Information into Intelligence: Monitoring for Effective Structural Fund Programming

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with executive summary

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

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PREFACE

The research for the following paper was undertaken in preparation for the 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. The paper has been revised following the seminar.

This paper is a 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:

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1. EXECUTIVE SUMMARY

Monitoring is the bedrock on which effective programming is built. In the past, monitoring has been variously described as technical and dull. Such attitudes were translated into a weak commitment to monitoring. Over time, this situation has changed as the potential value of monitoring has begun to be appreciated. At the outset of the 2000-06 programming period, national authorities and programme managers face the most challenging situation yet with respect to monitoring. The regulatory requirements have increased and the importance of monitoring is increasing because it has to generate information to meet the multiple objectives of a range of information users. While monitoring systems are changing in response to external pressures, there are also programming issues driving advances, notably efficient and effective programme management and improving the foundation for evaluation. This paper is intended as a timely contribution to the debate on the development of monitoring in the new programme period. Its aim is to review the approaches to monitoring among Objective 2 regions across the EU and identify the spectrum of practice with respect to frameworks, systems and indicators.

1.1 The context for monitoring

The evolution of Structural Fund monitoring over past programming periods and the changing regulatory context is discussed. Like other aspects of programme management the current practices with regard to monitoring are the product of a 10-12 year period of evolution over successive programming periods. The paper reviews the evolution of monitoring from the 1988 reform of the structural funds to the present.

Looking back over the past decade, two patterns clearly emerge. First, there has been a decentralisation of the management of assistance. Second, the Commission's 'step back' from the active implementation of assistance has been accompanied by the more stringent definition of core procedures. In this overall framework, monitoring has become increasingly crucial as the principle instrument to verify both the management of assistance and the performance achieved. In response to regulations which have grown in number, extent and specificity, monitoring systems have undergone sustained development over the last decade across the EU, especially during the latter half of the 1990s. However, two factors have complicated this process of development and increased the challenges involved in successful programme monitoring. First, monitoring relies on co-operation between many involved actors at many levels. Second, monitoring is undertaken to meet various objectives.

1.2 Monitoring frameworks and systems

Having reviewed the regulatory context for monitoring over the last decade, current arrangements for monitoring across the IQ-Net partners are explored in greater depth. Key features of the monitoring frameworks and systems in each of the Member States are summarised in turn. A comparative assessment of monitoring frameworks identifies key differences in approaches and provides a commentary on the adequacy of financial and physical monitoring systems.

Key differences in country approaches are between those with more integrated monitoring frameworks (Italy, Austria, France, Sweden and the UK) and those that could be described as having fragmented monitoring frameworks (Germany, Finland and Spain). However, the complexity of programme monitoring means that the above typology cannot be applied rigidly as differences in approaches within countries can also be identified. Fragmented systems may in practice, contain some elements of co-ordination (Spain and Finland). Thus, it is arguable that all countries are moving along a continuum from a fragmented approach to progressively more integrated systems. Apart from differences between regions, a complicating factor for some countries is the existence of 'sub-systems' within programmes. For instance, in Germany Austria and Finland, different implementing authorities allocate Structural Funds independently according to their own project selection systems. For monitoring purposes, there is a need for these 'sub-systems' to collect and submit the required monitoring information to the programme management secretariats.

Distinctions are also made between progress with financial monitoring and physical monitoring. Frameworks for financial monitoring have been operating adequately in most Member States for sometime. There are established systems whereby project applicants are required to submit regular financial returns to implementing authorities. Frameworks for physical monitoring are much less well developed in many Member States. Problems relate to the lack of suitable indicators and absence of data. Efforts have been made in a number of Member States to address shortcomings.

1.3 Monitoring indicators

For programme managers, the exercise of identifying monitoring indicators for the 2000-2006 programmes and quantifying targets has been particularly demanding. The EC's general requirements from indicators have been made clear through the regulations, the *Vademecum*, Working Papers and other Technical Papers. The 2000-06 programmes have been required to develop coherent and relatively sophisticated sets of indicators to enable the various functions of monitoring to be achieved. For each programme, an indicator hierarchy has been expected, with a coherent, nested set of input (financial), output, result and impact indicators at the measure, priority and overall programme levels.

With regard to the role of national-level actors, a range of approaches towards the derivation of new indicator sets is evident among Member States. In most cases the national level has played a structuring role, organising the selection of core indicators for compulsory or optional adoption by programmes, and providing advice to programme-level actors in this technical area. However, in

the German case, each Land worked separately to define indicators. Trends across the Member States in indicator definition include: use of the indicatory hierarchy and terminology set out by the EC, work on the adequate identification, definition and quantification of indicators/targets, and focusing systems on fewer but better indicators. Considering indicators in the 2000-06 programmes, trends or practices are identified in four areas: derivation of context indicators; physical indicator hierarchies; core indicators; and indicator quantification. The definition of indicators to track equal opportunities and sustainability outcomes have not yet been completed in all cases and has proved to be difficult for many regions. For instance, one frequent problem area has been defining context indicators for the horizontal themes. Most notably in terms of gender, the exercise of setting out baselines has frequently been impeded by a lack of available data.

1.4 Data collection and analysis: practice and processes

This section of the paper briefly addresses the practice of data collection. In general, monitoring systems are often organised in layers, with each level feeding data inputs to the level above, which may be using the same or different database infrastructure, depending on the context. Project implementers are the first link in the chain, and the source of the raw data on which the rest of the system relies. The means through which data are collected are diverse across countries and also vary within countries. Three broad instruments can be identified: paper or computerised forms to be completed (and submitted via fax, post or e-mail); the direct insertion of data into a networked database; and the use of an interview process to generate relevant monitoring information.

Once projects are being implemented, the process of collecting monitoring data begins. There is some variation in the frequency and timing of collection of different types of data across regions, though practices for financial data collection are relatively uniform. A final issue concerning the collection of monitoring data is the degree to which systems vary within a region according to the type of intervention, the Structural Fund involved and/or the actor responsible for the implementation of the system, and the degree of risk involved in the project (often determined by the size of the project).

Financial monitoring was universally considered the best developed aspect of monitoring systems, but changes in the regulations mean that this now has to go further in order to prevent decommitments. Several methods are explored which could facilitate programme's efforts to ensure that programmes adhere to their financial tables and do not suffer financial decommitments. It is also recognised that in an increasing number of programmes, physical monitoring data is being exploited to a greater extent as a source of insights to inform the strategic and management decisions of programmes. As the quality of physical monitoring data improves, so the potential for exploiting it as a strategic management tool increases. For instance, the paper discusses the role of monitoring in supporting Monitoring Committee activity, accountability and reporting activities, enabling *ad hoc* analysis, assisting the EC in reporting, evaluation and interim evaluations.

1.5 Data collection and analysis: capacity building

Structural Fund monitoring systems for 2000-06 will be more ambitious than ever before, bringing benefits to all involved actors in terms of the quality, quantity, completeness and comparability of the analytical information available to support a wide range of programme management and accountability objectives. However, these developments imply that the demands on those generating and collating monitoring information in 2000-06 are likely to be greater than ever before. Thus elements of building capacity, such as the development of people and mobilisation of technical solutions, are increasingly crucial.

There are several ways in which capacity can be built up among programme administrators, partners and applicants/implementers including (i) improving awareness among partners through advice and guidance; (ii) motivating partners; (iii) ensuring common approaches and standardised procedures through manuals and guidelines; and (iv) introducing contractual or legal arrangements to clarify responsibilities.

The design of technical aspects of monitoring systems can help to improve the efficiency and effectiveness of monitoring arrangements. In reforming and improving database systems, Member States are incorporating a variety of design features which should help to improve monitoring practices, in terms of generating improved quality data and its subsequent exploitation. A first aspect of improving the design of data gathering arrangements is ensuring that individual monitoring forms are clear to providers of information. A further design feature supporting improved data generation is the networking of programme monitoring databases to a range of partners who make efficiency gains by inputting their monitoring information directly into the system. However, computerising monitoring forms is causing unease among some public sector workers because it bypasses established administrative procedures and norms. A further issue is that trust in computerised systems takes time to develop.

1.6 Conclusions

The new programming period presents programme managers with a demanding set of obligations in the field of monitoring. The regulatory requirements have increased, programme progress is subject to financial penalties and the longer programming period (with more complex measures) demands good information on how interventions are progressing.

Monitoring is now generally an accepted element of programme management. Apart from compliance with the regulatory requirements, monitoring is seen as serving other objectives: to provide appropriate and timely information on the financial progress of programmes; to provide intelligence in support of strategic programme decision-making; to serve the demands of partners, politicians and taxpayers for transparency and accountability in the use of EU funds; and to build a sound foundation for evaluation.

Given the very varied institutional arrangements for Structural Fund implementation across the EU, it is perhaps not surprising that there is major variation in approaches to monitoring among Member States and regions. However, at the heart of any monitoring system are the monitoring indicators

– contextual, financial, physical, horizontal. Most regions are trying to apply the EC guidance in practice, and to ensure that there is at least a common set of a few, core indicators contained in all the Objective 2 programmes. Examining the monitoring systems among Member States, there appear to be three common issues. First, the quantification of indicators is problematic. Second, there are technical constraints. Third, regions are investing heavily in human capacity.

In conclusion, it is important to note that monitoring, like other aspects of programme management, involves an evolutionary process of learning and adaptation of systems and procedures. The new programming period has yet to begin and most Objective 2 programmes have not even been approved, but it is already clear that monitoring will take another major step forward over the next six years.

Information into Intelligence: Monitoring for effective Structural Fund Programming

1. INTRODUCTION

Monitoring is the bedrock on which effective programming is built. At its simplest, the process of monitoring provides crucial intelligence for the design, delivery and evaluation of programmes. Considered in terms of a system, monitoring provides a framework for learning about the efficiency and effectiveness of policy choices, delivery mechanisms and interventions.

In the past, monitoring has been variously described as technical and dull, as a regulatory requirement and tiresome chore, and as a task which has been seen "as an externally imposed constraint which saps the effectiveness of the programme rather than enhances it".[1] Such attitudes were translated into a weak commitment to monitoring, a reluctance to invest in systems and the collection of data, and a poor understanding – at programme, national and EU levels – of the progress, cost-effectiveness and impact of programmes.

Over time, this situation has changed as the potential value of monitoring has begun to be appreciated. Changes in approach to monitoring have been driven partly by regulatory requirements and partly by the imperative of better programming. There has been a growing appreciation of the importance of using appropriate data to manage Structural Fund programmes and to enable effective evaluation. In particular, there is now recognition of the need to define carefully and collect data for a limited set of key indicators that can provide relevant information on programme progress and performance.

> *"This task is of fundamental importance since the most sophisticated policy implementation and evaluation techniques are virtually worthless if it is not possible to obtain the basic information, which specifies in a precise fashion: existing needs, the policy response to those needs and the changes which have subsequently taken place"*.[2]

At the outset of the 2000-06 programming period, national authorities and programme managers face the most challenging situation yet with respect to monitoring. First, the regulatory requirements have increased. Under the Structural Fund regulations for 2000-06, the Member States have explicitly assumed general responsibility for implementation and monitoring and for the effectiveness of the measures taken. There have always been obligations on programmes to undertake monitoring, but now there are regulatory requirements stipulating that information has to be collected and

[1] Smith A (1996) *Monitoring of Objective 2 Single Programming Documents and programmes: towards more partner-sensitive approaches*, Paper to EC Training Seminar, Improving Programme Management off Objective 2 SPDs, Sandviken, Sweden, April 1996.

[2] Kearney C (1997) 'Development Programming, Negotiation and Evaluation: Lessons for the Future', in J Bachtler and I Turok (eds*.) The Coherence of EU Regional Policy: Contrasting Perspectives on the Structural Funds*, Jessica Kingsley Publishers, London.

communicated in specified ways. The new regulations envisage a move away from purely financial monitoring to encompass more extensive physical monitoring, and the procedures for monitoring, control and evaluation will need to be expanded and enhanced. In some cases, not only the European Commission but also Member State authorities and national audit offices are putting pressure on programme managers to give more attention to the extent and quality of monitoring.

Second, the importance of monitoring is increasing because it has to generate information to meet the multiple objectives of a range of information users. Because of changes in the regulations, programme success will depend more directly than ever before on monitoring in 2000-06. Monitoring data will enable performance reserve fund allocations to be made, by providing information on aspects of programme performance. It will also be one of the ways in which decommitment can be avoided.

Lastly, while monitoring systems are changing in response to external pressures, there are also programming issues driving advances, notably efficient and effective programme management and improving the foundation for evaluation. For the first time, Objective 2 programmes have a six-year period over which to implement strategies, in many cases containing measures that are complex or will need to be adapted to the changing economic development environment. Programme managers, partners and beneficiaries need to be kept informed of how interventions are progressing – at programme and project levels – and the need for adjustment.

This paper is intended as a timely contribution to the debate on the development of monitoring in the new programme period. Its aim is to review the approaches to monitoring among Objective 2 regions across the EU and identify the spectrum of practice with respect to frameworks, systems and indicators. It begins by discussing the evolution of Structural Fund monitoring over past programming periods and the changing regulatory context. It then compares the different frameworks among IQ-Net Member States and summarises the position in each country. The paper then explores the selection and use of monitoring indicators at different levels within programmes and the systems of data collection and analysis employed, as well as the efforts being made to improve technical and human capacities. In concluding, the paper presents the key points to emerge from the research and identifies some issues for debate.

In reading this paper, several important caveats should be borne in mind. First, the subject of monitoring is broad and complex. This paper does not pretend to provide a comprehensive analysis, but instead aims to provide an overview and to address a limited number of key issues in more detail. Second, the discussion here is provisional in that many of the new systems and approaches described are not finalised or have not yet been fully elaborated - because SPDs or complements are not yet approved, computerised solutions are still in their trial or pilot stages or other issues have been the centre of attention. Finally, elements of the context which may have implications for monitoring are still not yet clear, such as the financial control regulation.

2. THE CONTEXT FOR MONITORING

Like other aspects of programme management, the current practices with regard to monitoring are the product of a 10-12 year period of evolution over successive programming periods. They are influenced both by the changing regulatory context as well as the process of learning undergone by programming authorities in the Member States and Commission services. The following section reviews the evolution of monitoring from the 1988 reform of the Structural Funds to the present day.

2.1 The 1988-93 programming period

The 1988 reform of the Structural Funds initiated the systematic monitoring and evaluation of EU regional policy. As part of the new, programme-based approach, the reform introduced a comprehensive monitoring and evaluation system. The emphasis given to monitoring in the 1988 regulations was due to a series of factors. Among these were the increase in resources devoted to Structural Fund actions (doubled in comparison with the previous programming period), the need to verify additionality and the desire to ensure effective deployment of resources. Monitoring was seen as contributing to: the *efficiency* of implementation, especially the avoidance of duplication and overlap of instruments; the *effectiveness* of the Structural Funds, providing the possibility of adjusting programmes while they were underway; and greater *transparency* in the management of assistance. Interestingly, the regulations depict the monitoring of structural actions as a 'virtually permanent exercise in balancing needs expressed, existing financial instruments and available resources'.[3]

Specifically, the 1988 regulations introduced the following main innovations:

- the systematic gathering of information on the implementation of each Community Support Framework (CSF) and Operational Programme (OP), in relation to physical and financial indicators specified in the decision of approval (Art.25.1 and 25.2)[4];
- the establishment of a Monitoring Committee for each CSF and OP, by agreement between the Member State concerned and the Commission, composed of representatives of the regional and national levels and of the Commission (Art. 25.3); and
- the preparation of annual progress reports (for multi-annual operations) and final reports for each CSF and OP (Art. 25.4).

