Objective 2 Programme Review: May - November 2000

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with executive summary

Ruth Downes and Rona Michie

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

European Policies Research Centre
University of Strathclyde
Graham Hills Building
40 George Street
Glasgow G1 1QE
United Kingdom
Tel: +44-141-548 3339/3955
Fax: +44-141-548 4898
E-mail: j.f.bachtler@strath.ac.uk
sandra.taylor@strath.ac.uk

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PREFACE

The research for the following paper was undertaken in preparation for the third meeting of Phase II of the Objective 2 exchange of experience network IQ-Net, which took place in Como in Lombardia, Italy, on 3 – 5 December 2000.

This paper continues the series of papers providing an overview of current progress with the 2000-2006 programmes, addressing the following four main issues:

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

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

Professor John Bachtler (UK)	Ruth Downes (Austria, Sweden)
Professor Henrik Halkier (Denmark)	Pekka Kettunen (Finland)
Rona Michie (EC)	Laura Polverari (Italy)
Sandra Taylor (Belgium (Wallonia), France, Spain, EC)	Mary Louise Rooney (Belgium (Flanders) and Germany)

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1. EXECUTIVE SUMMARY

1.1 Introduction

Almost one year into the new programming period, only a small proportion of the Objective 2 programmes have been approved, although most of the negotiations are in their final stages. This paper reviews recent developments in programming across the EU in the period May to November 2000, summarising new aspects of the regulatory context and providing updated information on programme preparation, strategies and management systems. The focus is on developments which have occurred in the last six months and on the negotiation procedures in particular

1.2 EU context: recent developments

Between May and November 2000, key developments were the approval of assisted area maps and the introduction of new legislation with a bearing on implementation.

The Berlin Council fixed the coverage of Objective 2 at 10 percent of the EU population. In virtually all Member States, the Objective 2 maps were drawn up, submitted and approved by Spring 2000. The anticipated schedule for redrawing the national assisted area maps, and their approval by the Commission, was designed to coincide with the new Structural Fund planning period. By the end of 1999, the assisted areas maps of six Member States were approved. Only maps for Belgium and part of Italy were left outstanding until September 2000.

The Commission also introduced several pieces of legislation with a bearing on programme implementation, including a new regulation on the type of expenditure co-financed by the Structural Funds, two proposed regulations relating to financial management, control and financial corrections, new guidelines for schemes promoting innovation in the regions, and draft guidelines for the Interreg III-C Community Initiative.

1.3 Programme development

By April 2000, programme planning was complete and almost all draft Objective 2 SPDs had been submitted to the EU. Only a few regions continued to develop their programmes after the April deadline (mainly regions in Italy and Spain). Programme negotiations were found to be generally straightforward, although there are cases where difficulties arose. A number of common negotiation issues are highlighted in the paper: socio-economic analysis; programme aims and structure; horizontal priorities; European Social Fund; coherence with other programmes; quantification; competition policy issues; programme management; expenditure allocations; and transitional areas. In the majority of cases, the negotiations focused on technical issues and did not involve significant changes to the strategic basis of the programmes.

1.4 New strategies

Comparison of the proposed strategies of the draft SPDs revealed a high degree of policy continuity. Many of the new Objective 2 programmes are still being negotiated with the Commission and the strategies are not yet finalised. The paper sets out some of the emerging trends and issues which have featured in the course of negotiations. These include: methods of introducing more innovative forms of financing; how to incorporate more flexibility into the new programmes; balancing responses to urban and rural problems; linkages with wider national and regional economic development strategies; approaches to transitional areas and the role of transition funding; uncertainty about the role and content of programme complements; and debate over the ESF content of the programmes.

1.5 New programme management

The management arrangements of the new Objective 2 programmes continues to be under review and reorganisation. There is a continued trend towards regionalisation for differing domestic reasons. In some Member States, programme management responsibilities have not been allocated to new organisations, but efforts have been made to improve the effectiveness and efficiency of the actors continuing in the management role, e.g. in Austria and Scotland. Other changes being introduced by some regions related to liaison and co-ordination between programmes and key partners. The new Structural Fund programming period also has implications for management structures within the European Commission. Changes to Structural Fund personnel at a difficult point in the programming cycle have created problems for Commission officials and Member States. New management regulations will continue to provide challenges for EC staff as programmes move to implementation.

A number of regulatory changes have been introduced for the 2000-2006 programming period which have major implications for the management of the new programmes. Two changes causing particular concern are focused on in the paper – decommitment rules and the new regulation on detailed rules for the management and control of Structural Fund assistance. Decommitment is identified as a particular source of concern to programme managers, with fears that the need to consume budgets will override the desire to programme well and restrict innovative projects and funding approaches. Several components of the proposed new regulations on financial management and control are still under debate. The lack of finalisation of these regulations is a source of frustration to Member States. Meanwhile, the new regulation on publicity and information measures has not caused particular difficulties. Common responses include the use of: programme web-sites; information events; and use of external consultants.

'Pre-consideration' of projects is already occurring in many regions with the aim of fast-tracking projects following programme approval. It is also noted that there is a clear desire in many regions to ensure a more strategic and coherent delivery of the Structural Fund programmes.

1.6 Assessment of developments

Approaching the end of the first year of the new 2000-2006 programming period, many of the Objective 2 programmes are still in a process of negotiation. The negotiations themselves appear to be focusing, in most cases, on technical and management issues. This implies that the longer period of consultation and strategic preparation, undertaken by the majority of regions, has paid off. Greater interactive involvement with Commission officials and the early availability of guidelines also appear to have smoothed the process.

Negotiations not have been entirely without frustration or difficulty – an experience more acute in some regions than others. Further, the change of Commission staff, inconsistency of advice and insufficient justification for the changes requested have emerged, among others, as areas of dissatisfaction.

Practical preparations for the implementation of the new programmes are on-going in parallel with the negotiations. Once the draft SPDs have received final approval from the Commission, two main challenges still exist before the programmes can fully be launched. Agreement must be reached on the proposed new regulation on financial management and control, and elaboration and agreement of the Programme Complements must be achieved. This process, to be carried out principally through the Monitoring Committees, may help to establish whether the Commission will, in practice, adopt the more 'hands off' role in implementation anticipated in *Agenda 2000*.

Objective 2 Programme Review: May - November 2000

1. INTRODUCTION

Almost one year into the new programming period, only a small proportion of the Objective 2 programmes have been approved. Although most of the negotiations are in their final stages, it is likely to be Spring 2001 before Structural Fund support becomes available for industrial conversion and rural development under Objective 2. For Objective 1 regions, the situation is further advanced, with negotiations having been substantially completed by Summer 2000 and most programmes having initiated the project application and selection process.

As a basis for discussion at the Como IQ-Net meeting, this paper reviews recent developments in programming across the EU. Updating the IQ-Net paper of September 2000[1], produced for the Saarbrücken IQ-Net conference, it summarises new aspects of the regulatory context before providing updated information on programme preparation, strategies and management systems. The focus is on developments which have occurred in the last six months and on the negotiation procedures in particular. The box overleaf summarises the main components of the paper.

2. EU CONTEXT: RECENT DEVELOPMENTS

2.1 Coverage of new Objective 2 regions and programmes

The Berlin Council fixed the coverage of Objective 2 at 10 percent of the EU population. In virtually all Member States, the Objective 2 maps were drawn up, submitted and approved by Spring 2000. The exception was Italy, where protracted disagreement between the EC and the Italian Government threatened to delay programme launch until well into 2001.

In the event, the Italian Objective 2 map was finally approved by the European Commission on 27 July 2000. This followed extensive and difficult discussions, both technically and politically, culminating in the submission of revised proposals on 21 June, which were subsequently approved.

The total population within the new Italian Objective 2 areas is 7.4 million, or 13 percent of the national population. The population coverage of Objectives 2 and 5b in the previous period was just under 20 percent. There will be 14 Objective 2 programmes in Italy for the 2000-06 programme period.

[1] Downes, R and Michie, R (2000) *At the Starting Block – Review of the New Objective 2 Programmes (May 2000)*. IQ-Net Paper 7(1). European Policies Research Centre, University of Strathclyde, Glasgow.

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

EU Context

- The Italian Objective 2 map was approved in July 2000. The first programme approvals came in June (Finland), followed in October by the Danish, Swedish and some Austrian ones as well as the Finnish Åland islands.
- Several pieces of EU legislation have been introduced with a bearing on implementation including regulations on eligible expenditure and financial management and control (still to be approved).

Programme Development

- Objective 2 programmes were finalised in Italy following the map approval and in Spain, the submitted CSF with seven regional OPs was re-formulated into regional SPDs.
- Programme negotiations have been relatively straightforward in many regions although there are some examples of more difficult discussions. Common threads in the talks have included the socio-economic analysis, programme structure, horizontal priorities, coherence with other programmes, quantification and management. Most changes have been presentational and do not significantly alter the strategic basis of the programme.

New Strategies

- Certain strategy-related issues have emerged during the negotiations including: methods of introducing more innovative types of financing; how to incorporate more flexibility into the new programmes; balancing responses to urban and rural problems; and debate over the ESF content of the programmes.
- Transitional areas and the role of transition funding has been a difficult strategic area. Debate has included finding a balance between the incorporation of specific strategies for transitional areas and their full 'segregation' as well as the challenges of degressive funding and fragmentation of types of assisted area.
- There is still considerable uncertainty about the role and content of the newly-introduced Programme Complements.

