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At the Starting Block - Review of the new Objective 2 Programmes (May 2000)

English Executive Summary

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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.

This synthesis paper provides an update of progress towards launching the 2000-06 programmes. Updating the paper series '*New Structural Fund Programming: Laying the Foundations*', which was published in March 2000, it addresses the following four main issues:

- the context for the new programmes,
- processes of plan preparation,
- emerging programme content, and
- new programme management.

It is supplemented by further papers on the situation in individual Member States - Austria, Belgium, Denmark, Finland, France, Germany, Italy, Spain, Sweden and the UK.

The papers are 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 Autumn 1999 and spring 2000. The field research team comprised:

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1. EXECUTIVE SUMMARY

The new Structural Fund programming period was officially launched at the start of 2000. The first six months of the year have been characterised by intensified activity in the process of preparing regional plans and reviewing and initiating management arrangements for the new programmes.

All the new Objective 2 maps had been approved by mid-July 2000, the greatest delay being experienced in Italy. The majority of plans had also been submitted to the Commission, most in time to meet the 30 April deadline. The overall number of Objective 2 programmes has fallen by ca. 40 percent. The Finnish Objective 2 programmes were the first to be approved, on 4 July 2000; for the remainder, autumn 2000 is an optimistic launch date.

Over the period of programme preparation, a number of key trends have emerged, each of which is set out briefly below and explored in more detail in the main paper.

1.1 Programme development

Many regions initiated their programme preparations in late 1998 or early 1999. Discussions during 2000 have tended to focus on more technical and detailed financial issues. Although *France* and *Sweden* started the bulk of their preparations only in January 2000, both countries successfully completed their plans by March 2000 without seriously compromising the consultation process. Overall, partner involvement in the preparations has increased and has ranged from the incorporation of targeted inputs to widespread consultative exercises.

Greater use of the Internet has been a common feature, with both positive and negative effects for programme development. Negative observations have included difficulties in tracking the most recent document versions and coping with the high number of responses. More positively, the Internet has opened up the consultation process in many regions, providing a resource-efficient way to distribute the programme drafts to a wide range of partners. It has increased the levels of openness and transparency and facilitated information exchange and collaborative working.

National level involvement has varied, often decreasing in parallel with a greater regional level role in plan preparation. Both national authorities and the Commission have had significant involvement in 'pre-checking' draft SPDs to ensure their subsequent receivability.

The *ex ante* evaluations have involved both the traditional separate evaluation of draft programmes and a more integrated approach, with evaluators feeding into the SPD as it has been drafted. In some cases, DG Regio has also commissioned its own parallel programme appraisals to support desk officers in the assessment process.

1.2 New strategies

The new programme strategies exhibit a high degree of policy continuity. Shifts generally reinforce economic development trends already underway or reflect changes to the nature of the new Objective 2 regions. Strong links to wider national and/or regional economic development strategies can be identified in many regions.

Within this context, certain strategic changes have still occurred, including an increased focus on soft aid, new technologies and innovative methods of financing. Flexible programmes (some including only two priorities) have been developed in many regions. This is mainly a response to the seven-year programming period, rapidly changing economic conditions and technological developments. Programme managers do not wish to be locked into a set of measures which will later prove inappropriate for the support of regional business and the promotion of regional competitiveness.

A certain tension is evident between the desire to include newly emerging economic sectors or innovative ways of financing and the regulatory disincentive to do so. This stems particularly from the decommitment regulations and performance reserve. Activities such as networking and co-operation, for example, are increasingly popular methods of promoting regional economic development but are difficult to monitor and quantify and can involve lower levels of financial commitment. This has created unease both about proving the success of the programme and the ability rapidly to absorb the programme's financial resources.

The approach to the use of the ESF is one of the main changes in strategic direction and considerable variation is apparent between the new programmes. While the ESF held an integral position in virtually all the former Objective 2 and 5b programmes, it is now completely absent in a relatively high number of cases. The choice of such mono-Fund programmes has been motivated by a range of factors including administrative ease, strategic direction and the perceived benefits of ESF being applied through a horizontal Objective 3 programme. Where the ESF has been included, it appears both as separate priorities and/or measures, with some programmes having specific initiatives to co-ordinate with parallel Objective 3 programmes. The financial weighting varies considerably from under 10 percent to over a quarter of the programme budget. In some countries, eg. Italy, there has been a national approach to ESF adopted by all programmes while in others, the choice has been left to the regions and the results vary within countries.

The incorporation of horizontal priorities (particularly gender mainstreaming) and the issue of transitional areas have presented particular difficulties in many regions.

1.3 New programme management

Arrangements for programme management have become clearer in most countries. Managing authorities will principally operate at regional level and are often the same bodies previously responsible for implementation. The main exceptions are *Denmark* (single Objective 2 programme) and *Spain*, where the Ministry of Economy has retained the role. In some countries, a regionalisation or re-organisation process has taken place. Overall, the main

change is the additional administrative responsibilities assigned to the managing authorities.

Changes to programme delivery systems have been motivated by the desire to increase efficiency and effectiveness, raise project quality, speed up procedures and improve transparency eg. through the use of global grants and larger framework projects.

Finally, changes to monitoring systems have been, in general, incremental and focus on the better use of electronic media and widening data inputs beyond purely financial indicators. Changes to Monitoring Committees have been principally driven by regulatory requirements, with a common move to increase the strategic focus of committee discussions.

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1. INTRODUCTION

The first months of 2000 have seen the launch of the new Structural Fund programming period and an intensification of activity in the process of preparing regional plans and reviewing and initiating management arrangements. This paper provides an update on the situation outlined in the *IQ-Net* paper *New Structural Fund Programming: Laying the Foundations*¹, produced for the New Lanark conference in November 1999. It brings the situation with plan preparation and submission up to date and reviews the characteristics of the new Objective 2 strategies and the proposed implementation structures of the new programmes. The box overleaf summarises the key developments outlined in the paper.

2. EU CONTEXT: RECENT DEVELOPMENTS

The parameters for the new Objective 2 programmes have continued to develop since autumn 1999. These include the final designation of the Objective 2 maps and the parallel process of agreeing State aid maps relating to national regional policy. Guidance from the Commission further adds to the framework within which the plans are drafted and publicised.

2.1 Coverage of new Objective 2 regions and programmes

The overall population coverage of the new Objective 2 regions is 18 percent of the EU population – a decrease from the previous 25.3 percent for Objective 2 and 5b regions in the 1994-99 period. Major reductions were experienced in Austria, the UK, Luxembourg and France, with the safety net limiting the extent of cutbacks in nine Member States. Maps were designated, often in a highly politicised climate, using a range of methodologies and the results are fragmented in a number of cases. While seven Member States had had their Objective 2 maps approved by the end of 1999, several other countries had to wait until the start of 2000 which, in some cases, had important ramifications for the process of programme preparation (see Table 2.1).

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

OBJECTIVE 2 PREPARATIONS FOR 2000-06: DEVELOPMENTS TO MAY 2000

EU Context

Overall Objective 2 coverage is now 18 percent of the EU population and all maps have been approved except in Italy.

The number of Objective 2 programmes has fallen significantly. Most programmes were submitted to the Commission in April 2000 with autumn 2000 an optimistic launch date.

Natura 2000 and the new information and publicity Regulation are additional contextual requirements for the new programmes from the Commission.

Programme Development

Many regions initiated preparations early, with discussions in 2000 focusing more on issues like detailed financial allocation. France and Sweden started preparations in January 2000 but still completed their plans by March 2000, without compromising the consultation process.

Partner involvement in the preparations has generally increased, ranging from targeted input to highly consultative exercises. Greater use of the Internet is common, opening up the process in many regions.

National level involvement varies, often falling in line with the greater regional level role in plan preparation. Both national authorities and the EC have had a role in 'pre-checking' draft SPDs to ensure their subsequent receivability.

The *ex ante* evaluations have involved both the traditional separate evaluation of draft programmes and a more integrated approach with evaluators feeding into the SPD as it has been drafted. In some cases, the EC is also commissioning its own programme appraisals.

New Strategies

High degree of policy continuity, with shifts generally reinforcing trends already underway or reflecting the nature of the new Objective. Strong links to wider national/regional economic development strategies.

Strategic thinking has introduced some changes, including an increased focus on soft aid, new technologies and innovative methods of financing. Flexible programmes have been developed in many regions, mainly as a response to the seven-year programming period and rapidly changing economic framework conditions.

Considerable variation in approaches to ESF - one of main features of change in some programmes. Outcomes include ERDF-only programmes, the inclusion of ESF measures under each Priority and specific initiatives to co-ordinate with parallel Objective 3 programmes.

The incorporation of horizontal priorities (particularly gender mainstreaming) and the issue of transitional areas have presented particular difficulties in many regions.

New Programme Management

Managing authorities will principally operate at regional level and are often the same bodies previously responsible for implementation. In some countries a regionalisation or re-organisation process has taken place. Different approaches have been identified to deal with the associated increase of administrative responsibilities.

Changes to programme delivery systems are motivated by the desire to increase efficiency and effectiveness, raise project quality, speed up procedures and improve transparency.

Changes to monitoring systems are, in general, incremental and focus on the better use of electronic media and widening data beyond purely financial indicators. Changes to Monitoring Committees are principally driven by regulatory requirements in most cases with a common move to increase the strategic focus of committee discussions.

By mid-May 2000, the only Member State still awaiting approval of its Objective 2 map was *Italy*. Italy has experienced particular difficulties with its proposal, with problems rooted mainly in the choice of spatial unit for the Structural Funds map and the application of the safety net principle. The NUTS III level, favoured under the new Regulations as the most appropriate building block for the Objective 2 maps, corresponds to the Italian provinces which are not considered the best level for measuring socio-economic disparities. The first map proposal, submitted in September 1999, was based on the smaller unit of the *Sistemi Locali del Lavoro* (local labour market systems) which are statistical units based on commuter flows. The map was subsequently rejected as contravening the Regulations because the industrial and rural areas included in the NUTS III units comprised less than 50 percent of the population ceiling. Of the 7.4 million inhabitants allocated under Italy's population quota, the Italian map proposed only 2.2 million inhabitants in the industrial/rural NUTS III areas, about 30 percent of the ceiling.

The re-drafting of the map has required a complex series of adjustments, shifting population within and between regions, which has been politically and technically difficult. A number of solutions have been discussed with the Commission, with agreement in some areas (eg. the EU concession relating to Abruzzo) and continued debate in others. The application of the safety net has also been a contentious issue in Italy, where data-related issues have caused problems. The new map proposal is likely to be submitted by the start of June 2000.

Table 2.1 Objective 2 map submission and approval

	1999							2000				
	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May
Objective 2 maps submitted	Germany		Austria Finland	Belgium Denmark Italy Neth. Spain	UK	France Sweden	Lux.					Italy (2 nd version)
Objective 2 maps approved						Belgium Denmark Germany Neth. Finland	UK Spain	France Sweden Austria Lux.				

