often structured in a hierarchical way across a programme, with *core criteria* which refer to dimensions sought from every project under every measure, and *priority* or *measure-specific criteria* which set out more specifically what is being sought from a given type of project or field of intervention. As an example of this hierarchy, the following boxes list the core criteria (which all projects had to meet) and examples of the specific measure level selection criteria and the points allocated for each from the last *North-East England* programme.

CORE CRITERIA: NORTH-EAST ENGLAND

The core criteria are:

- a demonstration of additional benefits for the region as a result of Structural Fund support, and
- a demonstration of the need for Structural Fund support.

Priority considerations which will help to measure the desirability of the project include:

- job creation, or attainment of other specified relevant output;
- value-for-money, including cost per unit output;
- leverage of extra investment, especially from the private sector;
- the strategic nature of the scheme in its regional context;
- synergy with other schemes and measures; and
- for Measures for which this appropriate, environmental impact.

³³ Taylor S and Fitzgerald R (1998) Employment and the Structural Funds: Making a Good Job of Making Jobs, *IQ-Net Thematic Paper* 4(2), European Policies Research Centre, University of Strathclyde, Glasgow.

MEASURE SELECTION CRITERIA: NORTH-EAST ENGLAND, PRIORITY 1		
Criteria	Indicators	Points
<i>Measure 1.1: Small business start-up</i>		
Cost per job	Net permanent job creation	10-30
Cost per assisted enterprise	Average gross cost per enterprise assisted	10-30
Focus on business start-up	Business survival help	20
	Complementing ESF guidance	20
	Business Link branding	20
<i>Measure 1.2: Access to Finance</i>		
Cost per job	Net permanent job creation	10-30
Cost per assisted enterprise	Average gross cost per enterprise assisted	10-30
Focus on access to finance	business survival help	20
	Finance for high risk projects or more favourable terms/conditions	
	Business Link branding	20
<i>Measure 1.3: Raising SME Performance</i>		
Cost per job	Net permanent job creation	10-30
Cost per assisted enterprise	Average gross cost per enterprise assisted	10-30
Focus on raising SME performance	Minimum offer of one day's consultancy to targeted SMEs	20
	Specific elements to reduce difficulties in introducing new ways of working	20
	Business Link branding	20
<i>Measure 1.4: SME Development through markets</i>		
Cost per job	Net permanent job creation	10-30
Cost per assisted enterprise	Average gross cost per enterprise assisted	10-30
Focus on SME development through markets	Minimum offer of one day's consultancy to targeted SMEs	20
	Active targeting of SMEs to promote opportunities	20
	Business Link branding	20
<i>Measure 1.5: Facilities for SMEs</i>		
Cost per job	Net permanent job creation	10-30
Cost per unit of output	Average gross cost per sq metre of training infrastructure and equipment for training per trainee	10-30
Focus on facilities for SMEs	Training provision to enable new training technologies/methodologies for beneficiaries	20
	Enhanced access for SME employees and unemployed of targeted communities	20
	Facilities which have a minimum of 60% usage by beneficiaries	20

In programmes with Structural Fund-specific decision-making channels, the identification of core criteria for the whole programme can help to simplify the overall decision-making framework. For this reason, in *Bergslagen*, after the first couple of years of project selection experience, debate was focused by the Decision Group on identifying core criteria for use across all projects. Measure-specific criteria are still valued, however, (eg. in *North Jutland*) in

facilitating the more detailed and focused assessment of projects, taking into account quality issues which are specific to a given field.

In programmes relying on domestic decision-making circuits for delivery, the definition of core criteria to be applied across the whole Structural Fund programme can help to make the European dimension of a very fragmented decision-making system more visible and transparent. These core, common criteria would tend to be the basic EC eligibility criteria. Under each measure and scheme, the relevant competent authority would then also be applying its own set of criteria (influenced to a greater or lesser extent by SPD-related 'quality' criteria, and in some cases, eg. *Italy*, approved for use for Structural Fund decision-making by the Monitoring Committee).