New Programme Management

- There is a continued trend towards regionalisation for differing domestic reasons. Specific changes and wide-ranging reviews have aimed to increase the efficiency and effectiveness of managing authorities. Co-ordination mechanisms have been introduced or improved at national and regional level.
- Wider organisational changes in the EC have meant changes to Structural Fund personnel, resulting in steep learning curves at a difficult point in the programming cycle. The new management regulations will continue to provide challenges for EC staff as the programmes move to implementation.
- Decommitment is a source of considerable concern to programme managers, with fears that the need to consume budgets will dominate the desire to programme well and restrict innovative projects and funding approaches.
- Several components of the proposed new regulation on financial management and control are still under debate and have implications for the finalisation of management systems. The publicity requirements have not caused particular difficulties.
- The pre-consideration of projects is occurring in many regions with the aim of fast-tracking projects following programme approval. Consideration of more strategically coherent programme delivery is widespread.

2.2 Submission and approval of programmes – on the way to completion

Most of the draft new Objective 2 programmes were submitted to the Commission in time to meet the 31 April 2000 deadline. The Flemish programmes (Belgium) were submitted soon after the deadline in May, with the Wien (Austria) programme following in June and those for Wallonie (Belgium) in July. Reformulated Spanish programmes, now presented as SPDs, were submitted to the Commission in September (having first been submitted as a CSF and OPs in April). The eventual approval of the Italian Objective 2 map in July cleared the way for the submission of the draft Italian programmes, with the SPD for Toscana being submitted in September and that for Lombardia in November 2000.

Approval of the new Objective 2 programmes began with Southern and Western Finland in June 2000. These were followed in October by the Danish, Swedish (Norra, Västra, Södra and Öarna) and some of the Austrian programmes (Kärnten, Öberösterreich, Niederösterreich and Steiermark), as well as the programme for the Finnish Åland Islands. Table 2.1 provides an overview of programme submission and approval.

The expected launch dates of the remaining programmes are still uncertain and depend on the individual negotiation timetables. Delays in approval of the Objective 1 programmes have had a knock-on effect, pushing some Objective 2 approval timetables towards early 2001. Indeed, some regions would reportedly prefer to delay approval until 2001. This is related to issues of decommitment – if programmes are approved in 2000, they will have to spend the 2000 tranche before the end of 2002; if they are approved in 2001, they will have until the end of 2003 to spend the 2000 commitments.

Table 2.1 Submission and approval timetable for the Objective 2 programmes

		Objective 2 SPDs submitted		**Objective 2 SPDs approved**
1999	December	Finland (2)		
2000	January			
	February			
	March	Rheinland-Pfalz (Germany)		
	April	Remaining 11 German SPDs Austria (7) Sweden (4) Denmark (national SPD)	Spain (CSF & OPs) France (21) UK (14)	
	May	Flanders (Belgium) (6 – reformulated as 4 during negotiations)		
	June	Wien (Austria)		Finland (2)
	July	Wallonie (Belgium) (2)		
	August			
	September	Spain (SPDs - resubmission)	Toscana (Italy)	
	October			Denmark (1) Sweden (4) Åland Islands (Finland) Austria (4)
	November		Lombardia (Italy)	

2.3 Approval of state aid maps

As discussed in the Saarbrücken paper, the Commission published new guidelines on national regional aid in March 1998[2]. The anticipated schedule for redrawing the national assisted area maps, and their approval by the Commission, was designed to coincide with the new planning period for the Structural Funds.

All Member States were supposed to submit their national assisted area map proposals to DG Competition by 31 March 1999, with a view to the new maps coming into force at the start of 2000. 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 maps for the rest of Germany and Portugal, Austria, France, Sweden, Spain and Italy (part) were approved during the first half of 2000. Maps for Luxembourg, the UK and the Netherlands followed in July 2000. This left only Belgium and part of Italy outstanding until September 2000, when their approval finally brought the process to a conclusion.

2.4 Other issues

The Commission has recently introduced several pieces of legislation with a bearing on programme implementation. These include a new regulation on the type of expenditure that may be co-financed by the Structural Funds and two proposed regulations relating to financial management, control and financial corrections. In addition, new guidelines have been adopted for schemes promoting innovation in the regions, and draft guidelines have been presented for the Interreg III-C Community Initiative. The Commission has proposed that this strand of Interreg should operate as a general framework for a range of inter-regional co-operation activities, including the Objective 1 and 2 programmes.

2.4.1 New regulation on eligible expenditure

In July 2000, the Commission adopted a regulation stipulating the type of expenditure that may be co-financed by the Structural Funds through the various programmes[3]. In principle, national rules on State aid will apply to eligible Structural Fund expenditure. However, the regulation lists 12 common rules designed to ensure the uniform implementation of the Structural Funds in all the Member States. These concern:

- expenditure actually paid out;
- accounting treatment of receipts;
- financial and other charges and legal expenses;
- purchase of second-hand equipment;
- purchase of land; purchase of real estate;
- VAT and other taxes and charges;

[2] Official Journal of the European Communities No C74, 10 March 1998

[3] Commission Regulation (EC) No.1685/2000 of 28 July 2000 laying down detailed rules for the implementation of Council Regulation (EC) No. 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds. Official Journal No. L193 29.7.2000.

- venture capital and loan funds;
- guarantee funds;
- leasing;
- costs incurred in managing and leasing the Structural Funds;
- eligibility of operations depending on the location.

2.4.2 New rules for financial management, control and financial corrections

In July 2000, the Commission proposed two draft regulations outlining new rules for financial management, control and financial corrections, to be applied to 2000-06 programmes[4]. These regulations would put in place the tighter financial controls over the Structural Funds agreed by Member States on the adoption of *Agenda 2000*.

The rules on financial management and control of Structural Fund expenditure define in detail how Member States and regions must establish a clear line of responsibility for financial control and set up Managing and Paying Authorities. In particular, the rules define the nature of the work that must be undertaken before a Paying Authority can certify the claims it makes on Community funding. They also describe the work to be undertaken by the auditors of the programmes in each Member State.

The rules contain a number of attached annexes including: standards of good practice in financial management; an indicative description of information requirements for a satisfactory audit trail; an indicative model for the statement at the closure of forms of assistance; the definition of basic information required on individual operations co-financed by the Structural Funds (including intervention categories); and technical specifications for the transfer of Structural Fund computer files to the Commission.

The Commission also adopted a set of guidelines on how to evaluate the effect of financial failures on Community funds. The objective of this package of measures is to make sure that each actor at regional and local level clearly knows its responsibilities in a largely decentralised management of the Structural Funds. The Regulation proposes that, where there is a significant failure to make proper checks, the Commission may recover five or ten percent of the aid paid, or, in particularly serious cases, 25 or 100 percent. This proposed regulation has been the subject of considerable discussion with the Member States which have disputed important elements of it (see section 5.2.2).

[4] Draft Commission Regulation laying down detailed rules for the application of Council Regulation (EC) No. 1260/1999 regarding the management and control systems for assistance granted under the Structural Funds and regarding the form and content of the accounting information that the Member States must hold at the disposal of the Commission for the purposes of checking Structural Fund accounts. Brussels 12.7.2000.
Draft Commission Regulation laying down detailed rules for the application of Council Regulation (EC) No. 1260/1999 regarding the procedure for making financial corrections of assistance granted under the Structural Funds (Doc. 1135 final). Brussels 12.7.2000.

2.4.3 *New guidelines for innovation in the regions*

As a follow-up to the conclusions of the European Council in Lisbon, which targeted the least competitive regions with the aim of helping to reduce their 'innovation deficit', the Commission has adopted new guidelines for schemes to promote innovation in the regions[5]. The schemes will be funded under Article 4 of the new general Regulation[6] with a budget of €400 million. Regions which are at least partly eligible for support under Objectives 1 and 2 will be invited to submit proposals, in the form of an action plan or strategy, for schemes in the following fields:

- developing regional economies based on knowledge and technological innovation;
- supporting the Commission's 'e-Europe' initiative on the information society and, in particular, extending the benefits to the regions; and
- promoting regional identity and sustainable development.

Proposals will be approved annually by the Commission.

2.4.4 *Draft guidelines for Interreg III-C*

In November 2000, the Commission presented a draft Communication outlining the scope of inter-regional co-operation actions foreseen under Strand C of the Interreg III Community Initiative[7]. This Strand promotes interregional cooperation throughout the EU and neighbouring countries to improve regional development and cohesion. For the first time, the Commission wishes to see a direct link between inter-regional co-operation actions and the regional development programmes financed by the European Union. The Commission proposes that Interreg III-C should operate as a general framework for inter-regional co-operation activity, with a view to linking and promoting exchanges of experience and best practice from ERDF interventions in Objective 1 and 2 areas, the Interreg and Urban programmes, and the future Regional Innovative Actions programmes.

The objective is to move towards a more strategic approach to inter-regional co-operation, exploring how exchanges of experience can be used to address weaknesses, integrate lessons learnt in regional programmes and improve the quality of the assistance provided under the Structural Funds, especially Objective 1 and 2 programmes. The aim is also to disseminate throughout Europe the added value of the individual Structural Fund interventions.

The Communication provides detailed guidelines to help Member States and regions prepare proposals for support during the 2000-06 period. Three types of projects will be financed under the Interreg III-C programme:

[5] Draft Communication from the Commission to the Member States. "The Regions in the New Economy". Guidelines for innovative measures under the ERDF in the period 2000-06. Brussels 11.7.2000.
[6] *'At the initiative of the Commission .... the Funds may finance innovative actions ....[which] contribute to the preparation of innovative methods and practices designed to improve the quality of assistance under Objectives 1, 2 and 3.'*
[7] Draft Communication from the Commission to the Member States. "Inter-regional Co-operation" Strand C of the Interreg III Community Initiative. Brussels 6.11.2000.

