

## Welcome to the 13th issue of the IQ-Net Bulletin

As the 2007-13 programme preparations are finalised, it is gradually becoming clearer how Structural Funds will be spent over the next seven years. Comparative research on the National Strategic Reference Frameworks and Operational Programmes, undertaken through IQ-Net, suggests that the new period will see a significant shift in the allocation of resources.

Greater emphasis is being put on areas such as R&D, innovation, entrepreneurship, the information society and human capital. There is also evidence of stronger synergies between environmental protection and growth, with more attention being given to investment in environmental technologies and renewable energy sources. However, meeting the 'earmarking' targets has not always been straightforward for Member States, and the shift away from traditional aid targets has sometimes been contentious.



Glasgow Riverside

The new 'strategic approach to cohesion' has generally brought a more coherent and coordinated approach to strategic planning. In some countries, the NSRF is the first time that a national-level strategic document for economic development has been produced; in others, it has been used to promote more integration across a range of spatial policies. Less clear is how strongly the NSRFs will be linked to the National Reform Programmes. While some Member States have demonstrated coherence between the two sets of strategic documents, in other cases the strength and coordination of the links are questionable.

Management and delivery structures are also changing. The new Member States are expanding administrative capacity to cope with a major inflow of funding, with the challenge of having the necessary systems and staff in place for the launch of the

programmes. There is a trend towards regionalising management responsibilities in some countries – notably Greece, Poland, Portugal and Spain – with a larger number of regional OPs and/or resource allocation decisions being made at sub-national levels. By contrast, in countries where Structural Funds resources are decreasing, management structures and systems are being rationalised (for example, Belgium, the Netherlands, Sweden and the UK) to reduce administrative costs but also to allow more strategic prioritisation.

These issues have dominated the IQ-Net agenda over the past 18 months. Across four conferences – in Strasbourg, Glasgow, Antwerp and Magdeburg – the IQ-Net Network has been monitoring and discussing the development of the new programmes. IQ-Net reports have provided an overview of the emerging strategies, the objectives, and priorities of the NSRFs and OPs and latterly the management and implementation arrangements. IQ-Net partners have been able to share experiences on the challenges of programming and gain new insights into the use of Structural Funds in the 2007-13 period.

The Glasgow IQ-Net meeting in June 2006 marked the 10th anniversary – and 20th meeting – of the Network. It was celebrated with an international conference attended by over 100 delegates from 24 countries, and with a Keynote Speech from former DG REGIO Director-General, Graham Meadows.

All of the recent activities of IQ-Net are described in more detail in this Bulletin, with extracts from some of the IQ-Net reports and summaries of the IQ-Net Conference discussions. Further details are also available from the IQ-Net website:

[www.eprc.strath.ac.uk/iqnet/](http://www.eprc.strath.ac.uk/iqnet/)

Looking to the future, IQ-Net is launching a fourth phase of activity, running from 2007 to 2010. New partners, from Managing Authorities at national or regional level throughout the EU27, are welcome to join us in exchanging experience with the aim of improving the quality of Structural Funds programme management.



Professor John Bachtler

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## Bringing the 2000-06 programmes to a close

At the end of last year, the 2000-06 Structural Funds programmes reached the end of their formal programming period. However, work on the programmes is far from finished, with funds continuing to be paid out, and (under many programmes) also being committed in 2007 and 2008. The main focus of Managing Authorities has shifted to the financial, strategic and administrative implications of the 2007-13 programmes, but significant challenges remain for many of the 2000-06 programmes, particularly in ensuring the full absorption of Structural Funds resources.

### *Financial absorption*

Data at the level of the EU-25 show satisfactory levels of financial absorption across Member States for the 2000-06 programmes. The highest rates of absorption were in Austria and Ireland, and the lowest levels in the new Member States, whose programmes did not start until July 2004. Spending in the new Member States increased strongly during 2006, particularly in Malta, Hungary and Poland. Among the EU-15 Member States, Greece, Luxembourg and the Netherlands have the lowest absorption rates.

This picture was broadly similar for the IQ-Net partner programmes at the end of 2006. In most, payment rates were on track, with several programmes having formally closed measures. Others still had relatively low levels of payment (e.g. 50-60 percent) and will face ongoing challenges in the next two years. Some Managing Authorities foresee possible difficulties with the n+2 rule either in 2006 or in 2007-08, although none expect to see the de-commitment of significant funding. Problems with financial absorption include delays in implementing major projects, the structure of interventions, the provision of domestic co-financing, and institutional challenges.

### *Actions targeted at increasing absorption*

A standard response to difficulties with financial absorption is to reallocate funds between interventions. The deadline for shifting resources between priorities and Funds was 31 December 2006 and most IQ-Net partners had therefore reallocated funds between different programme components during 2006; in many cases, the amounts of funding moved were limited and at measure level only. Problems with financial absorption also led some authorities to focus more strongly on monitoring and target-setting activities, or to make greater use of financial monitoring systems as a means of checking spending progress and triggering intervention by Managing Authorities in certain measures or priorities. Unforeseen delays at project level are not unusual problems for many programmes. Although project selection

systems may be sophisticated, there is always a risk that projects do not perform as anticipated. Because of this, a number of partners now develop lists of reserve projects or 'overbook' funds under certain measures, as part of their standard approach to programming. Investing in project 'after-care' has also been a feature of the last programme period in order to keep better track of project progress.