During the 1989-93 programming period, structures for monitoring and evaluation began to be put in place by the Member States and the

[3] CEC (1989) *Guide to the reform of the Community's Structural Funds*, Commission of the European Communities, Luxembourg 1989, p. 22.

[4] The regulations also specified that financial indicators relate to financial commitments at the national, regional, and/or other levels, and allow verification of additionality and the identification of delayed or premature utilisation of resources, while physical indicators relate to the material implementation of measures and operations.

Commission.[5] However, monitoring represented one of the least developed aspects of early Objective 2 programming. Data was poor or non-existent, there was an absence of targets and indicators, and monitoring systems (for physical indicators at least) were rudimentary and unsystematic, with major variations between regions. In some regions, monitoring was limited to purely financial indicators; more effective monitoring was sometimes seen as being, at best, of secondary importance. Common views were that: "it will be undertaken when it is needed but for now we are too busy getting things done" or "the priority is to make programmes run – then we can worry about making them run well". Indeed, for many, monitoring requirements were seen as irritating, unrealistic and bureaucratic.[6]

While the value and perhaps even necessity of monitoring was generally acknowledged in principle, there were reservations among Member State authorities concerning the Commission's expectations of how the activities should be carried out in practice. The Commission requirements had not always been coherent or clearly expressed, and the advice provided on interpreting and complying with them was of variable quality and usefulness. In retrospect, Commission officials acknowledge that they were only in a position to offer clear advice from the mid-1990s. Indeed, the Court of Auditors argued that the system for monitoring operations receiving EC funding had become *less* efficient and that impact assessments provided insufficient evaluation of the performance and achievement of funding operations.

Various reasons may be suggested for the difficulties experienced. First, the regulatory requirements for monitoring and evaluation were, at times, open to interpretation, and different Member States, regions and services of the Commission interpreted them in the light of their own particular interests at any point in time. Second, the programming approach was new and evolving, with all participants in the process needing to make considerable adjustments to their mode of implementation. Third, a key principle of the Structural Funds was partnership, but the partnerships which developed were rarely among equals, enabling some national authorities to avoid or block compliance with monitoring and evaluation requirements.

2.2 The 1994-99 programming periods

The Maastricht Treaty raised the profile of economic and social inclusion and, in particular, the impact of Community policies on the cohesion of the EU. At the Edinburgh European Council of 1992, the role of monitoring and evaluation received significant emphasis. Once again, apart from the principle of better accountability *per se*, the monitoring and evaluation issue was given added urgency by the much greater volume of Community resources being allocated to structural operations over the 1994-99 period, especially in the Objective 1 regions. The new regulations maintained the general approach of

[5] Bachtler J and Michie R (1995) A New Era in EU Regional Policy Evaluation? The Appraisal of the Structural Funds, *Regional Studies*, 29 (8), 745-751. Eskelinen H, Kokkonen M and Virkkala S (1997) Appraisal of the Finnish Objective 2 Programme: Reflections on the EU Approach to Regional Policy, *Regional Studies*, 31 (2), 167-172.

[6] Kearney C, Taylor S and Bachtler J (1996) Monitoring and Evaluation in Objective 2 Programmes: Progress and Challenges, *IQ-Net Thematic Paper*, 1(2), EPRC, University of Strathclyde, Glasgow.

the previous regulatory framework, specifying and strengthening some provisions. In particular:

- the role of the Monitoring Committee was strengthened, with the power to approve amendments to the programmes, in terms of procedures for granting assistance and the financial plan, including transfers between Community sources of finance and adjustments to the rates of assistance;[7]
- a clearer distinction was drawn between three stages - appraisal, monitoring and evaluation[8], and these activities were strengthened, with assistance to be dependent on showing medium-term, socio-economic benefits commensurate to resources;
- the regulations emphasised that the Member States as well as the Commission were responsible for evaluation, and that it was the duty of 'competent authorities' in the Member States to ensure that appraisal and evaluation was carried out in the most effective manner; and
- in submitting their regional development plans, Member States were required to provide more information on the current regional development situation, the impact and effectiveness of Community-financed operations undertaken in the 1989-93 programming period, and the anticipated objectives (quantified where possible) and impact of future operations. In order to upgrade the data available to evaluators, 'baselines' of the regional development situation were also to be identified at the outset of the planning period against which the effect of subsequent operations could be assessed.

Moreover, despite the fact that in the regulations there was no explicit reference to interim evaluation, a *standard clause* was introduced in the CSFs and SPDs at the request of the Commission which set out the obligation to carry out mid-term reviews. The standard clause foresaw that "*Monitoring […] is backed up by interim evaluations so that any adjustments required to the CSF and to operations in progress may be made.[…] Interim assessment includes a critical analysis of the data collected through monitoring, including those forming part of the annual reports*".[9]

During the 1994-99 programming period some new procedures on financial controls and publicity were introduced through *ad hoc* regulations, and these also affected monitoring. The regulation on financial controls (Reg. 2064/97, now under revision) introduced audit trails and the 5 percent sample of *ex post* controls. One of the aims of monitoring, as a consequence, became the provision of the necessary information for the elaboration of audit trails and for the identification of the sample of projects that would be checked. There was an insistence on the need for transparency and on the duty to diffuse information on the implementation of the programmes to the broader public, emphasising the role of monitoring and reporting activities as instruments for accountability.

[7] Reg. 2082/1993 Art. 25.5.

[8] Bachtler J and Michie R (1994) Strengthening Economic and Social Cohesion? The Revision of the Structural Funds, *Regional Studies*, 28 (8), 789-796.

[9] CEC (1995) *Common Guide for Monitoring and Interim Evaluation*, Commission of the European Communities, Luxembourg 1995, Annex p.35.

By the second programming period, there were definite signs of improvements in the framework for monitoring between the 1989-93 and 1994-96 Objective 2 programmes (some improvements being brought about during negotiations). Subsequently, improvements were also made in the processes of monitoring through enhanced data collection and analysis. Two trends in particular are evident. First, *definitional improvements* were made to indicators, a pre-requisite to allow comparison. The Commission and some Member States issued guidance and practical handbooks to support programme managers in the definition of indicators (and monitoring frameworks in general) with particular reference to key themes, such as job creation, environmental sustainability etc. Examples include the publication 'Common Guide for Monitoring and Interim Evaluation'[10] and DG XVI documents such as 'Counting the Jobs' and 'Understanding and Monitoring the Cost-Determining Factors of Infrastructure Projects[11]. Second, *technical improvements* were made, related to the increasing use of more efficient computer technologies for data gathering and elaboration. Among the key trends, there was a shift from paper-based to computerised data management systems. Initially, this was from databases housed in a single computer to networked databases, and, later, towards flexible internet or intranet based systems.

At the start of the period, many programmes were judged as having satisfactory quality indicators, with the best programmes having indicators at three levels (programme, priority, measure). However, there were still important deficiencies, including incomplete indicator lists, a lack of quantification at global objective, priority and measure levels and missing targets for monitoring.

A comprehensive review of the 1994-96 Objective 2 SPDs and those approved in 1995 for the new Member States,[12] found that, while most made reference to the envisaged positive employment effects, just under half had absent, unquantified or obviously incomplete employment indicators. Where targets *were* set, programmes usually failed to specify the type of impacts (eg. direct permanent jobs only or also indirect jobs and temporary employment generated in implementing measures) and their timescale, preventing future evaluators from comparing performance meaningfully with the targets. There was also a lack of precision and consistency in the terminology used to refer to the main types of possible outcome. Where employment indicators were in place, there was little evidence of a 'scientific' approach being taken to quantification. Only one programme explicitly stated the assumptions on which targets were set, and only then for construction jobs. Given the lack of explicit methodologies in use, it was clear that some programmes had set ambitious targets and others chosen to be more conservative. There was little

[10] CEC (1995) *op. cit.*

[11] CEC (1997) *Counting the Jobs. How to evaluate the employment effects of Structural Fund interventions*, Evaluation and Documents No.1, Commission of the European Communities, January 1997, and CEC (1998) *Understanding and Monitoring the Cost-Determining Factors of Infrastructure Projects. A User's Guide*, Evaluation and Documents, Commission of the European Communities No.5, April 1998.

[12] Bachtler J and Taylor S with Kearney C (1996) *Extended Synthesis of Agreed Single Programming Documents in Objective 2 Areas 1994-96*, Report to the European Commission (DG XVI), EPRC, University of Strathclyde, Glasgow.

or no attempt to go beyond gross figures to indicate what the net outcomes might be when the negative impact of displacement and deadweight and the positive impact of multiplier effects had been taken into account. The result of these factors was that, when programmes were compared for their potential 'cost per job', the variations were considerable, not only between countries, but also between ostensibly similar programmes in the same Member States.

The reprogramming of Objective 2 interventions in 1996-97 provided an opportunity to strengthen further the quality of monitoring and evaluation systems. A considerable amount of further development work was undertaken associated with: clearer, quantified targets; monitoring and evaluation indicators at all levels of the programme, distinguishing between outputs and impacts; and more efficient organisational arrangements for monitoring eg. using management information systems. Commission services worked closely with programme managers and secretariats to improve the range and quality of indicators as well as monitoring systems.

Research showed that, in the more advanced cases (usually the longest-running programmes), there were ambitions of creating fully integrated physical and financial reporting systems, and comprehensive monitoring and evaluation frameworks. Also, regions increasingly accepted the value of monitoring and evaluation exercises. A review of the 1997-99 Objective 2 programmes carried out by the Commission,[13] found that quantification of effects for the 1997-99 programmes had improved significantly, 55 of the new SPDs giving detailed measure-level information.

Several increasingly common good practice features were evident among Objective 2 regions. First, more programmes were specifying the components of employment targets, detailing some of the assumptions on which these targets were based, and indicating the timescales over which they should be realised. Second, the type and quality of jobs created was specified with increasing care. Programmes began to differentiate between 'temporary' employment generated by implementing projects (eg. in construction, often referred to in terms of 'person years of work generated') and 'permanent' posts (eg. created in the longer term by the use of infrastructure). Also, there was more clarity on the nature of the jobs created (full-time, part-time, seasonal, etc). Third, there was increasing precision in the use of employment-related terminology and concepts, indicating greater familiarisation with the field and increased reflection. Definitions were used which more accurately reflected the true nature of employment impacts.

In spite of improvements, experience across programmes was still mixed. Some of the observations relating to the position of Objective 2 regions in 1994 still applied eg. inadequate indicator information and lack of appropriate and practical targets. There was also a lack of consistent and regular data collection systems. Two types of fragmentation stood out: (i) data for different Structural Funds were frequently collected separately - especially for the ERDF and ESF; and (ii) systems were often specific to single regions - there

[13] CEC (1997) *The New Regional Programmes 1997-99 under Objective 2 of the Community's Structural Policies - Focusing on Job Creation,* COM (97) 524 final, Commission of the European Communities, Brussels.

was not always uniformity in even the basic parameters of the systems in use to monitor different Structural Fund programmes'.[14]

2.3 The 2000-06 programming period

The start of the 2000-06 programming period marks another significant step forward as regards monitoring. The drafting of the new programmes has been accompanied by a strong effort by the EC to ensure an equal and uniform treatment of common issues and to encourage the implementation and of comprehensive or integrated monitoring systems across the EU. Also, the issue of data transfer between Member States and the EC has been addressed with the provision of a new procedure based on the concept of the file interface.

The new regulations set out a range of specific monitoring obligations (see Table 2.1 and Table 2.2). For the first time, this emphasis is not due to an increase in resources but rather to a reduction in Structural Fund expenditure allocated to the Member States. The Berlin Council, where the foundations for the new regulations were discussed, insisted on the need to improve the effectiveness of the Structural and Cohesion Funds in pursuing economic and social cohesion. Specifically in relation to monitoring, it was declared that:

> *"The administration of the structural funds should be substantially simplified by giving practical effect to decentralising decision-making and striking the right balance between simplification and flexibility so as to ensure that funds are disbursed quickly and effectively. To achieve this, responsibilities of Member States, their partners and the Commission will be clarified, bureaucracy reduced and monitoring, evaluation and control strengthened, thereby ensuring improved and sound financial management."*[15]

The need to ensure the effectiveness of structural actions and to deliver the expected results on time is related to the fact that this programming period may be last period of receipt of Structural Funds for some regions. For the EU, the reduced resources make it imperative that they be used in the most profitable manner. The automatic decommitment rule (introduced by Art. 31.2 and 32.2) and the performance reserve (Art. 44) are a clear stimulus for this. Moreover, prospective enlargement gives emphasis to accountability and transparency, and to the desirability of developing efficient practices and systems that could be extended to the candidate countries.

[14] EPRC/FAI (2000), *Methodologies used in the Evaluation of the Effectiveness of European Structural Funds: A Comparative Assessment,* Report to the Scottish Executive, Edinburgh.
[15] European Council, *Presidency Conclusions of the Berlin European Council,* 24-25 March 2000.