- *Regional framework operations:* Mini programmes, consisting of several smaller projects, would be prepared as a regional framework operation. Each programme would be submitted by a group of regions (a minimum of three), who would each be supported by a partnership of organisations from within each region, encouraging a more strategic approach to co-operation. For example, a group of islands could submit a single regional framework operation which includes projects covering transport links, tourism and SME co-operation.
- *Individual interregional co-operation projects:* These would be similar to the types of project supported under RECITE and Ecos-Ouverture and aimed at exchanging experience on methodology and project-based activities and assisting with their implementation in the regions. The goal is not merely a transfer of knowledge (as under *networks*), but practical co-operation in the implementation of projects.
- *Networks*: These are intended to bring together regions inside and outside the EU to discuss and exchange views on project implementation methods and development. Only costs related to actions such as seminars, study trips and exchange of staff, all in order to exchange experience and pass on expertise, might be considered.

Projects can deal with a range of subjects, for example: RTD and SMEs; the information society; tourism; culture and employment; entrepreneurship and the environment. In addition, the Commission has given priority to several other subject areas including: maritime and coastal co-operation; co-operation on insular and ultra-peripheral issues; solutions to natural or man-made catastrophes as well as alleviating the economic effects of handicaps such as very low population density or mountainous conditions.

3. PROGRAMME DEVELOPMENT

By April 2000, programme planning was complete and virtually all draft Objective 2 SPDs had been submitted to the EC. Many regions had initiated preparations and strategic planning early, with discussions in early 2000 focusing more on issues like detailed financial allocation. France and Sweden had started preparations in January 2000 but still completed their plans by March 2000, without compromising the consultation process. Partner involvement in the preparations had generally increased, ranging from targeted input to highly consultative exercises. Greater use of the Internet was common, opening up the process in many regions. National level involvement had varied, often falling, in line with the greater regional level role in plan preparation. Both national authorities and the EC had a role in 'pre-checking' draft SPDs to ensure their subsequent receivability. The *ex ante* evaluations involved both the traditional separate evaluation of draft programmes and a more integrated approach, with evaluators feeding into the SPD as it was drafted. In some cases, the EC also commissioned its own programme appraisals.

Over the intervening period since April 2000, the focus has largely shifted to negotiations. Only a few regions continued to develop their programmes after

the April deadline. This mainly occurred in Italy and Spain, but for quite different reasons.

In the case of Spain, a CSF and seven regional OPs for the Objective 2 programmes were submitted to Brussels in April. The Commission, however, required Spain to re-submit regional SPDs. This was the approach originally favoured by Cataluña and País Vasco, but the national level had gained a concession in the regulations to allow them to proceed in theory with the CSF/OP format. The new regional SPDs were submitted to the Commission in September 2000 but this has meant that Spain has fallen behind many other Member States in its preparations. The final approval of the new SPDs may nonetheless not be very much later than in some other countries.

The reformulation of the programmes into SPDs took some time and two sets of meetings were held involving the Spanish national and regional authorities and the Commission. The first took place in July in Madrid and the second in September in Brussels. In addition to discussing how the content would be reformulated, a further decision emerged about the managing authority arrangements, with shared responsibility introduced between national government and the relevant *Communidad Autónoma* (see section 5.1.1). In País Vasco, the new Objective 2 SPD draws on the inter-institutional programme for economic development as well as a range of other strategic frameworks. Similarly in Cataluña, the Objective 2 programme has been designed to complement and reinforce the existing strategies of a range of regional and local bodies.

In Italy, preparation work for the new Objective 2 programmes began as early as the end of 1998 with initial consultation meetings and drafts of the new programmes presented for discussion from Spring 1999 onwards. The SPDs could not be submitted to the Commission until the Objective 2 maps were finally approved (July 2000), but the earlier preparation work meant that the drafts were not subsequently amended significantly. In Toscana, for example, the three priorities and 18 measures remained the same, with the main changes being financial details and text on the relationship of the Objective 2 programme to the parallel Objective 3 and programme and the Rural Development Plan. As had been the practice in other Member States earlier in the year, regional civil servants from Lombardia met with Commission representatives in mid-October to discuss a pre-check of the proposed SPD. This highlighted a number of issues which were subsequently addressed by the region including quantification requirements, improved internal coherence between priorities, financial details and competition policy questions relating to included aid schemes. The SPD was then approved in the region on 27 October and subsequently sent to the Commission.

In terms of the *ex ante* evaluation, the Saarbrücken IQ-Net paper highlighted the different methods being used in the Objective 2 programme preparations and, in particular, a new trend towards a more integrative approach. The Commission reaction to the evaluations has been positive and can be illustrated by the earlier Objective 1 experience. Here, the Commission considered that the *ex ante* evaluations fulfilled three roles: *criticism* in relation to past experience; *advice* in relation to the development of the plans as a response to specific socio-economic characteristics; and *justification* of

the priorities and objectives chosen, complementing the information already available in the programming documents[8]. According to the Commission, the active contribution by evaluators to the plan drafting process in many Objective 1 regions helped improve the quality of plans submitted, both in terms of the rationale given for plan strategies and the transparency of objectives to be achieved. The process was characterised by a greater degree of openness and enthusiasm on the part of the relevant national or regional authorities. The most ‘concrete’ plans were considered to be those submitted by Member States which pursued the most interactive exchange with the evaluators.

3.1 Programme negotiations

Negotiations are completed for many of the Objective 1 programmes and have been on-going for the Objective 2 programmes since the submission of the majority of the drafts in April. The negotiation process needs to balance the mutually legitimate requirements of both the Commission and the regions – bringing together the top-down priorities of the Commission for Structural Fund expenditure and the bottom-up experience of programmes of how resources can be best locally targeted.

In many regions, no serious problems were encountered during the negotiations for the new Objective 2 programmes. Although there are examples of fraught and difficult discussions, the negotiations are widely considered to have been straightforward. While the rationale of the EU for requested changes was not always wholly supported, the more technical and presentational nature of most changes meant that serious dispute did not arise. The closer involvement of Commission services throughout the programme preparation has helped in some cases to smooth the way of the subsequent negotiations. In Denmark, for example, the limited range of negotiation issues was attributed to the pro-active EU input ie. through EU guidelines and contact informing the preparations, rather than changes made afterwards though the negotiations. For some Objective 2 regions (eg. in Finland) the positive experience of the Objective 1 negotiations laid good groundwork for the subsequent talks on the Objective 2 programmes.

Negotiations are clearly programme-specific. However, a number of common threads are evident in the process for both the Objective 1 and 2 programmes. The types of negotiation issue which commonly emerged included the following:

- *Socio-economic analysis*. In some cases, additional analysis was requested while in others, the analysis which was already incorporated needed to be presented more clearly or linked more coherently to the subsequent priorities and measures. A full re-working of the underlying socio-economic analysis was rare. In most cases, the additional information required was linked to a specific area eg. the human resources/labour market situation of the region or specific sectoral foci.

[8] CEC (2000), *New Objective 1 Programming: Role of the ex-ante evaluation in Structural Fund Programming*, Internal briefing document, DG REGIO, Commission of the European Communities, Brussels.

- *Programme aims and structure*. A common EC request was for greater precision in the presentation of the priorities and measures and their link to the underlying analysis. The Commission wanted programme aims and objectives to be 'SMART' (specific, measurable, achievable, realistic and set within a timescale) and derived from the analysis. In some cases, programmes were asked to reduce the number of priorities and/or measures – although affected regions did not always consider this request to be clearly justified. In Objective 1 Sachsen Anhalt, an additional tier between priority and measure was requested to disaggregate what the Commission viewed as overly broad priorities. Similarly, in a number of UK programmes, the originally proposed two-priority approach was not permitted (see section 4.2), a level of EC intervention not always considered to be inappropriate.
- *Horizontal priorities*. Environment and equal opportunities were discussed in a high proportion of the programme negotiations. The discussion points included the incorporation of more detailed analysis of horizontal themes, improved indicators, quantification of targets and ensuring genuine integration of themes through all the priorities and measures. Some programmes were also encouraged to integrate more fully representatives of environmental or gender-related organisations into the programme implementation structures and to ensure full operational consideration of these priorities. In some cases, the Commission pushed for an indication of how grant rates could be modulated to reflect the importance of the environment and equal opportunities.
- *European Social Fund*. The Commission approach to the ESF issue was not universally the same. Programmes with low ESF components were often encouraged to drop them completely, while programmes with already high levels were sometimes pushed to increase them further. In this area, many Member States and regions appear to have held firm, withstanding pressure to change the relative importance of the ESF within their programmes (see section 4.7). Other human resource related issues included developing the integration of specific labour market groups and incorporating a more detailed SWOT analysis.
- *Coherence with other programmes*. The relationships between Objective 2 and Objective 3 and Rural Development Plans were raised in many cases. This included ensuring that there was no potential overlap between Objective 2 and other funding sources as well as providing sufficient evidence of co-ordination with parallel programmes. Generally, amendments in this area did not cause any real change to strategies but simply made the relative position and focus of the Objective 2 programme *vis-à-vis* other programmes more explicit.
- *Quantification*. This was a common point of discussion, with the level of quantification being criticised in many cases. Issues included how effectively to quantify overall objectives and baselines, individual priorities and measures and cross-cutting horizontal themes. The EC often made requests for a clearer definition of indicators or for an improved structuring based on the output, result and impact division.