### *Programme closure*

The closure of the 2000-06 programmes has involved more forward planning than in previous periods. In part, this has been driven by the lessons from the last phase of programme closure which (in some cases) became protracted and complicated. Closure planning has been helped by better financial management and monitoring systems; some Managing Authorities have also issued guidance and advice to programme managers. Additional staff have sometimes been recruited (using Technical Assistance) specifically to work on programme closure activities. Most important has been the enhanced communication with intermediary bodies and project-holders to ensure that the implications for closure are fully understood and that project and programme deadlines are respected.

### *Celebrating the programmes*

Finally, for some EU15 regions, the closure of the 2000-06 programmes represents not just the finish of a programme period but the 'end of an era' of region-specific Structural Funds support. With new management and delivery arrangements being introduced in Belgium, Scotland and Sweden for the 2007-13 period, some of these regions are planning events to celebrate the achievements of Structural Funds programmes. For example, the Vlaanderen' Kempen region is preparing a publicity campaign aimed at highlighting the achievements of the sub-programme, and Strathclyde European Partnership organised a 'legacy' event to highlight the contribution of Structural Funds programmes in Western Scotland over a 20-year period.

This article is based on the IQ-Net paper presented at the Antwerp conference in January 2007 – "The End of the Formal Programming Period for 2000-06 – Review of Programme Developments: Summer-Autumn 2006" by Sara Davies and Tobias Gross, IQ-Net Review Paper No 19(1), EPRC, Glasgow. [www.eprc.strath.ac.uk/iqnet/reports.cfm](http://www.eprc.strath.ac.uk/iqnet/reports.cfm)

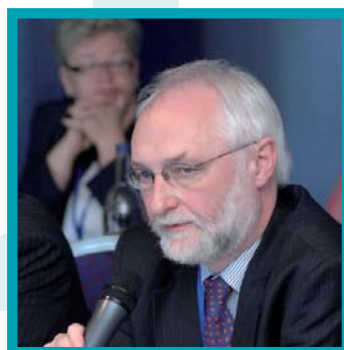
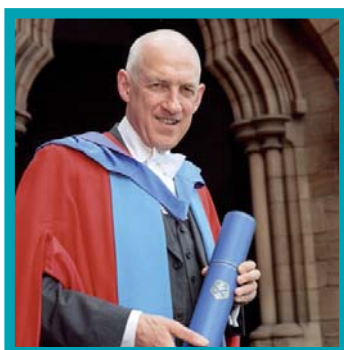
## Ten years of IQ-Net

Ten years of networking between the IQ-Net partners were celebrated in Glasgow in June 2006, with a conference at Hampden Park Football Stadium, home of Scotland's national football team. Back in February 1996, IQ-Net was established by the European Policies Research Centre (EPRC); its aim was to help to improve the delivery of Structural Funds by enabling programme management secretariats to share information on best practice and innovative ideas. Meeting twice a year in different partner regions, and supported by EPRC research, IQ-Net has provided a forum for exchanging experience on issues such as programme design, partnership, project selection, publicity and communication, monitoring, evaluation and many other themes. IQ-Net is now recognised as one of the leading regional networks in the EU, and its reports are regularly used by the European Commission, most recently in the DG REGIO guidance for the 2007-13 programme period.

The tenth anniversary of IQ-Net was celebrated with the return of the network to Glasgow for its 20th meeting, complemented by a major, international 'Anniversary Conference', organised by EPRC and Strathclyde European Partnership, to bring the experience of IQ-Net

partners to a wider audience. Opened by the Scottish Executive Deputy Minister for Communities, the Conference provided an opportunity for speakers from the European Commission (DG REGIO, DG EMPL), Poland, the Czech Republic, Hungary, Italy, Greece, Finland, Germany, France, Spain and the UK to discuss the thinking underlying the emerging National Strategic Reference Frameworks and future support for both Convergence and Regional Competitiveness & Employment programmes. The Conference was attended by over 100 delegates from 24 countries.

The keynote speaker at the Conference was the Director-General of DG REGIO, Graham Meadows. He set out the ambitions for EU Cohesion policy over the 2007-13 period, emphasising the importance of using Structural Funds to generate real 'added value' to ensure that the longer term future of Cohesion policy is assured. Graham Meadows' visit to Glasgow was also an occasion for his long-standing commitment to regional development to be recognised with the award of an Honorary Doctorate by the University of Strathclyde. In a presentation to the University Degree Congregation ceremony, Graham Meadows was described as *"a leading figure in European regional development, a strategic thinker and communicator, who has had a major impact on the direction of European policy-making over the past 30 years"*.





## The new programme period: The status and strategies of the 2007-13 programmes

The past 18 months has been dominated by programming for the 2007-13 period. Strategic thinking and planning has been under way in some Member States since late 2004 and early 2005, but accelerated following the budget agreement at the December 2005 European Council. National and regional authorities have now, for the most part, finalised and submitted their National Strategic Reference Frameworks and Operational Programmes, although at time of writing only a small number of the OPs had actually been adopted by the European Commission. The following article reflects on the experiences of programming over the past year or so, and assesses the content of the NSRFs and OPs.

### *National Strategic Reference Frameworks: different routes of strategic planning*

For the most part, the NSRFs were drawn up in the course of 2006 with the first documents being submitted to the Commission at the end of the year by Austria and Latvia, followed by Malta, Hungary and Denmark; the remainder were submitted by early March 2007.

Member States took various approaches to developing the NSRFs: some were drafted within central government, others by regional authorities and many by a combination of the two. In some countries, the concept of a national framework for Cohesion policy is not problematic, especially where a National Development Plan or national spatial strategy already exists. For others, it has proved to be more difficult, particularly in federal countries where the national government does not have responsibility for regional policy.