Table 2.2 shows the reduction in Objective 2 population coverage and updated details of the number of Objective 2 programmes in each Member State for the new programming period. In line with the spatial reduction of the eligible areas, there has been a significant fall in the number of programmes, with all Member States except Belgium opting for fewer programmes. In total, the proposed number of programmes is set to be reduced by over 40 percent.

The numeric reduction in the programmes does not necessarily represent a simplification and can disguise underlying complexity. In *Denmark*, for example, the Commission's requirement for a single Objective 2 programme for each NUTS II region was the main impetus for the reduced number of programmes. Denmark drafted one national Objective 2 SPD with five regional complements as the solution to matching the Commission's requirements with the established decentralised approach to programme

administration. This process has not been without its difficulties. Of the five regional complements, four are straightforward as they relate to individual counties with significant eligible area coverage. The fifth contribution, however, concerns designated areas which straddle existing administrative borders, but will still be administered by each county concerned on the basis of separate procedures. Finally, as in previous Objective 5b programmes, the new Objective 2 programme will also encompass a large number of small islands. The islands are all linked to a particular county administration: where these counties have a programme complement, the island will be managed within this framework and where this is not the case, special arrangements will need to be made.

Table 2.2 Reductions of Objective 2 population coverage and programme numbers

	<i>Obj.2 1997-99</i>	<i>Obj2+5b 1994-99</i>	<i>Obj. 2 2000-06</i>	<i>Change (% pts)</i>	<i>No. of Obj.2/5b programmes 1994-99</i>	<i>No. of Obj.2 programmes 2000-06</i>
<i>Austria</i>	8.2	37.1	24.7	-12.4	11	9
<i>Belgium</i>	14.0	18.5	12.4	-6.1	7	9
<i>Denmark</i>	8.8	15.8	10.2	-5.6	3	1
<i>Finland</i>	15.5	37.0	30.9	-6.1	3	2
<i>France</i>	25.9	43.2	31.3	-11.9	39	21
<i>Germany</i>	8.8	18.4	12.6	-5.8	17	11
<i>Italy</i>	10.8	19.2	12.9	-6.3	24	14
<i>Luxembourg</i>	34.2	41.6	28.3	-13.3	2	1
<i>Netherlands</i>	17.3	22.7	15.0	-7.7	10	5
<i>Spain</i>	20.3	24.7	22.2	-2.5	14	7
<i>Sweden</i>	11.0	19.6	13.8	-5.8	10	4
<i>UK</i>	31.0	35.9	23.5	-12.4	24	14
<i>EU15</i>	16.4	25.3	18.2	-7.1	163	95

2.2 Submission of programmes – majority of plans meet April deadline

The first Objective 2 programmes submitted to the Commission were from Finland at the end of 1999. Most draft programmes were sent to the Commission in April 2000, just in time to meet the cut-off date (see Table 2.3). France and Sweden, in particular, worked hard to catch up – while both had held back the start of full programme preparations until map approval (January 2000), an accelerated drafting process led to SPDs being ready for April submission (see section 3.2).

Of the draft SPDs which have not yet been sent to Brussels, the Italian plans are close to being ready for submission and are awaiting map approval, although some re-shaping may be necessary on the basis of the final spatial coverage and the recent elections for the *Giunte* (regional executives). The Vienna (Austria) Objective 2 programme was submitted to the Commission in mid-May, following the completion of internal Austrian discussions.

Table 2.3 The timetable of Structural Fund programme submission and approval

	1999	2000						
	Dec	Jan	Feb	March	mid-April	end-April	mid-May	end-May
Objective 1 SPDs approved*			Eastern Finland Northern Finland	Burgenland (Austria) Portugal	Mezzogiorno (Italy)		Hainaut (Belgium)	
Objective 2 SPDs submitted	Finland			Rheinland-Pfalz (Germany)	Hessen (Germany) Kärnten (Austria) Lower Austria (Austria) Salzburg (Austria) Styria (Austria) Vorarlberg (Austria) Sweden	Remainder of German SPDs Spain (CSF and OPs) Tirol (Austria) France UK	Vienna (Austria)	Belgium: Flanders

* Most of the Objective 1 programmes were submitted in time to meet the October 1999 deadline.

The expected launch dates of the new Objective 2 programmes are still fairly uncertain and depend on individual timetables of SPD negotiation; autumn 2000 is the most optimistic forecast. Similarly, the planned timing of the submission of programme complements varies, linked to their incorporation in the process of SPD preparation.

2.3 Approval of State aid maps

In March 1998, the Commission published new guidelines on national regional aid². The guidelines will apply for the period 2000-06, and the anticipated schedule for redrawing the national assisted area maps, and their approval by the Commission during the course of 1998-99, was designed to coincide with the new planning period for the Structural Funds.

With respect to area designation, the new Guidelines imposed population ceilings on assisted area coverage in each Member State, and set parameters within which Member States should design their area designation methodologies (relating to building blocks, indicators and area designation systems).

Most Member States began the process of reviewing their assisted areas well before the final population ceilings were known in December 1998, with countries such as the UK initiating a public consultation exercise in July 1998 and others, such as Austria, Germany and Spain, engaging in discussions at the subnational level. This is the first occasion that all Member States have revised both State aid and Structural Fund maps at the same time; it is of note that the Commission has pushed the notion of map coherence strongly.

All Member States were supposed to submit their national assisted area map proposals to DG IV by 31 March 1999 with a view to these being reviewed by the Competition Policy Directorate and agreed by the end of 2000. In the event only four countries had their maps agreed within this timeframe

² OJEC No C74, 10 March 1998

(Denmark, Finland, Greece and Ireland), and the submission of most Member States' maps was significantly later (see Table 2.4).

Table 2.4 The timetable of State aid map submission and approval

	1999										2000			
	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
State aid map submitted	Denmark Finland Portugal	Germany Greece Neth. Spain	Belgium	France Ireland	UK	Austria		Sweden		Italy Lux.				
State aid map approved					Five German Länder			Denmark Finland Ireland		Portugal (part) Greece			Italy (part) France Western Germany Berlin Sweden	Spain Denmark

By the end of 1999 the Commission had approved the assisted areas maps of only six Member States: Denmark, Finland, Ireland and Greece (in their entirety) and Germany and Portugal (in part only). The Commission had opened investigative procedures against Belgium, France, Germany, the Netherlands and Portugal (although part of the proposed maps had been approved in Portugal and Germany).

The first half of 2000 has seen a degree of progress, with maps being approved for the rest of Germany, France, Sweden, Spain and Italy (part). Still outstanding are the maps for Austria, Belgium, Luxembourg and the UK (in their entirety) as well as Italy and Portugal (in part).

As existing maps and associated aid measures ceased to be valid at 31 December 1999, countries whose maps were not approved by the end of the year (due to late submission or rejection by the Commission) were no longer able to grant State aid for regional purposes. Any aid granted on the basis of the former maps after this date without the prior authorisation of the Commission has been deemed unlawful and subject to repayment by recipient firms. In the context of the Structural Funds, delays in reaching agreement with the Commission could inhibit the implementation of the CSFs/SPDs if aid measures are incorporated in the plans. Given the late launch of the Objective 2 programmes, this is likely to be less critical in many Member States and has had more of an impact on the Objective 1 programmes.

2.4 Other issues

Other issues with a bearing on programme drafting and implementation include the relationship between structural actions and the environment, in particular the implementation of the Habitat and Birds Directives in the context of Structural Fund programmes, and the Commission's new regulation on information and publicity measures for the 2000-06 period.

2.4.1 *The relationship between structural actions and environmental considerations*

In January 2000, the Commission outlined the practical details for implementing the Habitat and Bird Directives (92/43/EEC and 79/409/EEC) in the context of Structural Fund programmes. The Habitat Directive encourages the conservation of natural habitats and wild flora and fauna, and has as its principal goal the establishment of *Natura 2000*, an EU-wide network of sites for the conservation of animal and plant species and habitats of European importance. The list of sites is made up on the basis of proposals submitted by Member States. The Birds Directive, in turn, is designed to protect wild species of birds.

The new Objective 1 and 2 programmes must contain 'firm and clear commitments to guarantee the protection of sites covered by *Natura 2000*' and each regional development plan and draft SPD will be examined with this in mind. Where necessary, Member States will be advised of any modifications required to their programmes. The EC also advised that programmes may encounter difficulties at receivability stage if there was not full national level compliance with the *Natura 2000* requirements.

2.4.2 *Information and publicity strategies*

In November 1999, the Commission adopted a draft Regulation on information and publicity measures to be taken by the Member States with regard to 2000-06 Structural Fund assistance. The intention of the Regulation was to raise the profile of the EU's structural policy, and it sets out a common methodology and approach for carrying out information and publicity measures (taking account of the specific situation of each Member State). In particular, it provides for billboards mentioning the EU's financial contribution and the display of the European emblem at all project sites. The purpose of laying down common rules on information and publicity is to provide clearer information to Structural Fund recipients and to raise public awareness of the role played by the EU in regional development. The implementing Regulation is based on Article 46 of the general Structural Funds Regulation, which makes Member States primarily responsible for information and publicity.

One of the key elements of the Regulation is the introduction of a 'communications plan'. The information and publicity measures put in place by Member States are to be presented in a structured form for each OP or SPD, clearly setting out the aims and target groups, the content and strategy of the measures and an indicative budget. Member States and programme management authorities are also required to designate a person responsible for monitoring and co-ordinating communication measures at national level and at the level of each managing authority.

3. **PROGRAMME DEVELOPMENT**

The preparation of the new programmes has presented a formidable task. While completing the existing programmes, the process has had to lay the foundations for more decentralised programme delivery over a seven-year period in a new regulatory context. The new SPDs contain less policy detail

(transferred to the programme complements), but they incorporate other new or extended components such as improved baselines and indicators (with more quantification and gender-disaggregated statistics) and an explicit outline of programme implementation and partnership arrangements.

3.1 Preparations – the steps to programme completion

As described in the earlier New Lanark paper, some regions started their programme preparations independently of map approval, initiating consultation, debate and evaluation work as early as mid-1998. Even where formal preparations started late, useful groundwork had often been undertaken, for example through the elaboration of parallel strategic development initiatives. The use of wider national and regional strategies in the formulation of the new SPDs has been a characteristic of the process in many regions (see section 4.1).

During early 2000, the emphasis in several regions moved on from discussions of strategy and objectives to more detailed financial issues. In *Austria*, for example, post-October 1999 activity has focused on the financial allocation of programme monies between federal and *Länder* authorities. The importance of the financial discussions is related both to the Austrian federal system and the use of existing incentive schemes to implement the Structural Funds. This means that the involvement of individual funding agencies, and the degree to which they are willing to use their incentive schemes as co-financing vehicles, becomes a process of strategic bargaining. Additionally, the Federal Ministry of Finance has required federal authorities to minimise their financial involvement in the Structural Fund programmes (partly to free up budgets for national regional policy measures and partly because of general budgetary restrictions). In *Lower Austria*, the relevant federal authorities were drawn into the preparation process early and discussions were held to ascertain the level of interest and commitment. This clarified federal level involvement from a relatively early stage. In *Styria*, the financial negotiations were more difficult and the original programme had to be scaled back at a quite late stage following a lower than expected federal level involvement.