- *Competition policy issues*. A clear presentation of the state aids proposed to implement the Structural Fund programmes was required in some cases. To some extent, the relative importance of this issue was linked to the use made of existing aid schemes in the implementation of Structural Fund programmes. Competition policy issues were also raised in relation to the proposed use of more innovative forms of financing, including venture capital.
- *Programme management*. Clarification was sought on management and implementation issues in many cases, in particular seeking clearer divisions of responsibility and explicit indications of who will carry out the Managing Authority role. This may, in part, be linked to new Commission personnel being involved in the negotiations who were less familiar with national structures. There was a certain degree of frustration experienced in some countries, where it was felt that negotiation time was spent explaining systems and structures rather than focusing on the new programme itself. In Germany, for example, the composition and voting structure of the Monitoring Committees has been a subject of much debate, although it is limited by national law. Further demonstration that partnership consultation was adequate was also sought in some cases.
- *Expenditure allocations*. The Commission showed a distinct lack of enthusiasm for the inclusion of transport or ICT infrastructure in measures, as well as capital expenditure under tourism measures. There was a general push for financial allocations to be determined by demand-led provision, with low private–sector figures and financial tables being pointed to as an indication of supply-led programmes. In Saarland, the Commission proposed that SMEs should be supported to the exclusion of larger firms. This has not been welcomed by the region, and some attempt may be made to ensure that the socio-economic analysis adequately reflects the need to support larger firms as well.
- *Transitional areas*. The Commission recommended an exit strategy and declining grant rates in a number of programmes, emphasising support for 'unfinished business' rather than new projects.

In the Member States, the main negotiation partners have generally been the regional level authorities responsible for the programmes. In most cases, a degree of national level co-ordination has also taken place to provide a unified response to negotiation issues common to all the country's programmes. This centralised involvement has been evident in both unitary countries and in federal systems such as Germany, where the Structural Funds are usually the exclusive concern of the *Länder*. In some cases, a common response was then developed for all programmes eg. the use of standard text for inclusion in all programmes on issues such as additionality, the performance reserve or implementing provisions.

The wider partnership was not included in the negotiation process in most countries. This is mainly related to the practicalities of the process as well as its often highly technical nature. The situation does vary, however. In Finland, for example, a representative from the national Ministry of Interior chaired the official negotiation meeting, but representatives from the Southern and Western Finland regions and alliances and the Ministries of Interior, Labour,

Trade and Industry, Education, Environment (and Environmental Centres), Agriculture and Forestry and Social Affairs and Health also took part. There were also social partners present including representatives of Akava (Confederation of Unions for Academic Professionals in Finland), SAK (Central Organisation of Finnish Trade Unions), STTK (The Finnish Trade Union) and *Palvelutyöantajat* (Employers Confederation of Service Industries in Finland). Similarly, in North East England, negotiation meetings have been led by the Government Office for the North East and also included the Regional Development Agency and representatives of the local authorities, business community and higher education sector. More generally, many of the UK programmes have been transparent in communicating the progress of negotiations to partners, in some cases posting Commission responses and discussion protocols on the programme websites.

In the majority of cases, the negotiations have focused on technical issues which do not significantly change the strategic basis of programmes. The main elements were in place in most SPDs but poor presentation sometimes meant that they were not sufficiently apparent. Adjustments to text and structure, and/or the inclusion of additional analysis or references, were the main post-negotiation changes. Some of the changes required were time-consuming with little apparent added value eg. the re-formatting of financial tables to meet an EU-wide specification.

Even where the priority and measure structure was altered, this rarely implied real strategic change and tended to be cosmetic. In Austria, for example, the number of priorities was reduced by one in both the Steiermark and Niederösterreich programmes. This move was initially disputed by the authorities, but effectively meant simply amalgamating two formerly separate priorities under a single heading, while keeping the content the same. The disaggregation of the two-priority structure of the three Scottish Objective 2 programmes was undertaken along similar lines. In Denmark, an apparently substantive change was, in reality, a method of re-budgeting (see section 4.7).

Not all regions share the overall positive experience of the negotiations. Even within Member States, the degree of difficulty encountered has varied. The composition and interaction of the regional partnership means that negotiation issues which are relatively easily accepted in some regions can cause much greater difficulty in others. This can lead to thematic difficulties but also organisational ones. In some regions, for example, Commission demands for more focused strategies have raised tensions in the regional partnership between the relative balance of interests (eg. urban-rural groupings – see section 4.3). In Bremen, for example, organisational changes to the SPD structure would have to be approved by the regional committees consulted about the programme and the regional parliament.

Internal inconsistency within the Commission has been highlighted as a problem in many regions. This comes particularly to light in inputs from DG Regio and DG Comp, and also in the Objective 1 programmes in particular, where more than one DG is involved in the talks. The French Objective 2 programmes are also meeting similar difficulties, as they have included EAGGF (the only Member State to do so in its Objective 2 programmes) adding another dimension to the process. The Sachsen Anhalt Objective 1

programme involved individual discussions with DG Regio, Employ and Agri and in the Norra Norrland Objective 1 programme in Sweden, DG Fish was also added to the list. The lack of a common position was frustrating and took additional time to deal with. The differing approaches of individuals also made the ease of negotiation feel rather like the 'luck of the draw'.

4. NEW STRATEGIES

At the point when the draft SPDs were submitted, comparison of the proposed strategies revealed a 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 also emerged. Strategic thinking had introduced some changes, including an increased focus on soft aid, new technologies and innovative methods of financing. Flexible programmes had emerged in many regions, mainly as a response to the seven-year programming period and rapidly changing economic framework conditions. Considerable variation was apparent in the approaches to ESF – one of the main features of change in some programmes. Outcomes included 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 the horizontal priorities (particularly gender mainstreaming) and the issue of transitional areas had presented particular difficulties in some regions.

Many of the new Objective 2 programmes are still being negotiated with the Commission and the strategies have not yet been finalised. Rather than provide a comprehensive overview of the new strategies, the following section highlights emerging trends and issues which have featured in the course of negotiations.

4.1 Innovative forms of financing

A continuing trend away from hard investment and infrastructure towards soft aid and networking/co-operation is evident among the draft programmes. As the role of direct aid to firms is reduced, new types of financing have been introduced, with EC encouragement.

One example in the UK is the strategy for Yorkshire and the Humber, which includes a priority termed 'An Objective 2 Investment Partnership'. This aims to establish an administrative model able to develop new, long-term financial instruments where there is evidence of market failure. These would involve public/private funding streams and contribute to a self-sustaining infrastructure of financial support schemes after 2006. Responding to the Commission's recommendations on financial engineering, the programme intends to shift "the bias or focus of funding away from the simple grant aid methodologies of the past towards schemes that involve amongst other things loan finance, guarantees and/or mutual guarantees, mezzanine finance and equity finance and that involve wherever appropriate risk sharing with other third party interests"[9].

[9] Yorkshire and the Humber Draft Objective 2 SPD (2000-06), April 2000.

In Steiermark, the introduction of innovative forms of financing is also responding to changes in approach to economic development within the SFG (*Steierischen Wirtschaftsförderung*), the main economic development agency in the region. This includes the incorporation of venture capital finance for new firm formation, based on an existing model used by the SFG for larger firms. Despite the general support of some Commission services for this type of measure, problems have been encountered during negotiations. In Nordrhein Westfalen, for example, a venture capital measure, supported by the Commission desk officer, became a negotiation issue when it met opposition on competition policy grounds from DG Competition.

An innovative measure in Lombardia entails the provision of support to local authorities for the acquisition of knowledge and programming capacity. It will finance studies and consultancy support for the regional administration in undertaking project financing, programming and other forms of private-public partnership-based initiatives.

Table 4.1: Priorities and Measures in the Draft and Final 2000-06 SPDs

Member State	Programme	➢ Priorities (number of measures)*
Austria (Approved)	***Nieder-österreich***	➢ Mobilisation of endogenous potential for regional development , economic infrastructure and flagship projects (9) ➢ Development of industry and commerce, innovation/ technology (7) ➢ Development of tourism and leisure (2)
	Steiermark	➢ Support of production and service sectors (5) ➢ Support of competitive locations and preparation for the information society (6) ➢ Support of the development potential for integrated regional development, tourism and culture (5) ➢ Support of employment and human resources (2)
Belgium	***Limburg***	➢ Initiatives supporting industrial activity and employment (5) ➢ Optimisation of surrounding framework (3) ➢ Development of rural areas (3)
	Wallonie – Meuse-Vesdre	➢ Support indigenous development of economic activities (3) ➢ Information society (4) ➢ Human resources (3) ➢ Consolidation of international roles (3) ➢ Sustainable urban development (4)
	Wallonie-rural	➢ Support indigenous development of economic activities (3) ➢ Structuring the rural environment (5) ➢ Human resources (3)
Denmark (Approved)	***Nordjylland***	➢ Framework measures (2) ➢ Business development (2) ➢ Human resource development (3)

Finland (Approved)	***Western Finland (Länsi-Suomen)***	➢ Business development and restructuring of the economy (3) ➢ Development of skills and new technology (2) ➢ Modernisation of regional infrastructure and improvement of the living environment (4)
Germany	***Nordrhein-Westfalen***	➢ Business finance (4) ➢ Business development (9) ➢ Infrastructure development (5) ➢ Integration (Community Economic Development) (5)
	Saarland	➢ 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	➢ Diversification of the economic structure (3) ➢ Strengthening the service sector (4) ➢ Urban areas (4) ➢ Pilot and coherence projects (2)
	Sachsen-Anhalt	➢ 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	***Lombardia***	➢ Competitiveness of the regional economic system (8) ➢ Territory and environment (3)
	Toscana	➢ Development and strengthening of enterprises (6) ➢ Territorial qualification (6) ➢ Environment (6)
Spain	***National CSF*****	➢ To raise competitiveness and employment and develop business (8) ➢ Environment and human resources (6) ➢ Knowledge society (7) ➢ Development of communications networks and energy infrastructure (8) ➢ Local and urban development (11)
Sweden (Approved)	***Norra***	➢ Business development (4) ➢ Knowledge driven development (1)
UK	***Western Scotland***	➢ Competitiveness and innovative capacity ➢ Economic and social cohesion
	East Wales	➢ Developing and expanding the SME base ➢ Sustainable rural development ➢ Urban community regeneration

* Table does not include technical assistance

** A national CSF and regional OPs were initially submitted for Spain; these are now being reformulated as regional SPDs. The reformulation is expected to mainly concern programme format rather than content.