5.6.2 *Transparency of selection criteria*

In most regions, it is difficult to compile a comprehensive picture of the selection criteria actually used to select Structural Fund projects. Indeed, in some cases, where a large number of competent authorities take or prepare decisions, not even the Structural Fund programme manager is necessarily fully aware of how every competent authority reaches a judgement on which projects should receive Structural Fund co-financing and how much.

As the core programming document, the SPD tends only to illustrate the main selection criteria used by the relevant competent authorities to select projects for Structural Fund co-financing, even where the SPD is the primary source of guidance. In terms of selection criteria being explicitly set out in programming documents, this was not always the case in the 1994-96 programmes, nor in the 1997-99 ones, although coverage had undoubtedly improved in this second phase. This situation is likely to improve in the new round given that one of the recommended allocation criteria of the performance reserve fund is the proportion of projects selected using explicit selection criteria.

The criteria applied can also be changed over time as the programme progresses and the system is refined, in some cases to adjust the flow of projects coming forward (see *PACA* example below). Changes to selection criteria would tend involve adjustments to the detail of their definition, rather than wholesale change.

CHANGING SELECTION CRITERIA TO MANAGE THE FLOW OF APPLICATIONS

PACA

In *PACA*, *quality criteria* have not been introduced to help arbitrate between different but similar projects when demand has been high for a given measure. Programme managers see it as fairer simply to adjust the eligibility criteria to stem the flow of applications, making use of what could be termed pre-application or anticipatory criteria. Changing the rules to alter the projects coming forward when they see a potential problem developing effectively closes the door to certain types of projects, so that they no longer even get to the full appraisal process. The following examples illustrate this.

- To admit more projects where demand is high, the maximum size of grant available has sometimes been reduced.

- Under the old 5b programme, some EAGGF measures were defined very widely. When demand became too high (due to very high application rates in one of the five *départements*), stricter criteria were agreed, cutting out some types of project. The main partners met to agree what to limit and setting new conditions eg. that investments for equipment of general use (eg. tractors) would not be co-funded, and reducing maximum award sizes.
- Measure 1.4 in the last Objective 2 programme used a lot of resources to support people for half-time training and half-time work experience. This was not seen to be very effective, so will be excluded from the project possibilities in the next round.
- Under technology measures in future, actions and equipment will be favoured over the construction of buildings and facilities.

Where changes take place during a programming period, they are approved by the Monitoring Committee and then integrated into the programming document. The aim is usually to ensure that the amount of funding available broadly matches the quantity of projects coming forward - without ever having to reject projects which in theory are eligible. If demand grows, and allocating more resources to the measure is not seen as appropriate, then the rules are changed to exclude the least effective (or least cost-effective) types of project. Applicants appear to accept rejection on the basis of changed rules more easily than rejection on the more subjective basis that they are theoretically eligible but for some reason not of sufficient quality compared to other projects.

6. INTEGRATING THE TRANSVERSAL DIMENSIONS

The details of project selection systems elaborated. However, a recurrent theme in discussions with programme managers has been the need to respond explicitly to the Commission's policy priorities through selection systems, and notably to ensure robust responses to the issues of employment generation, innovation, information society, social exclusion, gender mainstreaming and sustainable development.

There is widespread uncertainty about the best way forward. Some programmes include plans to strengthen the equal opportunities criteria, eg in *Flanders*, although the details have not yet been worked out. Changes to selection systems are likely in *Finland* to respond to social exclusion and the new urban dimension of Objective 2. In *North Jutland*, where discussions are more advanced, several changes are proposed, although the details of operationalising them have not yet been determined. They include:

- increased emphasis on employment, both due to the Commission's agenda, and partly as a result of past experience with controversial applications involving redundancies;
- increased emphasis on innovation, to improve the quality of projects and the impact of the programme;
- a new focus on information technology (IT) rather than new technology in general (also because of the award of a large national IT programme *Digital North Jutland*); and
- an extension of the idea of 'environment' to include the working conditions within the firms supported.