Table 2.1: Obligations foreseen by the new Regulations in Relation to Monitoring

Actors and their Functions and Roles	Reference
Managing Authority	
Collects and transmits of financial and statistical data on the implementations of the interventions, by setting up, *inter alia*, a reliable monitoring system to gather the necessary information	Art. 34.1.a reg. 1260/99
Prepares the adjustments to the programme complement and to the programme agreed by the Monitoring Committee	Art 34.1.b Reg. 1260/99
Drafts the annual implementation report to be approved by the Monitoring Committee and submitted to the Commission	Art 34.1.c Reg. 1260/99
Ensures: the establishment of appropriate reporting on the progress of the assistance throughout the programming period; and the implementation of information measures relating to the management, monitoring and evaluation of assistance from the Structural Funds, financed where appropriate from the appropriations for technical assistance under the assistance package concerned.	Art. 3.2.1.1 Reg. 1159/00 Annex
Organises mid-term evaluation	Art 34.1.d Reg. 1260/99
Ensures: the regularity and correctness of operations; the separation of accounting systems of the bodies involved in the management of the assistance; and the conformity of the interventions realised with the community policies	Art. 34.1.e,f,g Reg. 1260/99
Undertakes annual meetings with the Commission to examine the results of the previous year of implementation	Art. 34.2 Reg. 1260/99
Undertakes an adequate audit trail and informs the Paying Authority of the controls undertaken to allow the certification of expenditures	Draft Reg. 1136/00
Monitoring Committee	
adopts and modifies the programme complement	Art. 35.3.a Reg. 1260/99
approves the criteria to select the operations to be awarded	Art. 35.3.b Reg. 1260/99
monitors and evaluates the progresses made in the implementation of the programme	Art. 35.3.c Reg. 1260/99
examines the finding of interim evaluation and approves the subsequent changes to the programmes	Art. 35.3.d Reg. 1260/99
approves the annual and final implementation report	Art. 35.3.e & 37.1 Reg. 1260/99
approves and proposes amendments to the Commission decision of approval of the programme	Art. 35.3.f Reg. 1260/99
ensures that there is adequate information about their work	Art. 4.1 Reg. 1159/00
National Authorities	
have general responsibility for monitoring	
Inform the Commission by the 30 June of each year on the application of the regulation on financial controls	Draft Reg. 1136/00
Are responsible for internal checks on effectiveness of implementation and for transparency of financing	Art. 38.1 Reg. 1260/99
Propose the indicators to be used for the allocation of the performance reserve and the programmes to whom the performance reserve should be allocated	Art. 44 Reg. 1260/99
Provide the information necessary to the Commission to verify additionality	Art. 11.3 Reg. 1260/99
EC	
Undertakes annual meetings with the Managing Authority	Art. 34.2 Reg. 1260/99
Submits to the Member States or the Managing Authority any observations/recommendations for changes	Art. 34.2 Reg. 1260/99
Participates to the Monitoring Committee with an advisory status	Art. 35.2 Reg. 1260
Approves the annual and final report	Art. 37.1 Reg. 1260
Elaborates methodological proposals on indicators	Art. 36.1 Reg. 1260
Decides on the allocation of the performance reserve, on the basis of the proposal the Member State	Art. 44 Reg. 1260/99
Reports every three years on the progress achieved in terms of cohesion and on the role of the Community aid	

Table 2.2: Obligations foreseen by the new Regulations – Indicators and Annual Reports

Monitoring indicators are to be defined, in accordance with methodological notes and list of examples suggested by the Commission for each category of intervention, by the Managing Authority and the Monitoring Committee. These indicators are designed to show:
Specific targets, quantified at the measure and priority level
The stage reached in the implementation of the assistance in terms of ➢ Physical ➢ Result ➢ Impact
Financial progress
Have to be disaggregated by gender and size of beneficiary in all cases where this is possible
Data related to Major Projects must be monitored separately

Overall, the new regulations mark a shift in responsibility. It is now explicit that monitoring is a full responsibility of the Member States, which have the duty of defining and operating all procedures to ensure the effectiveness of the measures implemented. Operationally, it is at the lowest levels that these responsibilities have the greatest practical impact. The new regulations formalise the role of the Managing Authority as being responsible for the implementation and management of programmes. With respect to monitoring, the Managing Authority is responsible for: the collection and transmission of financial and statistical data on the implementation of interventions; ensuring the regularity and correctness of operations; the organisation of the mid-term evaluation; elaboration of the annual implementation report (whose content is also better defined by the new regulations); preparation of adjustments to the programme and to the programme complement to be agreed by the Monitoring Committee; and undertaking annual meetings with the Commission to review the results of the previous year of implementation.

The role and powers of the Monitoring Committee are strengthened too. In addition to its previous functions, the Committee now adopts the programme complement and modifies it without the assent of the Commission, which participates in the Monitoring Committee with an advisory status. Moreover, since the financial allocations to each measure are specified in the programme complement, this means that, within the limits of the allocations set out in the programme for each priority, the Monitoring Committee has *carte blanche* in the financial reshaping of the programme (Art. 34.3a). The Monitoring Committee also approves the criteria for project selection, and the annual and final implementation reports, and it monitors and evaluates the progress made in the implementation of the programme.

Finally, the regulations provide more detail on the indicators to be adopted and on the necessity of utilising computerised mechanisms to gather and transmit data; they emphasise the role of evaluation and strengthen the role of monitoring by instituting the performance reserve which will be allocated on the basis of programme performance measured in terms of effectiveness,

management and financial indicators defined by the Member States in consultation with the Commission.

To accompany the new regulations, the EC has issued several support documents addressing a range of programming functions. Those relating to monitoring are listed in the box below.

EC GUIDANCE ON MONITORING

- **Vademecum on the Preparation of Plans and Programming Documents** (Working Paper 1), describing in detail the content of the programmes and of the programming complements, and conceived as a practical tool to help regional and national programme managers in their process of plan preparation;
- **The Ex-Ante Evaluation of the Structural Funds Interventions** (Working Paper 2), highlighting the necessary premises and content of *ex ante* evaluation, including some hints on monitoring and the quantification of objectives;
- **Indicators for Monitoring and Evaluation: An Indicative Methodology** (Working Paper 3), a comprehensive guide on the choice and use of monitoring indicator, including an indicative list of suggested indicators (in annex) for the various typologies of interventions;
- **Implementation of the Performance Reserve** (Working Paper 4) on the allocation of the performance reserve, including an indicative list of suggested indicators; and
- **Guidelines for Systems of Monitoring and Evaluation of ESF Assistance in the Period 2000-06**, addressing the issues of monitoring, indicators, evaluation and allocation of the performance reserve.

Other documents, such as the following, address specific themes:

- **Information Society and Regional Development: ERDF Interventions 2000/2006** (Technical Paper 2), providing information on the development of IS strategies, including some advice on monitoring and evaluation;
- **Mainstreaming Equal Opportunities for Women and Men in Structural Fund Programmes and Projects** (Technical Paper 3), providing an indication of the content of programmes and programme complements as concerns gender and an indicative list of suggested equality indicators.

A final important development for 2000-06 relates to efforts to provide a more systematic core of monitoring data across the EU, for exploitation at EC level. One of the main problems for the EC in the past was the difficulty in deriving an overview of how Structural Fund monies had been spent across the EU and with what impact. As Commissioner Barnier admitted at the Fourth European Conference on Evaluation, held in Edinburgh in September 2000, there has been no clear picture of the real impact of Structural Fund expenditure across the Member States and at EU level. For this reason, the EC is now making efforts to improve its information base, including through a system of electronic data exchange with the Member States, which should allow the effective and uniform collection of data on both the financial and, periodically, the physical state of implementation of the programmes.[16] This system also reflects the text of the new regulations, which states that:

[16] CEC, *Electronic Data Exchange between Member States and the European Commission. File interface description*, Commission of the European Communities, Draft 8 December 1999.

> *"The managing authority shall be responsible for the efficiency and correctness of management and implementation and in particular for […] setting up a system to gather reliable financial and statistical information on implementation […] using where possible computer systems permitting the exchange of data with the Commission."*[17]

The mentioned draft regulation designs a system for automatic data exchange and data collection which will be applied to all Structural Fund related programmes, based on the 'file interface' concept, an electronic link between the Member State monitoring systems and the Commission's database. This file interface/link is described as "consisting of a small set of interface files, which have a predetermined structure, common to all communication partners involved in the management of the Structural Funds".

2.4 Assessment

Looking back over the past decade and the three sets of regulations, there are two patterns that clearly emerge. First, there has been a decentralisation of the management of assistance. This decentralisation has been realised through a shift in responsibility from the EC to the Member States and programmes and the progressive use of instruments which allow flexibility (eg. global grants and the programming complement).

Second, the Commission's 'step back' from the active implementation of assistance has been accompanied by the more stringent definition of core procedures. This has been realised through increased specification of themes and content in the regulatory texts, as well as through guidance in the form of working papers, technical papers, etc. on various subjects related to programme management.

In this overall framework, monitoring has become increasingly crucial as the principal instrument to verify both the management of assistance and the performance achieved.

In response to regulations which have grown in number, extent and specificity, monitoring systems have undergone sustained development over the last decade across the EU, especially during the latter half of the 1990s. There have been different development paths in different Member States and even regions, also promoted by three other influences:

- increased enforcement of regulations and EC requirements;
- the growing experience and expertise of all actors at all levels, with: continuous learning across successive programming periods leading to improved practices, but also more pronounced changes brought by specific events, notably audits and evaluations; and
- advances in data management technology; with increased quality and capacity, relative to cost, and increased diffusion of these technologies.

[17] Reg. 1260/99 Art. 34.1(a). Also on electronic data exchange, Art. 18.3(e) states that "the programme complement shall contain […] a description of arrangements agreed between the Commission and the Member State concerned for the computerised exchange, where possible, of the data required to fulfil the management, monitoring and evaluation requirements of this Regulation".

Two factors have complicated this process of development and increased the challenges involved in successful programme monitoring. First, in the multi-tiered partnership context which characterises Structural Fund delivery, monitoring relies on co-operation between many involved actors at many levels. Second, at these different levels, from the EC down to the individual project, monitoring is undertaken to meet multiple and different objectives (see Table 3.1).

Table 2.3: Objectives fulfilled by monitoring at different levels

EC level	**Policy analysis:** Improved ability of DG Regio to undertake studies responding to specific issues. **Input to individual programme steering:** Improving ability of desk officers to respond to requests for programme changes by providing more detailed insights into programme activity **Financial management of programmes:** EC is sent the data they require to issue relevant payments to programmes. **Accountability/transparency** Preparation of Annual Reports on the Implementation of the Structural Funds Preparation of the three-yearly Cohesion Report Responses to questions from the European Parliament, Council, etc
National level	**Assessing relative performance:** Informing the distribution of the performance reserve fund between programmes. **Input to financial management:** In some cases informing national level about the need for virements between programmes.
Programme level	**Programme development:** Past monitoring data informs new programme development, including balance of priorities and measures, then choice of indicators and quantification of targets. **Programme implementation:** Past monitoring data informs project selection criteria and definition of realistic project targets. **Financial management:** Supplying information for timely feedback to programmes to prevent decommitments. **Strategic management:** Including supporting the Monitoring Committee in fulfilling its role as a strategic steering committee. **External reporting for accountability:** Supplying details of activity to other actors, demonstrating obligations have been met, including informing the public. **External reporting supplying information to others in the system:** Supplying information/data to other users for use in satisfying their information obligations - especially the EC and relevant national ministries. **Control:** Collecting sufficient information to ensure that Structural Fund expenditure is 'proper'. **Evaluation:** Monitoring databases provide a key starting point for interim and *ex post* evaluations - a basic data set.
Project level	**Accountability:** Demonstrating correct use of Funds to satisfy audit requirements. **Financial management:** Supplying required information to trigger tranches of project funding. **Strategic management:** Providing management information to facilitate the successful implementation of the project.

At the programme level, which is the main focus of this paper, there are five key areas to which monitoring contributes:

- **Regulatory compliance:** A universal objective is to comply with regulatory requirements. Monitoring is a regulatory requirement in itself, but it also helps to verify that other regulatory requirements are being met, eg. the publicity rules.
- **Financial management:** The primary operational objective of monitoring systems is to provide appropriate and timely information to ensure good and proper financial progress.
- **Strategic management:** Monitoring needs to provide intelligence in support of strategic programme decision-making: at the macro level it informs overall programme design and subsequent implementation decisions (eg. virement of funds between priorities) and at the micro level it informs functions such as project selection.
- **Transparency and accountability:** Programme managers need monitoring to: supply information to programme actors on the activities of the programme; to supply information to other levels in the system (mainly the national and EC level) for their own use; and to supply information to others outside the system including political actors and the public.
- **Evaluation:** Lastly, monitoring has the objective of building a foundation for evaluation (ensuring improved value for money from evaluation expenditure).

Even at this level, each of these objectives might be the priority of different actors and involve different needs in terms of information inputs and outputs.

Having reviewed the regulatory context for monitoring over the past decade and the way this has shaped practice, and highlighted the challenges facing monitoring in the 2000-06 programming period, the sections which follow aim to explore current arrangements for monitoring across the IQ-Net partners in more depth, doing this by addressing three key interrelated elements: overall frameworks for monitoring, monitoring indicators, and the arrangements through which monitoring is operationalised.

3. MONITORING FRAMEWORKS AND SYSTEMS

As previous IQ-Net papers have explained, the implementation of the Structural Funds varies greatly across EU Member States as well as within countries. These differences are reflected in the contrasting approaches to monitoring among Member States. While there are common monitoring obligations that apply to all Member States under the Structural Fund regulations, the responses of individual countries are conditioned by the institutional arrangements for Structural Funds implementation and their approach (and commitment) to monitoring in previous programming periods.

This section reviews the monitoring frameworks and systems among EU Member States represented in IQ-Net, focusing principally on the arrangements for Objective 2 programmes. First, it summarises the key features of the monitoring frameworks and systems in each of the Member States in turn, highlighting plans for the new programming period. It then goes on to provide an overall assessment of the key differences between

countries, within countries and within programmes, and a commentary on the adequacy of financial and physical monitoring systems.

3.1 Monitoring frameworks and systems: Member State summaries[18]

3.1.1 Austria

The organisation of monitoring in Austria is centrally co-ordinated, but with decisions made jointly through the consultation mechanisms that bring together the views of national and regional authorities.

Financial and physical monitoring information are collated centrally by the ERP Fund (commissioned by the Federal Chancellery). Hitherto, each individual funding agency has sent monitoring information for co-financed projects to the ERP Fund (in some cases pre-collated at state level by the *Land* programme management units) as projects have been approved and implemented. The ERP Fund then provided quarterly reports on programme progress to the programme managers and relevant federal government departments. For the new programming period, the input of monitoring information is being rationalised. There will be a designated funding agency for each measure, the designated agencies being required to submit electronically a single monitoring report for each project. The progress reports from the ERP Fund will be produced and circulated monthly to relevant Austrian authorities.

Over the 1995-99 programming period, physical monitoring indicators were generally programme-specific; many indicators were for results only and could not always be aggregated at programme level. For the 2000-06 period, considerable work has been done to ensure a common approach. A hierarchy of output, result and impact indicators has been derived, capable of aggregation from the project level up to programme level and potentially across programmes. The approach is based on a set of core indicators developed centrally, and, after consultation with regional and sectoral interests, included in all programmes. While a broader indicative list of other indicators is also available to programmes, there appear to be few *Land*-specific indicators.

3.1.2 Belgium

In common with Structural Fund management more generally, Structural Fund monitoring and evaluation in Belgium are organised separately in Wallonie and Flanders. In Wallonie, the regional government has the predominant role, while in Flanders, the provinces are more active, co-ordinated by the Flemish region.

In Wallonie, monitoring is co-ordinated by the European Programmes Directorate (*Direction des Programmmes Européens*, DPE) of the Directorate General for Economy and Employment (*Direction Générale de l'Économie et de l'Emploi*) in the Ministry of Wallonia. The DPE has an established system

[18] As with other aspects of Structural Fund implementation, the monitoring frameworks and systems employed by individual countries are complex. These 'national summaries' are intended to provide a general outline of the key features only; more detailed information will be available in the national monographs on the IQ-Net website.

for collating regular information on financial and physical indicators; each implementing authority is required to provide monitoring data to the DPE on a quarterly basis for the projects for which it has responsibility. In the past, the quarterly submission of data has only been strictly required for financial monitoring information, while physical monitoring information tended to be variable in its quality and frequency of submission. In the new programme, a hierarchy of common physical indicators has been developed for both Walloon Objective 2 programmes, with common definitions. Implementing authorities will be required to submit both physical and financial information quarterly. A new networked computerised database is expected both to improve data collection within the region for both Objective 2 programmes, and to provide the means for electronic data exchange with the Commission.