4.2 Flexible programmes

A trend identified in the Saarbrücken IQ-Net paper was the move by a number of regions to create flexible programmes. This was linked to the length of the new programming period and the need to be able to adapt to changing economic circumstances. Programme managers would prefer to avoid being locked into a set of measures which may later prove inappropriate. This was a key reason why a number of programmes (eg. all the mainland Swedish SPDs, the three Scottish Objective 2 areas, Lombardia) proposed having only two priorities.

Striking a balance in the formulation of more flexible programmes has been problematic for regions and the Commission alike. The proposals have met with a varied reception by the Commission. While the Swedish programmes were approved with only two priorities, the Commission asked for the structure of the three Scottish Objective 2 programmes to be reshaped. The initial strategies were built around two key priorities in Western Scotland (regional competitiveness and innovative capacity; economic and social cohesion); East of Scotland (strategic economic development; community economic development); and South of Scotland (business and the economy; people and communities). This two-priority structure was deemed unacceptable by the Commission on the basis that financial accountability would be difficult to verify (too much scope for virement). The plans have been redrafted with a clearer separation of capital and revenue measures within the priorities related to strategic economic development, while trying to maintain the integrity of the strategic approach adopted by the plan teams. A three-priority structure of business, infrastructure and community development is the result.

The need to allow for programme flexibility was also behind the initial proposals in País Vasco to only plan the Objective 2 OP in detail to the halfway point. Ultimately, however, detailed planning was undertaken for the whole programming period. In some fields, this was relatively straightforward – in the case of environmental and transport infrastructure, for example, it might have been possible to write a strategy as far as 2015. However, for SME development, where it is necessary to respond to the changing wider policy environment, this type of advance planning is more problematic. To attempt to deal with this problem, the programme is weighted, with the emphasis on actions where there is less long-term certainty at the start of the programme, and actions which are more certain towards the end of the programming period. Similarly in Cataluña, the SPD will be very detailed for 2001, but more general in setting out plans for the 2002-06 period.

4.3 The urban/rural balance

The strategic balancing of differing regional problems has continued to be a major challenge for strategy definition in many regions. In some programmes, achieving the right balance between urban and rural problems, an issue exacerbated by the integration of Objectives 2 and 5b, has emerged as an example of this during the negotiations. The process of combining both urban and rural issues within a single programme has been associated with a perceived lack of focus and a tendency for strategies to take a ‘lowest common

denominator' approach. In the UK, for example, the former Objective 5b programmes were smaller and less focused than the Objective 2 programmes during the 1994-99 period. New partnerships are very wide-ranging and the Objective 2 regions contain a mix of areas and problems. In response, the Commission has made a request for more focused strategies and more refined targeting, leading to some tensions within partnerships as urban and rural organisations defend their interests. Similarly in the Norra Objective 2 programme in Sweden, rural and agricultural interests are particularly dominant in one of the three counties in the new area. This caused some difficulties in the planning process, not helped by misunderstanding of what could be included as eligible expenditure under the new Objective 2 programme.

In the UK, the urban/rural balance has also been an issue in the identification of areas to be targeted through community economic development (CED) strategies. Although the Commission's preference is for CED areas to be determined with reference to the Indicators of Multiple Deprivation (IMD) 2000 Index, this is considered by some regions to be too urban-biased, not sufficiently reflecting the needs of rural areas.

The fragmentation and significant differentiation existing within the designated Objective 2 programme areas also caused substantial difficulties in Italy. The Lombardia programme covers seven diverse areas, one being a core industrial area in decline and the other six being scattered areas at the margins of the regional territory and economic system (five of them being rural the last one industrial). This made the formulation of a unique development strategy problematic. In part, coherence was achieved through closely linking the Objective 2 strategy with the overall strategic framework of the Regional Development Plan. In this sense, the Objective 2 programme is part of a broader strategy (see section 4.4).

One response has been the use of geographical targeting at the measure level or through the implementation arrangements. For example, the East of Scotland plan proposes to split its community economic development priority into two measures, one of which is intended to be spatially targeted (on urban, mining, fishing and rural communities) and the other to be delivered on a thematic basis. The East Midlands is one example of a region which proposed geographical targeting at priority level. The draft SPD had three separate priorities, each labelled 'sustainable development' addressing integrated urban development, rural areas and the coalfields. This reflects the difficulty of achieving consensus among the different interests in the regions, as noted by the SPD: "The partners have been consistent in their desire to reflect the geographic diversity of the region, with broad spatial divisions based on urban, rural and coalfield areas...[and]...two thematic priorities have been agreed to address those issues that impact on the performance of the region overall". This approach has, however, been challenged by the European Commission.

4.4 Links with external strategies

The clear link between the Structural Fund programmes and wider national, and particularly regional, economic development strategies in many countries has been noted before. 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. Likewise each of the regions in England now has a regional development agency, each tasked with producing a regional development strategy, which have provided a planning framework for Structural Fund programmes. A National Development Plan was also produced in Wales. In Cataluña, the draft Objective 2 programme has been designed to complement and reinforce the existing strategies of a range of regional and local bodies. Since the Objective 2 programme is considered to be small compared to both overall public expenditure and the Cohesion Fund's participation in the region, it has been simplest to focus the funding on those parts of the region 's parallel strategies and programmes which coincide best with the Commission's policy priorities. The framework of existing external strategies has been helpful in some regions (eg. Lombardia) in bringing coherence to an otherwise fragmented strategy.

The Bremen Objective 2 programme strategy also takes the priorities of the *Land* into consideration, 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 Nordjylland case) of both re-designated and de-designated areas in an overarching strategy for regional development. 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 Niederösterreich SPD while in the Netherlands, the long-term environmental plans have influenced the integration of sustainability into the programmes.

While undoubtedly assisting the formulation of 'joined-up' strategies, the need to take account of a proliferation of external interlinking strategies has the potential to impose a significant administrative burden on programmers. The Scottish programmes, for example, were not informed by a single regional strategy. Although a new Framework for Economic Development in Scotland has been drawn up, this was not completed in time for the Objective 2 planning process to take it fully into account. Also, unlike the English regional economic strategies, the Scottish initiative consciously provides only a framework. Consequently, it has been extremely challenging for the Scottish programmes to take account of a very diverse and complex policy context. An example is provided by the description of the institutional and policy context in the Western Scotland draft SPD where 26 different 'policy themes' (urban policy, transport, health, tourism, entrepreneurship etc) are reviewed in terms of national, regional and local policy reference documents and the implications for the programme area.

4.5 Transitional areas

Different approaches have been taken to the incorporation of transitional areas and the role of transition funding in the new Objective 2 strategies, meeting with varying degrees of success during the negotiations. It has proved difficult

to strike a balance between identifying a specific strategy for transition regions and the 'segregation' of these regions.

One method has been to include the transitional areas within the overall strategy of the programme, with funding being gradually phased out. Another approach, adopted for example in Nordjylland and Steiermark, is that the transitional areas have only been allocated funding for certain measures. In Nordjylland, the transitional areas will receive no investment grants or ESF projects.

No national funding is to be allocated to the transitional areas in Spain. Instead, funding has been drawn variously from regional and local bodies and, in the case of Baleares, 'other' sources. The transitional areas in both País Vasco and Cataluña will only benefit from Priority 5 (local and urban development). In País Vasco, there are several transitional zones. For those within the city of Bilbao, the aim will be to undertake one flagship regeneration project in the tourism/cultural field.

The Commission requires the role of transition funding to be different from standard expenditure, with a tailoring of interventions to reflect the withdrawal of Structural Fund support and evidence of transitional and exit strategies. However, this has not always been recognised by regions, several of which proposed the same strategic approach to both fully eligible and transitional Objective 2 areas. For example, the East of England submitted a draft regional conversion strategy that made no clear distinction between the designated Objective 2 areas and the transitional Objective 5b area.

TRANSITION FUNDING: THE COMMISSION'S VIEWPOINT

The Commission's viewpoint on transition funding is encapsulated in the following commentary (taken from the first response to the East Wales SPD):

"*The draft SPD sets out a strategy for the transitional areas at a programme wide-level. In essence the strategy states that: capital projects will only be supported if the sponsor supports the running costs; exemplar projects would be undertaken; capacity building projects would only be undertaken if they become self-sufficient. These strategy goals go a long way to realising the Commission services' views. However....a specific strategy should be developed...[which]....should recognise: the limited amount of funds available for the transitional areas; the constraint of steeply declining expenditure profiles; that not all priorities and measures in the overall SPD strategy for the programme area will be accessed to the same extent by the transitional areas as by the core Objective 2 area; that the aim of transitional funding is to enable development which can be sustained after the programme ends.*"

In its response to the North East of England draft SPD, the EC made identical comments, adding that: "*The Commission does not believe that new capital investments are appropriate to transitional areas. Capital investment should be limited to complete employment creation investments started under the past Objective 2 and 5b programmes.*"

Notwithstanding their desire to see special strategies for transitional areas, the Commission has also been concerned at the 'segregation' of support for these areas. In Yorkshire and the Humber, four priorities were drawn up for the fully eligible areas and a fifth was created for the transitional areas. It is likely

that this priority structure will have to be re-organised to integrate the assistance proposed under this fifth priority into the other parts of the programme.