Specific guidance on responding to the Commission's agendas is available from several sources, including the Commission's own technical papers. For example, improved prior appraisal of telecommunications projects is proposed in Technical Paper 2 *Information Society and Regional Development ERDF Interventions 2000-06: Criteria for Programme Investment*, which provides a suggested list of criteria against which to judge projects.

The following sections examine selected responses to integrating sustainability and gender mainstreaming into the project selection stage of programming.

6.1 Project selection – the sustainable development dimension

The appraisal of environmental projects has improved over successive programming periods. However, the appraisal of *all* projects for their potential environmental implications has developed more slowly. At the same time, the concept of environmental protection has evolved into a more rounded idea of 'sustainable development', including environmental, economic and social dimensions, requiring more all-encompassing solutions to project appraisal.

Both *Eastern Scotland* and *Nordrhein-Westfalen* were involved in EU-funded projects to research aspects of sustainability and to seek improved ways to apply these concepts in programming. Both exercises led to proposals for improved project selection based on core sustainability criteria. The *Eastern Scotland* example is summarised below.

SUSTAINABILITY CRITERIA IN EASTERN SCOTLAND³⁴

In order to ensure that the Objective 2 programme could deliver on its sustainability commitments across all interventions, an exercise was undertaken in *Eastern Scotland*, funded by DG Regio, to develop **core sustainability criteria** to support project selection.

Guidance was then written to ensure that the selection criteria were meaningful to all programme actors, and would thus be followed through into programme implementation. This was addressed to project applicants, advisory group members, the 2000-06 programme plan team and the programme management team.

The guidance defined sustainable development as adding value to Structural Fund programmes whose primary objective has until now been economic, by: '*securing the benefits of protecting and enhancing the environment and...ensur[ing] that all groups and individuals have the opportunity to participate in, and benefit from, the regeneration effort*'.

It went on to present the 12 core criteria and to explain what they meant in practice, with examples of:

- (i) ways in which projects could be presented to demonstrate their responses to the criteria;
- (ii) project features which would fit well with the criteria; and
- (iii) UK sources of further information and guidance.

The twelve core criteria being used to appraise all projects are as follows:

- **Net additional jobs:** assessment of additional jobs created and safeguarded.
- **Evidence of demand:** assessment of the quality, validity and robustness of market research and/or evidence of market failure justifying the intervention.

³⁴ For further details see: ESEP (1998) *The Sustainable Development Project*, Eastern Scotland European Partnership, Dunfermline, available electronically at: <http://www.esep.co.uk/esep001.pdf>.

- **Leverage:** assessment of the extent to which grant aid is essential to the project, and how effective it has been in leveraging funds from other sources, especially the private sector.
- **Infrastructure impact:** positive impact on regional infrastructure including: (i) use of serviced and brownfield sites; (ii) re-use of buildings; (iii) sites adjacent to settlements and/or public transport; and (iv) using or developing existing services.
- **Resource efficiency:** positively addressing one or more of: (i) efficient procurement and use of water, energy, raw materials and other inputs; (ii) minimisation and management of waste; (iii) development of greener products, services, technologies and processes; and (iv) recycling and environmental monitoring.
- **Environmental impact:** contribution of infrastructure and revenue projects to the enhancement or protection of the environment, or minimisation of negative impacts.
- **Access and opportunity:** active promotion of the full and equal participation of individuals and social groups in the local economy, eg: (i) ensuring there are no physical constraints preventing access to opportunities, eg. transport; (ii) using active labour market policies to create favourable conditions; (iii) positively tackling the more subtle forms of discrimination and exclusion; (iv) providing a supportive learning and working environment, including through adequate provision of care for dependants.
- **Local added value:** ability to generate local added value through, for example: (i) productive linkages between local employers and trainers or SMEs and R&D centres; (ii) support for local sourcing and diversification initiatives; (iii) assistance for activities promoting local support, such as extending the tourism season; and (iv) active support and participation of the local community in project design and implementation.
- **Capacity building:** addressing identified deficiencies in the local economic and social infrastructure, local organisational competencies and workforce competencies constraining growth and development.
- **Social inclusion:** integration of disadvantaged communities into mainstream activities, including enhancing access to opportunities elsewhere in the programme area.
- **Strategic integration:** direct linkages and coherence with other related activities and strategies (local, national and European).
- **Durability and feasibility:** ability to become self-sustaining over time, assessment of feasibility and risks, capacity of applicants to deliver and sustain the project.