As part of their NSRF preparations, many Member States carried out detailed analyses of strategic development needs and undertook extensive consultation across policy sectors and with regional actors. This applied mainly to those countries receiving substantial transfers through Structural and Cohesion Funds and also, to a certain extent, to Member States whose receipts are on a smaller scale. In some Member States – notably Austria, France, Italy and Sweden – the NSRF process was used to create or update their own national economic development strategies or plans to provide more policy coherence between EU and national policies for regional development.

There have also been varied approaches to the inclusion of partners in strategy development. Some countries put out drafts for partner consultation; some created national and/or regional

working groups; others utilised conferences, seminars, hearings and workshops; and a few used external consultants. More targeted and technocratic inputs tended to be associated with limited amounts of funding. Some questions have been raised about the usefulness of partner inputs, given the short timescales involved and the difficulty in retaining strategic focus in the face of diverse inputs.

### *NSRF objectives: the language of Lisbon*

Although all of the NSRFs have been drafted using the 'language of Lisbon', many of the frameworks make only general references to the National Reform Programmes, and the inter-relationships between the two documents are often limited. The objectives of the NSRFs are universally phrased in the 'language of Lisbon': higher and sustainable growth; a competitive economy (mainly through investment in innovation, R&D and entrepreneurship); and more employment. European convergence is an overarching goal in the case of the EU10 NSRFs, while national convergence is an important aim in the strategies for Germany, Italy and Portugal. Other development objectives stated are:

- quality of life and/or territorial attractiveness (Bulgaria, Czech Republic, Hungary, Malta, but also in Austria, Finland, Germany, Sweden and the UK);
- development of human capital and more general societal modernisation (Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Italy, Latvia, Malta, Poland, Romania, Slovenia and Spain);
- social cohesion (Bulgaria, Cyprus, Czech Republic, France, Lithuania and Portugal);
- balanced territorial development/sustainable development (Austria, Belgium, Bulgaria, Czech Republic, France, Italy, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden).

Those Member States benefiting mainly or exclusively from Regional Competitiveness funding tend to have a narrower set of goals (focusing on innovation, R&D and SME competitiveness) than the Convergence countries, whose priority is to address basic development needs related to infrastructure, business development, human capital and the environment. The EU15 Cohesion Countries, benefiting from a mix of the two funding sources, have some of the most difficult strategic planning challenges, reflecting complex maps of territorial eligibility and a combination of different development priorities.

### *Operational Programmes: setting the priorities for spending in 2007-2013*

According to the Commission Scoreboard for the new programming period, the Commission expects to receive 444 OPs for the 2007-13 period, covering 268 regions across the EU27. The Commission is required to adopt the OPs no later than four months after formal submission. At the beginning of June 2007, the Commission had

received 83 percent of the programmes (258 ERDF and Cohesion Fund OPs, out of the 327 expected, and 110 ESF OPs out of 117), corresponding to over 90 percent of the total budget. The Commission anticipates approval of all the OPs within the year (slightly delayed from the anticipated deadline of September 2007).

Among IQ-Net partner countries and regions, there was considerable variation in the timing and organisation of the OP development process. As a result, only a limited number of IQ-Net partners have entered into formal negotiations with the Commission, although informal dialogue is more widespread. The degree of influence and control exercised by national and regional authorities in the formulation of the OPs varied between and within countries. As with the development of the previous round of OPs, and the current NSRFs, three organisational approaches to programme development can be identified:

- regionalised, with high regional autonomous policy development capacity in the formulation of OPs;
- regional drafting with central coordination, involving varying degrees of regional involvement, but with central coordination of the process; and
- a top-down model, with a far greater role for central government in both general coordination and the development of OPs.

The process of formulating OPs was generally complex and interactive involving a wide array of actors at different vertical and horizontal levels. As with the formulation of the NSRFs, partnership models varied between a targeted technocratic approach involving key partners at different stages of the process to more extensive and inclusive approaches. Across IQ-Net partners, differences could be observed in the operationalisation of the partnership principle in the development of the OPs, notably in terms of the number of rounds and extensiveness of public consultations; the involvement of experts; the alignment with parallel domestic strategy partnerships; and the use of working groups.

### **The content of Operational Programmes**

From an early point in the drafting process, it was possible to identify some key trends in the overall approaches taken by a number of national and regional OPs.

Among the **EU12 (new Member States)**, OPs are being designed to spend a massive inflow of funds. Much of the funding is being allocated to national programmes for infrastructure, environmental improvement, human resources and business support. As elsewhere in the EU25, however, expenditure on innovation, research and development and ICT is expected to increase significantly over the 2007-13 programming period. Some of the EU12 will be delivering substantial funding through regional OPs for the first time, notably Poland, Hungary, the Czech Republic and Slovakia. The smaller EU10 Member States face a particular challenge in preparing a larger number of OPs than in

the past, when only a Single Programming Document had to be adopted. A number of countries also have to prepare Regional Competitiveness & Employment OPs for capital cities.

**Italy, Greece, Portugal and Spain** are all Member States with substantial funding under both the Convergence and Regional Competitiveness & Employment objectives and with major challenges of dealing with the transitions in eligibility affecting regions. The content of their OPs shows a marked shift towards Lisbon-type policy areas such as knowledge, science, technology and innovation, partly driven by domestic policy reforms also. However, reflecting the continued need to address infrastructure deficits, investment in transport and other physical infrastructure and environmental improvement will continue to receive substantial allocations of funding in the Convergence regions. Further, the strategic approach to funding in these four countries is driven by the recognition that some challenges are national and nationwide and require strong central government intervention. Notwithstanding the continued need for national EU programmes, a feature of these four Member States is the regionalisation of OPs, with implications for the capacity of regional intermediaries to take on more responsibility for resource allocation decisions.