Similar discussions have been in progress in the *United Kingdom* where a key issue is the availability of initial funding. In the last programme period, many regions reported difficulties among partners (especially local authorities and voluntary bodies) in providing the required funding to co-finance Structural Fund projects. Although primarily affecting Objective 1 programmes in England, most Objective programmes were said to have encountered initial funding problems. The issue has become politicised in the context of the Objective 1 status for West Wales in the new programme period and concerns of whether there are sufficient resources in the devolved Welsh budget to exploit the increased Structural Fund allocation. A more general issue concerning initial funding in the UK is the treatment of private sector finance. The UK view, that public and private sector finance is inter-changeable, is disputed by the Commission which argues that co-financing should be based on the public sector contributions only, treating private sector contributions as a bonus.

3.2 Late starters catch up – France and Sweden

Two countries, Sweden and France, held back on initiating the full planning process until the beginning of 2000. *Sweden* delayed detailed preparations until the Objective 2 map was finalised and the process of preparation began in earnest at the start of January 2000. A plan team of approximately 10-15 people was established for each of the four Objective 2 programmes, incorporating representatives from each of the counties, and these groups met ca. four times. Wider consultation meetings were also held in most cases.

In the case of the *North* Objective 2 programme, the plan team involved representatives from the three County Administrative Boards (CABs) involved in the programme, drawing people with both Objective 2 and 5b experience as well as more generic skills such as statistics. The initial open and broad discussions focused on the direction of the future programme. By mid-January, there was reasonable clarity about the overall strategic foci but not the details. Specific themes were then given to individual CABs or smaller groups (many of which were comprised of the same people) eg. outmigration, business development, equal opportunities, social environment, environment, employment/ unemployment. External experts were drawn in where necessary, and a wide range of organisations was involved at some point in the process including the national environmental organisation, the gender equality representative from the CAB, housing/planning authorities, business organisations, the association of municipalities and the national government.

Three large consultation meetings were also held, one in each county, to which approximately 300 people were invited from all interested parties (county bodies, municipalities, chambers, business organisations etc). Participants were drawn principally from the partnerships created as part of the regional growth agreement process – a national initiative to create county-level development plans which were agreed at the end of 1999. This occurred partly because there was no time available to create a new partnership base and partly because broadly the same people would have been involved. The meetings served a variety of purposes - developing a sense of 'regional' identity, informing on progress, and presenting the virtually complete draft SPDs. At the final meeting, a highly focused session split participants into five groups, one for each measure, to discuss in detail whether or not projects and co-financing were likely to be possible and to gauge reaction to the actual measures. The completed *North* Objective 2 programme, together with the remaining three Swedish SPDs, was sent to the Ministry of Industry in mid-March 2000.

In *France*, delays were encountered as regions waited for the national guidance on the approach to the Objective 2 drafting exercise. This guidance was only issued by the Minister of Planning and the Environment to those responsible on 3 January 2000, initiating the official detailed preparation of SPDs. Although officially starting work at this point, many regions were building on preparatory analyses, debates and consultation, in particular the parallel *Contrats de Plan État-Régions* (CPER) (medium-term expenditure plans agreed between the regional offices of the State and the regional councils) during 1998-99.

The timetable for the submission of the first drafts to DATAR (required on 15 March) was very tight. However, despite the need for rapid decision-making to progress the detailed work of compiling the documents, the preparation process has still been marked by a deeper and more equal partnership between the State and the regional councils. In *Provence-Alpes-Côte d'Azur (PACA)*, for example, the nature and amount of contact between different actors in drafting the SPD changed significantly. Broadly the same core actors have been involved as in previous rounds, but Objective 2 and 5b actors all worked together, and the number of consultations was considerably increased, with more collaborative working in drafting the final document. For the 1994-99 programme, 2-3 meetings had been held during the drafting process for each programme. For the 2000-06 programme, over 30 meetings were held - bringing together core partners to shape the overall process, institutional partners to undertake detailed work and the wider partnership to input to the process as it progressed.

In January, three meetings were held to launch the SPD preparations:

- **Core meeting:** Core institutional partners only (including the regional council and the six *Conseils Généraux*).
- **Institutional partners:** Institutional partners plus a restricted group of others, such as the chambers of commerce and more of the state services (ca.50 people).
- **Wider partnership:** A wider meeting still, with the participants from Meeting 1 and 2, plus other organisations such as the port authority, mayors and potential project applicants (ca.100 people).

Following these initial meetings, frequent contact took place between the institutional partners. Wider partnership meetings were used to disseminate information and elicit feedback rather than being working meetings *per se*. These meetings were successful and meant that a wide population of local actors with an interest in the Structural Funds were kept fully informed of the preparation process and expressed satisfaction with the way it had been handled locally. In a final stage, on 10 March, the programme was ready to be submitted for 'political' endorsement.

There was general consensus at preparatory meetings in PACA about the direction of the strategy; more attention was concentrated on how the financial envelope would be shared between broad areas of activity/interest groups. This was largely a consequence of the programme bringing together two formerly separate Objectives. The task of elaborating the detail of the actions to be undertaken was principally left to various technical services (eg. for tourism, business development, infrastructure).

The speedy drafting of Objective 2 programmes in Sweden and France represents a major achievement. In both countries, the catching-up process has been characterised by an extensive consultation process compressed into a tight timescale, albeit facilitated by previous preparations made for parallel (domestically-funded) regional programmes. The availability of the Internet for use in the consultation process has had a significant impact (see section 3.3).

3.3 Mobilising partner input

The Commission's guidance for the period 2000-06³ stresses that the creation of a '*decentralised, effective and broad partnership*' is considered to be a key factor in the success of structural programmes:

'Partnership, involving upgrading of the partners' skills where appropriate, maximises synergies, increases the commitment of all involved at regional and local level....'

The general picture of programme preparation has been one of more consultation and partner involvement than before. There is evidence of a broadening trend of partner participation, although, in certain cases, regions have continued to restrict plan preparation to a tight group of key partners. This type of targeted involvement invites input from particular partners at specific stages with the aim of keeping the consultation process within manageable boundaries, given wider time and resource constraints. There are also examples of extensive, highly inclusive consultation processes, incorporating a wide range of partners from an early stage. This has required advance planning and sufficient time to integrate the results into successive drafts, but it can encourage wide local 'ownership' of the programme and the introduction of new insights. Equally, there are examples of 'consultation fatigue'.

In countries where much of the programme preparation was essentially complete by late 1999, subsequent consultation activities have tended to focus on refining the programme drafts. In *Styria*, for example, a second 'EU Forum' was held in January 2000, to present the revised draft SPD to a wide range of partners, including representatives of the economic and social partners, the *Land* administration and the regions, and invite further written comments.

As before, the extent of national influence on programmes has varied. In most cases, national authorities provided some directive or informal written guidance, interpreting the Regulations. The central government role appears to be greatest in Spain, France and the UK and least in the federal countries; in certain cases, the influence of the centre has been deliberately downgraded (eg. Sweden). In some Member States, the increased independence and activation of regional actors in programme development has reduced the level of communication with central authorities. *Spain* is one of the few countries where the process of drafting remains relatively centralised - local and regional programme elements are sent to the national Ministry of Economy which then compiles them, together with relevant national measures, into the Objective 2 Community Support Framework and Operational Programmes.

An important contribution of the national authorities has been to 'pre-check' programmes drafted principally by the regions before their submission to the Commission. This was intended to ensure that programmes did not fall at the first hurdle ie. the receivability checklist (see box), and speed up approval at Commission level. The *German* draft SPDs, for example, were first submitted

³ CEC (1999) *The Structural Funds and their Co-ordination with the Cohesion Fund: Guidelines for programmes in the period 2000-06*, DG Regio, European Commission, Brussels.

to the Federal Ministry for Economy, which checked them according to a standard checklist. In *Flanders*, programmes have been prepared by the provinces together with their regional partners but will be checked before submission by the Flemish Ministry of European Economics for formal approval and receivability. Where a formal national 'pre-check' did not take place, this was usually because national authorities had been involved (to a greater or lesser extent) throughout the whole programme drafting process.

RECEIVABILITY CHECKLIST

Ensuring that SPDs meet the Commission's 'receivability criteria' is one of the major challenges facing regions preparing Objective 2 programmes. The Commission checklist addresses the issues of finance, policies (environment, equal opportunities, State aids and competition) and assessment (*ex-ante* evaluation, quantification).

The reception process comprises only a 'Yes-No' analysis, with no judgement on quality, so the onus is on every programme to ensure that adequate documentation is provided as early as possible - especially because validity for eligible expenditure is considered to run from the date of receipt of complete material. Once programmes are deemed complete or 'receivable', they go on to full appraisal and negotiation.

With the same aim, several Member States submitted their SPDs to the Commission for 'pre-receivability health checks' (eg. Austria, France and Denmark), gaining valuable time by giving the Commission 'early notice'. This happened at various stages of the preparation process. In *Austria*, for example, the majority of *Länder* held informal discussions with the Austrian desk officer in Brussels during the process of preparation. This served to point to gaps and highlight where additional information was required, for example, in areas such as quantification and indicators, *ex ante* evaluation issues, the definition of aims and objectives and missing required text eg. on the nature of consultation. In *France*, the initial review of the new programmes by DATAR involved a Commission expert in the discussions. *Tuscany* (Italy) wanted to submit their programme to the Commission for a 'pre-check', but was prevented from doing so by the status of map negotiations.

A significant innovation during this programming process has been the use of the Internet to help disseminate information about programme drafts, generate discussion and feedback and enable widespread participation in the consultation process. Specifically, the Internet has played a significant role in regions where the programming process had to be accelerated eg. France and Sweden, where the rapid dissemination of documentation and receipt of feedback was particularly important.

COMMUNICATION DURING PROGRAMMING: USE OF THE INTERNET

Several Member States made extensive use of the Internet in the programme preparation phase, to communicate with partners, exchange information and progress documents.

In *PACA* (France), the SGAR's new website hosted relevant documentation and provided the hub for the exchange. Rather than setting up an intranet for those involved in programme development, a password was issued to everyone involved who requested one. While the password was offered to everyone from the wider partnership who attended the consultation meetings, it was taken up by only a small number.

There have been both positive and negative aspects of the use of Internet in *PACA* for programme development. Negative observations have included difficulties in keeping track of the latest version of the SPD as it was constantly changing. It was difficult for contributors to tell quickly whether their proposed changes or additions had been successfully incorporated as the document sometimes changed significantly in the time they took to work on a print out and submit their proposals and amendments. More positively, the forum facilitated the distribution of documentation to a wide range of partners in a resource-effective way (the SPD is some 300 pages long, and distributing multiple versions would have been a resource-intensive process).