6.2 Project selection - introducing gender mainstreaming

Gender mainstreaming is an increasingly established theme of Structural Fund programming, but requires practical ways to operationalise it and make it meaningful in the context of Objective 2 interventions. For example, equal opportunities is not relevant to every project, and should not be forced into project design where this is the case. As ever, responding at all phases of the programming cycle is the most promising way to fully integrate the issue into outcomes.³⁵

The Commission's Technical Paper 3 on gender mainstreaming explicitly addresses how to take the issue forward into programme design and then delivery. The EC's guidance includes information on 'classifying and

³⁵ Bachtler J and Taylor S (1999) *op. cit.*

selecting projects to ensure quality'.³⁶ suggesting that projects should undergo a check to place them into one of three categories:

- *equality positive*: interventions whose specific aim is to improve equality between women and men;
- *equality oriented*: general operations making a clear contribution to gender equality objectives; and
- *equality neutral*: general operations not contributing to gender equality objectives.

The aim of using this classification is partly to structure the responses to different projects, triggering further work on equality-oriented and neutral projects to check whether their gender relevance could be improved. It is also intended to enable the overall portfolio of projects to be monitored at a very basic level for the extent and depth of their gender responses.

Programme managers require practical 'gender impact assessment' methods, provide analytical tools for both project applicants and appraisers enabling projects to be identified as equality-positive, equality-oriented or neutral. Several initiatives are already underway to develop filters for various contexts, but this work is by no means complete.

While projects should be assessed for their gender implications, parallel work to identify how 'mainstream' (ie. non-gender positive) projects can be made more equality-oriented is needed. Effort can then be concentrated on promoting projects with these dimensions. The following table, developed in the course of EC-funded research into the application of the gender mainstreaming principle,³⁷ illustrates how projects of different types can contribute to the equality agenda. It identifies how several types of project (infrastructure, physical regeneration, etc) can be designed to reduce inequalities between women and men in four key areas: employment; training and education; enterprises and the reconciliation of work and family life.

Under business development, *gender positive* initiatives would include those promoting entrepreneurship among women (eg. in Germany), increasing the recognition given to the contribution of spouses to micro-SMEs (eg. in *Aquitaine*) or facilitating the return to work of people who have taken a career break.

³⁶ CEC (2000) Mainstreaming Equal Opportunities for Women and Men in Structural Fund Programmes and Projects, The New Programming Period 2000-2006: Technical Papers by Theme, Technical Paper 3, DG Regio, CEC, March 2000.

³⁷ Braithwaite M (1999) *Mainstreaming Equal Opportunities in the Structural Funds: How Regions in Germany, France and the United Kingdom are Putting into Practice the New Approach*, Final Report prepared for DG Regio, based on the Gelsenkirchen Conference 21-22 January 1999.