In many other **EU15 Member States**, Cohesion policy funding is being derived mainly under the Regional Competitiveness & Employment objective. The OPs are characterised by several broad trends. First, the structure of some programmes is being rationalised. Several of the draft programmes have been drawn up with a simplified structure, often with only two priorities. Second, there is a strong focus on Lisbon objectives and interventions; indeed, in some cases the OPs have been designed around the main Lisbon priorities. Third, notwithstanding the overall Lisbon focus, there are clearly tensions between the growth-oriented requirements of the CSG and the traditional equity objective of some Structural Funds programmes. Fourth, in some programmes, resources are being targeted on 'strategic priorities'. Lastly, there is a stronger alignment of Structural Funds programmes with domestic regional policy goals and strategies, which themselves have become more focused on growth and competitiveness issues over the past decade.

### **Influence of the Community Strategic Guidelines**

The Community Strategic Guidelines (CSG) appear to have had a powerful influence on the format and content of some, though not all, programmes.

#### **• Earmarking**

For many of the EU15 Member States receiving EU funding under the Regional Competitiveness and Employment objective, the obligation to earmark at least 75 percent of expenditure has not been a problem, and several IQ-Net partner programmes will substantially exceed the target. For some programmes, the earmarking requirement involves a significant shift in expenditure priorities from the 2000-06 to the 2007-13 period. In many cases, trade-offs between Funds and expenditure categories have had to

be made. For the new Member States, earmarking is not obligatory, but most of the EU12 countries anticipate voluntary compliance with the 60 percent target. Lastly, in many programme areas it is as yet unclear how the monitoring of earmarking will be operationalised.

- **Priorities**

A second question is how the programmes have responded to the specific priorities set out in the CSG (encouraging innovation, entrepreneurship and the growth of the knowledge economy, improving the attractiveness of Member States, cities and regions, and creating more and better jobs). The most obvious impact of the CSG is the importance accorded to innovation, knowledge and entrepreneurship in virtually all programmes. Innovation is universally represented among the main themes set out for the next period and, in the case of Regional Competitiveness strategies, innovation is generally the first priority. Insofar as the OP drafts are a reliable guide to planned interventions, the programmes plan to provide support across the range of interventions anticipated by the CSG - better targeted RTD investment, support for innovation and entrepreneurship, access to finance, information society, and human capital – and broadly substantiate the Commission's assessment of the NSRFs. There are clearly differences in approach to innovation, notably between Convergence and Regional Competitiveness programmes, the latter placing more emphasis on 'softer' and systemic interventions.

There appears to be less consistency in the way that Member States are responding to the guideline relating to regional attractiveness. Several of the interventions under this heading were already an important feature of programmes, notably measures to strengthen the economic environment through investment in infrastructure and environmental improvement. In the NSRFs and draft OPs for 2007-13, the key distinction is between the Convergence or Phasing-out programmes, where investment in major and strategic infrastructure is still eligible and affordable, and the Regional Competitiveness programmes where this is largely ineligible and too costly for programme resources. In the latter case, there is a shift to transport investment in logistics hubs and platforms, travel centres, traffic management systems and transport chains. In the field of ICT, standard interventions are to improve broadband connectivity, improving the quality and reducing cost of connections and accessibility, as well as the use of electronic services (e-government, e-commerce, e-learning). Support is also planned to strengthen synergies between environmental protection and growth. A distinctive characteristic of some draft OPs is the greater emphasis placed on investment in environmental technologies and renewable energy sources.

Under the mono Fund approach to programming for 2007-13, many IQ-Net partners – most of which are responsible ERDF - are providing little direct support under the guideline to create more and better jobs. Where partners are responsible for ESF, the Convergence programmes are making (to varying degrees) major

investment in educational, healthcare and cultural infrastructure, as well as interventions to promote the adaptability of workforce and businesses, investing in human capital, improving labour market opportunities, and integrating disadvantaged people. In a few of the RCE regions, support is being provided for counselling services for potential entrepreneurs and minor training and qualification measures.

- **The territorial dimension**

With respect to the territorial dimension of programmes, the most wide-ranging responses feature in the larger programmes, particularly those receiving Convergence funding, where the new period will see a restructuring of the territorial basis for implementing some or all of the funding. At a different scale, several regions have structured their programmes to incorporate a territorial priority. Some programmes have also ring-fenced funding or specified expenditure targets for certain types of territories. Special support for urban areas is included in many programmes, notably interventions for community development; there is also an explicit or implicit urban dimension to programme strategies for innovation, entrepreneurship and the knowledge economy. The support for urban areas is sometimes part of a broader strategic approach to territorial development. Some investment is also being made in territorial governance and capacity-building.

While the focus on urban areas has been emphasised in the preparation of programme documents, other types of areas are also targeted – peripheral areas, islands and rural areas – and there are broader commitments to the reduction of regional disparities. Lastly, interregional cooperation will be strengthened by the Commission's plans to strengthen exchange of best practices in innovation and boost partnership among European regional and urban networks through the Regions for Economic Change initiative.