French programmes also had problems respecting the degressivity of sums for transitional areas, while in Flanders, there have been problems with approval of three of the six proposed Objective 2 programmes, two of which contained only transitional areas. The Commission required that the phasing-out programmes be integrated with the other Objective 2 programmes, resulting in a re-formulation into four programmes in total. In Niederösterreich, there is concern about how measures such as networking between firms can effectively be supported, given the fragmented map of fully eligible Objective 2 areas, transitional areas and non-designated areas, all in close spatial proximity to each other. This is considered to endanger certain measures which are viewed as important economic development tools in the region.

4.6 Programme Complements

The role and content of the newly introduced Programme Complements has caused a great deal of uncertainty among programme planners. In some cases, information originally in the Complement, eg. publicity arrangements, was required to be moved to the full SPD. Recently, the Commission clarified in the Lombardia negotiations that the Complement is aimed simply at clarifying what is already in the text of the SPD, rather than adding new information. This contrasts with the understanding of many other regions that the SPD should provide the main framework of the strategy, with the measure-level detail presented in the Complement. This understanding raises the related question of whether the quality of the SPDs can fairly be assessed in the absence of the Programme Complement. Indeed, the Commission has frequently had to request additional information, resulting in a number of Objective 2 programmes (eg Wallonie, UK) containing lengthy measure detail originally intended for the Complements.

While this may have eased the negotiation process, it runs counter to the planned simplification and diminishes the role of the Programme Complements. The Austrians withstood pressure to include in the SPD all the potential aid schemes to be used for co-financing. It was feared that this would cause administrative difficulties later, as any changes to national schemes would require re-approval of the whole SPD. A compromise was reached whereby the key schemes for each measure are incorporated into the SPD with a list of other possible schemes included in the Complements, which require only Monitoring Committee ratification for changes. In Sweden, the aim of programme planners in the Norra Norrland Objective 1 programme had originally been to keep the SPD as simple as possible, thereby increasing its accessibility in the region. However, the negotiations have resulted in the inclusion of considerably more detail, including for relatively small financial measures eg. fisheries.

The way in which the programme complements have been drafted varies between regions. In some cases, the complements have involved simply the elaboration of technical details related to aid schemes which will be used to co-finance the programmes. In others, a continued process of consultation has

been undertaken. In Toscana, for example, partnership involvement at this stage is considered to be very important and a series of seminars has been organised by the regional administration to inform and involve provisional authorities and other relevant partners in the completion of the programme complement. Province-based seminars have also been encouraged to disseminate information further to the local level.

4.7 The role of the ESF

The Saarbrücken IQ-Net paper noted that there had been considerable variation in the approaches taken by programmes to the incorporation of the ESF element (both within and between Member States). Proposed outcomes included ERDF-only programmes, the inclusion of ESF measures under each Priority and specific initiatives to co-ordinate with parallel Objective 3 programmes.

Debate on the ESF content of programmes was a feature of several negotiation discussions. The Commission's standpoint on its inclusion also varied across programmes. In Finland, the Commission's proposal to increase the share of ESF in the programmes (already at c. 20-25 percent) was met unenthusiastically by Finnish partners and ultimately rejected. In Austria, the ESF component was removed from at least one Objective 2 programme, encouraged by the Commission where the original budget allocation was relatively small. This has, however, not been the case throughout the Austrian programmes. In Steiermark, for example, the development of commercial training has been included as an ESF measure, potentially to be implemented through sectorally-targeted calls for tender (eg. IT), to make the most effective use of the small budget.

The Commission has exerted pressure on regions to formulate priorities in the new programmes as multi-fund. In Spain, it was agreed that all new Objective 2 programmes would be multi-fund (rather than separate presentation of ERDF and ESF as previously). Similarly in Saarland, the draft programme's priority and measure structure will also change to incorporate a more explicit link between Funds. In the draft SPD, the ERDF and ESF measures were presented under separate priorities, although the links between them were detailed within a separate section of the SPD. Nevertheless, the Commission required that the link be visual within the priority and measure sections themselves.

As a result of the negotiations, a new ESF measure was introduced into the Danish SPD. The Commission queried the size of the budget allocated to Technical Assistance; the problem was solved by moving funds set aside for developmental ESF projects within technical assistance, and instead creating a new measure under one of the priorities devoted to the same purpose. Rather than a substantive change, it is a different, and more conspicuous, way of budgeting for the same activities. The priorities in the Danish SPD are now clearly split between funds, with the first two priorities being exclusively ERDF, and the third priority exclusively ESF.

País Vasco have decided to focus their ESF interventions on Objective 3, which will have scope for actions funded by national authorities and also by

regional and local actors. This contrasts with France, where Objective 3 will concern national ESF measures and Objective 2 regional and local ones.

5. NEW PROGRAMME MANAGEMENT

As part of the programme preparations in 1999-2000, it was generally decided that managing authorities would principally operate at regional level and were often the same bodies previously responsible for implementation. In some countries, a regionalisation or re-organisation process had taken place. Different approaches were being identified to deal with the associated increase of administrative responsibilities. Changes to programme delivery systems were motivated by the desire to increase efficiency and effectiveness, raise project quality, speed up procedures and improve transparency. Changes to monitoring systems were, in general, incremental and focused on the better use of electronic media and widening data beyond purely financial indicators. Changes to Monitoring Committees were principally driven by regulatory requirements, with a common move to increase the strategic focus of committee discussions.

5.1 Organisational structures

5.1.1 Continued Member State review and amendment

The management arrangements of the new Objective 2 programmes continue to be under review and reorganisation. It appears certain that, in most Member States, regional level bodies will take on the role of Managing Authority – although generally these organisations do not differ significantly from those which had been responsible for programme implementation in the last programming period. A move towards greater regionalisation is evident in certain cases. In Sweden, the Managing Authority and Paying Authority roles have both been allocated to the regional County Administrative Boards (CABs), effectively a full regionalisation of the implementation of the new programmes. In Denmark, while the overall structure for implementation has not changed significantly, recent amendments to the legal framework open up the possibility for further decentralisation. This would be achieved if regional actors were given the option to draw down global grants for ERDF framework measures. Were this to occur, only ERDF grants to private firms which cannot be co-financed by sub-national actors would require individual approval by the national Danish Agency for Trade and Industry.

In Spain, there has been a form of regionalisation for a different reason. The required re-submission of the Objective 2 programmes in the form of SPDs (see section 3) raised questions about where the Managing Authority should be located. Previously, this role was played by the national level and it had been anticipated that this would continue to be the case. However, the new programme format has led to the decision that the Managing Authority responsibility will be joint, shared between the national and regional levels. In the Cataluña SPD, for example, the Managing Authority is given as "the Directorate General for Community Funds and Territorial Financing [at national level], working in collaboration with the ERDF and ESF Administrative Units in the General State Administration, and in co-

responsibility with the Administration of the Autonomous Community of Cataluña".

Despite the changes implied by the required re-formulation of the Spanish Objective 2 programmes as regional SPDs, the new division of responsibilities underlying them has not altered significantly in practice. The Ministry of Finance remains the principal interlocutor between the Commission and the Spanish regions, even through the main financial participant in the programmes, apart from the Commission, is the regional level. Cataluña and País Vasco wanted the new SPD format to be fully reflected in a real decentralisation of responsibility to the regions. However, the Spanish national authorities rejected this in the July meeting with the regional authorities and the Commission. The shared status emerged as the compromise solution but both regions have concerns that it could introduce ambiguity and lead to duplication of work or omissions.

The potential of splitting Managing Authority responsibilities has been raised in other Member States. In Flanders, for example, it was originally proposed that the managing authority be split between the Flemish government and the provinces. However, the Commission opposed this move and, as a result, the Flemish government will retain the role but delegate certain responsibilities to the provinces. In Saarland, the draft SPD proposed two managing authorities – one for ERDF and one for ESF. This again was not accepted by the Commission who insisted on a single organisation. This issue is yet to be resolved and is linked to the problems that one Ministry cannot be responsible for the work of another.

A domestic move towards greater regionalisation in England through the creation, in April 1999, of Regional Development Agencies (RDAs) has affected the regional level management structures for the new Structural Fund programmes. The managing authority in England for the ERDF is technically the national Department of the Environment, Transport and the Regions (DETR), although in practice, DETR will delegate to regional level bodies. The creation of the RDAs means that regional level programme administration will be shared, with the Government Offices (GOs) carrying out the administrative task and the RDAs undertaking a more strategic role.

Until January 2001, the GO has the lead role in co-ordinating the production of the SPD, negotiating with the Commission, establishing and chairing the Programme Management Committee (PMC), drawing up monitoring indicators and making payments, while the role of the RDA is to co-ordinate and represent partnership views, develop the regional strategy and advise the GO on strategic issues during the negotiation period (the RDA will also be a project applicant and match funder). After 1 January 2001, the respective roles are not yet entirely clear, but it is expected that the RDA will take over the chair of the PMC and lead on contact with DETR and the Commission on strategic issues regarding programme implementation, while the GO will provide the Programme Secretariat to cover administrative functions (notably payments, financial control and monitoring).