Table 6.1: Strategy for achieving reduced inequalities between women and men

Employment	Training and education	Enterprise	Reconciliation of work and family life
Transport infrastructure (systems and networks)			
<ul style="list-style-type: none"> Improved employment opportunities for women in transport sector, particularly at policy and management levels. 	<ul style="list-style-type: none"> Improved equality of participation of girls and women in education and training courses relevant to transport sector professions. 	<ul style="list-style-type: none"> Improved access by public transport to enterprise support services. Improved rates of female business creation in the transport sector. 	<ul style="list-style-type: none"> Improved transport access to employment opportunities, services and education and training by women and men.
Telecommunications and IT			
<ul style="list-style-type: none"> Improved equality of opportunities in the IT sector, particularly for women at higher professional levels. 	<ul style="list-style-type: none"> Improved participation of women relative to men in IT training courses, particularly at higher skill levels. 	<ul style="list-style-type: none"> Improved rates of female-owned businesses in telecommunications and the IT sector. 	<ul style="list-style-type: none"> Improved opportunities for telework by women and men, including fair pay and conditions.
Research, development, technology and innovation			
<ul style="list-style-type: none"> Reduced disparities in female/male participation in research projects, particularly as managers. 	<ul style="list-style-type: none"> Improved participation of women in technology and innovation training actions. 	<ul style="list-style-type: none"> Improved rates of new technology business creation by females. Improved rates of use of R&D and innovation support services by female-owned businesses. 	
Small- and medium-sized enterprises (SME)			
<ul style="list-style-type: none"> Improved employment opportunities for women in the SME sector. 	<ul style="list-style-type: none"> Improved access to training opportunities for women leading to self-employment and enterprise. 	<ul style="list-style-type: none"> Improved use by women of SME support services, including financial support. Reduced gender disparities in business start-up rates. Improved turnover, profitability and survival rates of female-owned businesses. 	<ul style="list-style-type: none"> Improved access to care support services for dependants. Improved access to local services (home delivery, etc). Improved opportunities for flexible and tele-working.
Urban development			
<ul style="list-style-type: none"> Improved equality of participation of women in community development, particularly in decision-making and as project managers. Improved participation of women in urban planning. 	<ul style="list-style-type: none"> Improved equality of participation of women and men in training opportunities created as a result of urban development initiatives, particularly in sectors with marked gender segregation. 	<ul style="list-style-type: none"> Improved access to self-employment and enterprise support facilities and services. 	<ul style="list-style-type: none"> Improved urban environments which are safe and secure for women, men and children from different cultural and ethnic groups. Improved access between living, working and service areas in urban areas. Improved accessibility to services, in particular to care support for dependants.

Employment	Training and education	Enterprise	Reconciliation of work and family life
Rural development			
<ul style="list-style-type: none"> • Improved equality of access to employment opportunities, through support for transport initiatives and care and replacement services. • More equal participation of women and men in rural development, particularly in decision-making and as project managers. 	<ul style="list-style-type: none"> • Improved equality of choice and participation in training opportunities, through flexible learning and support, transport initiatives and care and replacement services. 	<ul style="list-style-type: none"> • Improved status of rural women, particular of assisting spouses in farm and family businesses. • Improved rates of ownership of farm and other businesses by women. 	<ul style="list-style-type: none"> • Improved transport, care and replacement services.
Human resource development			
<ul style="list-style-type: none"> • Improved equality of opportunity for women and men returning to work after a break to re-enter employment at or above the level at which they left. 	<ul style="list-style-type: none"> • Improved equality of choice of vocational education and training subjects and courses by unemployed and employed women and men. 	<ul style="list-style-type: none"> • Improved equality of access to enterprise and self-employment training. 	<ul style="list-style-type: none"> • Improved access to care support services.

Source: Braithwaite (1999)

Generating *equality-oriented* business development projects is a difficult area. Gender-neutral projects are likely to be numerous: gender issues are not directly relevant to the detail of the design of many business development projects (for example many investment and consultancy projects, and training initiatives in existing firms), and the scope to impose gender elements on the design of projects is limited. The following examples explore some of the options which could enable business development schemes to increase the *equality-oriented* projects coming forward and the overall contribution of these schemes to equality outcomes. The options target the Structural Fund programme design stage and the practices of scheme managers.

GENDER MAINSTREAMING AND BUSINESS DEVELOPMENT:

RESPONSES AT THE PROGRAMME DESIGN STAGE

- include scope for equality-positive business development schemes in the Structural Fund programme to balance the gender-neutral ones; and
- encourage the identification of ways in which more business development initiatives could include more gender-oriented responses.

RESPONSES BY SCHEME MANAGERS

Business development scheme managers can respond in two ways to the gender mainstreaming agenda: (i) addressing the design of single projects; and (ii) ensuring that the portfolio of EU co-financed projects reflects the gender profile of the overall population of target businesses.