In Flanders, financial monitoring has been straightforward, since the Flemish administration (the Ministry of the Flemish Community) has retained the role of paying authority (although programme implementation is decentralised) and is also responsible for financial monitoring. By contrast, physical monitoring has been fragmented, with programme-specific indicators and monitoring systems, and no central, standardised approach. It is expected that there will be more standardisation under the new programme. A set of common indicators for use across all four programmes has been proposed, and discussions between the Flemish government and programme secretariats are underway concerning the development of a unified electronic database for physical indicators.

3.1.3 Denmark

Since 1996/97, the monitoring of Structural Fund programmes in Denmark has been governed by national legislation and associated administrative regulations defining the division of tasks between the various actors. These regulations are currently being amended to reflect the new regulatory requirements.

Objective 2 projects supported by ERDF are monitored in two separate ways. For financial monitoring, quarterly financial reports (certified by an accountant) have to be submitted to the Danish Agency for Trade & Investment from each project while in progress. For physical monitoring, relevant data on the impact of projects are submitted by the project applicant on completion of the project, to the regional level, using common indicators for different parts of the programme. ESF monitoring is distinctive in that both financial and physical monitoring are undertaken at the regional level, but according to national guidelines.

In the new programming period, it appears that the same approach will be maintained with relatively little change, apart from the integration of gender and sustainability issues into the indicators.

3.1.4 Finland

The monitoring of Structural Funds in Finland is a ‘top down’ process but sectorally fragmented across different government departments. Hitherto, eight national government ministries controlled Structural Fund implementation, each with their own monitoring system. Different regional

actors were required to collect monitoring information relating to various parts of the programmes and submit these vertically to the line ministries. Although the Ministry of the Interior has attempted to develop a central 'project register' (Fimos), the large number of projects, the variety of inputs, unclear principles and differences in interpretation have meant that a co-ordinated national approach monitoring has not yet functioned adequately.

In the new programming period, the Objective 2 SPD contains a commitment to improving the Fimos system to ensure that the financial information is 95 percent accurate by the end of 2001, that national and regional data are congruent, that financial monitoring data and physical (core) indicator data are updated monthly, that other indicators are updated at six-monthly intervals and that the categorisation is congruent with the EU system. Implementing authorities are being required to report to both a regional group and the national Monitoring Committee. In the first instance, emphasis is being placed on having a small number of common indicators for which reliable information is collected, allowing national government departments to use their own additional indicators.

3.1.5 France

In France, financial monitoring has been undertaken on a comprehensive and systematic basis for some time, driven by the financial management obligations of programmes. By contrast, the monitoring of physical information - even of basic output indicators - has been less uniform. In order to bring standards up to a common threshold, two changes have taken place in France. First, improvements have been made to the monitoring architecture, with the development of a national Structural Fund monitoring system, known as *Présage,* for implementation in all regions and at the national level (with a common core, but with each region able to adjust the system in terms of its scope and configuration to best suit its requirements). Second, a series of technical assistance initiatives has been led by the national development agency, DATAR, to improve the ability of programme managers to select indicators, quantify targets and undertake effective programme monitoring. These include undertaking studies on technical issues and providing opportunities for training and exchange on specific themes.

For the 2000-06 period, a set of national core indicators has been agreed with the EC for which data will be collected by all of the French Objective 2 programmes. Considerable work has also been undertaken, co-ordinated by the DATAR, to ensure that improved baseline data is in place in the SPDs and complements.

3.1.6 Germany

The monitoring of Structural Fund programmes in Germany is very fragmented. Monitoring is the responsibility of the *Länder*, and each state has developed its own individual monitoring system and indicators according to *Land*-specific administrative structures and systems. Although the federal government has the role of paying authority and transmits monitoring data to the EC, it is not able to impose a national monitoring system. Further fragmentation is evident at *Land* level, where the programme co-ordinating units have sometimes encountered difficulty in getting implementation

authorities to provide monitoring information. Overall, monitoring has - hitherto - largely been confined to financial indicators; physical monitoring has generally not been a part of the programming process.

With the stricter monitoring obligations of the new programming period, the *Länder* are making efforts to upgrade physical monitoring systems and develop appropriate indicators. The impact indicators for each programme are based on the strategies and measures of the individual programmes, and are different for each *Land*. While there is some liaison among the states concerning monitoring indicators, there is no formal requirement or agreement to use the same indicators or software. In practice, however, some commonality may be achieved in indicators through the EC taking a unified approach to its bilateral negotiations with the German programmes (at least in terms of some core indicators) and in technical arrangements by the use in some cases of the same monitoring software (eg. EFRE Reporter, piloted in Sachsen-Anhalt and adopted by some *Länder*), but this is still unclear. Several states are trying to build monitoring requirements (eg. the completion of monitoring sheets as a condition of assistance) into the implementation framework, but are sometimes finding it difficult to overcome the resistance of implementing authorities and applicants.

3.1.7 Italy

In Italy, the monitoring of Structural Funds is a mix of 'top down' and 'bottom up' approaches. Central government ministries (eg. Treasury, Labour, Agriculture) have specified guidelines for the reporting of common monitoring information (including grids of physical indicators). These are not applied by all regions, some of them instead using their own monitoring systems and approaches for collating data. Financial monitoring has generally worked well, at least in Objective 2 and 5b programmes, with quarterly reporting of financial commitments and expenditure by all managing authorities to the central government. By contrast, the collection and submission of physical data - in theory, reported every six months - has varied greatly. As regards ERDF in particular, this was partly due to the delayed identification of a grid of physical indicators at the national level. Some Objective 2 regions have developed innovative and efficient physical monitoring systems, while others have lacked co-ordinated and consistent data-gathering capability.

For the new programming period, there are ambitions for a comprehensive and highly integrated system. The Ministry of Treasury, Budget and Economic Planning (IGRUE), with the co-operation of the leading structures for EAGGF and ESF, has developed an integrated data-gathering system, intended to cover all Italian Structural Fund programmes. A parallel monitoring database, SINIT, exists for domestic territorial interventions, and there are plans to integrate the two systems into a common database (although the necessary procedures have not yet been started). Operationally, for 2000-06, Structural Fund monitoring at the national level will shift from a measure-based to a project-based monitoring system, and so-called 'procedural monitoring' is being introduced to track the implementation of interventions by administering authorities. The SIRGIS system will cover financial, physical and procedural data, although the hierarchies of common indicators have yet to be agreed

between the central government departments and managing authorities. At regional level, some regions have been continuing to improve data gathering capability and systems (compatible with the national system) eg. advising partners on their monitoring responsibilities, upgrading the skills of programme managers, identifying region-specific indicators and developing more sophisticated software packages for data collection.

3.1.8 Spain

The monitoring framework in Spain is essentially 'bottom up'. Each tier involved in Structural Fund programming has its own monitoring system and compiles its own information. Thus, regional actors collect regional and local monitoring information, aggregated to measure and priority level, and submit this to national government where data on nationally-funded actions are added. While financial monitoring is considered to have operated satisfactorily, with a formal requirement for quarterly reporting, physical monitoring has been partial and irregular, with a lack of common definitions and procedures.

In the new programming period, efforts are being made to improve the quality of physical monitoring. A common set of core indicators for collection across all Objective 2 regions in Spain is being negotiated with the EC, and attempts are being made to apply the outputs-results-impacts hierarchy of indicators at programme level (an approach which fits well with previous Spanish frameworks). A new national monitoring system (Fondos 2000) is in development, which should allow electronic exchange among all levels and actors involved in Structural Funds implementation. However, given that the national system is not yet fully operational, some regions are also upgrading their own physical monitoring systems which are operating in parallel with the national system. More generally, regions are making efforts to ensure that the frequency and quality of physical monitoring matches that of financial monitoring, supported by better advice and guidance for implementing authorities.

3.1.9 Sweden

The monitoring of Structural Fund programmes in Sweden involves central co-ordination by national boards but with considerable scope for the regions to make their own decisions on indicators, data gathering etc.

For financial and physical information, the National Board for Regional and Technical Development (NUTEK) has operated a centralised monitoring system (STINS), facilitated by the role of NUTEK as the paying authority for ERDF projects. Data input for both financial and physical indicators was undertaken by NUTEK on the basis of information submitted by the County Administrative Boards (CABs) as projects were approved, but the system was undermined by the data inaccuracies, different approaches to defining physical indicators and technical problems.

In the new programming period, the CABs have both managing and paying authority roles. Monitoring data input has been decentralised, with CABs required to report both financial and physical information into STINS. Considerable work has been undertaken on determining objective and

quantifiable indicators using common definitions (at least for some programmes) and NUTEK proposed a set of common core indicators. However, not all the Swedish programmes have adopted the same core indicators, apart from those agreed with the EC, and there is considerable variation between programmes in the range and type of additional indicators included in the SPDs. Much technical work has also been undertaken to improve the reliability of STINS and the ease with which overview information can be accessed for reporting and publicity purposes.

3.1.10 United Kingdom

The process of developing a monitoring and evaluation framework has been largely directed from the 'top down', driven by central government departments, but with scope for some regions to make their own decisions on indicators, monitoring procedures etc.

Financial monitoring is controlled by national government which (along with the devolved administrations since 1999) is also the paying authority for Structural Fund projects. Financial information is submitted to the Department of Trade & Industry (DTI) by the regional Government Offices (in England) and the Programme Management Executives (in Scotland, via the Scottish Executive) and the Welsh European Funding Office. The DTI produces a quarterly national monitoring report circulated to programme managers and central government departments.

Physical monitoring has not been undertaken on a systematic or uniform basis in the past. For the new programming period, the main objective of central government has been to establish a common base for the spatial Structural Fund programmes with common indicators and baselines. While the national authorities have had a key role in setting the framework and providing guidance, it has been the regional Government Offices (in England) and the Programme Management Executives (Scotland, Wales) that have given practical effect to the guidance and the increasing commitment of resources to evaluation.

As in other areas of Structural Funds implementation, the approach to monitoring differs between the constituent parts of the UK. In England, the emphasis is on ensuring that project monitoring is carried out efficiently and effectively, so that national government can ensure compliance with the financial management, monitoring and control requirements of the EU. An integrated system for reporting physical outputs is currently being developed, with a common structure for collating core output information across the English regions, and guidance on standard monitoring procedures is being issued to regions as part of a Structural Funds Manual. The English regions vary greatly in the sophistication of their monitoring arrangements and the range (and definition) of monitoring information collected. In Wales, the emphasis also appears to be on regulatory compliance with respect to financial and physical monitoring. By comparison, in Scotland the greater transparency required as a result of devolution has led to significant investment in new frameworks and systems for monitoring, led by the Scottish Executive, to collate standardised information across all Structural Fund programmes with common definitions. These efforts are not only to ensure compliance with the

EU regulations but also to provide accountability to the Scottish Parliament and to create an effective programming tool.

3.2 Comparative assessment of monitoring frameworks

3.2.1 Differences between countries

Classification of the monitoring frameworks of very different national monitoring systems is highly subjective. Nevertheless, it is possible to identify two broad approaches.

At one end of the spectrum are countries which have developed *integrated monitoring frameworks*. These are characterised by a standard monitoring system, either determined by central government or by collective agreement between national and regional authorities. They have a common set of core indicators and agreement on definitions, enabling the aggregation of indicator information from the project level upwards, via measures and priorities, to programme and national levels. The most ambitious example of this approach is perhaps in Italy, where a monitoring system known as SIRGIS is intended to apply to all Structural Fund programmes, covering ERDF, ESF and EAGGF for interventions under Objectives 1, 2 and 3. Indeed, legislation foresees that the database for Structural Fund monitoring will be integrated with a parallel database relating to domestic territorial programmes and schemes, to produce an extremely comprehensive monitoring system for all public interventions.

Other examples of countries which have developed or are developing integrated approaches to monitoring are Austria, France, Sweden and the United Kingdom (and potentially Spain and the two provinces of Belgium). In each case, a common electronic information exchange system and database has been established at national level with agreement between central government and regional programming authorities about common core indicators, the frequency of reporting and data inputs. In the case of the United Kingdom, this was a top-down process (in England), with an electronic system and list of core indicators prepared by the Department of Environment, Transport & the Regions which all of the English programmes are required to adopt. The position is similar in France, where the national agency, DATAR, has established a national Structural Fund monitoring system for implementation in all regions. In Sweden, the national development agency, NUTEK, also developed a list of core indicators but these were not always adopted by the regions (apart from those negotiated with the EC). In Austria and in Scotland, the development of the monitoring framework was more of a collaborative process between national government and programming authorities, jointly developing the system and indicators that apply across all spatial programmes.

At the other end of the spectrum are countries that could be described as having *fragmented monitoring frameworks.* In these cases, there are several different approaches to monitoring operating in parallel at different levels within the country, presenting formidable obstacles to co-ordination and the aggregation of monitoring information. Germany is one of the most prominent examples of regional fragmentation; monitoring is the responsibility of the *Länder*, and each state has developed its own individual monitoring system and indicators according to *Land*-specific administrative

structures and systems. The federal government does not have an overview of programme progress nor does it have the right to impose a standard monitoring system on the states.

A different example of fragmentation is the vertical division of monitoring in Finland. Eight national government ministries (and regional councils) control Structural Fund implementation, each with their own monitoring system. Different regional actors have been required to collect monitoring information relating to various parts of the programmes and submit the data vertically to their line ministries. Hitherto, attempts at co-ordinating monitoring information at national level have been largely unsuccessful.

Spain has elements of both horizontal and vertical fragmentation. In the past, the various regions each collected and submitted monitoring information – relating to regional and local Structural Fund actions – using their own monitoring systems and procedures. This information was transmitted upwards to central government, where national departments contributed their own monitoring information relating to national actions co-financed by the Structural Funds. The lack of an integrated monitoring system required considerable processing of disparate information at different levels to enable an overview of programme progress to be obtained. A national database system, Fondos 2000, is also being made available to the regions to streamline and integrate systems, but it is unlikely to replace regional systems since it is not felt to respond to all the information requirements of the regional level.

3.2.2 Differences within countries

As with other aspects of Structural Fund programmes, the complexity of programme monitoring means that the above typology cannot be applied rigidly. In countries with integrated monitoring systems, central governments may provide national guidelines on procedures and systems and lists of core indicators, but the regions may not all respond in the same way (particularly in previous programming periods where the monitoring obligations were less stringent). This certainly applies to the United Kingdom, France and Italy where there has been great variation between a limited number of 'leading' Objective 2 regions that have invested heavily in monitoring systems and procedures (eg. West Midlands, Aquitaine, Toscana) and the majority of other regions where monitoring systems are much less advanced.