This article is based on the IQ-Net papers presented at the Glasgow and Antwerp conferences in June 2006 and January 2007 - "Strategic Planning for Structural Funds in 2007-13, A Review of Strategies and Programmes" by Laura Polverari, Irene McMaster, Frederike Gross, John Bachtler, Martin Ferry and Douglas Yuill, IQ-Net Thematic Paper No 18(2), EPRC, Glasgow, and "The 2007-13 Operational Programmes: A Preliminary Assessment" by John Bachtler, Martin Ferry, Carlos Méndez and Irene McMaster, IQ-Net Thematic Paper No 19(2), EPRC, Glasgow. [www.eprc.strath.ac.uk/iqnet/reports.cfm](http://www.eprc.strath.ac.uk/iqnet/reports.cfm)

## IQ-NET CONFERENCES

### *Supporting the Development of a New Generation of Programmes*

Four IQ-Net Conferences over the past 18 months have been devoted to the development of a new generation of Structural Funds Programmes. The Conference discussions have spanned the preparatory work in developing new strategic thinking (Strasbourg, December 2005), a comprehensive assessment of the National Strategic Reference Frameworks (Glasgow, June 2006), a first overview of the content and strategic shifts (Antwerp, January, 2007) and, most recently, the management and implementation arrangements for the new programmes (Magdeburg, June 2007).

In each case, the IQ-Net meetings have provided IQ-Net partners the opportunity to share experiences and views on the programme development process, and to learn from each other the challenges of the new programme period. Each meeting was underpinned by IQ-Net briefing papers, prepared by EPRC, providing insights into the spectrum of practice across the EU.

Meeting in different partner countries and regions has also given IQ-Net partners the opportunity to learn at first hand about specific regional problems and strategies. A standard part of every IQ-Net meeting is a series of project visits to see, in practice, how Structural Funds are being used in different economic development environments.

### *Developing the New Strategies: IQ-Net Conference, Strasbourg, December 2005*

Hosted by DIACT and Regional Council of Alsace in the European Parliament, the 19th meeting of IQ-Net came at the start of the programming process when most partner authorities were developing their initial strategic plans and provided insights into



Delegates at the  
Strasbourg Conference

the main themes of the strategic frameworks being developed. Conference sessions also provided an overview on the lessons to emerge from the Updates of the Mid-term Evaluations.

A study tour organised by the Regional Council gave delegates the opportunity to visit several projects implemented with Interreg III funding in the Strasbourg area. These included: the Institute Physique du Globe, a research centre on seismology; the passerelle and *jardin de deux rives*, a bridge linking the French city of Strasbourg with the German town of Kehl; Biovalley, a leading tri-national life-sciences centre, and Transgene, one of the most pioneering firms involved in the Biovalley initiative.

### *The New National Strategic Reference Frameworks IQ-Net Conference, Glasgow, June 2006:*



Held in Glasgow to coincide with the 10th Anniversary IQ-Net Conference, the 20th meeting of the Network was organised by Strathclyde European Partnership, the programme management secretariat of the Western Scotland Objective 2 SPD. The conference provided a first overview of the National Strategic Reference Frameworks across the EU27, charting both the preparation process and the key objectives and priorities of these strategic documents. Previous IQ-Net partners and current and former EPRC staff joined delegates at the conference dinner held in 'The Tall Ship' at Glasgow Harbour.

A visit to local projects concentrated on the theme of urban regeneration along the River Clyde, visiting Clydebanks and Govan, as well as the Riverside Developments. There was also a visit to the Glasgow Science Centre, the largest Structural Funds grant to a single project in Western Scotland.



Delegates at the Glasgow  
Conference



***The Future Operational Programmes, 2007-2013: IQ-Net Conference, Antwerp, January 2007***



At the 21st IQ-Net meeting, the shape of the Operational Programmes was starting to become clear. The Conference, hosted by the Agency for the Economy of Flanders, provided a first opportunity to examine the structure and content of the draft OPs, in particular the degree to which the relaunched Lisbon Agenda, with its focus on innovation, the knowledge economy and entrepreneurship, would be reflected in the priorities for the new programme period.



Delegates at the Antwerp Conference

The meeting provided several opportunities to see how the Structural Funds are being implemented in the host region, including a guided walk through Antwerp city centre, to view the ERDF co-funded regeneration investments carried out in the area, and study tour visits to the Hidrodoe, an interactive water activity centre in the Kempen area of Flanders, and Flanders DRIVE, an engineering centre offering testing facilities to the vehicle industry in the Limburg programme area.



Antwerp

***Managing and Implementing the New Programmes IQ-Net Conference, Magdeburg, June 2007***



With the 2007-13 Operational Programmes about to start, the establishment of implementation arrangements capable of ensuring effective delivery is a key concern of programme managers. This was the main theme of the 22nd IQ-Net meeting in Magdeburg hosted by the Ministry of Finance of the Land of Sachsen-Anhalt. The focus was on the new management and administration structures being introduced in partner countries and regions, with a particular interest in the systems for project generation, appraisal and selection being used to maximise financial absorption and project quality.



Delegates at the Magdeburg Conference

Partners had the opportunity to visit the Green Citadel, designed by the Austrian architect Friedensreich Hundertwasser and inaugurated in October 2005, a prime example of contemporary architecture and of how this can achieve a balanced relationship between nature, the people and the built environment – or, in the words of the artist, an “oasis for humanity and nature within a sea of rational houses”. A boat trip along the river Elbe gave delegates the opportunity to view some Structural Funds co-financed projects situated on the river banks. A study tour also visited Euroglas AG, an ultra-modern float-glass plant on the outskirts of Magdeburg, and Edeka Minden-Hannover Logistic Service GmbH, an automated warehouse and logistical centre for the storage and dispatch of packaged food and drinks.



Osterweddingen



## Translating strategies into projects: the implementation of programmes in the 2007-13 period

With the majority of Operational Programmes now submitted to the European Commission, and the first OPs beginning to be adopted, attention is shifting to the implementation of the new programmes. This is a challenging time across the EU, with major tranches of Convergence funding being spent in the EU12, new programme types in some southern EU Member States and 'whole-region' programmes under the Regional Competitiveness & Employment Objective.