In some Member States, programme management responsibilities for the new period have not been allocated to new organisations, but consideration has been given to improving the effectiveness and efficiency of the actors

continuing the management role. In Austria, for example, the introduction of a single funding agency responsible for the Structural Fund support for each measure of the SPD is designed to create a more transparent and co-ordinated delivery. While some scepticism exists that this will change anything in practice, it is likely at least to provide a better overview of spending through the programmes and will provide more streamlined monitoring. In the West Midlands, an internal reorganisation of the European secretariat in the GO has been undertaken to create area teams (see box), designed to provide better co-ordinated support on a spatially coherent basis.

MANAGEMENT RE-ORGANISATION: 'AREA TEAMS' IN THE WEST MIDLANDS

The European secretariat in the Government Office for the West Midlands is being reorganised on a geographical basis, with an 'area team' for each of the five main sub-regions. Each team is intended to provide a single point of contact for partners and applicants with responsibility for project generation and development, and scoring, appraisal and monitoring of projects. In addition, 'lead officers' within the secretariat have been nominated for each of the four priorities in the SPD (business, learning, infrastructure and community development) and for each of the horizontal themes (equal opportunities, sustainability, innovation and private sector liaison). The lead officers will have responsibility for responding to specific enquiries and determining which projects go forward under the various priorities. Support is also being provided by four administrative teams, dealing with: systems, statistics and communications; ERDF administration; ESF administration; and financial management.

In Scotland, a review of the programme management arrangements was launched by the Scottish Executive in October 1999 with the remit: "to develop a streamlined and transparent process for delivering the new Structural Fund Programmes in a manner designed to achieve maximum impact and a lasting legacy". Emphasis was placed on developing a system that provided opportunities for strategic review, accountability and a focus on the effectiveness of programme delivery. When the review group reported in May 2000, it concluded that the 'Scottish model' for administering Structural Funds should be maintained, but there was a need to clarify roles and responsibilities and to adapt the model to make it more effective and efficient. In particular, the group recommended *inter alia*: a clearer division of roles and responsibilities among partners, the Programme Management Executives (PMEs) and the Scottish Executive; a need to make the project development and appraisal process more strategic and efficient (by ensuring that projects were embedded in area-based strategies and by developing where appropriate fast track or scheme-based approaches to applications which derive from these strategies); and a strengthening of strategic development, review and evaluation mechanisms, based on effective monitoring and reporting systems. It was also proposed that there should be a further review in early 2003 to ensure that each programme management system has an effective exit or continuation strategy.

Among the responses to the review of PMEs, the Scottish programmes are developing a unified business planning system, governing both the provision of technical assistance and co-finance from the partners as well as other activities of the PMEs covered by separate sources of funding. In addition,

there will also be a regular system of performance reporting so that the effectiveness of implementation can be judged and remedial steps undertaken where appropriate.

In addition to changes designed to improve efficiency and effectiveness of management structures, other changes being introduced by some regions relate to liaison and co-ordination between programmes and key partners. In Scotland, for example, a 'Scottish Co-ordination Team' was created during the programme development phases to ensure regular operational dialogue, information sharing and exchange of experience among the programme management executives and other actors. The Scottish Executive is also preparing to establish a 'European Structural Funds Forum' to bring together politicians, members of the Scottish and European parliaments, trade unions, universities and range of other bodies.

In Spain, one of the conditions of the European Commission's negotiation mandate was that a national co-ordination structure should be established for the Objective 2 SPDs (see box).

CO-ORDINATION STRUCTURES: ECN IN SPAIN

A national co-ordination structure, *Estructura de Coordinación Nacional* (ECN), has been created for the Objective 2 SPDs in Spain for the 2000-06 programming period. Its aim is to ensure adequate co-ordination and also complementarity with EAGGF-G, FIFG and Cohesion Fund interventions in the Objective 2 areas. The ECN will meet once a year and comprise representatives from: the Directorate General for Community Funds and Territorial Financing (Ministry of Finance); the Ministries of Employment and Social Affairs, Agriculture, Fisheries and Food, and Public Administration; the National Authority for the Network of Environmental Authorities and a competent organisation for equal opportunities; the most representative Association of Municipalities for the area; the Objective 2 regional councils; and the European Commission.

The ECN will have a variety of functions including:

- ensuring that the implementation of the Objective 2 SPDs is progressing properly
- discussing transfers of funds between two or more SPDs
- analysing the coherence between actions of different Community instruments on the territory (including coherence between ERDF and ESF)
- creating working groups for information society, equal opportunities and environment if needed
- co-ordinating interim evaluations and analysis of the sharing of the performance reserve fund
- undertaking horizontal thematic studies and global evaluations of Objective 2
- promoting common responses to the information and publicity obligations of the SPDs.

Co-ordination is also planned within programmes which cross national administrative boundaries. In the Norra Objective 2 programme in Sweden, for example, the project discussion forum initiated in the former Bergslagen Objective 2 programme will be carried forward. This involves representatives from the three CABs included in the programme area discussing the merits and quality of the project applications received and sorted within each CAB.

This is designed to provide a regional view of project selection and raise the quality of co-financed projects. This co-ordination worked well in the Bergslagen programme but does not happen automatically. It is very important that this group of people has a deep understanding of, and commitment to, the overall aims and objectives of the programme. In order to try and engender this, a number of meetings are planned - particularly in the early stages of the new programming period - to ensure that the whole team understands the aims and objectives of the programme and to establish a consensual view on the basic standard of quality desired in the approved projects. It will be important to have the same standards of project appraisal in all three counties to ensure that applicants are treated equally and encourage the view that the programme is regional and not county-based.

The fragmentation of some Objective 2 programmes in the new programming period, in many cases a result of spatial concentration, has caused new challenges for management. In Flanders, for example, the Kempen Objective 2 programme is split over two provinces, requiring the programme management to be divided between the two administrations. This will take the form of a single programme management committee with two chambers, some representatives sitting in both chambers and some in only one. Both chambers will have a secretariat, each covering both ERDF and ESF, but one will have to be given the responsibility for overall co-ordination. The secretariat for the Kempen province is a regional development organisation called *Intercommunale Ontwikkelingsmaatschappig voor de Kempen* (IOK) which acted as the secretariat for the programme in the last period. Similarly in Denmark, the desire to maintain a decentralised approach to programme management is particularly complex in the case of one of the regional complements which covers designated areas in ‘the rest of Jutland’. This crosses administrative boundaries and will have to be implemented by each of the involved counties using their separate procedures.

5.1.2 Challenges for the European Commission

The new Structural Fund programming period has implications not only for management structures in the Member States but also within the European Commission. Wider organisational changes in the Commission resulted in the replacement of desk officers and other key personnel in the Structural Fund unit at a key point in the process of programme submission and negotiation. This created problems for Commission officials and Member State and regional representatives alike. New relationships with desk officers had to be established and, in many cases, there was a feeling that important time and effort had to put into re-informing the new Commission officials about individual national structures and systems rather than concentrating on the actual programmes themselves. Similarly, new desk officers faced a steep learning curve at a particularly pressurised point in the programming cycle.

This learning curve will continue as the programmes move towards practical implementation. On the basis of the new Regulations on management, the geographical units in the Commission will have responsibility for the correct implementation of the financial procedures, requiring considerable preparation on their part. The best way to deal with these new responsibilities is currently under consideration. One possibility is that the finance department will have

the umbrella responsibility, while the geographic units will ensure correct implementation in a practical sense. It is recognised that a degree of trial and error will be inevitable and it is likely that the desk officers will be working from checklists designed to support their activities. The workload involved in approving the new programmes has delayed desk officers from familiarising themselves with the likely structure of the new system.

The Commission is organising a conference on Objective 2 programme management in January 2001. This conference will cover both the content of the programmes but also technical issues of implementation, including financial management, monitoring, indicators, the performance reserve and electronic data exchange. It is designed to be very operational and will follow a format similar to the conference held earlier in the year for the Objective 1 programmes.

5.2 Programme implementation – implications of the new Regulations

A number of regulatory changes have been introduced for the 2000-06 programming period which have serious implications for the management of the new programmes. Two in particular are currently raising concerns - the decommitment rules and the new, as yet unapproved, regulation on detailed rules for the management and control of Structural Fund assistance.

5.2.1 Decommitment rules

The Structural Fund Regulations state that the Commission will automatically decommit the parts of the commitments not implemented at the end of the second year after the year of commitment. In other words, commitments unclaimed within two years will be withdrawn and lost to the programme (and the Member State). Decommitment, also known as ‘the n+2 rule’, is causing considerable concern in Member States for a number of reasons including the following.

- *The logic of consuming budgets could dominate the desire to programme well.* The spending profile of programmes is weighted into the early years of the new programme period, and this is particularly true for the transitional areas. This pattern increases the threat of decommitment as the early programming years are precisely those where spending can be slow as programmes are established and publicised and management structures settle down. This will be compounded by the late start of the new Objective 2 programmes which compresses the spending of initial months into a shorter time period. A further factor which may affect particular parts of some programmes is Commission delays in approving state aids which are being used as co-financing instruments in the new Structural Fund programmes.
- *Restriction of innovative projects and approaches.* Linked to the above point, there is concern that the need to spend committed funds within a fixed two-year time period will count against more innovative projects or approaches to development support where the time-frame involved is either longer or less certain. This includes networking and collaborative projects which are increasingly favoured in economic development because of their potential for changing mentalities and creating longer-

term beneficial effects. However, the time investment for this type of project tends to be front-loaded, and the potential for subsequent postponement or delays is often higher, increasing the potential of decommitment. The decommitment rules, therefore, may encourage the support of 'safe' projects and restrict the extent to which more innovative ones are attempted within the Structural Fund framework. This was already apparent at programme design stage, and it is likely to emerge more strongly as the programmes move into practical implementation and project selection.