Other regions undertook similar exercises eg. *North West England* in the UK and the *North* programme in Sweden, where the entire process of drafting and consultation was, as far as possible, publicised over the Internet. Drafts of the programme were consistently available on line together with contact details for people at each CAB for feedback or comment. In *North West England*, the latest version of the draft SPD was available on-line, along with discussion fora intended to encourage people in the region to contribute their views. The website is structured to provide eight areas of discussion (Business and Ideas; People and Communities; Strategic Development; Restoring Environmental Deficit; Equal Opportunities; Sustainable Development; ICT/New Media; and Objective 3). Each area has its own discussion forum, and there is also a General Forum where all aspects of the SPD can be discussed. In addition, updates are disseminated and participation on the site encouraged through a regular email newsletter.

Contacts:

- PACA Objective 2 <http://worldserver2.oleane.com/sgarpaca/pages/cadre-fondseuropeens.htm>
- North Objective 2 (Sweden) <http://www.mal2bergslagen.lst.se/>
- North West England Objective 2: <http://www.nwpost99.org.uk/>.

3.4 Ex ante evaluation

The requirement for *ex ante* evaluation was considerably strengthened in the new regulations. The Commission produced a methodological working paper⁴ aimed at programming authorities, and specifically at those responsible for organising evaluation, which was intended to clarify the content and organisation of the new *ex antes* by reference to current practices. The document outlines the key components the Commission expects from an *ex ante* evaluation, examines practical issues such as the evaluation timetable, and attempts to assist with potentially problematic areas such as environmental assessment and equal opportunities.

⁴ CEC (1999) *The New Programming Period 2000-2006: Methodological Working Papers. Working paper 2: The Ex Ante Evaluation of the Structural Fund Interventions*, European Commission, DG Regio, Brussels.

Another key requirement is the incorporation of the *ex ante* evaluation into the planning process and the SPD documents themselves. By late 1999, two main approaches to this task could be identified in regions which had reached this stage of the planning process. While the majority of regions opted for the traditional separate and distinct evaluation of the draft SPDs, several regions took a slightly different approach which emphasised the *ex ante* evaluation as an integrated, iterative process, taking place parallel to and feeding into the SPD as it was drafted. This was the approach subsequently taken across the UK Objective 1 and Objective 2 areas and in all four Swedish Objective 2 regions, where the *ex ante* evaluation was undertaken by one consultant, with the evaluators involved directly in the planning and preparation process, acting more in a supporting role than as an external evaluator. In PACA, although several external experts were contracted to undertake certain aspects of the evaluation (e.g the regional analysis and the SWOT), as many *ex ante* tasks as possible were undertaken internally (eg. the environmental profile).

In Lombardy, the programming process was co-ordinated by the *Cabina di Regia* with the Presidency of the region which assigned part of the drafting process to an external consultant (IRER). The consultant, who had already worked with the region in Structural Fund issues and evaluations, produced an interim document including the SPD, an operational component and also the *ex ante* evaluation. The rationale was to take a comprehensive overview approach from which these three component parts could be extrapolated. The drafting was led by IRER, which is very familiar with the workings of the region, with input from regional executives. From the viewpoint of the *ex ante*, this approach was considered to increase the depth and level of detail and integrate more effectively within the overall programme framework.

In Catalonia, a fairly wide range of organisations was involved in undertaking the individual *ex ante* evaluation elements for the Operational Programme, including:

- the environment department of the *Generalitat* for the environmental dimension;
- the Department of Employment for labour market analysis;
- the University of Barcelona for input-output analyses; and,
- the Catalan Institute for Women for equal opportunities elements.

In most regions, *ex ante* evaluation-related work undertaken in early 2000 was focused on completing the process of programme drafting and, where separate evaluations were conducted, in reporting the results and incorporating them into the programmes.

4. NEW STRATEGIES

Structural Fund programmes have become progressively more sophisticated, increasingly incorporating thorough socio-economic analysis, clear aims and objectives and coherent priority and measure combinations. Programme elements are generally more explicitly linked and the relationship between measures and overall goals more clearly demonstrated. The experience of

programme managers (including those in the 'new' Member States now entering their second Structural Fund programming period), as well as the new regulatory requirements on programme content, is likely to ensure the continuation of this trend.

The process of programme and strategy development has faced a range of challenges. The seven-year span of the 2000-06 programming period raises issues of strategy definition and flexibility – particularly in light of rapidly changing information technologies and the ramifications of the Internet and e-business for economic development and regional competitiveness. The new Objective 2 programmes must deal with a wider range of socio-economic problems including urban, rural, industrial and, in some cases, fisheries issues as well as achieving coherence with parallel strategies including the Objective 3 and Rural Development Programmes.

A considerable body of information was published by the Commission to assist programme preparations. While the availability of guidance was broadly welcomed by the programme planners, its volume was considered difficult to absorb and some of the documents were open to differing interpretations. The 'receivability' checklist for programming documents was, however, widely used – partially at least to ensure that programmes were not rejected at the first hurdle.

4.1 Strategic orientations – broad continuity with evolutionary change

The majority of the new Objective 2 regions have now completed draft SPDs which have been submitted to the European Commission. In line with expectations, the new programmes show a high degree of policy continuity. Shifts that are evident generally either reinforce trends which are already underway (eg. an increased emphasis on technology and innovation) or reflect the nature of the new Objective (ie. incorporation of different types of regional problem) - see Table 4.1.

Table 4.1: Summary of Proposed Policy Shifts in the new Objective 2 Programmes

	Main Proposed Policy Shifts
Austria	Higher profile to mobilising endogenous potential and move towards greater support for networking and co-operation initiatives. Greater emphasis on innovation and new technologies/information society.
Belgium (Flanders)	Broad policy continuity anticipated in the two current Objective 2 programmes.
Denmark	High continuity, but with a reduced role for direct grant aid to firms. Higher profile in at least one case to equal opportunities and green technologies.
Finland	Very similar in content. More account taken of equal opportunities and sustainable development. New focus on urban problem areas. Greater regional level co-ordination sought.
France	Stronger emphasis than before on sustainability, employment and solidarity. Clearer rationales for actions. Stronger emphasis on culture. RTDI will grow in emphasis and focus – including as a horizontal dimension. Use of technical assistance will be carefully planned to ensure programmes can be delivered effectively.
Germany	Broad continuity for <i>Nordrhein-Westfalen</i> , <i>Saarland</i> and <i>Bremen</i> - but likely new emphasis on urban issues. <i>Nordrhein-Westfalen</i> : Infrastructure continued, but with less emphasis. New 'integration' priority for community economic development. Greater focus on sectors of potential and regional strengths. <i>Saarland</i> : Continuity in the main. Greater emphasis on telecommunications and biotechnology. Infrastructure remaining strong. New urban dimension. <i>Bremen</i> : continuity, but with a new urban priority based on past URBAN CI experience. New information society measure under the existing service sector priority.
Italy	Continuity, especially in the schemes co-financed. Greater focus on selectivity and integration to achieve enhanced economic and social impacts. New emphasis on innovation, competitiveness and sustainable development.
Netherlands	Infrastructure may be reduced following EC preference. Separate urban, industrial and rural programmes – impact on policies still not clear.
Spain	Basic infrastructure investment to continue. Period of economic growth, so less grant aid directly to firms and more support for business environment. Environment continuing as a strong focus. Less inward investment promotion.
Sweden	New area designation and Objective 2 programmes required reassessment in context of new regions. Continuity still apparent with focus (in <i>North</i> programme) on creating attractive working and living environment for future regional growth.
UK	Continuing shift away from physical infrastructure to soft interventions, although with some risk of absorption difficulties. Increased spatial and sectoral targeting (eg. under community economic development and technology respectively). A need for a shift in perspective from policies for 'areas of opportunity' to 'areas of need' due to the area designation method. Preoccupation with ensuring durable legacy - 'exit strategies'.

In some cases, changes to the SPDs are not so much strategic in nature as responses to Commission requirements for format and programme content. This broad strategic constancy reflects a number of factors including: continuity in the EC policy guidelines; the fact that changes in approach to economic development tend to be incremental in nature; and aspects of the

new programming environment which act as a disincentive to innovation (eg. the performance reserve and the decommitment regulations).

There is a clear link between the Structural Fund programmes and wider national and particularly regional economic development strategies in many countries. In *France*, for example, each region will now have a core strategy in the form of the *Contrat de Plan État-Région* with the Structural Fund programme being complementary to this. In *Sweden*, the Regional Growth Agreements formed a key strategic basis for the Structural Fund programmes – in both countries this existing strategic thinking facilitated the rapid formulation of the Objective 2 programmes (see section 3.2). Likewise each of the regions in *England* now has a regional development agency, each tasked with producing a regional development strategy. These regional strategies provided a planning framework for the Structural Fund programmes which were expanded to contribute to parts of the strategy. A National Development Plan was also produced in *Wales*.

The *Bremen* Objective 2 programme priorities relate strongly to the priorities of the *Land*, principally those in the economic development strategy (WAP) and the special investment programme (ISP) designed to strengthen the location's R&D capacity. Similarly in *Denmark*, the process of strategy development for the Objective 2 programmes occurred in parallel with the elaboration of development strategies for the Danish counties, allowing the incorporation (in the *North Jutland* case) of both re-designated and de-designated areas in an overarching strategy for regional development. At a more general level, in *Flanders*, a condition of approval by the Flemish government of the province-led strategies was that they do not contradict Flemish policy. Existing sectoral strategies also influence the formulation of individual programme priorities eg. the tourism strategy and the results of the Regional Innovation Strategy exercise in the *Lower Austria* SPD while in the *Netherlands*, the long-term environmental plans have influenced the integration of sustainability into the programmes. Finally, where national funding channels are predominantly used for implementation, the SPD strategies are often a reflection of the programmes of the participating organisations more than newly created 'strategies' in their own right.

The issue of integrated development not only emerges in terms of the links between Structural Fund programmes and wider economic development strategies, but is also evident as a theme within the programmes themselves (see Table 4.2). Both the *Lower Austrian* and the *Styrian* programmes have a measure dealing with integrated regional development (including the funding of the regional management offices) and the French *PACA* Objective 2 programme has an ESF measure ('Accompanying actions with a territorial logic') which will encourage inter-communal co-operation. In *Nordrhein-Westfalen*, one of the programme foci is the encouragement of sub-regional strengths as a method of promoting economic diversification and the programme also includes a measure which supports studies and network participation to strengthen strategic thinking and competencies in the region for integrated economic development. This measure (4.5: Regional development concepts and interregional co-operation) will also support the creation and intensification of regional links in an international framework.

The draft strategy of the new *Tuscan* Objective 2 programme also makes a genuine move in the direction of more integrated strategic thinking. In contrast to previous SPDs, which have taken a more sectoral approach, the new strategy is based on two main strategic drivers – achieving integrated economic growth for the whole region and creating employment through processes which are sustainable and innovative. From this starting point, a single global objective, a number of overarching aims and more specific priorities have been derived, but with the intention of ensuring their interrelated coherence in the overall framework.