Systems for implementing the Structural Funds have always been crucial to the impact of the policy. As the impact and added value of Cohesion policy come under scrutiny once again, as part of the forthcoming budget review, it is essential that the programmes are implemented effectively.

Member States have been reviewing their management and delivery systems in preparation for the new programming period. Changes to implementation arrangements will be taking place almost everywhere in response to the new budgetary and regulatory environment as well as taking account of domestic institutional or policy developments. This article examines how the implementation of programmes will change in the 2007-13 period, drawing on examples from IQ-Net partner programmes.

### THE MANAGEMENT AND IMPLEMENTATION OF STRUCTURAL FUNDS

Implementation systems are vital to the achievement of Cohesion policy goals, for the efficient delivery of quality projects and as an area where Community resources can add value. The combination of regulatory change, the evolution of economic development concepts and programming experience has led to evolution in the implementation approach through successive programming periods. Over the past 15-20 years, implementation systems have become more sophisticated, less centralized and more integrated. The concept of partnership has widened, and the involvement of the private and voluntary sectors has become stronger. Project appraisal and selection systems have become more pro-active and strategic.

However, advances in approaches to management have been uneven across time and across Member States and programmes. Important challenges include: developing better and longer-term partnerships; investing in human resources; simplifying systems and clarifying the roles of programme implementing bodies; and ensuring effective monitoring and evaluation.

Management and implementation structures vary considerably across Member States. This variation can be explained by factors such as domestic systems of regional policy governance, the scale of EU funding, the scope and orientation of programmes, and administrative experience of managing programmes.

Implementation systems are also dynamic. Across Member States, approaches to programme implementation continuously adapt and respond

to domestic reforms or the changed circumstances of new programming periods. Processes underway for the 2007-13 period include the following.

- **Decentralisation.** In some EU12 Member States in Central and Eastern Europe, the use of multi-regional Operational Programmes is being replaced by region-specific programmes. However, national governments still play a strong role, particularly in coordinating 'top-down' and 'bottom up' interventions.
- **Organisational change at central level.** In some countries, rationalisation of central government administration is evident. This is driven by reduced levels of Cohesion policy receipts, a smaller number of OPs and management and implementation bodies, and the goal of simplifying or standardising implementation systems.
- **Organisational change at sub-national levels.** Processes of rationalisation also involve changing management and implementation responsibilities at regional level. This is partly attributable to efforts to improve efficiency and flexibility in a context of reduced funding, but it is also caused by the desire to align programmes with domestic development programmes, increase the strategic overview of interventions or limit the scope for fragmentation and complexity.

The factors driving change include: reduced levels of funding; new regulations (e.g. mono-funding); new domestic regional policy reforms and fiscal or institutional constraints; the timescale over which successive Structural Funds programmes are implemented; changes to the overall strategic approach; the size and type of projects targeted by a programme or to the way it addresses a particular theme or policy area; and changes in territorial eligibility.

### ALLOCATING RESOURCES AT PROGRAMME LEVEL

Member States also differ in the way that resource allocation decisions are made at programme level. A key factor is the relationship between the decision-making system used for EU funding and that for national funding. It is possible to classify administrative systems into three categories, each with associated benefits and challenges.

- **Integrated systems.** Decisions on EU and national funding allocations are made together as part of the same decision-making process, and most Structural Funds are allocated through existing economic development administrative channels. Where the proportion of EU funding is less than the proportion of national funding, EU funding could be regarded as being subsumed or subordinated to the policy objectives and decision-making priorities of the national funding. In situations where the scale of EU funding is much larger than national funding, as in the new Member States, it could be argued that the system is integrated, but it is the EU funding which is dominant. The integrated systems approach can boost the political weight and finances of regional policy, improve the coherence of timetables and objectives, offer efficiency gains and increase the scope for transfer of innovative ideas. On the other hand, efforts to unify different systems/funds can create complexity and problems with one system/fund can spread to the other. There may also be institutional resistance to change and limits to the visibility for EU funding.
- **Differentiated systems.** Separate decision-making processes are established specifically for the allocation of Structural Funds, distinct

from the decision-making systems for national funding. This approach strengthens coherence across a programme and ensures that its strategic objectives are maintained. It also ensures good visibility and transparency of Structural Funds activities. On the other hand, establishing dedicated systems involves administrative costs, and this approach provides limited strategic overview beyond programmes. There may be less scope for diffusion of innovative approaches or exchange of experience.

- **Aligned systems.** These systems lie between the integrated and differentiated systems. Here, separate decision-making systems for EU and national funding are in place, but they operate in parallel or in some other coordinated manner. Programme implementing bodies are located within specific departments or secretariats in domestic policy bodies, funds are allocated in coordination with domestic instruments. This produces greater strategic alignment of domestic and EU policies, increases the scope for exchange of experience and offers value for money. However, there is a danger of administrative overload and problems with transparency and complexity where responsibilities are concentrated in one organisation and different funding streams are being coordinated.

### IMPLEMENTATION PRIORITIES FOR 2007-13

Programme managers across Member States have been taking stock of their arrangements for allocating Structural Funds for the 2007-13 period. Some key trends are as follows.