- (i) Applicants can be influenced in three ways.
 - **Using the application process to open a dialogue with firms about equality issues, so raising awareness.** Project development advisors working with applicants in the design of their projects would explore the potential for equality-oriented dimensions. Project advisors may need to be equipped with special expertise to do this, working through one-to-one support, workshops and seminars.
 - **Introducing the application of an equal opportunities assessment as a blanket ‘entry criteria’.** Here, relevant authorities would only accept project applications where equality issues had explicitly been considered - even if the outcome was that the project was shown to be equality-neutral. In the last round of programming in Wales, answers to two core questions were requested as the minimum response from project applicants across the programme: (i) does your organisation have an equal opportunities policy? (ii) illustrate how your project has taken into account the specific needs of women and men.³⁸ The ability to request that organisations have an equal opportunities policy in place depends on the national legislative context, but it is a valuable way to ensure that firms are (at least) meeting their minimum legal obligations before becoming eligible for public co-financing for a development project.
 - **Offering modulated grant rates as an incentive to change project design.** Where it is possible for projects to take equality issues into account (and this is by no means universal), applicants can be encouraged to integrate gender elements into project design by offering higher rates of award. This approach, highlighted by the Commission in the Framework Regulation, requires selection criteria that clearly set out what is sought from projects in a way that can meaningfully be translated into project design. Higher awards to selected projects can only be credible where the necessary back-up is in place, including verification that commitments are realistic, monitoring to ensure that they are delivered, and clawback for non-delivery.
- (ii) Active management of the portfolio of projects.
 - **Actively monitor the profile of firms applying for support to verify that the population benefiting is balanced.** If the gender profile of the firms supported by a given scheme does not reflect the overall gender profile of the target population of firms, ie. effectively if the under-represented group is under-represented, then action should be taken to generate a more balanced group of applications or to explain the imbalance. This could relate, for example, to the gender breakdown of SME managers. It may be that the scheme requires further, more targeted project generation efforts or adjustment to become more appropriate to under-represented firms.

7. CONCLUSIONS

The aim of this paper has been to analyse the processes of project generation, appraisal and selection across the EU. It has reviewed the evolution of Structural Fund project selection systems to date and discussed the main differences between funding allocation mechanisms for the Structural Funds among EU countries. Contrasts were made between those countries that use domestic funding systems, subsuming EU project selection within the selection procedures for national policy programmes, with those Member States that have established distinct and separate EU funding allocation systems. The paper then considered in detail the approaches to project generation, application, appraisal and selection, highlighting processes,

³⁸ Fitzgerald R (2000) *Toolkit for Mainstreaming Equal Opportunities in the European Structural Funds*, Equal Opportunities Commission Scotland and HERA 2001, available electronically at <http://www.wsep.co.uk/download/newsdocs/Toolkit%20Jan%202000.doc>.

structures, criteria and outcomes. This final section draws together the main issues to emerge from the paper.

Fundamental change or adaptation at the margin

The paper has illustrated a range of changes to project appraisal and selection systems among EU countries. These are driven by various pressures, such as changing regulatory and Commission requirements, perceived weaknesses in previous systems and a desire for more streamlined and transparent systems (see also below). The experience and expertise of programme managers and partners has increased and there is common concern with improving funding allocation mechanisms.

Trade-offs between administrative simplicity and strategic coherence

There is a basic difference in the fundamental approaches to project selection between those countries using domestic project-selection systems for EU project selection and those Member States that have established separate systems for EU project selection (although the difference is not always clear cut). There appears to be a trade-off between, on the one hand, the administrative simplicity offered by using domestic systems, and on the other hand, the strategic coherence and visibility of EU funding offered by separate systems. Overall, differentiated systems tend to be relatively less efficient in that they involve the creation of additional structures and procedures, but this also means that they are more easily made transparent. The opposite is true for subsumed systems.