Table 4.2: Priorities in the draft 2000-06 SPDs

Member State	Programme	Programme Aim ➤ Priorities (number of measures)*
Austria	Lower Austria	<p><i>Aim: with EU support, successfully to develop further the active regional policy of Lower Austria and, above all, to ensure effective impulses for a dynamic and sustainable development in structurally weak regions.</i></p> <ul style="list-style-type: none"> ➤ Mobilisation of endogenous potential for regional development (5) ➤ Economic infrastructure and regional flagship projects (4) ➤ Development of industry and commerce, innovation/ technology (7) ➤ Development of tourism and leisure (2)
	Styria	<p><i>Aim: to contribute to a sustainable development of the economic core areas and the associated areas of regional economic strength, moving towards international competitiveness and thereby creating durable jobs as well as improved living conditions.</i></p> <ul style="list-style-type: none"> ➤ Support of production and service sectors (5) ➤ Support of competitive locations and preparation for the information society (6) ➤ Support of the development potential of tourism and culture (4) ➤ Support of an integrated regional development (1) ➤ Support of employment and human resources (2)
Denmark	North Jutland	<p><i>Aim: to improve the conditions for development and change in order to ensure welfare, employment, equal opportunities and a sustainable environment in regions with structural problems (aim of overall Danish programme)</i></p> <ul style="list-style-type: none"> ➤ Physical (2) ➤ Business development (2) ➤ Human resource development (2)
Finland	Western Finland	<p><i>Aim: to increase entrepreneurship and employment, and improve the competitiveness of business and agricultural production by raising know-how.</i></p> <ul style="list-style-type: none"> ➤ Increase development and internationalisation of business ➤ Increase know-how supporting business and the quality of technology ➤ Development of infrastructure, environment and culture
France	PACA	<ul style="list-style-type: none"> ➤ Support structuring projects to increase the potential of the area (5) ➤ Facilitate the integrated development of firms to create employment (5) ➤ Social and territorial cohesion (10) ➤ Promotion of sustainable development (3)

Germany	Nordrhein-Westfalen	<p><i>Aim: the creation of new jobs and maintenance of existing jobs through improving regional competitiveness, focusing on SMEs.</i></p> <ul style="list-style-type: none"> ➤ Business finance (4) ➤ Business development (9) ➤ Infrastructure development (5) ➤ Integration (Community Economic Development) (5)
	Saarland	<p><i>Aim: to overcome structural change</i></p> <ul style="list-style-type: none"> ➤ Modern infrastructure – competitive economy (5) ➤ Restructuring of the economy – alternatives to coal and steel (2) ➤ Restructuring of the economy – alternatives to coal and steel (ESF) (1) ➤ Future oriented jobs – competitive economy (3) ➤ Essential town structures (2) ➤ Integrated town development, co-ordination with policy for rural areas (2)
	Bremen	<p><i>Aim: to support the economic sector, competitiveness, innovation and employment in the region.</i></p> <ul style="list-style-type: none"> ➤ Diversification of the economic structure (3) ➤ Strengthening the service sector (4) ➤ Urban areas (4) ➤ Pilot and coherence projects (2)
	Sachsen-Anhalt	<ul style="list-style-type: none"> ➤ Support for competitiveness of the commercial economy, especially SMEs (3) ➤ Infrastructure measures (4) ➤ Protection and improvement of the environment (4) ➤ Support for labour potential and equal opportunities (5) ➤ Rural development (2)
Italy	Tuscany	<p><i>Aim: to develop and re-qualify the employment for sustainable development, supported through a process of innovation and overall restructuring.</i></p> <ul style="list-style-type: none"> ➤ Development and strengthening of enterprises (6) ➤ Territorial qualification (6) ➤ Environment (6)
	Lombardy	<ul style="list-style-type: none"> ➤ Competitiveness of the regional economic system ➤ Territory and environment
Neth.	North	<ul style="list-style-type: none"> ➤ Strengthening the market sector (3) ➤ Development of urban centres (2) ➤ Labour Market (1)
Sweden	North	<p><i>Aim: to create conditions for business development and competitive strength through increased knowledge acquisition in the region</i></p> <ul style="list-style-type: none"> ➤ Improving the business environment (4) ➤ Knowledge driven development (1)

UK	England	<p>Many are likely to plan around four 'key drivers'</p> <ul style="list-style-type: none"> ➤ Business support (SME development) ➤ Infrastructure (strategic sites, spatial development) ➤ Community development (social inclusion) ➤ Human resources (learning region, lifelong learning)
	London	<p><i>Aim: three strategic aims (i) to draw people out of social and economic exclusion; (ii) to encourage business, enterprise and innovation; (iii) to enhance the quality and environmental sustainability of the area</i></p> <ul style="list-style-type: none"> ➤ Community and neighbourhood economic development (2) ➤ Business development and competitiveness (4) ➤ Infrastructure, premises and environment (2) ➤ Innovation and technology (2) ➤ Skills and access to jobs (4)
	Western Scotland	<p><i>Aim: to strengthen the capacity to create and sustain economic growth that leads to greater economic and social cohesion, that protects and enhances the environment, and results in increased prosperity, jobs and an improved quality of life for its residents in Western Scotland.</i></p> <ul style="list-style-type: none"> ➤ Development of competitiveness and innovative capacity of region's economy (3) ➤ Increase economic and social cohesion of the region. (3)
	North-East England	<p><i>Aim: three strategic objectives (by 2010) to (i) reduce the unemployment rate by job creation (ii) raise competitiveness of SMEs and (iii) reduce employment disparities within the region</i></p> <ul style="list-style-type: none"> ➤ Establishing an entrepreneurial culture – SME creation, growth and competitiveness (7) ➤ Strategic regional developments (6) ➤ Target communities: building capacity and connecting with jobs (4)

* Table does not include technical assistance

The overall strong continuity does not mean that the new strategies have remained entirely static. An important process of discussion and consultation has occurred in all regions and the new programmes do reflect both the changing context for economic development and the type of support measures which are being introduced in response. In terms of the economic development context, a key example is the trend towards the incorporation of measures which support awareness of and participation in the information society. The *Bremen* programme, for example, includes a measure providing support for the information society within a priority aimed at strengthening the service sector and, similarly, in the *Nordrhein-Westfalen* programme there is a measure for the support of media and the information society. The *Styrian* programme has a new measure encouraging preparations for the information society, implemented principally through *Land* based support for firms accessing and fully exploiting new information and communication technologies. There is also a clear move in this direction in the Spanish programmes, influenced in part by the new Ministry of Technology at national level.

The incorporation of newer economic development areas reflects, in part, the emphasis on regional competitiveness – one of the priorities promoted by the European Commission. A number of new Objective 2 programmes have a

forward-looking focus, attempting to support areas where there is future potential. In *Nordrhein-Westfalen*, for example, this includes information and communication technologies (part of the trend highlighted above), tourism and culture, services and energy (including a new focus on renewable energy and efficient energy use). The *Lower Austrian* programme also concentrates much more on new economic sectors, encouraging the re-orientation and diversification process of the local economy through both sectoral support and new types of economic activity (eg. market expansion and co-operative ventures).

In terms of the form of development support, there is a broad shift towards soft aid and networking/co-operation and away from hard investment and infrastructure. A balance of different support types is still required and the demands of financial management, absorption and monitoring in many ways favour hard investment. However, current wisdom in the support of innovation, for example, promotes the importance of networking and co-operation between firms, and between firms and research organisations and this type of approach is reflected in the new Structural Fund programmes. In the new *Nordrhein-Westfalen* Objective 2 programme, for example, Priority 1 deals with Financing for Firms and is focused primarily on SMEs and on particular gaps identified in the regional economy. In addition to the traditional grants for commercial investment, measures under this Priority include participation capital, a fund to support new firm formation by college graduates (based on the lower than average rate of new firm formation but the good supply of colleges in the region) and financial assistance to become self-employed for qualified crafts and tradespeople. In another part of the programme, Measure 2.2 (Action for new firm formation) soft aid in the form of consultancy, coaching, seminars, networks and exchange of experience are provided to encourage new firm formation.

In *Denmark*, the role of direct grant aid to individual firms has also been reduced considerably, reflecting a longer-term trend in Danish government policy. The budget set aside for this type of aid in 2000, as compared with 1999, has more than halved – although this might also partly be in recognition of the fact that programme implementation is unlikely to start before the second half of the year. The *Finnish* Objective 2 programmes have also included new types of financing eg. risk capital – a move encouraged by the Commission.

An interesting approach is being taken within one of the Priorities in the new *Bremen* Objective 2 programme. Priority 5 (Pilot and coherence projects) includes two measures, the first of which promotes projects with the joint participation of ERDF and ESF (see section 4.3). The second measure is designed to support pilot projects and studies which develop new initiatives and ideas. This is seen as particularly important for themes promoted by the Commission and which are key elements of a modern regional structural policy ie. equal opportunities, environment and culture. The measure is aimed at generating projects which are internationally competitive and are examples of best practice. Priority 5 is viewed as a kind of incubator within which new approaches can be tested which also contribute to the development of a sound economic development policy.

One trend evident in a number of regions is the move to create flexible programmes. A key reason for this is the length of the programming period which has challenged programme managers and plan teams to create programmes which are sufficiently flexible to adapt to changing economic circumstances. This is important given the speed of development in the information and communication technology field in particular, where business adaptation must be rapid in order to remain competitive. Programme managers do not wish to be locked into a certain set of measures which will later prove inappropriate for the support of regional business and the promotion of regional competitiveness. This is a key reason why a number of programmes (eg. all the mainland *Swedish* SPDs, *North Jutland*, the *West of Scotland*, the proposed *Lombardy* programme) have only two priorities. In the *North Jutland* case, for example, while continuity has been broadly maintained and the type of projects likely to be approved is not expected to alter dramatically, the increased flexibility built into the programme is still viewed as beneficial. There is a desire in many regions to have the opportunity to review the strategic priorities of the programme and make amendments accordingly. In *Picardie*, for example, the intention is to programme the first three years of the period in detail and then reconsider the priorities. This approach builds on a strong history of animating local partners using support workers financed by the regional council.

4.2 The new Objective 2: the strategic balancing of differing regional problems

The incorporation of industrial, rural, urban and, in some cases, fisheries issues into a single Objective has been more of a challenge in the identification of suitable strategies in some regions than others. In *Austria*, the socio-economic basis of many of the former Objective 2 and 5b regions was quite similar and therefore their incorporation within a single Objective, if anything, made greater economic development sense. The type of project funded under the two former Objective types was often different – Objective 5b projects generally being smaller – presenting the opportunity for exchange of experience and more rounded overall development. In other cases, the new Objective 2 programmes represent principally one type of regional problem – in *Denmark*, for example, the majority of designated districts qualified either as areas of industrial decline or districts neighbouring this type of area. In *Flanders*, broad continuity is evident in the programmes which are being continued from the previous programming period and the new Objective 2 programmes (Antwerp, Ghent and the Coastal Area) will broadly reflect their regional bases, giving two urban-focused programmes and one with a strong emphasis on coastal problems.