- **Improvements to the strategic management of programmes.** This reflects Commission requirements for a more strategic approach by Member States, increasing emphasis on the harmonization of interventions and 'value for money' considerations. A greater distinction between strategic and (delegated) operational responsibilities is emerging among Managing Authorities, and the work of Monitoring Committees in 2007-13 is anticipated to be much more 'content-based' than technical, attempting to oversee the implementation of programmes from a more strategic perspective.
- **Investment in capacity for programme delivery.** Although there are cases where reductions in funding and the reorientation of programmes are prompting a more selective approach to the use of implementing bodies and a reduction in their number, there is often more investment in the administrative capacity of organisations involved in the implementation process. In several cases, the role of Intermediary Bodies in the management and implementation of programmes is set to increase.
- **Changes to partnership arrangements.** There is a general trend of increased participation of economic and social partners in the implementation process. In particular, this refers to the involvement of social actors and NGOs. The strategic framework of the Lisbon Agenda is prompting the involvement of the private sector not only on advisory bodies and monitoring committees but as active participants in the implementation of OP.
- **New coordination arrangements.** Coordination remains a crucial issue for programme management and implementation systems. For 2007-13 the challenges posed by new regulations, changing levels

of funding and the restructuring of programmes is prompting the emergence of a range of coordination mechanisms. Processes include: the strengthening of horizontal or vertical partnership structures; new organizational arrangements to coordinate different EU funding streams; efforts to develop thematic or sectorally-based structures to boost the coordination of interventions; and the establishment of central guidelines, contracts and agreements.

### ALLOCATING FUNDING TO INTERMEDIARIES AND PROJECTS

In order to allocate EU funding to beneficiaries, Managing Authorities face a number of important questions: Do they channel the funding directly to projects? Do they use intermediaries? Should the allocations be managed thematically or geographically? Should they open up the funding to competitive bids? Should they identify strategic projects?

Among the mechanisms for resource allocation, it is possible to make a distinction between programmes which divide up the funding envelope at the start of the programme and programmes where resources are directly allocated to projects by the Managing Authority.

#### Allocating funding to intermediaries

For allocating funding to intermediaries, several mechanisms may be used, each presenting advantages and challenges.

- *Single-stream budgets* which are created by combining Structural Funds with domestic funding to set up a co-funded budgetary stream or programme. This approach tends to be more streamlined but can present challenges in terms of coordination and transparency.
- *Allocation of funding 'blocks'* to specific administrative organisations, which are then responsible for managing and allocating funding. Funding can be allocated to pre-determined co-financing organisations, based on a competitive approach or via global grants. This devolved approach can allow for more integrated and coordinated programme implementation, but capacity and accountability issues need to be considered.

#### The ERDF OPs for Castilla La Mancha and Andalucía

##### - advantages of global grants

- The global grant is used as a management instrument for specific measures in the OP, thus ensuring a tight alignment with the programme priorities and strategy.

- It facilitates the integrated treatment of projects, allowing a single project to combine funding from several measures.

- It provides a high degree of flexibility in the introduction of new schemes during the programming period in response to changes in the economic environment.

- It facilitates the development and implementation of measures through public-private partnerships and collaboration with a wide range of actors.

- *Strategic thematic or geographic partnerships* may be allocated parts of the programme budget. Under this approach, sub-national or sub-regional groups of partners take on responsibility for delivering specific strategic objectives of the programme. While this approach can encourage partnership and lead to more coordinated project ideas, it may prove to be time-consuming and exclusive of organisations lacking the capacity to become active members of the partnerships.

#### Sub-regional generation of 'Key Projects' in Slaskie

In order to generate key projects, the Slaskie region has been split into four sub-regions and associated agglomerations considered to be important to the development of the region as a whole. Funds have been allocated using an algorithm that gave an equal weighting to criteria linked to population numbers, GDP per capita and the level of unemployment. On this basis, each sub-region has been asked to develop proposals for 'key projects' that would become part of an Indicative Investment Plan (IPP) in the ROP. Following on from this process, 14 projects will be implemented, three of which are major projects. Some of the smaller projects will be quite complex involving a range of different interventions and activities. Once the IPPs developed by sub-regions have been accepted by the Ministry for Regional Development, a feasibility study will be completed followed by an initial appraisal by a panel of experts composed of regional representatives from different sectors. The main question for appraisal and selection is whether the programmes contain all of the vital elements required by the guidelines set out by the Marshall Office. A framework agreement will then be signed between the beneficiaries and the Marshall Office.

- *New financial instruments.* Within a programme, specific allocations can also be made to a fund managed by a financial intermediary in order to provide capital to businesses on an ongoing basis. At the EU level, this type of instrument is being supported through the JEREMIE and JESSICA initiatives which are being taken up by a number of Member States while others set up similar instruments independently.

#### Financial engineering instruments in the Lowlands & Uplands Scotland Programme

Building on experience in the field of venture capital provision, the Scottish Executive is working on a scheme to enhance funding under Priority 2 'Access to Finance'. The use of JEREMIE as a delivery mechanism is being explored with the European Commission and the European Investment Fund. If it is decided to proceed with JEREMIE, the amount of ERDF invested would make it a major project but, even in the absence of this support, substantial amounts will be invested in mechanisms to ensure the availability of finance for new and innovative SMEs, e.g. by making ERDF awards to investor-readiness and micro-credit initiatives, and to fill identified gaps in the finance market. One of these is the Scottish Co-investment Fund (co-funded in the 2000-06 period)

which may receive substantial ERDF investment that would qualify as a major project; the same would apply to the Scottish Venture Fund which has not yet received ERDF support.

#### Allocation of funding to projects

Whether through Managing Authorities or Intermediary Bodies, the allocation of funding to specific projects can be approached in various ways. Different procedures have evolved to invite applications or stimulate project ideas, determined, for instance, by the amount of funding available and the degree to which resources are targeted at different themes, areas or groups.