The financial system and method of implementing the Structural Funds also influences the potential for decommitment. An approach whereby projects are funded by own resources and subsequently reimbursed with Structural Fund resources for proven expenditure is likely to be slower than one where Structural Fund resources are given in advance to project implementers and considered 'spent' at moment of transfer. In the former system, mid-2002 becomes the real deadline for project expenditure to have occurred in order to ensure that the Structural Fund resources are paid out within the two-year time-frame.

The importance of having efficient and effective programme management systems is significantly increased in the light of decommitment. Such systems will be required, in particular, to predict whether or not there will be a problem in spending, keep track of the expects spend profile of projects and highlight any discrepancy as a result of this. There will also be increased pressure to ensure that project applicants understand the importance of submitting grant claims and spending awards within agreed timescales. Decommitment would be deducted by the European Commission from the total programme, leaving the programme managers with the decision on how the loss would be distributed through the programme.

There has been some uncertainty about how the n+2 issue will be dealt with for programmes which do not receive approval this year. Some programmes are now keen to have approval delayed until 2001 on the assumption that a solution will have to be found for the 2000 budget line. The position of the Commission on what exactly will happen has not always been clear. The current position is that if programme approval is delayed until 2001, the n+2 calculation will change. There will be no target to meet by the end of 2002 but rather the programme will have to spend the 2000 and 2001 allocations by the end of 2003. This provides some extra flexibility but also has the inherent danger of a higher target to reach in 2003 and therefore a potentially greater risk of decommitment.

5.2.2 Management and control systems

There is continuing debate on the proposed Commission Regulation laying down the detailed rules for the management and control systems for Structural Fund assistance (see section 2.4.2). Many Member States are unhappy with components of these detailed rules, with objections including the unclear and impractical structure of Annex 5 (defining the basic project information required for co-financed projects) and unease about the inclusion of technical specifications in a Regulation which will govern a seven-year time period.

The lack of finalisation of these Regulations is a source of frustration to Member States. In particular, it delays the finalisation of monitoring forms and structures and the corresponding adjustment of computer systems in contributing organisations. Further, there is concern that potential difficulties with the new financial control system could result again in Monitoring Committee discussions being predominantly technical. This goes against the desire in most countries to move these discussions towards more strategic themes.

5.2.3 Publicity

The new Regulation on publicity and information measures has not caused particular difficulties and, in most regions, developments undertaken in this area would have occurred even without the external regulatory prompt. The Regulation has had more effect on technical matters eg. specification on where the Commission logo must appear. In the case of Austria, Sweden and Finland, now entering their second Structural Fund programming period, the experience of the last period has clarified the key target groups for publicity and areas requiring particular information support. This will inform the approach to publicity adopted for the new programmes.

Given the current stage of programming (negotiations of the new programmes and completing the old ones), publicity of the 2000-06 programmes is a relatively low current priority in most regions. The wide consultation undertaken in many regions is also viewed as acting as a form of ‘pre-publicity’ for the new programmes. Once the programmes have been approved, however, more concerted and targeted efforts will be initiated in this area. Common responses to the improving the publicity of the programmes include the following.

- *Programme websites*. Many regions in the last programming period had programme websites but this is likely to be more universal in the 2000-06 period. This principally reflects technological advances, the extent to which the Internet is used generally, and the ease with which information can be widely and relatively inexpensively disseminated using this medium. In addition to basic information (eg. SPD and Programme Complement, contact addresses etc.), there are more moves towards the inclusion of electronic application forms and more complex uses of the websites – although technical issues such as the legal validity of electronic signatures are still raising some problems. Other changes include attempts to increase the prominence of dedicated websites (ie. not having them hidden within the site of the administering authority) and the use of websites as a means of greater feedback to partners and the wider community (eg. through the inclusion of short project descriptions on co-financed projects).
- *Information events.* In the Norra Norrland Objective 1 programme, for example, where programme implementation has begun, visits to all the municipalities in the programme area, as well as key interest groups (eg. universities, business associations etc.) are being undertaken to promote the programme. In Norbotten county, where there are 14 municipalities, these visits have already reached in excess of 2,000 people. A similar

exercise is planned in the Norra Objective 2 region following programme approval and one person in each of the three involved CABs will be responsible for the publicity of the programme in their respective counties, drawing on their expertise of local groups and businesses.

- *Use of external consultants*. Some regions are employing external consultants to draft communication plans for the new programmes eg. Steiermark in Austria. In Wallonie, there is a current proposal to contract a consultant to organise publicity at an overall level for the programmes. This would include ensuring the wider dissemination of Monitoring Committee discussions, securing media coverage, organising brochures and ensuring an Internet presence. An *ad hoc* committee would be formed to track and steer activity in this area and an annual report on publicity will be drafted in which the consultant will summarise their activities.

5.3 Programme delivery – fast-tracking project selection

While the majority of the Objective 2 programmes are not yet finally approved, the ‘pre-consideration’ of projects is already occurring in many regions. This is related to a number of factors. First, in terms of the implementation structure, there is a strong continuity with previous programmes. This means that contact between programme implementing authorities and potential applicants is effectively on-going and there is not the strict break implied by the dates of the new programme period. Consultation undertaken in the process of programme preparation has raised awareness of the new programmes and initial project discussions have been informally started in many regions on this basis – although clearly hard expenditure decisions cannot be made until final programme approval.

Second, the delay in programme approval has raised concerns about decommitment (see section 5.2.1), and some programmes (eg. in Wales) have tried to have a series of project applications which can be ‘fast-tracked’ through the approval process once the programme has been approved. This preparatory work is also important in the light of aspects of the programmes which are different in the new period. While continuity in terms of broad strategic direction is strong in most cases, new requirements, particularly in the horizontal priorities, mean that project may have to be advised to incorporate more explicit environmental or equal opportunities components. There is also a necessary adjustment in the relative roles of programme manager and applicant following the more discursive consultation strategy. The programme managing authorities now hold the ‘purse strings’ and the conditions of access to finance. These processes take time and, given decommitment, the more projects that are primed in advance the better.

In Spain, the approach to programme development includes a strong element of pre-selection of projects and their explicit inclusion in the programme documents. Currently, work is on-going to identify projects for inclusion in the Programme Complements, including for local projects. In Cataluña, increased transparency is being sought in the process of selecting local projects. This is being achieved in two ways: (i) through advertising the funding opportunities for local bodies through a call in the Official Journal of the Generalitat; and (ii) through a selection process based on clear selection

criteria. The call has generated more interest than previously from municipalities seeking funding.

It is clear that there is a desire in many regions to ensure a more strategic and coherent delivery of the Structural Fund programmes, attempting to adhere as closely as possible to the stated aims and objectives of the programme. This is one part of the concern about the impact of the decommitment rules on the quality and direction of projects which will be approved under the programmes. Mechanisms are being put in place to try and improve the strategic delivery of the programmes. In the Norra Objective 2 programme in Sweden, for example, it is anticipated that the Structural Fund Delegation (the former Decision Group which makes the final project approval decisions) will be more involved in policy discussions than was previously the case. It is hoped that the initial meetings will focus strongly on policy issues to set a strong basis for future decision-making and more reporting and progress information will be passed to the Delegation as programme implementation continues. The extent to which this will be successful is likely to depend strongly on the personality and approach of the Delegation chairman.

6. ASSESSMENT OF DEVELOPMENTS

Approaching the end of the first year of the new 2000-06 programming period, many of the Objective 2 programmes are still in a process of negotiation. With the exception of the Finnish programmes, finalised in June 2000, the other approved Objective 2 programmes have only achieved this status in the last few months. The Objective 1 programmes are further advanced, although negotiations here have also been delayed in a number of regions – Sachsen Anhalt, for example, only received final approval in November 2000.

The negotiations themselves appear to be focusing, in most cases, on technical and management issues and are not fundamentally affecting the underlying strategy of the programmes. Most changes are effectively presentational or have required the addition of text on specific analysis or management-related issues. This implies that the longer period of consultation and strategic preparation, undertaken in the majority of regions, has paid off. The more interactive involvement of Commission officials throughout the preparations, and the availability of guidelines at an early stage, also appears to have smoothed the process in many cases. It does not, however, mean that the negotiations have been without frustration or difficulty – an experience more acute in some regions than others. While many of the negotiation issues have been common to most regions, the individual regional socio-economic characteristics, the stability of regional partnerships and the particular structures for programme implementation all affect how easily these issues can be dealt with. Further, the change of Commission staff, inconsistency of advice and insufficient justification for the changes requested have emerged, among others, as areas of dissatisfaction.

Practical preparations for the implementation of the new programmes are on-going in parallel with the negotiations. New responsibilities are being absorbed by the relevant authorities, and organisational changes are being introduced where necessary – although the final embedding of new structures

will not occur until implementation has fully started. The pre-preparation of projects, being undertaken in many regions, should ease the transition into the implementation phase. This is considered particularly important given the potential dangers of decommitment.

Once the draft SPDs have received final approval from the Commission, two main challenges still exist before the programmes can fully be launched. First, agreement must be reached on the proposed new regulation on financial management and control. The absence of this regulation currently prevents the finalisation of management and monitoring systems at national and regional level. Second, elaboration and agreement of the Programme Complements must be achieved. In some regions, these documents were drafted in parallel with the SPDs, although the negotiations may have implications for the relative balance of information and content. This process, to be carried out principally through the Monitoring Committees, may help to establish whether the Commission will, in practice, adopt the more 'hands off' role in implementation anticipated in *Agenda 2000*.