In certain regions, the combination of rural and industrial priorities created more difficulties. In the new *Swedish North* programme, for example, one of the three included counties is highly agricultural and the incorporation of all of the county-level development priorities within a programme suitable for the new region as a whole proved difficult. In *PACA*, seeking the balance between rural and industrial interests was challenging, related partly to the question of the equitable division of the available resources between different types of area.

The draft programmes illustrate various approaches to the incorporation of measures addressing specific regional problem types. In *Bremen*, for example, the programme priorities incorporate a new urban priority based on the experience of the former Urban initiative. In *Nordrhein-Westfalen*, individual measures within the Integration Priority are allocated to urban development and rural development. In some regions, the rural component has effectively been passed over to the parallel Rural Development Programme, particularly in countries such as *Austria* where the RDP has considerable financial weight, and also in the *Netherlands*. *France*, conversely, is one of the few countries where EAGGF measures have been included in many of the new Objective 2 programmes.

An interesting approach is being considered in *Lombardy* where there is a move to integrate different types of intervention to increase the overall impact of expenditure. The possibility of 'pluri-sectoral Community co-financing' is being investigated which would combine thematically relevant Structural Fund and Community Initiative support. This would link, for example, the ERDF Objective 2 programme with Interreg III resources, the Objective 3 programme with Equal and the Rural Development Programme with Leader.

4.3 The approaches to ESF

The position of the ESF component in the new round of Objective 2 programmes is changing. While the ESF held an integral position in virtually all the former Objective 2 and 5b programmes, it is now completely absent in a relatively high number of regions. In some cases eg. Italy, this is a national approach adopted by all the programmes in the country while in other countries eg. Austria and Spain, some programmes have integrated ESF measures while others do not (see Table 4.3).

Some programmes clearly distinguish between ESF measures which support actions similar and dissimilar to those promoted under the framework of Objective 3. In *Nordrhein-Westfalen*, for example, a specific link is made in the SPD to the Amsterdam European Employment Strategy. The priorities and measures of the Objective 2 programme have been rooted within the corresponding foci of the Strategy and thus the Objective 2 programme concentrates its actions (both ERDF and ESF) on the development of entrepreneurship and the support of the process of adaptation in firms. The main priorities of the Objective 3 programme are then given as the improvement of employability of certain groups in the labour market and the support of adaptability for SME employees. The *Styrian* programme contains two ESF measures, one of which is more in the Objective 3 area (qualification of those threatened with exclusion from the labour market) while the other targets the provision of more innovative qualification initiatives within companies.

Table 4.3 *ESF component in new Objective 2 programmes*

Objective 2 programme (Country)	ESF component	ESF allocation
Lower Austria (Austria)	None - mono-Fund programme (ERDF).	-
Styria (Austria)	ESF Priority 6: Support for Employment and Human Resources Measure 6.1: Qualification of people threatened with exclusion from the labour market Measure 6.2: Innovative qualification in firms	9.4 percent
Southern Finland (Finland)		20 percent
Western Finland (Finland)		25 percent
PACA (France)	Priority 1: Support structuring projects to increase the potential of the area ESF Measure 1.5: Training reinforcing the position of the region Priority 2: Facilitate the integrated development of firms to create employment ESF Measure 2.5: Human resource development in SMEs. Priority 3: Social and territorial cohesion ESF Measure 3.8: Accompanying actions with a territorial logic	12 percent
Bremen (Germany)	None – mono-Fund programme (ERDF).	-
Nordrhein-Westfalen (Germany)	Priority 1: Enterprise finance ESF Measure 1.5: Wage subsidies for unemployed and those threatened with unemployment Priority 2: Enterprise development ESF Measure 2.9: Labour market policy support of enterprise development Priority 3: Infrastructure support ESF Measure 3.5: Combined employment and infrastructure support Priority 4: Integration ESF Measure 4.2 b: Integrated development of problem urban regions (4.2 a is ERDF component)	16.6 percent
Saarland (Germany)	ESF Priority 3: Restructuring the economy – alternatives to coal and steel ESF Priority 4: Future oriented jobs – competitive economy ESF Priority 5: Essential town structures	25 percent
Lombardy (Italy)	None – mono-Fund programme (ERDF).	-
Tuscany (Italy)	None – mono-Fund programme (ERDF).	-
Catalonia (Spain)	Will contain ESF measure – detail not yet available	
Basque County (Spain)	None – mono-Fund programme (ERDF).	
North (Sweden)	ESF Priority 2: Knowledge driven economy	12.4 percent

Western Scotland (UK)	Priority 1: Development of competitiveness and innovative capacity of region's economy ESF Measure 1.3: Develop a competitive workforce Priority 2: Increase social and economic cohesion ESF Measure 2.3: Raising the employability of excluded target groups	16.7 percent
North-East England (UK)	Priority 1: Establishing an entrepreneurial culture – SME creation, growth and competitiveness ESF Measure 1.7: Rebuilding entrepreneurial attitudes and skills Priority 2: Strategic regional developments ESF Measure 1.6: Embedding employment opportunities Priority 3: Target communities: building capacity and connecting with jobs ESF Measure 3.3: Improving employability: pathways to work	18.9 percent
London (UK)	ESF Priority 5: Skills and access to jobs	6.8 percent

The division of activities in the ESF field is complicated by the fact that many countries have national responsibility for Objective 3 activities but regional control over ESF measures in the Objective 2 programmes. In *France*, for example, the national agency DATAR proposed that the Objective 2 ESF measures could address two areas in particular: training in micro-firms; and training in support of social cohesion measures. *PACA* also intend to use some of the ESF budget to provide training services which are directly complementary to the activities funded through the ERDF, completing the logic of combining both funds within a single programme.

A number of the new Objective 2 programmes are mono-Fund and do not include an ESF component at all (see Table 4.3). This move, as highlighted in the New Lanark paper, is related to both administrative and strategic rationale and, in some cases, was actually suggested by the Commission (eg. the Italian programmes). The change in the regulations to make Objective 3 available also in Objective 2 areas has undoubtedly influenced decisions in some regions where a horizontal approach to training through the Objective 3 programme was preferred. The different approach to ESF inclusion is one of the main features of change for many programmes where the ERDF priorities reflect a high level of continuity.

The preconditions for achieving coherence with the new Objective 3 programmes are more explicitly laid out in some regions than others. Although coherence and integration is mentioned in the majority of SPDs, the realities of the divided implementation systems (highlighted in IQ Net Paper 2(2)⁵) will continue in the new programming period. In some cases, practical solutions are being sought. The *Italian* approach to the drafting of the Objective 3 programme involved regionally drafted inputs being collated and developed into the national strategy. In Tuscany, the Objective 3 contribution was drafted following the completion of the Objective 2 programme and was deliberately designed to complement it. Additionally, in Tuscany, it is foreseen that Objective 3 activities taking place in the Objective 2 area will

⁵ Taylor, S and Prome, C (1997) *Structural Fund Synergies – the ERDF and ESF in Objective 2 programming*, IQ-Net paper 2(2), EPRC, University of Strathclyde, Glasgow.

have an increased resource allocation while in Lombardy, a five percent higher aid level is anticipated for activities in the Objective 2 region.

Bremen has taken a particular approach to co-ordinating ERDF and ESF since the early 1990s. The Bremen Coherence Fund was initiated as a form of administrative experiment in the 1992-93 programming period and was subsequently incorporated as a Priority in both the 1994-96 and 1997-99 programmes. The Fund supported the direct two-way expansion of ERDF and ESF assistance within individual projects ie. the award of a certain sum of ERDF was bound to an equal award under ESF, and vice versa. The separation of ESF into a parallel Objective 3 programme has now made coherence more complex, requiring cross-programme co-ordination and integration. Further, past evaluations have shown that the Coherence Fund has been valuable but can be used most effectively only in certain types of project. This is likely to be even more the case in the 2000-06 programming period given the different overall aims of the Objective 2 and 3 programmes. However, measure 5.1 of the new programme (Cross-programme coherence projects with ESF) still promotes explicit integrative support where suitable projects can be identified. Two such examples are mentioned in the SPD: the restoration of historical ships with tourism potential and the construction of certain competence centres.

4.4 Further challenges to strategy definition

In addition to the process of region-specific strategic consideration and the corresponding setting of objectives and priorities, other components also had to be taken into consideration in the definition and presentation of the SPD strategies. Two areas have proved particularly challenging in the many regions: the incorporation of the Commission's horizontal priorities, and gender mainstreaming in particular; and the treatment of transitional areas.

4.4.1 Gender mainstreaming

Gender mainstreaming, or the incorporation of equal opportunities, in the new Objective 2 programmes remains the most difficult of the Commission guidelines. Genuine efforts have been made to reflect this issue throughout the preparations and in the programme documents themselves (see New Lanark paper) – in many regions as a response to the continued high profile placed on this horizontal priority by the Commission. However, the practical consideration of equal opportunities in priorities and measures, and later in project selection, continues to cause real perplexity – particularly for many ERDF supported actions. The primary goal of most Objective 2 programmes is viewed as the encouragement of economic restructuring and the creation of jobs. Certain types of investment to achieve this goal are often considered to be gender neutral eg. infrastructure or investment in machinery. Further, the question of whether or not new firms are created by men or women or additional jobs are male or female is often regarded as secondary to the main goal of job creation. The real influences on equal opportunities are commonly seen to lie outside the remit of the programmes eg. the regulations governing women re-entering the labour market, the provision of childcare and mobility factors. The parallel project selection paper addresses this issue in more detail.

4.4.2 *Transitional areas*

Different approaches have been taken to the incorporation of transitional areas into the new Objective 2 strategies. One method is to include the transitional areas within the overall strategy of the programme with funding being gradually phased out. Another approach, adopted for example in North Jutland, Styria and Tuscany, is that the transitional areas are only allocated funding for certain measures of the SPD. In the *Styrian* case, this is partly related to an issue of economic development sense. There are no tourism measures being financed in the Styrian transition areas, for example, because the level of financial support would be very low and it was considered more beneficial simply to include them in the *Land* strategy which can follow an integrated approach unhindered by the boundaries of assisted areas. In *North Jutland*, the transitional areas will receive no investment grants or ESF projects while in *Tuscany*, the relative financial allocations between measures may also be different for transitional areas than fully designated ones.

5. NEW PROGRAMME MANAGEMENT

The detailed planning for the future management of the new Objective 2 programmes has continued and arrangements have become clearer in a number of countries. In terms of the managing authority (see Table 5.1), the majority of countries have assigned these responsibilities to regional level bodies. In some countries eg. Finland and England, the managing authority role is held technically by national organisations but, in practice, the activities will be carried out at regional level. Only in two countries does the national level have the sole managing authority responsibility – *Denmark*, where there is a single Objective 2 programme with regional complements and *Spain* where the Ministry of Economy has adopted this role. Indeed, Spain is the only country where an effective centralisation of management responsibilities has occurred.