Conversely, so-called fragmented systems may, in practice, contain some elements of co-ordination. The efforts of authorities in Spain to process disparate monitoring information to achieve an overview of programme progress was mentioned above. Similar attempts have been made at regional and national levels in Finland with the same objective. In Germany, some co-ordination may be achieved over time by the informal liaison between regions on the selection of indicators (supported by the EC during the negotiation process) and the sharing of monitoring systems piloted by certain regions.

In fact, it is arguable that all countries are moving along a continuum from a fragmented approach to monitoring towards progressively more integrated systems. The key distinction between countries is perhaps their position on this line, representing the speed of progress.

More generally, the Spanish and Finnish approaches highlight an important characteristic of both integrated and fragmented monitoring systems – the role of 'mediators' in the monitoring process. At its simplest, a monitoring system would allow project-level financial or physical data to be put into a system as commitments, claims, monitoring returns, etc. are received by implementing authorities. However, in most Member States some mediation is built in. For example, in Austria project information is collated by 'measure managers' who collect information from the implementing agencies, check it and submit it to the (national) ERP Fund. A similar role has to be performed at different levels in most monitoring systems.

Lastly, it is worth noting the different systems that co-exist within countries. In several Member States, the integrated national systems are relatively recent and limited to a small range of common monitoring information, usually the financial indicators for commitments and payments and a small number of core physical monitoring indicators. Regional - programme-level - monitoring systems are of longer standing, and it is not unusual to find integrated national systems operating in parallel with a series of region-specific monitoring systems (eg. Italy and Finland).

In some countries, there are distinctions between territories or groups of programmes, notably in Belgium and the United Kingdom. In Belgium, there are two separate monitoring systems for Wallonia and Flanders with different relationships between the provincial governments and the programme secretariats in each case. For example, there is a relatively integrated monitoring system for physical indicators in Wallonia, while physical monitoring is fragmented in Flanders reflecting the more decentralised approach to Structural Fund management. In the United Kingdom, the emphasis of national monitoring in England is on ensuring regulatory compliance, with a limited range of core indicators and great variation in the sophistication of the regional monitoring arrangements. By contrast, in Scotland, devolution has led to significant investment in new frameworks and systems for monitoring to collate standardised information, with common definitions, across all Structural Fund programmes.

3.2.3 Differences within regions

Apart from differences between regions, a complicating factor for some countries is the existence of 'sub-systems' *within* programmes. As noted in previous IQ-Net papers, some Member States subsume the allocation of Structural Funds within domestic policy funding circuits, ie. using established decision-making channels for selecting projects and allocating EU finance. This approach is typical of Germany, Austria and Finland where different implementing authorities (regional government ministries, regional offices of the State) allocate Structural Funds independently according to their own project selection systems.

For programme managers seeking to monitor the outputs, results and impacts of a programme, there is a need to develop co-ordination mechanisms so that these 'sub-systems' collect and submit the required monitoring information to the programme management secretariats. This can present formidable difficulties, either because of the number of implementing authorities involved

(eg. Austria) or because of an unwillingness of implementing authorities to comply and the lack of effective legal powers or sanctions on the part of some programme managers to force compliance (eg. Germany). Alternatively, the reporting systems of the implementing authorities may be vertical rather than horizontal ie. they transmit monitoring information upwards from the regional offices of line ministries to central government departments rather than horizontally to programme management units (eg. Finland).

Sub-systems also exist in countries which have 'differentiated' systems for Structural Fund management (eg. United Kingdom, Sweden) but there is generally more control over the sub-system, and an integrated approach to monitoring can generally be engineered. For example, several UK regions have used 'action plans' for devolving project selection to geographically or sectorally defined groups of partners, but, in these cases, the sub-systems are required to be led by an 'Accountable Body' which takes on the management obligations required by the regulations, including the establishment of monitoring systems and the provision of monitoring information as required by the programme management secretariat.

3.2.4 Monitoring systems

Reviewing the current state of monitoring systems across EU Member States, it is important to distinguish between the progress made with financial monitoring and physical monitoring.

The frameworks for financial monitoring appear to have been operating adequately in most Member States for some time. In the majority of countries, there are established systems whereby project applicants are required to submit regular financial returns to implementing authorities which are, in turn, required to submit this information to national authorities. In some Member States, this takes place on a continuous basis, as the information is received from applicants; in other cases, the implementing authorities are required to submit returns on a monthly or quarterly basis to national government departments. Consequently, it appears that most Member States are able to maintain an overview of programme performance with respect to commitments and payments. In several countries (eg. Austria, UK), the national authorities distribute this overview to relevant government departments and programme authorities on a regular basis, although others (eg. Wallonia) have tended to keep this overview information for internal and EC-reporting purposes until now.

By contrast with financial monitoring, the frameworks for physical monitoring are much less well developed in many Member States. Reflecting the points made in Section 2 above, the problems begin with a lack of credible and verifiable indicators, and the absence of reliable data. Applicant information has often been collected and presented unsystematically, lacking a standardised approach to definition. Data input has not always been undertaken systematically by implementing authorities nor has it been submitted on a regular basis. The result is that it has often been difficult to aggregate physical outputs and impacts at programme level, let alone nationally.

There are clear signs that the monitoring obligations in the Structural Fund regulations are having a major impact on monitoring frameworks. Across the EU, Member States are making considerable efforts in several areas, including:

- Indicators:
  - the application of the EC-recommended hierarchy of results-outputs-impact indicators;
  - the preparation of a limited number of standard core indicators by national authorities for use across programmes;
  - the specification of a wider range of comparable indicators within programmes, together with more detailed information on their derivation;
  - research to improve the quantification of baseline indicators and specification of credible targets;
- Organisation of data collection and collation:
  - disaggregation of monitoring systems to collate information from the project level upwards (where sub-programme level systems have only supplied aggregated data in the past);
  - the upgrading of national systems for regular collation of monitoring information on physical indicators across programmes (especially electronic systems and databases);
  - improvement to programme management procedures with respect to the collection of monitoring information, data input and submission to national authorities; and
  - work to raise awareness and understanding among project applicants and partners concerning the value and purpose of monitoring, the legal requirements and good monitoring practice.

4. MONITORING INDICATORS

The basis for any monitoring system are the indicators used to measure progress and performance. For programme managers, the exercise of identifying monitoring indicators for the 2000-06 programmes and quantifying targets for them has been particularly demanding. The EC has sought to assist the process by providing a range of timely guidance, including clarification of terminology and concepts and its own expectations as regards programme responses. This section discusses how indicator definition has been undertaken and what the initial outcomes have been. First, it outlines the main elements of the EC guidance, followed by a review of the approaches taken to indicator definition by programmes in different Member States. Lastly, it considers the outcomes in terms of physical indicators and how the horizontal themes have been addressed.

4.1 EC guidance

In terms of providing advice on indicators, the EC's *Vademecum* was not very specific, other than in setting out:

- basic requirements of the *ex ante* evaluations of SPDs in terms of targets ("*The expected impact of the planned priorities for action, quantifying their specific targets in relation to the starting situation, where they lend themselves to quantification.*");
- context indicator expectations ("*Increased emphasis has to be given to the expected impact on the social and economic situation, mainly trends in the national labour market, the environmental situation and equal opportunities.*"); and
- indicator information expected of the Programme Complement at measure level, namely: *"relevant monitoring indicators under Article 36 including, in particular, those used for allocating the Performance Reserve and:*
  - *the specific targets, quantified where they lend themselves to quantification and their consistency with the corresponding priorities,*
  - *the stage reached in the assistance in terms of physical implementation, results and, as soon as practicable, its impact at the appropriate level (priority or measure),*
  - *the progress of the financing plan."*

The main source of detailed support on indicators from the EC has been Working Paper 3. This document aims to contribute to the indicator exercise in three main ways: (i) clarifying key terminology, including for the different types of indicator; (ii) proposing a frame of reference for monitoring; and (iii) reconciling the diverse methods and practices at programme level and the need for consistency at EU level by proposing a list of indicators appropriate to the main areas of assistance. The Working Paper provides advice on establishing systems of indicators and then on implementing them, including a discussion of ways to overcome the problems of using indicators and a brief consideration of specific sub-types of indicator, notably core and performance indicators.

An additional source of useful input to the indicator issue has been an *ad hoc* study generated at the initiative of the EC on evaluating the employment effects of Structural Fund interventions.[19] This has been supportive by providing a review of past practice in terms of defining and quantifying employment effects (including *ex ante*).

The EC's general requirements from indicators have been made clear through the regulations, the *Vademecum*, the Working Paper and other Technical Papers. The main areas of emphasis followed up by the EC in the negotiation process, have been:

- use of the EC's hierarchy of indicators and the associated terminology;

[19] Ernst & Young (2000) *Evaluating Structural Fund Employment Effects*, Report to DG Regio of the European Commission, Brussels.

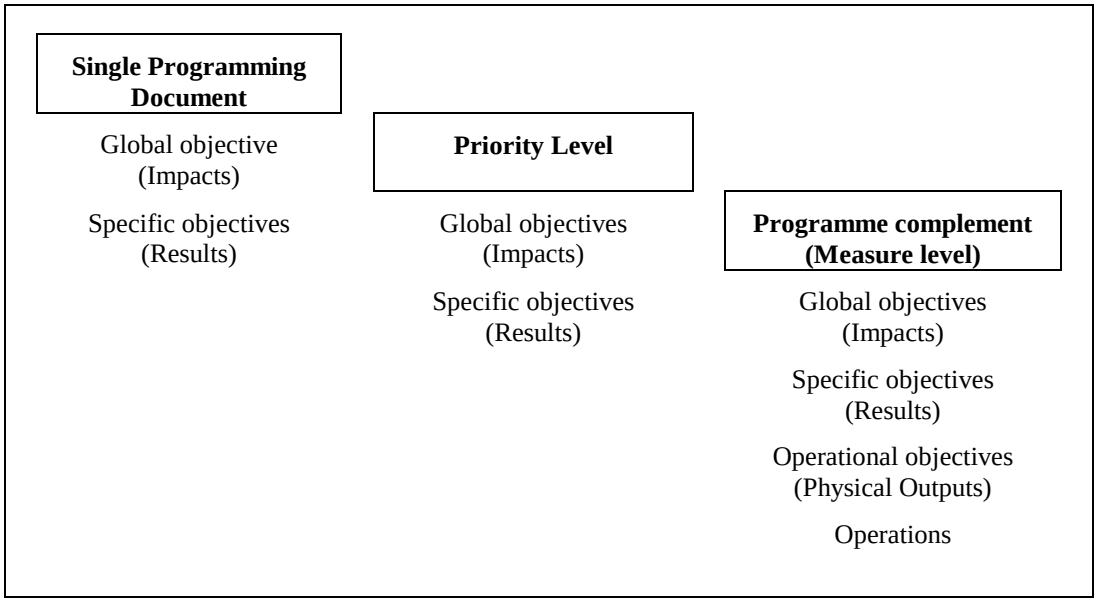
- the development of clearer definitions for the indicators chosen; and
- increased *ex ante* quantification of indicators.

4.2 The indicator framework

The 2000-06 programmes have been required to develop coherent and relatively sophisticated sets of indicators to enable the various functions of monitoring to be achieved.

At the heart of this are the indicators measuring the activity supported by programmes and their associated results and impacts - here characterised as the 'physical indicators' for convenience (although in some cases they can be financial in nature, eg. 'private sector funding levered in'). For each programme, an indicator hierarchy has been expected, with a coherent, nested set of input (financial), output, result and impact indicators at the measure, priority and overall programme levels (see Figure 4.1).

Figure 4.1: The Indicator Hierarchy

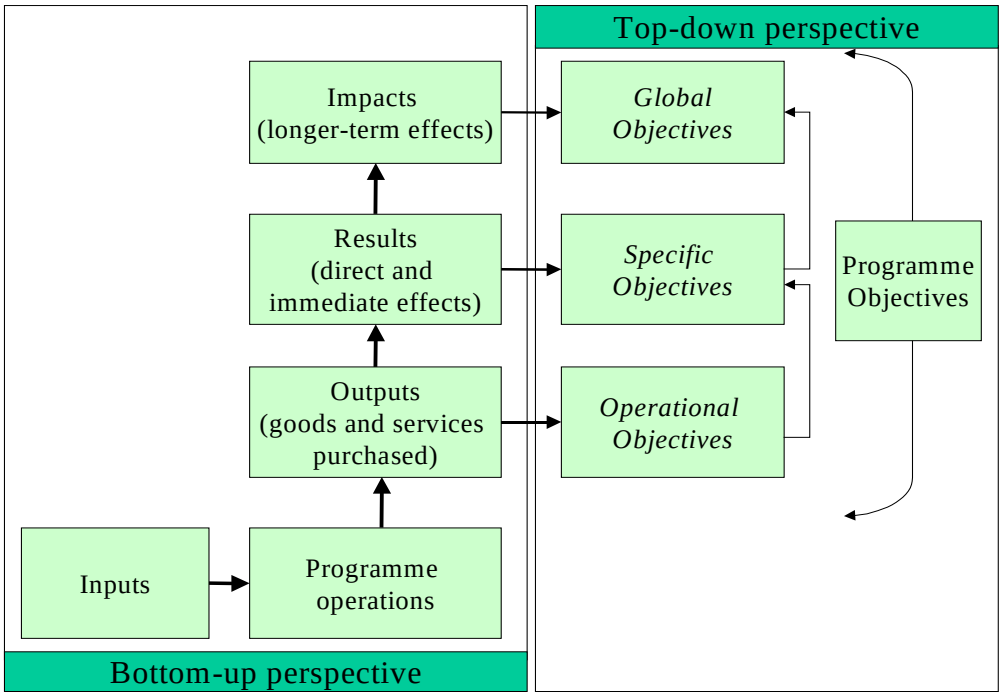


Source: DG Regio Working Paper 3.

In order to provide the overall framework for monitoring, the Working Paper 3 sets out a clear relationship between indicators of programme outcomes, as defined from the *bottom up* and tracked in programme monitoring, and programme objectives, defined and analysed from the *top down* (see Figure 4.2). From the top down, a programme has global objectives, which inform a strategy for assistance and give rise to a series of specific objectives. Below this is a series of operational objectives linked to the specific activities of the programme. From the bottom up, measures are implemented using financial resources (inputs) - quantified using financial indicators. This produces outputs, which contribute to achieving the programme's operational objectives. The results produced by the outputs contribute to the programme's specific objectives. Finally, impacts are achieved, helping to realise the programme's global objectives. Tracking financial, output, result and impact indicators (at the measure, priority and programme levels as appropriate)

through monitoring, therefore, provides the basis of the framework and enables the achievement of the programme's objectives to be verified.

Figure 4.2: The intervention logic of Structural Fund programmes



Source: Based on DG Regio Working Paper 3.

An important additional indicator element, relating to the socio-economic environment within which a programme is delivered, is context indicators. These set out baselines, eg. in terms of the employment or labour market situation in the area in question, facilitating the subsequent identification of programme impacts. A final key group are indicators of the management performance of programmes, as measured principally for the allocation of the Performance Reserve Fund.