- *'Call systems'* are likely to be used to invite individual and smaller projects. They can help to target groups of potential beneficiaries, raise awareness for a certain initiative, introduce elements of competition or allow programme managers to gain an overview of the interest generated in a certain field. A range of factors determine the use of the call system in different programmes, including: the timing of calls; the extent to which they are open or restricted according to different criteria; and the extent to which they target particular themes.

#### Introducing competitive call procedures on a large scale in Nordrhein-Westfalen

Based on experience gained with the use of competitive calls in the context of the 'Future Concept' or 'Future Competition' in 2000-06, it was decided that the 2007-13 programme would be implemented mainly relying on competitive calls. The Managing Authority and technical secretariat see this shift as bringing a number of benefits, notably: in supporting actors' own initiatives; in making selection criteria and procedures more transparent; in facilitating comparisons between project proposals, in order to select the best ones; in allowing for a more efficient approach to building on the existing strengths of the Land and its sub-regions; and in allowing the Land to obtain more information on approaches, networks etc in the sub-regions, so that Land policy is designed more efficiently.

- *More strategic or complex projects* are, in most cases, pre-selected at the programme level or developed through a negotiation process or by grouping projects. In allocating substantial funding to such projects, programme authorities can improve their control over the course of the programme to a certain extent. They can also ensure the inclusion of certain actor groups in the programming process or the coherent targeting of overarching development issues.

This article is based on the IQ-Net paper presented at the Magdeburg conference in June 2007 - "Turning Strategies Into Projects: The Implementation of 2007-13 Structural Funds Programmes", by Martin Ferry, Frederike Gross, John Bachtler and Irene McMaster IQ-Net Thematic Paper No. 20(2), EPRC, Glasgow, [www.eprc.strath.ac.uk/iqnet/reports.cfm](http://www.eprc.strath.ac.uk/iqnet/reports.cfm)





The IQ-Net Team  
at EPRC

## What is IQ-Net?

**IQ-Net is a network which brings together regional and national partners from Structural Funds programmes across the European Union. Its aim is to improve the quality of Structural Funds programming through exchange of experience. The network involves a structured programme of applied research and debate, centred on bi-annual conferences.**

- Austria:** *Niederösterreich (Lower Austria)* - Amt der Niederösterreichischen Landesregierung (Lower Austrian Land Government)  
*Steiermark (Styria)* - Amt der Steiermärkischen Landesregierung (Styrian Land Government)
- Belgium:** *Vlaanderen (Flanders)* - Ministerie van de Vlaamse Gemeenschap (Ministry for the Flemish Community)
- Denmark:** *Nordjylland (North Jutland)* - Nordjyllands Amt (North Jutland County Council)  
*Erhvervs og Byggestyrelsen*  
*(Danish Authority for Enterprise and Construction)*
- Finland:** *Sisäasiainministeriö/Inrikesministeriet (Ministry of the Interior)*  
*Länsi-Suomi (Western Finland Objective 2)* - Keski-Suomen Liitto (Regional Council of Central Finland)
- France:** *DATAR, Délégation à l'aménagement du territoire et à l'action régionale (Agency for Town and Country Planning and Regional Development)*
- Germany:** *Nordrhein Westfalen (North Rhine Westphalia)* - Ministerium für Wirtschaft, Mittelstand und Energie NRW (MWWME) (Ministry for Economy, SMEs and Energy)  
*Sachsen Anhalt (Saxony)* - Ministerium der Finanzen des Landes Sachsen-Anhalt (Ministry for Finance)
- Greece:** Υπουργείο Οικονομίας και Οικονομικών (*Ministry of Economy and Finance*)
- Italy:** *Ministero delle Attività Produttive (Ministry of Economic Development)*  
*Istituto per la Promozione Industriale, IPI*  
*(Agency for the Promotion of Industry)*
- Poland:** *Slaskie Województwo (Silesia Region)* - Urząd Marszałkowski Województwa Śląskiego (Marshal's Office of Silesia)
- Portugal:** *Ministério do Ambiente, do Ordenamento do Território e do Desenvolvimento Regional (Ministry of Environment, Spatial Planning and Regional Development)*
- Spain:** *País Vasco (Basque Country)* - Diputación Foral de Bizkaia
- Sweden:** *NUTEK (Swedish Agency for Economic and Regional Growth)*
- UK:** *Department for Communities and Local Government (CLG)*  
*North-East England* - Government Office for the North East  
*Scottish Executive*  
*Wales* - Welsh European Funding Office / Swyddfa Cyllid Ewropeaidd Cymru

DG Regio of the European Commission

IQ-Net was launched in 1996 and is managed by the European Policies Research Centre (EPRC) at the University of Strathclyde in Glasgow. The partner organisations are mainly regional or national managing authorities or programme secretariats. Following the enlargement eastwards of the European Union in 2004 and 2007, the network is also being expanded to include a selected number of partners from Central and Eastern European countries and regions.

The network partners meet twice a year. Conferences are hosted by the partners on a rotation basis. Past conferences have taken place in Glasgow, Cardiff, New Lanark and Newcastle (UK), Dortmund, Gelsenkirchen and Saarbrücken (Germany), Fyrstad and Luleå (Sweden), Bordeaux and Strasbourg (France), Leoben and Semmering (Austria), Como and Artimino (Italy), Aalborg (Denmark), Antwerp and Grobbendonk (Flanders) and Oulu (Finland).

IQ-Net welcomes expressions of interest from potential new members (regional or national programming authorities) from any EU-27 Member State.

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