In many countries, the new managing authority role has not meant significant change in terms of the location of the main responsible body in the administrative framework of the country. In *Germany* and *Austria*, for example, the *Land* ministries were generally in charge of overall programme co-ordination in the previous programming period and the managing authority role will be held by broadly the same departments. Similarly in *Denmark*, the current balance of powers between national and regional authorities will remain more or less the same and in *Tuscany*, the managing authority role will be taken on by the same office which co-ordinated the Objective 2 programmes in the past.

In other cases, the managing authority role will strengthen or reinforce the position of the regions. In *Sweden*, for example, the implementation system is now wholly regionalised with the transfer of paying authority and audit responsibilities to the CABs from the national authorities. In *Flanders*, a change of government in mid-1999 shifted responsibilities to the province level and this has been mirrored in the Structural Fund implementation structure with the provinces adopting the managing authority role. Parallel national and Structural Fund developments in this area are also evident in

Lombardy where a recent regional law devolved implementation and administration competencies to the sub-regional authorities, leaving only planning and legislative activities under the remit of the region⁶. The Objective 2 programme will be one of the frameworks within which this devolution of responsibilities will be realised.

Table 5.1 Allocation of Managing Authority responsibilities

Country	Managing authority
Austria	<i>Land</i> level – generally the economic development or European co-ordination department of the <i>Land</i> government
Belgium	
➤ Flanders	➤ Provincial authorities
Denmark	Danish Agency for Trade & Industry (ERDF) and National Labour Market Agency (ESF)
Finland	Ministry of Interior (ERDF) and Ministry of Labour (ESF) - delegated to Regional Management Committees
France	<i>Préfectures de Région</i> but with an enhanced role for the regional council
Germany	Economic development department of the <i>Land</i> Ministry of Economics
Italy	Regions, represented by the Regional Presidents
Spain	National Ministry of Economy
Sweden	County Administrative Board (delegated by national Ministry of Industry)
UK	
➤ England	➤ Department of Environment, Transport & the Regions (ERDF), Department for Education and Employment (ESF). In practice, delegated to regional Govt Offices.
➤ Scotland	➤ Scottish Executive.
➤ Wales	➤ National Assembly for Wales.

In *Wales*, the managing authority responsibility remains in the National Assembly for Wales, but delegated to a new agency, the Welsh European Funding Office (WEFO). The former Welsh European Programme Executive was abolished at the end of 1999 and the staff incorporated into WEFO. WEFO will operate as a semi-autonomous agency, supervising the new approach to Structural Fund delivery in Wales through regional and local authorities.

In *Finland*, there has been considerable discussion, including through a formal parliamentary committee, on the nature of management arrangements for the 2000-06 programming period. A new Act specifically dealing with Structural Funds management procedures came into force at the start of 2000 and introduced a number of changes to the system. These relate principally to the Regional Management Committees (RMC) and the budget allocation procedure. One RMC now exists for each region (the Eastern Finland Objective 1 programme, for example, contains four RMCs, one for each region) and will contain three clear sets of partners, each with nine members: the regional offices of the state/other state administrative organisations; the Regional Council and member municipalities; and social partners. An elected politician from the Regional Council will chair the RMC, with three deputy

⁶ Regional law no.1/2000, 'Re-ordering the system of local autonomy in Lombardy'. The devolution of administrative functions to the regions and local authorities is a general trend in all Italian regions, foreseen by the so-called Bassanini reform (law no.59/1997 and legislative decree 112/1998).

chairs held by representatives from each partner set. The RMC will also contain two sub-divisions: a 'rural division' chaired by the Ministry of Agriculture official in the TE Centre (the integrated regional office of three central Ministries), intended to co-ordinate the Objective 1 and 2 programmes with the Rural Development Programme; and an 'Objective 3 division', chaired by the Ministry of Labour representative in the TE Centre which will co-ordinate the Objective 2 and 3 programmes.

The responsibilities of the RMC will shift away from decision-making on EU funding towards a more strategic role. Only in exceptional cases will the RMC now decide directly on projects, which may be linked to project size with regions establishing different limits for the Committee's involvement. The RMC can also appoint experts to advise on specific issues who may either be permanent or brought in on an intermittent basis. These experts will replace the previously more formal system of advisory groups.

One of the key ramifications of the move to a managing authority system is the additional administrative responsibilities required of this body (see Box). This has been a consideration in some countries in the decision on the number of Objective 2 programmes, particularly where the managing authority is at regional level.

Ways of dealing with the added administrative burden differ between regions. Secretariats have been introduced in several regions which will take over administrative duties. In *Nordrhein-Westfalen*, the co-ordination unit based in the Ministry of Economic Affairs, Technology and Transport, which will act as the managing authority, will be supported in future by a secretariat doing most of the daily administrative work. In *Finland*, a new secretariat will be attached to each Regional Management Committee to undertake the administrative work behind the processes of decision-making. In *Sweden*, the central government provides the CAB with a block grant for the support of regional development activities within the national system. In the previous programming period, the CABs responsible for the co-ordination of the programme could use monies from this grant to help finance the required administrative costs. In the 2000-06 programming period, account will be made of the additional burden on the CAB nominated to be the managing authority in the allocation of this grant.

RESPONSIBILITIES OF THE MANAGING AUTHORITY

From General Regulation Article 34.1:

Setting up a system to gather financial and statistical information for monitoring and evaluation; forwarding data to the Commission, using computer systems where possible

Adjustment and implementation of the programme complement

Preparation and submission of annual implementation reports, after the approval of the Monitoring Committee

Organisation of the mid-term evaluation (with the Commission and Member State)

Ensuring appropriate accounting systems are used by management and implementation bodies

Organisation of internal control systems

Ensuring compliance with other EC policies eg. award of public contracts
Compliance with information and publicity requirements (see section 2.4)

From Regulation text (Article 34.2 and 34.3) but not in 'list of responsibilities':

Annual review meetings with the Commission

Implementation of adaptive actions or corrective measures arising from annual review, demonstration of steps taken

Adjustment to the programme complement at the request of the Monitoring Committee or on its own initiative (without changing amount granted to priorities or targets) and informing the Commission within one month

5.1 Programme delivery – providing for efficient and rapid delivery and improved quality

Several common objectives are evident with regard to the delivery of the 2000-06 Objective 2 programmes. These focus principally on the dual desire to increase efficiency and effectiveness (eg. through larger or framework projects) and raise project quality (eg. increasing direct involvement of management staff in project generation and follow-up). Some of the possible approaches to programme delivery in the coming programming period will deal with aspects of both of these objectives. Global grants and/or larger framework projects, for example, are being investigated in a number of regions (see parallel project selection paper). This would help both to raise the level of strategic input into the design and follow-up of projects as well as delegate certain responsibilities for decision-making and implementation to other allocated groups. Global grants could also make the delivery of programmes more decentralised – this would be the case in *Denmark*, for example, where regional actors may have the option to draw down global grants for ERDF framework measures, moving against the former system where the DATI at national level approved individual projects under this Fund.

Of immediate concern to all the programmes, particularly in light of the new decommitment rule, is the rapid start of the programmes once they have been approved. Responses to this problem differ, depending to a large degree on the nature of the delivery systems. In *Austria*, for example, where the Structural Funds are implemented through existing funding agencies, projects received on an on-going basis are assessed and those potentially eligible for Structural Fund co-finance are identified. This gives a stock of projects which can immediately be given Structural Fund support once the programme is approved. The French *PACA* programme is intending to give approval in the first year of the programme only to those projects which can start immediately.

The requirement for quick and efficient expenditure throughout the programming period is also a key motivation behind a variety of changes to proposed programme delivery. In *Italy*, there has been a move in a number of regions to re-define financial procedures to help facilitate multi-annual budgeting, as well as simplify project submission processes and selection procedures, for Structural Fund programmes. In Lombardy, for example, a draft reform of the regional budget proposes the introduction of multi-annual

commitments and a functional classification of entries and expenses which is related to the Structural Fund programmes. In Denmark, changes are being introduced to speed up the handling of applications from the private sector. In *North Jutland*, this includes a more proactive role for the programme secretariat in the generation of projects, improved support for advisors to private sector applicants, the introduction of a more flexible approach to project submission (away from fixed application dates) and a simplification in the decision-making procedures.

Outsourcing is also increasingly appearing as an option for programme delivery. In *Tuscany*, for example, the implementation of many of the non-infrastructure measures will be outsourced to organisations selected through open or restricted calls on the basis of the specific competencies. These organisations will operate within a framework established by the region which will determine their activities, procedures and set control and information dissemination responsibilities. Similarly, in *Lower Austria*, the project definition, follow-up and some administrative duties for certain programme measures will be outsourced to an external organisation. An open call was used and one option is to use the organisation which developed a Regional Innovation Strategy for the region. This RIS was an important strategic input for the design of these programme measures and thus the involvement of the same organisation in programme delivery would maintain strategic continuity through the process.

A variant on this approach is the continued use of devolved systems in *England* and *Wales* to deal with the volume of applications and improve the strategic coherence of projects. These systems involve individual partner organisations or groups of partners taking responsibility for developing a sectoral, regional or local strategy for part of the programme (usually within an individual priority) as well as project selection criteria and recommended projects. One variant is known as the package approach, favoured by *North-East England*. Another variant is the action plan approach – used in the past in *North West England* and to be used in 2000-2006 in *Wales* whereby the partner organisation(s) not only develops the sectoral/area strategy but also handles project selection and takes financial management responsibility for delivering the strategy.

The achievement of greater transparency in Structural Fund programme delivery has motivated some change, particularly in the three ‘new’ Member States which now have their first opportunity to make real adjustments between programming periods. The changes to the method of budget allocation in *Finland* are designed in part to improve transparency in terms of state co-financing. In an annual rolling process, Regional Collaboration Documents will be drawn up by the RMCs outlining the allocation of EU and national co-financing between the regional Ministry offices in the TE Centres and the Regional Councils. The Document goes through a process of negotiation both at drafting stage and when it is submitted to the Ministry of Interior for approval, resulting theoretically in a consensus-based outcome. In *Austria*, a new system for co-ordination is being introduced whereby each programme measure will have a single responsible funding agency which determines the level of Structural Fund co-finance for all projects under that measure (sometimes in co-operation with other participating funding

agencies), issues award contracts for the Structural Fund component and is responsible for all monitoring information for that measure. The system was proposed by the Federal Chancellery with improved transparency as the key underlying rationale – although in reality the actual practice of programme delivery is not likely to change significantly. In *Sweden*, the re-organisation of the decision-making structures within the framework of a single CAB is also designed to make the system more transparent.

Greater use of electronic media and the Internet is likely to characterise programme delivery in the next programming period. This trend has already been seen in the programme preparation stage (see 3.3) and new IT-related developments or extensions to existing websites are being considered in many regions. In the new Objective 2 *North* programme in Sweden, for example, all the relevant information about the programme, including downloadable application forms, will be available over the Internet and consideration is being given to the possibility of electronic submission of project applications. Similarly, the introduction of electronic forms is being explored in both *Tuscany* and *Lombardy* as a way of speeding up the process of project application and selection.