The various types of indicator mentioned above are set out in the first column of the Table below. The subsequent columns of the table illustrate that, among the groups of indicators identified by a programme under these different headings, some may have a different status from others.

The first key group is that of 'core indicators'. To focus the indicator exercise, and to facilitate comparison between programmes in the same Member State, the EC has encouraged national and regional authorities to define core indicators. Core indicators can be considered a sub-set of indicators selected from the overall hierarchy of indicators contained in a programme. They are a shortlist of the most important indicators (as defined by, variously, the needs of the EC, the national level or the programme level), to be collected by all programmes of the same type in the same Member State and to be prioritised above others.

Table 4.1: Idealised Matrix of Indicator Types and their Sub-groupings

	Core indicators (defined at EC, national and/or programme level)	**Non-core indicators**	**Horizontal theme indicators**
Context indicators	↓	↓	↓
Financial input indicators			
Physical indicators:			
– Measure level Output indicators Result indicators Impact indicators	A sub-group of the most important indicators as defined by the EC, national level or programme level. The main focus of monitoring	Indicators which are additional to the core group, often targeting more detailed (perhaps non-aggregable) information useful to understanding specific policy areas or activities.	A group of indicators addressing whether, how and to what extent the horizontal objectives of programmes are being delivered.
– Priority level Result indicators Specific impacts			
– Programme level Result indicators Global impacts			
Programme management indicators (for the Performance Reserve Fund)			

Supplementing the core indicators are additional indicators which, although not in the core group, are considered to provide supplementary information helping the programme to meet its obligations or achieve its objectives. These do not have a formal terminology, but here are characterised as 'non-core indicators'. The final column is a reminder that among the objectives of programmes are contributions to horizontal themes, notably sustainable development and gender mainstreaming. Some indicators will be designed to facilitate monitoring of these areas.

4.3 Member State approaches to defining indicators

The process of defining the various types of indicator required for the new programmes has drawn on several influences. As described above, the EC's own guidance, especially Working Paper 3, has provided orientations about structure, terminology and possible indicator choices. The document has been seen by many actors directly involved as a positive, timely and useful contribution to the indicator exercise. In addition, past programming experience has been extremely valuable in providing insights about feasible indicators and also their quantification, especially given the high degree of continuity in many programmes. Often, outcomes have been sought which benefit from both the overall expertise of programme administrators and the specific knowledge of sectoral specialists, including the programme's various implementing organisations. In some cases, original research has also been commissioned.

With regard to the role of national-level actors, a range of approaches towards the derivation of new indicator sets is evident among Member States:

- a top-down dynamic, at least for core indicators (England and Italy);
- collective definition of core indicators (Austria, Sweden, Scotland and Wallonie); and
- autonomous definition of all indicators by individual programmes (Germany).

In the first two cases, the national level has played a structuring role, organising the selection of core indicators for compulsory or optional adoption by programmes, and providing advice to programme-level actors in this technical area.

The main example of a top-down approach is England. Here, the Department of the Environment, Transport & the Regions (DETR) is developing the common, computerised infrastructure for the collation of output information across the English regions. Fundamental to this new system is the preparation of a set of common 'core indicators' for all of the Government Offices in the English regions to ensure consistent information on outputs.[20] Regions will be expected to feed in programme data, for both financial and physical output indicators, from the start of the programme period and keep it up-to-date on an on-going basis. The indicators chosen are based on the Commission working paper on monitoring indicators[21] and on core indicator negotiations with the Commission. The regional Government Offices are free to supplement this core list with their own - more extensive and different - set of indicators as determined by the partnerships and the nature of the interventions proposed in the SPDs.

In Italy too, the approach to the definition of core indicators has been predominantly top-down, with the Ministry of Treasury suggesting lists of core indicators to the regional administrations in charge of the Objective 2 programmes. The Managing Authorities will be able to integrate these indicators with others, identified with more explicit reference to their programme and needs. As in the past, the Evaluation Unit within the Ministry of Treasury, in co-operation with the external units competent for ESF and EAGGF, has elaborated lists of physical indicators for the Objective 1 programmes. The core physical indicators for the Objective 2 SPDs will be chosen and adapted from the ERDF section of this list. Given that there is no CSF for Objective 2, however, the process of selection of indicators will be somewhat more interactive than for the Objective 1 programmes, where the Ministry of Treasury has a stronger role, being the CSF Managing Authority.

Four examples of the 'collective' or participative definition of core indicators are Sweden, Austria, Scotland and Wallonie. In Sweden, it was left up to the regional CABs and partnerships to decide what indicators would actually be included in the SPDs and Programme Complements. However, in doing this, they were working on a collaborative basis with NUTEK at national level,

[20] It is interesting, however, that the Government Offices have been allowed to use their own *definitions* for the national core indicators, a design choice likely to limit possibilities to aggregate and compare data reliably at the national level.

[21] CEC (1999) *Indicators for Monitoring and Evaluation: An indicative methodology*, Working Paper 3, The New Programming period 2000-2006: methodological working papers, DG Regio, Commission of the European Communities, Brussels.

which provided guidance on indicator selection to the regions, encouraging them to consider carefully what indicators were practical and feasible, including from the point of view of incorporation into the national STINS database and what could genuinely be measured. NUTEK also undertook work on possible core indicators, although not all the Swedish programmes adopted the same ones, other than those specified by the Commission. The partnership process in Sweden was particularly important since it provided a way to benefit from the expertise of partners on the ground with the best understanding of the programme's activities, but also ensured that the technical input was available to guarantee that the indicators eventually chosen were feasible.

In Austria, indicator selection was again a collective process, with considerable discussion among federal and regional authorities. First, a proposed set of core indicators was put together by one of the directors of the Austrian Spatial Planning Conference (ÖROK) and the co-ordinator of the central monitoring system in the ERP Fund. This was based on experience from the last programming period, proposals in the Commission's *Vademecum* and other Commission recommendations. The experience from the 1995-99 period helped to highlight indicators which had proved to be of particular value, as well as those where a greater degree of aggregation would have increased the usefulness of the indicator. Second, the proposal was discussed within the ÖROK framework, so involving all the relevant federal and *Land* authorities associated with the Structural Fund programmes.

Once the Austrian core indicators had been defined, they had to be included in all the Austrian programmes and programme complements in order to provide a basis for comparison. In addition to the core indicators, a longer indicative list was provided which gave the *Länder* other options in the selection of indicators for their programmes. This indicative list was strongly based on the suggestions in Working Paper 3. The *Länder* were free to add indicators of their own although, in reality, this happened to only a very limited degree.

In Scotland, 'core indicators' were defined by the Scottish Executive in partnership with the Programme Management Executives to make evaluation more effective by enabling the achievements of each programme to be put into context and to be compared and contrasted. Previously, programmes had defined their indicators independently of each other. Working Groups were established to take the issue forward on a partnership basis.

In Wallonie, finally, the same Managing Authority is in charge of both Wallonian Objective 2 SPDs, which has led to a similar list of indicators being proposed in each programme, especially at the overall programme level and for priorities which are similar in both programmes. At the same time, those actually responsible for implementing measures were actively involved in the indicator definition process, as it was felt that it was only by doing this that feasible indicators could be identified.

An example of a Member State where the national level has been insignificant in guiding indicator definition is Germany. Given the constitutional set-up of the country, each *Land* worked (ostensibly) separately to define its Structural Fund programme indicators. However, even without national co-ordination of monitoring approaches, two factors nonetheless led to some commonality in

approaches. First, there was some informal consultation between programmes with regard to indicators and, second, the *Länder* drew strongly on the guidance of Working Paper 3 (including in terms of the structure of their indicator hierarchies).

4.3.1 Trends in indicator definition

Programmes have made clear efforts to use both the indicator *hierarchy* and the *terminology* set out by the EC in Working Paper 3 when defining their indicators. The EC followed up this issue in negotiations where it believed that more could be done, both in terms of terminology (eg. insisting on the use of the hierarchy *Financial Inputs* > *Outputs* > *Results* > *Impact*) and in terms of the hierarchical structure (eg. requiring priority level indicators and baselines). In some cases, this ran counter to local practice, as in North East England, where *Financial Inputs* > *Activity* > *Outputs* > *Impact* was the established terminology among the partnership.[22]

A further area in which work has been done is in the adequate (i) *identification*, (ii) *definition*, and (iii) *quantification* of indicators/targets, with the EC again following this issue up in negotiations. In Sweden, the EC requested a better definition of a number of the proposed indicators. In addition, there has been EC influence over the way indicators are measured, favouring relative over absolute measures. In North East England, for instance, percentage indicators were promoted rather than absolute numbers: the EC observed that "the goal of 8,000 residents into jobs will not tell us whether the concentration of unemployment has decreased".

A third theme in indicator definition has been to prioritise feasible systems over ideal ones, in terms of both the number and nature of indicators chosen. In the past, indicator lists were not always defined with sufficient regard to either feasibility or relevance, even at the most concrete level of the measure. This led to problems during programme implementation, when projects struggled to provide the monitoring data requested. In some programmes, the process of prioritisation took place during programme development, but in others, it has been encouraged by the EC during the negotiation process. In particular, the EC pushed for the number of indicators at measure level and the number of designated core indicators to be reduced (for example, in the German programmes).

Where indicators were chosen selectively, they were prioritised by focusing on those which were most rewarding in terms of the insights they would provide and on those where the data was known to be available (eg. in Austria). In some cases, eg. Wallonie, realistic indicators were chosen with the help of relevant functional administrations (those most closely involved with the measures in question). There are various perceived benefits of focusing systems on fewer but better indicators.

- It facilitates information collection from project implementers, including SMEs, by not overloading them with reporting requirements for indicators

[22] DG Regio (2000) *European Commission's response to the plan submitted by the United Kingdom Government and the North East Partnership*, Working Document of the Commission Services, September 2000.

which are of limited value (eg. in Austria, and in the UK Objective 3 programme where, if data has no clear intended use, it is not collected from projects. Here, the intention is to design a system which "imposes the minimum possible burden on projects while still having the maximum impact on policy formulation"[23]).

- It clarifies the relationship between the information required for monitoring and evaluation purposes respectively, avoiding demands on the monitoring system for which it is ill-suited.
- It ensures that a core of information is generated which is consistent, meaningful and reliable. This can be preferable to large amounts of data with no clear utility because of definitional problems, incompleteness and inconsistency. This approach has been preferred in Finland, for example.

4.4 Indicators in the 2000-06 programmes

It is not yet possible to review the indicators in the 2000-06 programmes comprehensively since, in most cases, they have either not yet been fully elaborated or approved at either the SPD or Complement level. However, this section highlights trends or practices in four areas: the derivation of context indicators; physical indicator hierarchies; core indicators; and indicator quantification.

4.4.1 Derivation of context indicators

The Means definition of context indicators is that they measure: "*[the] state of the economic, social or environmental context, at a given time (generally at the beginning of the intervention), and from which changes will be measured.*"[24] Some responses to establishing baseline data for the socio-economic situation in eligible areas, have been good eg. in many Spanish regions. However, problems in setting out accurate baselines have been relatively widespread, as anticipated in Working Paper 3. The main problems relate to: (i) the fact that eligible areas are often not the same as statistical areas; (ii) the lack of necessary disaggregations of data eg. by sector or sex; and (iii) the unavailability of up-to-date statistics, with long time lags in some cases.

In Steiermark, problems have been caused because many data are only available at NUTS III level, while the programme area is defined below that. Likewise, in Wallonie, eligible areas do not coincide with statistical areas, leading to the Wallonian statistical office needing to undertake an exercise to adopt the best available statistics or proxies for the required indicators.

Several approaches have been taken to address socio-economic baseline data problems. They include: the use of data norms established in previous programmes; commissioning primary research to establish basic data sets (eg. in some UK cases); and, in the most ambitious cases, the establishment of regional observatories to generate appropriate data on a regular basis (eg. some UK regions).

[23] DfEE (2000) *op. cit.*
[24] MEANS (1999) *Evaluating Socio-economic programmes, Volume 6: Glossary of 300 concepts and technical terms*, Commission of the European Communities.

4.4.2 Physical indicator hierarchies

Indicator hierarchies were requested by the EC, with a coherent 'nest' of indicators for the measure, priority and programme levels. A complicating factor in defining these hierarchies has been that, while quantified and coherent programme and priority level indicators are expected in the SPD, for approval by the EC, the detail of indicators at the measure level (from which SPD indicators should have been derived directly and indirectly) are only approved subsequently by the Monitoring Committee in the separate Programme Complement.

A good illustration of the hierarchy of indicators can be derived from the SPD for Western Scotland. Taking account of the EC guidance, the Scottish core indicators, analysis of previous programmes, monitoring requirements, the resources of partner organisations and a Revised Indicators Study, the Western Scotland SPD presented a framework of indicators and targets for its programme (see Figure 4.3 which illustrates how the hierarchy fits together from the bottom up taking the example of Measure 1.1: Developing a competitive business base).

- At *programme level*, the primary indicator of Structural Fund intervention is job creation, and all projects supported under the programmes will report against gross jobs created. The programme is anticipated as creating 41,771 gross jobs. Taking account of effects such as dead-weight, displacement, multipliers and supplier linkages, the SPD forecasts net job creation of 30,382 jobs.
- At both *programme and priority levels*, a range of other indicators has been identified – SME turnover, turnover in social economy organisations, new products and processes, occupation of business premises, provision of training spaces, employment of residents in social inclusion areas, persons gaining training qualifications and guidance given to unemployed people.
- At *measure level*, the SPD then provides details for each measure relating to: inputs (ERDF and ESF expenditure); outputs eg. number of SMEs receiving support; results eg. increased turnover in new SMEs; impacts eg. net additional new jobs in new SMEs; and, the assumptions on which the calculations of outputs, results and impacts are based.

4.4.3 Quantification of indicators

Of the physical indicators in programmes, output indicators are the simplest to select and to quantify, while result and impact indicators are more difficult. Working Paper 3 again acknowledges the difficulties, stating that the "*level of quantification required depends on the nature of the intervention…[I]t is often not possible to measure precisely the target to be attained since the number of beneficiaries…cannot be precisely established ex ante*." The Working Paper continues with the advice that: "*For such measures, which do not lend themselves to direct quantification, it is more appropriate to set a range of possible targets or to rely on indirect or qualitative indicators, which values may be refined during the implementation phase.*"

Quantification is an issue which has come up repeatedly in Objective 2 programme negotiations with the EC, with two issues being raised. The first is

the presence or otherwise of quantified targets, and the second is the robustness of those targets in terms of the transparency of the assumptions on which they are based.

Among the programmes which have been the most systematic in setting out the basis for quantification is Western Scotland. A set of assumptions on which targets have been based is provided in the Western Scotland Objective 2 programme as part of its detailed monitoring and evaluation framework annex (see Figure 4.3).

In the annex, for each measure, financial inputs are set out, then anticipated quantified outputs, results and impacts (sometimes differentiated by different types of activity taking place within a given measure). This is supplemented by a set of explicit assumptions underlying the output, result and impact targets. To facilitate the calculation of *output* targets, information is given about the average cost of different types of support. The assumptions under results relate quantities of activity to outcomes. The assumptions under impacts set out the multipliers to be applied to address deadweight, displacement, etc and so reach net impact estimates.