Different project application systems

Project generation and application varies greatly across the EU. In some cases, projects are largely 'pre-selected' as part of the programme development process, whereas in others, programme implementation is open for any partner to submit a project application, each being treated on its merits. An intermediate approach is to use mechanisms such as 'packages' or 'action plans' through which multiple projects relating to a specific sector, area or measure can be generated (and possibly selected) in a more strategic and co-ordinated manner. Experience suggests that different project generation systems are appropriate for specific types of programme action. For example, the grouped approach to approving a package of multiple projects appears to be particularly relevant to community economic development, where there is a need to have simple and rapid decision-making systems for numerous small projects.

Pro-active project generation

One of the common features of Member States appears to be a greater commitment to generating projects pro-actively, with a view to interacting more with (potential) project applicants and developing better quality projects. A range of different mechanisms is in use or proposed eg. media coverage, applicant seminars, information dissemination, client managers, support for project development. There is no simple most effective way of generating programme awareness and project quality. However, it is increasingly recognised that pro-active approaches to project operation, involving face-to-face contact between programme managers and applicants, are more likely to be successful than passive methods. This applies in particular to the newer

types of measure (eg. soft aid) and ensuring awareness, understanding and compliance with requirements of the horizontal themes and monitoring obligations.

Methods of project appraisal and selection

The processes of project appraisal and selection have several common features regardless of institutional context. However, there are also big differences between countries in the stages of project appraisal/selection, the balance between technical and political influences on the selection process, and the use of scoring systems. In some cases, the EU and national funding is decided together; in others, the applicants have to apply to each funding source separately. Appraisal and selection may be undertaken by a 'competent' national agency or a programme secretariat; it may involve the use of independent experts or programme partners in the selection process. The selection of projects may involve 'yes/no' appraisal or it may involve a complex scoring, weighting and ranking of projects on the basis of a range of criteria. There are advantages and disadvantages of different processes: quantification introduces rigour and systematicity into the process but, ultimately, all systems rely on subjective judgement.

Streamlining, transparency and strategic coherence - common challenges for project selection in the new programming period

A key concern of partner regions is the streamlining of project selection systems to increase the speed of project decision-making and reduction in the complexity and cost of personnel inputs, committee time etc. A further trend is the desire for greater transparency in decision-making, partly to enable programme managers to get a better overview of the allocation system and partly to increase awareness among applicants. Programme managers are also seeking to achieve more strategic resource allocation so that projects supported under EU programmes add up to more than 'the sum of their parts'.

Using selection criteria

Appraisal and selection systems involve a mix of different criteria at different levels. Eligibility criteria are universal, applied to every project to determine the basic qualification for funding. Entry criteria, though rare, are used to insist that projects must reach a minimum standard on specific issues (eg. sustainability) in order to enter the system. Quality criteria are also used to highlight desirable features of projects, such as employment or technological impact. Programmes often have hierarchies of core programme criteria and priority-specific or measure-specific criteria. Not all the criteria are necessarily transparent and, in some cases, they may evolve over time in response to the flow of project applications and the availability of funding under different parts of the programme. Increasingly, selection criteria are at the heart of the debate as to how best to respond to the horizontal or transversal dimensions of employment generation, innovation, information society, social exclusion, gender mainstreaming and sustainable development.

Project appraisal and selection as part of the programming process

Trends in programming over the past decade suggest that programme delivery is moving towards a more holistic and strategic approach, in the form of a 'virtuous circle of programme delivery' whereby programme managers and

partners see the programming cycle as a continuum (see Figure 2.1). In this idealised model, the processes of project generation, appraisal and selection are closely linked with other parts of the programming process. However, given the resource constraints of programme managers, the institutional fragmentation of programmes (in some countries) and the administrative pressures of delivery, this ‘virtual circle’ is not always realistic and will take time to achieve.

Role of the Commission

In the field of project appraisal and selection, the Commission has had a largely ‘hands off’ role - with the exception of certain countries such as the UK and Belgium. Although project selection systems are largely determined by national legal and administrative practices and systems, there is evidence of growing innovation and experimentation with project selection systems in many EU countries. The Commission is ideally placed to have an overview of ‘good practice’, experiments and distinctive ideas, and it could do more to facilitate learning in this area - for example, through advice, guidance papers, exchange-of-experience seminars.