5.2 Monitoring systems – incremental change and increased electronic focus

In most cases, countries and regions are adjusting their existing monitoring systems rather than introducing wholly new approaches or initiatives. Changes are being introduced both in response to new regulatory requirements and as part of on-going processes of improvement.

The greater use of electronic systems and media is a common trend, reflecting the growth of this area throughout all aspects of programme design and delivery. The exact nature of this trend is related to the starting point in each region. In *Italy*, many regions are moving onto a fully networked computerised system for the first time. Electronic systems are being developed in both *Tuscany* and *Lombardy*, with an external organisation in the latter case being charged with the development of appropriate software. The system will initially allow inputs from the regional administration but the longer-term goal is to be able to link the system to other external organisations charged with the implementation of some of the SPD measures. In *Austria*, where a nationwide computerised system has been in operation throughout the last programming period, a range of changes are being made to the nature of the data inputs and the regularity of reports. Short project descriptions are to be included for the 2000-06 period, moving away from the provision of purely financial information to more qualitative information useful both for project follow-up and publicity purposes. The value of the monitoring system is to be raised by increasing the range of information which is instantly available. It is hoped that this will help reduce the administrative burden of report writing and other tasks involving the access and utilisation of monitoring information. Further, it is planned to reduce the time intervals at which data is aggregated and made available – for example, monthly rather than quarterly overview financial tables – to allow better use to be made of the information.

The inclusion of data which goes further than purely financial information is also apparent in other regions. In *Styria*, targeted use of a new regionally-based database system is being incorporated into the programmes (see Box).

STYRIA: USE OF REGIONAL STATISTICAL DATABASE

In Styria, a local research institute (Joanneum Research - InTeReg) has recently developed a regional information system (WIBIS) designed to support economic policy decision-making in the region. It comprises an analysis of the socio-economic situation of Styria and its sub-regions, the provision of representative business- and labour-market related base data, cluster studies and the analysis of innovation relationships within firms.

This regionally-rooted database has been used in the drafting and statistical underpinning of the new Styrian Objective 2 programme. The overall aim was to access better data relating to developments in the regional economy and to ensure their reflection in the programme. This has been done principally in two areas:

use of the WIBIS data to monitor economic development in the districts included in the Objective 2 area. This cannot be used directly as output or impact indicators, given the range of influences on trends in employment, new firm formation, qualifications etc. which lie outside the Objective 2 programme. It can, however, provide improved on-going monitoring of key economic development trends within the programme area and WIBIS information can be used for subsequent evaluations.

improved approach to measuring the programme aim. The aim of the new Styrian Objective 2 programme includes the promotion of key areas of regional economic strength. The better availability of continually updated regional statistics through WIBIS should (i) contribute value added to project level monitoring through the business-related information and (ii) allow an on-going analysis of the development of the targeted areas of strength in Styria. Although WIBIS is not linked directly to the national monitoring system, an approach is being developed (based on sectoral linkages and input-output analysis) to identify how the existing monitoring system data can be evaluated more accurately to assess the contribution of programme activities to the achievement of the overall programme aim.

In *Nordrhein-Westfalen*, a project data base is to be set up which will store not only financial information but also a limited number of easily measurable indicators detailing outputs and results. In *Denmark*, a range of quantitative indicators has been introduced in response both to Commission preferences and national guidelines from DATI. These indicators create levels against which the Objective 2 programmes can be measured – in *North Jutland*, for example, this includes the relative position of the region with regard to income, population, employment R&D and training. In *Sweden*, consideration is also being given to the inclusion of indicators which can allow the tracking of change of certain areas relative to a regional or national average.

In some countries, new monitoring systems are being developed. The creation of the new *French* Présage system is still progressing. It is hoped that, among other benefits, the system will help actors identify ‘sleeping’ projects and, through active management, aid programmes in maximising implementation rates to ensure as little loss as possible through the decommitment regulations. Additionally, the national coverage of the system will facilitate an improved comparison between programmes which will be relevant for the performance reserve. A new standard, nationally interconnected system is also being

introduced in *Spain*. This new computerised common monitoring system should eventually replace the regional systems although it is currently only under development and faces a range of technical problems. In some regions this has meant the emergence of dual systems as information is entered into both the embryonic common system as well as the established regional ones. The fact that regional actors would like to access more rapid, flexible and detailed information than is likely to be required by the national system also means that a dual system may continue in the medium to long term in some regions.

5.3 Monitoring Committees

The structure and role of the Monitoring Committees has become clearer in a number of countries, although non-regulatory driven changes are relatively minor in many cases. In *Denmark*, for example, a single Monitoring Committee will be required (as there is only one Objective 2 programme) with representation from each of the five programme complements. Membership, however, is not expected to change radically – the Committee will have an important financial reallocation role and it was not considered necessarily beneficial to bring in new members at this stage. Equally in *Italy*, the Committees already have a relatively broad participation and changes will relate more to a clarification of the roles and responsibilities of individual members. Overall, there is a general move towards encouraging greater strategic discussion within the Monitoring Committee forum and away from the current commonly strong focus on technical and administrative issues.

The Committees have been regionalised in a number of cases, partly reflecting the fact that the managing authority is at regional level. In *Germany*, for example, each Objective 2 programme will have its own monitoring committee, chaired by the managing authority. In *Nordrhein-Westfalen*, the Committee will comprise representatives of all the involved *Land* Ministries, a representative from each local government body in the *Land*, the Nordrhein-Westfalen investment bank and a federal government representative (as well as the Commission in an advisory role). The Monitoring Committee will have no project decision-making competencies but will be involved more in overview and steering the programme implementation.

In other countries, the national level still has an important function in the Monitoring Committee structure. In *Flanders*, the new organisational structure for the Structural Funds has centralised the Monitoring Committee, creating a single Flemish Committee. This means that while the role of the provinces has increased in the implementation of the Objective 2 programmes, the central Flemish authorities will still have a key influence through the Monitoring Committee. Another important reason for this structure was to promote transparency for the Flemish administration and a uniform approach across all the programmes. Membership of the Committee will include the Flemish government, the provinces and municipalities and, while economic and social partners will be involved, it will be in an advisory capacity only. In other countries, while regional level Monitoring Committees may function, a secretariat role is maintained at national level eg. ÖROK in Austria and NUTEK in Sweden.

6. ASSESSMENT OF DEVELOPMENTS

Regions which will be operating Objective 2 programmes over the 2000-06 period have generally applied more time and effort to the preparation of high-quality SPDs, partly in response to the EC's detailed and rigorous expectations and Regulatory requirements. The qualitative increase in the preparation process is also related to other factors such as the considerable body of programming experience and the desire to achieve programmes with durable impacts given that enlargement may mean that 2000-06 is the last programming period for many regions. In some cases, preparations were carried out over a period of nearly 18 months - considered as almost too long in some regions which experienced a loss of momentum in later stages. At the other end of the scale, France and Sweden prepared their detailed programme documents in around three months, starting at the beginning of 2000 – although in both cases the use of other regional strategic initiatives meant that the process was not instigated from a standing start.

A further factor in the qualitative improvement of the Objective 2 programme preparations is the greater involvement of partners and increased depth of consultation. This has been true in the majority of cases and almost regardless of the timescale over which the preparations have taken place. In some regions this has not necessarily meant a significant increase in the range of partners involved but rather an improved use of targeted inputs – indeed, where very extensive consultation exercises have occurred (eg. in the UK) there is some evidence of 'consultation fatigue'.

The role of the *ex ante* evaluation has changed in the current preparations, partly as a result of the new Regulatory requirements in this area. A key development to emerge in a number of regions is the use of evaluators on a more integrated basis throughout plan drafting. This has involved greater, iterative communication with plan teams, incorporating feedback on an on-going basis rather than as a result of a single evaluation report on a completed programme draft.

The new Objective 2 strategies show a broad policy continuity with previous programmes as well as a strong link to wider national and particularly regional economic development programmes. This co-ordinated approach to economic development within a regional context signals a number of issues. In some regions, the experience of the Structural Fund programmes has influenced the way in which economic development is carried out more generally, encouraging a more strategic and programme-based approach. Equally, the concentration of Structural Fund resources and programme areas, particularly marked in the new programming period, has meant that the programmes are not sufficiently significant in financial or spatial terms to warrant the introduction of new strategies. Financial management requirements also encourage Structural Fund programmes to back up policy directions and activities which are already on-going or planned in the region.

There is a common tension between the desire to include newly emerging economic sectors (often technology-based) and innovative ways of financing, and the regulatory disincentive to do so (decommitment, performance reserve). Activities such as networking and co-operation are much more

difficult to monitor and quantify, creating unease about the ability to prove programme 'success'. This type of support also generally involves lower levels of finance and can take longer to develop than hard investment in machinery or infrastructure. Further, future-oriented sectors such as telecommunications, potentially of key importance for the restructuring and competitiveness of a regional economy, are also associated with a high degree of uncertainty. Overall, concerns about rapid financial absorption, particularly given the late start of the programmes, count against the inclusion of measures which involve risky or slow-developing projects but which might be considered beneficial for the future competitiveness of the region. In some regions, this tension has certainly led to exclusion of certain measures which would ideally have been included, because the risks of decommitment were considered to be too great.

The sharp spatial delineation and reduction in the assisted area coverage has also had an impact on the type of support included in some counties. In *Austria*, for example, a federal measure supporting the creation and operation of competence centres has not been included in the Structural Fund programmes because of the difficulty of restricting activities to within the assisted area. The 'competence centre programme' is viewed as having significant regional economic development potential but the strict spatial basis of the Structural Fund programmes (now even more concentrated) was viewed as inappropriate for this type of measure.

In terms of the subsequent implementation of the new programmes, management structures are currently being finalised. The managing authority responsibilities have been allocated in most cases, with some evidence of a regionalisation of management powers, although in many countries the status quo is being maintained with the addition of extra managing authority-related duties. This trend is also very similar with regard to the new Monitoring Committees. Some attempt is being made to increase the value and usefulness of monitoring systems, particularly through the integration of non-financial data and greater use of electronic media.

In all aspects of programme preparation, content and delivery, the importance of new information and communication technologies and the Internet is increasingly apparent. The Internet was used extensively in a number of regions in the planning and consultation for the new programmes. Where this occurred, it opened up the process considerably, in some cases allowing the continual feedback of comments to the contact persons as successive drafts were displayed on the home pages. The use of this technology had both advantages and disadvantages. The continuous display of drafts has meant resource-effective presentation of developments but also some difficulties in tracking what is most recent and how feedback has been incorporated. The ability of all partners with Internet access to comment on an on-going basis increases the inclusivity of the process but also places a certain burden on the plan team and programme managers to respond appropriately. Overall, however, regions which have made considerable use of the Internet have found this to be constructive. In addition to its role in plan preparation, the promotion of this type of technology and adaptation to the information society features widely in the priorities and measures of the new Objective 2 programmes. Widespread consideration is also being given to how this

medium could be used in the publicity and implementation of the programmes and its increasing ubiquity suggests that the issue is likely to become less whether it is used in programme revision and delivery and more how it can be most effectively exploited.