An interesting debate related to quantification in the SPDs is the scope which is being built into new systems to track qualitative as well as quantitative indicators. Contextual qualitative information will have a greater place in some new monitoring systems. One example is Austria, where project descriptions will now be entered onto databases, thereby providing programme managers with richer information about projects undertaken. In Finland, forms will include space for a qualitative description of projects, although the main emphasis is on quantitative information.

While basic quantitative data is included in Nordjylland, the process relies heavily on qualitative data. What it produces is essentially the rounded judgement of senior project managers as to what the project's impact has been to date. This approach relates to the overall aim of the Nordjylland Objective 2 programme which is to create jobs in the long term by building non-price competitive economic activities within the region.

Toscana intends to use qualitative indicators: (i) where it is difficult to quantify a phenomenon; (ii) where a theme cannot be fully depicted by using quantitative indicators; or (iii) where quantitative indicators alone do not enable possible implementation problems to be tracked.

The Employment Department of the Satakunta T&E Centre is collecting both quantitative and qualitative information. While quantitative information is mechanical and can be manipulated by the informant, qualitative information can be more valuable, giving real insights into how a project has gone. Qualitative information is more informal and creative, encouraging thought about processes.

In Norra Norrland, on the other hand, qualitative indicators have been avoided within the formal monitoring system for several reasons. These include: difficulties posed in reaching a common understanding of what is required by the indicators, making comparison difficult; and the idea that qualitative analysis is better undertaken within a specific, separate exercise such as an evaluation or a thematic study.

Figure 4.3: Monitoring and evaluation framework – Western Scotland Draft SPD

Primary programme indicator: Gross jobs: 41,771. Net jobs: 30,382

↑

Programme and priority indicators and targets

Indicator	*Priority 1*	*Priority 2*	*Programme*
Gross jobs	32453	9319	41771
Increased turnover in SMEs	664.98m	973.34m	762.32m
Increased turnover in social economy organisations	19.97m	0	19.97m
Turnover safeguarded in SMEs	0	50.58m	50.48m
Number of new products and processes	560	0	560
Hectares of land occupied	256	15	271
Sq.m. of business premises occupied	21117	12090	33207
Number of training spaces provided	1627	940	2567
Number of persons gaining SVQ 2	3769	2028	5797
Total SIP residents into jobs	-	2902	2902
Unemployed people given guidance going onto employment	-	1678	1678
Unemployed people given guidance going to education/ training	-	8392	8392

↑

Measure 1,1: Developing a Competitive Business Base

Impacts

Net additional jobs: new SMEs	3399
Net additional new jobs: existing SMEs	5751
Total net additional new jobs	9150
SME support to under-represented groups (%)	40
Savings in waste, energy and water use	6.3m

Assumptions - Impacts

	New/existing SMEs
Deadweight	15% / 20%
Displacement	30% / 30%
Multipliers	20% / 20%
Supplier linkage	20% / 20%

↑

Results

Increased turnover in new SMEs	179m
Increased turnover in existing SMEs	477m
Gross direct new jobs in new SMEs	3578
Gross direct new jobs in existing SMEs	6390
Total gross direct new jobs	9968
Percentage of new SMEs surviving 18 months	85
Percentage of new SMEs surviving 36 months	80
Increased innovation investment by SMEs	18.8m
No. of spin-out companies from institutes etc	50
No. of SME patents and IPR registrations	140
No. of new products introduced by SMEs	280
No. of new processes introduced by SMEs	280
Increased IT investment by assisted SMEs	18.8m
No. of new businesses using e-business	6070
Increased turnover from e-business	62.6m
No. of new links between SMEs and institutes	400
No. of SMEs undertaking enviro. management	100
No. of SMEs achieving quality awards	900
Increased turnover derived from exports	188m
No. of new exporters	537

Assumptions – Results

Public investment/turnover ratio for new/existing SMEs: 1:6/1:10

Turnover needed per employee in new/existing SMEs: £50,000/£70,000

Assumptions – Outputs

(Average cost of support of new/existing SMEs)

Advice		£	%
new	u-r groups	2000	5
new	high impact	4000	10
new	high tech	5000	5
existing	u-r groups	5000	10
existing	high impact	10000	20
existing	high tech	12000	10
Finance			
new	u-r groups	10000	5
new	high impact	20000	10
new	high tech	24000	5
existing	u-r groups	25000	5
existing	high impact	50000	10
existing	high tech	58000	5

% refers to percentage of measure activity.

U-r = under represented

↑

Outputs

New SME receiving advice/consultancy	4473
Existing SMEs receiving advice/consultancy	3603
SMEs receiving financial support	901
Existing SMEs receiving financial support	362
Number of business network events supported	400

↑

Inputs – ERDF £74,548,280

4.4.4 Definition of core indicators

As described earlier, core indicators are a sub-set of the most important indicators in a programme. Core indicators have been defined from three perspectives - for EC purposes, national purposes and programme purposes.

It is important to note that the EC has not only encouraged core indicator sets to be developed for domestic purposes, but has also negotiated sets of core indicators with some Member States, which will be collected to respond to the EC's *own* information needs. These indicator agreements have been sought from Member States with large numbers of regional programmes - notably Spain, France and Italy. While these indicators may overlap in part with domestic indicator choices, they are effectively an *additional* demand. The approach is not being pursued in Germany because of the fragmented nature of monitoring across the different *Länder*.

Table 4.3 and Table 4.2 provide examples of core indicators defined by actors in Scotland for domestic purposes. A set of project level core indicators was agreed for the ESF and ERDF, covering economic and industrial indicators, demographics and the labour market, and also taking account of the horizontal themes of equal opportunities, sustainable development and social inclusion.

Table 4.2: Core ESF Indicators in Scotland

Project Level Core Indicators **Indicators**	**Social Inclusion**	**Equal Opportunities**	**Environmental Activity**
Number of beneficiaries of ESF assistance, show separately: % of persons aged 16-24 receiving assistance % of persons in this group unemployed for less than 6 months before assistance began % of persons aged 25 and over receiving assistance % of this group unemployed for less than 12 months before assistance began	✔	✔	
% of those who complete their course	✔	✔	
% of those leaving ESF funded training for positive outcomes, split by end destination: into full or part-time employment self employment full time FE/training/other Government training schemes	✔	✔	✔
% of leavers who gain a qualification or part qualification	✔	✔	✔
% of beneficiaries who receive assistance specifically geared towards self employment	✔	✔	✔
Number of existing companies given direct assistance from ESF	✔	✔	✔
% of parents with children under 5, who are in employment 6 months after ESF assistance	✔	✔ ✔	

Table 4.3: Core ERDF indicators in Scotland

Project Level Core Indicators **Indicator Name**	**Social Inclusion**	**Equal Opportunities**	**Environmental Activity**
Jobs and Employment			
Gross new jobs created.	✔	✔	✔
Number of jobless people securing employment.	✔		
Number of young people under 25 years of age placed in employment.	✔		
Number of gross jobs created through self-employment.		✔	
Gross number of jobs safeguarded.		✔	
Assistance to Business			
Nº of businesses assisted and instances of assistance, showing SMEs separately.	✔	✔	✔
Increase in sales in assisted businesses.	✔		
Hectares of serviced land created or enhanced, split by greenfield/brownfield sites.			✔ ✔
Metres² of business space created or enhanced – occupied after 18 months/3 years.	✔		
Private sector finance levered in by new assisted projects.			
Value of investment in R&D by assisted SMEs.			
Number of patents/intellectual property rights registrations by assisted SMEs.			✔
Number of organisations taking up e-commerce trading.			
Increase in visitor numbers.			
Number and SQM of new training/learning facilities constructed or upgraded.	✔		
Social Inclusion and Equal Opportunities			
Gross No. of assisted organisations introducing active equal opportunity policies.	✔	✔ ✔	✔
Number of childcare facilities and places created.	✔	✔ ✔	
Number of organisations achieving recognised quality awards.	✔		✔
Environment			
K/W of new renewable energy infrastructure installed.			✔ ✔
Number of SMEs undertaking environmental management.	✔		✔ ✔
Number of strategic environmental/forestry partnerships funded.	✔		✔ ✔
Hectares of natural habitat under management.			✔ ✔
Increase in volume of waste recycled or reused.			✔ ✔

Table 4.4, meanwhile, provides an example of EC core indicators, as negotiated between Spain and DG Regio.[25] As the table shows, EC core indicators were discussed with Spain in October 2000 for employment, SMEs, equal opportunities, environment, RTDI and information society. Each proposed core indicator has two components: reference data - a baseline or starting point; and achievement or monitoring data.

The indicators were designed to assist the Commission in fulfilling its information obligations. As such, they are clearly oriented towards enabling

[25] DG Regio A3/AM (2000) *Indicadores-Clave para los DOCUP Objetivo 2, Documento de Trabajo*, DG Regio, Brussels, Belgium.

reporting on progress towards *Community* priorities.[26] It is expected that the exercise will facilitate the comparison of Spanish programmes with each other, and with others across Europe (although in fact, the EC is negotiating a different list with each Member State, depending on their particularities, potentially limiting their ability to do this). The Spanish Objective 2 core list will be complemented by a list for Objective 3, which in turn will be shaped by the National Employment Plan.

Table 4.4: Proposed EC core indicators for the Spanish Objective 2 SPDs

Priority	**Reference data**	**Monitoring Data**		
Employment	Number of employed people in the area (most recent data available)	Direct beneficiaries of ERDF (firms)	Number of jobs created (directly) during the period in question	Number of jobs maintained during the period in question
SMEs	Number of SMEs	Number of SMEs who are direct beneficiaries of support in the period in question	Amount spent on SME support and the % this represents of the SPD	Private co-financing levered in by the SPD's actions in the period in question
Equal opportunities	List of co-financed measures which have a significant influence over the equal opportunities priority (based on *ex ante* evaluation data)	Sum dedicated to equal opportunities measures in the SPD in the period in question (2000-03, 2004-06)	Percentage of SPD resources dedicated to equal opportunities in the period in question	
	Percentage of women who have started a business (annual statistics, end of 1998, 99, 2000, etc)	Percentage of women who have started a firm co-financed by the SPD in the period in question		
Environment	Percentage of expenditure directly or indirectly affecting the environment (1994-99 and/or 2000-06)	Percentage of expenditure dedicated to positive environmental actions during the period in question	Percentage of general measures with significant effects on the environment in the period in question	
RTDI	Number of firms in relevant Objective 2 and 5b areas receiving state aid for R&D and technological innovation during the previous programming period	Number and cost of RTDI projects co-financed by the SPD (RTDI infrastructure, technological development, innovation)	Number of firms which receive support from the SPD for collective RTDI projects in the period in question	
Information society	Planned investments in information society projects in relevant Objective 2 areas financed with national and/or community funds during the 1994-99 period (based on *ex post* evaluation data)	Cost and number of information society projects supported by the DOCUP (in Euros and as a percentage).		

[26] This is seen most clearly in the omissions, eg. there are no core indicators relating specifically to infrastructure investment.

4.5 Horizontal indicators

The definition of indicators to track equal opportunities and sustainability outcomes has not yet been completed in all cases. This area has proved difficult for many regions (the equal opportunities task being described as the "indicator 'obstacle race'" by one commentator in South Yorkshire[27]).

The EC's requirements of SPDs in terms of equal opportunities monitoring frameworks include the following, as set out in Technical Paper 3:[28]

- key monitoring indicators broken down by sex, for example: labour market measures, activity rates, unemployment, employment, enterprise creation and growth;
- quantified global objectives for the reduction of inequalities and promotion of equality between women and men; and
- detailed objectives and quantified targets on equal opportunities between women and men for those priorities and measures that will contribute to improved gender equality.

Defining context indicators for the horizontal themes has not been easy in all cases. Especially in terms of gender, the exercise of setting out baselines has frequently been impeded by a lack of available data. For example, among the gender-disaggregated data deficiencies identified in South Yorkshire were: a breakdown of lone parents, computer literacy statistics and a sector breakdown of self-employment. However, research identifying such data deficiencies in itself can lead to improvements in data by confirming the need for initiatives to fill these data gaps or to identify proxies.

All programmes have also been required to include scope to classify projects in terms of their broad implications for equal opportunities and sustainability, so that the priority placed on these issues - in financial terms at least - by the programmes can be assessed.[29] The EC *Vademecum* suggests categorising projects into three groups: (a) where the main focus is environment or equal opportunities; (b) environment-friendly or positive in terms of male-female equality; or (c) neutral. Working Paper 3 also proposes this approach for equal opportunities, although its approach for the environment is slightly different, categorising projects into: (a) positive; (b) neutral; and (c) negative in environmental terms. The overall approach has been widely taken up in programming documents.

Specific output, result and impact indicators have been required. Such specialised indicators would provide more targeted information about the influence of programme activities on the horizontal priorities to complement the more general approach of broad project classification outlined above.

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[27] Ardron R (2000) *Objective 1 is another country*, conference paper at: Mainstreaming Gender Equality in Public Policies and Structural Fund Programmes: New Directions for Policy and Implementation, 17-18 November 2000, the Mainstreaming Gender Research Group, University of Strathclyde, Glasgow.

[28] DG Regio (2000) *Mainstreaming equal opportunities for women and men in Structural Fund programmes and projects*, Technical Paper 3, Commission of the European Communities, Brussels.

[29] DG Regio (1999) *Vademecum: Plans and programming documents for the Structural Funds 2000-06*, Annex 1: Categorisation of fields of intervention, Available at: http://www.inforegio.cec.eu.int/wbdoc/docoffic/vm20002006/vademecum_en.htm.

Such indicators are, however, much more difficult to define and the Commission proposals in Working Paper 3 are relatively limited. As a result, the response to this requirement has been much more limited and, where efforts have been made to define specialised indicators, they are often limited to certain components of the programme. In terms of the gender issue, for example, indicators have frequently been more straightforward to define (and therefore to incorporate) for ESF, where gender-disaggregated statistics on beneficiaries can easily be quantified.

The West Midlands (UK) provides a good example of a programme which has endeavoured to define output, result and impact indicators with a genuinely horizontal approach. The draft SPD identifies three horizontal themes of innovation, environmental sustainability and equality of opportunity, designed to run through and influence all other strands in the programme. With respect to sustainability, the SPD focuses on: encouraging eco-efficiency within industry to reduce their costs and increase their competitive edge; developing sustainable transport and IT projects; and encouraging the best practicable approach to conserving water *in situ*. These objectives are not allocated particular measures but are dependent on actions in various parts of the programme. The 'environmental sustainability' outputs and impacts, therefore, are generic indicators, whose value are dependent on the emphasis placed on the various actions in the programme.

Table 4.5: Environmental Sustainability - Outputs, Results and Impacts in the West Midlands SPD

Input	**Output**		**Results**		**Impact**	
From other vertical priority funding streams	Urban renewal projects	57	New Jobs	20,000	Net Jobs Created	7,000
	Ha of Land reclaimed	157	Safeguarded Jobs	10,800	Net Jobs Safeguarded	3,000
	Rural renewal projects	70	New Sales	£600M	Net Value Added	£150M
	Sustainable transport Solutions	44	Safeguarded sales	£360M	Net Change in GVA	TBA
	Environmental Enhancements	63	Businesses improved	6,400	Energy Cost Savings	TBA
	ICT solutions for environmental issues	4,240	New Products	TBA		
	Development of Community Enterprises based on environmental issues	120	Sustainable Processes Introduced	TBA		
	Projects based on innovation in response to new environmental opportunities	50	Renewable Energy	TBA		
	Projects to co-develop business efficiency and environmental improvements	50	Reduction in Energy Costs	TBA		
			Reduction in water Consumption	TBA		
			Increase in Passenger Volumes on Public Transport	TBA		
			Remote/Home Workers	2,000		

A similar approach is taken as regards equality of opportunity and the draft SPD proposes to target the: under-representation of disadvantaged groups in

'growing' and new industries, and the over-representation in vulnerable industries; their over-representation in certain jobs, characterised by lower rates of pay, lower skills, part-time employment and lower levels of training; lower activity rates and poor 'employability' as defined by key skills; and barriers to access. Again, monitoring of equal opportunities is based on a generic set of outputs and impacts shared with measures being undertaken across the programme.

Table 4.6: Equal Opportunities - Outputs, Results and Impact in the West Midlands SPD

Strand	**Output**		**Results**		**Impact**	
Under-representation of disadvantaged groups in growing and new industries	Projects to improve qualifications and skills of disadvantaged groups to enable them to apply for jobs in growth industries	60	Disadvantage Groups with improved qualifications	4,000	Net increase of disadvantaged groups employed in growth industries	
	Projects to promote strategic links between employers, education and training establishments	20	EBPs supported	20		
Low Activity Rates and Poor Employability	Basic Skills training	Obj 3	NVQs gained	4,000	Net increase in level of qualification	4,000
	Confidence and Awareness raising	Obj 3	Trainees progressing to further positive outcomes	4,000		
Access Barriers to employment, training and provision of services	Projects to increase choice and relevance of training	20	Increased Training provision of direct relevance to the disadvantaged groups	20	Net increase in numbers of disadvantaged undertaking training	4,000
	Projects to improve access to training, employment and services through transport solutions and new technology	2000	Number of people accessing training, employment or services through the use of alternative solutions	5,000		
	Projects to assist employers change outdated attitudes, increase awareness and eliminate structural barriers and negative perceptions	20	Number of employers introducing and implementing equal opportunities programmes	2,000		

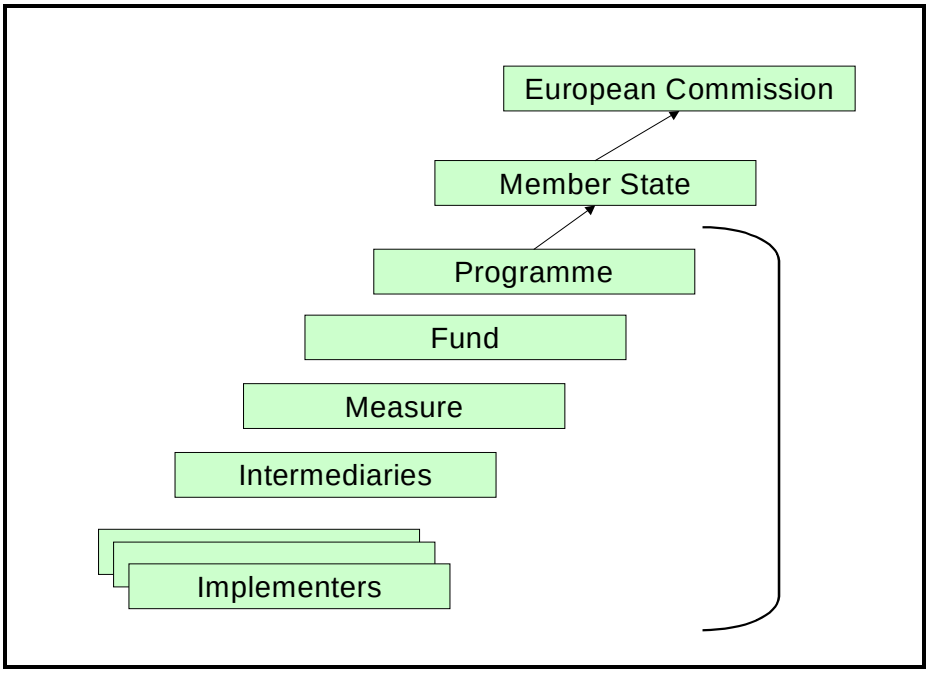
5. DATA COLLECTION AND ANALYSIS: PRACTICE AND PROCESSES

5.1 Collection of monitoring data

The aim of this section is to complement the overview of monitoring systems and indicator frameworks by briefly addressing the practice of data collection. Several elements can inform a discussion of data collection: how data is generated, when monitoring begins, the frequency of data collection, and the degree of internal differentiation within monitoring systems in terms of the practices applied.

With respect to the actors involved in the collection of monitoring data, capturing the diversity of practice across different Member States is difficult. In general, monitoring systems are often organised in layers, with each level feeding data inputs to the level above, which may be using the same or different database infrastructure, depending on the context. In theory, there can be as many as seven different steps of data collection and transfer, starting with project implementers and ending up with the European Commission, as the figure below shows.

Figure 5.1: Levels at which Monitoring Data is gathered



An example of a highly elaborated mechanism of data collection and transmission is provided by the monitoring process of some Italian programmes, where the flow of data is as follows:

- initial submission of data by implementers to the unit within the regional administration responsible for the measure;
- transmission from unit responsible for the measure to the units responsible for the programme or fund;
- final transmission to the co-ordination office for the Structural Fund, such as the *Cabina di Regia* (which only has data gathering and transmission functions),
- transfer to the national monitoring system, and, finally,
- transmission of relevant data from the national level to the EC.

A key observation which emerges from the figure (which may be simpler in practice) is that project implementers are the first link in the chain, and the source of the raw data on which the rest of the system relies. It is essential that implementers submit comparable data, based on a common understanding of core concepts. Standardisation has been the response to this need in the past, with the provision of forms to be filled in by implementers,

encompassing only the most basic financial, and in some cases physical, information needed. These forms, once filled in by the implementers would normally be collected and transferred into a file by the measure manager, with the possibility of tracking synthesis data for all projects (in other words measure-related data).

The means through which data are collected are diverse across countries, and also vary within countries according to the data needed and the nature of the organisations feeding into the process. Broadly, three different instruments can be identified: paper or computerised forms to be completed (and submitted via fax, post or e-mail); the direct insertion of data into a networked database; and the use of an interview process to generate relevant monitoring information. The choice of instruments is affected by the following factors.

- *The nature of the actors feeding into the system.* In some cases, simpler methods ensure a more active response by the actors whose information is sought. Trying to implement more sophisticated methods can require extensive training and may alienate the parties involved.
- *The know-how of the organisations implementing the system.* Networked database monitoring systems can provide excellent opportunities for streamlined data collection and timely updating. However, they can also require specific equipment and skills of operators and a certain degree of technical confidence.
- *The nature of the information sought.* Financial data is easily gathered, but physical and also procedural monitoring information is more difficult to generate. Because of the importance of gaining accurate and meaningful information on particularly large or technical projects, Toscana gathers monitoring information also through interviews between technical assistance experts and project implementers. This has enabled them to anticipate implementation problems and to re-programme the financial allocations where necessary in time to avoid wasting resources. An intermediate practice is that of implementers filling in forms themselves, but with a one-to-one monitoring visit at some point during the life of the project.

With regard to the timing of the inclusion of projects in monitoring systems, there are two broad approaches:

- inclusion of projects from the submission of a funding application (eg. in the UK), or
- inclusion of projects only when they have been approved for funding (eg. in Austria).

There are contrasting views as to the benefits of the two approaches. Entering projects onto a system before they have been approved is particularly useful in two circumstances. The first is where the monitoring system is also used as a management tool, supporting the administrative processes associated with project appraisal and approval (eg. generation of project lists to support selection meetings and of award letters to applicants). The second is where compiling and retaining information on project applications, including the unsuccessful ones, facilitates analysis and informs strategic programme management. For example, it might enable the identification of groups of

applicants whose applications have been less successful, and the common reasons for this, thus allowing improvements to the targeting of project generation activities and advisory support services.

There are two main benefits of only entering projects onto a monitoring system when they have been approved. First, for projects which are approved, time does not need to be used to correct details which have been input, but were changed during or as a consequence of the selection process (the former Norrbotten Objective 2 programme changed its approach because of this issue). Second, the monitoring system is kept smaller, unencumbered by the details of projects not actually being implemented.

Once projects are being implemented, the process of collecting monitoring data begins. There is some variation in the frequency and timing of collection of different types of data across partner regions. Practices for financial data collection are relatively uniform, with the quarterly collection of updates in most cases. However, practices vary much more for physical data. In some cases, this is collected every time financial data is requested (eg. Wallonie), while in other cases (eg. Nordjylland and Toscana), it is only collected from projects once they have been completed. In the case of Toscana, it is felt that before this stage, there is little added-value from collecting output, result and impact data. To provide what they view as a more meaningful indication of project progress *in itinere*, they use procedural monitoring to assess the stage reached by projects (eg. whether contracts have been issued and permits gained).

A final issue concerning the collection of monitoring data is the degree to which systems vary within a region according to: the type of intervention; the Structural Fund involved and/or the actor responsible for the implementation of the system; and the degree of risk involved in the project (often determined by the size of the project). These elements are briefly illustrated here.

It is evident that each type of intervention needs a specific set of indicators and could require different monitoring procedures and instruments. The classification of typologies of interventions in the *Vademecum* shows clearly that it could be difficult to use the same procedures and instruments for training (with the need to record the characteristics of direct beneficiaries) and infrastructure or environmental interventions. Monitoring procedures, therefore, are adjusted for different types of project, to suit specific information needs.

The operational organisation of a monitoring system often depends on the Fund and/or the actor responsible. Especially in 'subsumed' systems of Structural Fund delivery,[30] different procedures, indicators and methods for data gathering and transfer might be used by the competent authorities involved in delivering different parts of a programme. They would potentially already have frameworks in place for monitoring that were considered reliable and effective enough not to be replaced. This might not be considered a problem as long as a reliable set of common data was provided (especially

[30] Taylor S, Bachtler J and Rooney ML (2000) *Implementing the New Generation of Programmes: Project Development, Appraisal and Selection*, IQ-Net Thematic Paper, European Policies Research Centre, University of Strathclyde, Glasgow.

with reference to the financial aspects) and the time-schedule was respected. In some respects, this approach is similar to the one adopted by the Commission towards the Member States, which allows the Member States to adopt whatever data collection and transmission system they prefer, with the condition of compatibility within the wider framework and the possibility of dialogue.

The last aspect of differentiation relates to the amount of risk involved in different projects, often judged by the size of projects and thus the amount of funds, which would be 'lost' through failure. The UK Objective 3 programme describes "the level of financial and physical monitoring being tailored to an assessment of the risk posed by each project."[31] The larger or riskier a project, the more closely it will be monitored. Austria has pushed this to an extreme by introducing a minimum size of award for Structural Fund co-finance. This means that projects which are deemed too small to merit the additional administrative burden associated with Structural Fund awards would be funded by other means, and thus not be encumbered by the monitoring obligations attached. This should make overall co-ordination and data handling easier by removing very small projects from the system. Previously, very small projects were exposed to the same level of monitoring detail as larger projects, increasing the administrative burden at all levels of the chain.

5.2 Exploitation of monitoring data

5.2.1 Monitoring and effective financial management

Financial monitoring operates at two inter-related scales. At the micro level, it enables the progress of individual projects to be tracked. At higher levels, this information can be aggregated to verify financial progress against anticipated targets at measure, priority and programme level. Financial monitoring was universally considered the best developed aspect of monitoring systems, but changes in the regulations, notably the new 'n+2 rule', mean that it now has to go further in order to prevent decommitments. The n+2 rule requires programmes to ensure that commitments are drawn down (ie. spending takes place) by the end of the second year after the year of commitment. The new financial procedures have implications for monitoring activity, in order to avoid decommitment. It will be essential to have a clear picture of programme expenditure and procedural and/or physical progress at the level of each measure, in order to identify possible bottle-necks and to anticipate any cuts by re-allocating resources between projects and/or measures.

There are several methods which could facilitate programmes' efforts to ensure that programmes adhere to their financial tables and do not suffer financial decommitments. Not all relate to the monitoring system, of course, for example the intention of some programmes to avoid selecting risky or innovative projects in the next round, or only to select these at points in the programming cycle when most time is available for these projects to encounter and resolve problems. However, monitoring arrangements do have a potentially important role to play in avoiding decommitment situations. The bullet points below summarise some of the ideas currently being explored or

[31] DfEE (2000) *op. cit.*

implemented at programme level to go some way to enabling programmes to respond to this new regulatory element.

- Financial monitoring systems encompass data on financial allocations (funding available to be committed), financial commitments made (offers) and actual expenditure. It will be important to ensure that in reporting on programme progress (eg. in Monitoring Committee reports), the overriding importance - for decommitment issues at least - of *actual expenditure* statistics is emphasised to all. This might include incorporating an analysis of the implications of expenditure patterns in monitoring reports. This is a shift from the past when amounts committed were also an important and meaningful measure of programme progress.
- Exploit previous monitoring data as part of a process of verifying applicants' capacity to deliver projects. In the West Midlands, an assessment is made placing applicants at one of three levels of risk: *acceptable* (where the applicant has a good record of delivery); *unknown* (where there is inadequate information, eg. where an organisation is new or has had staff changes); and *unacceptable* (where the applicant is known as not having the capability or there are significant concerns). This information is used first to inform project selection, and second to target better the programme secretariat's support resources, focusing attention on projects where the risk is greatest and a diversion from the expected progress profile is likely to be most serious.
- For each project, but especially the larger ones, establish an expected expenditure profile (linking anticipated expenditure to the project's calendar), and programme the monitoring system to compare this anticipated profile with the actual profile during the lifetime of the project (compiled from monitoring information). With such a system, gathering financial monitoring data frequently would enable the timely identification of problems in terms of financial progress, and permit action to be taken.
- Reinforce this process by conducting analyses of past monitoring data in order to better understand the true typical financial profiles of different project types and the main circumstances causing delays (ie. drawing on a bank of data on the actual progress of past projects rather than the anticipated progress of future ones, which is likely to be over-optimistic). This could also lead to an ability to both; (a) set out realistic timetables for new projects; and (b) spot more accurately when real problems may be arising.
- Consider incorporating scope into the monitoring system to track the procedural as well as financial progress of projects (encompassing, for example, advertisement of procurement contracts and obtaining relevant permissions). This has been done in Toscana where it is believed that tracking procedural progress can give a more accurate impression of whether some types of project are progressing than either financial or physical indicators - especially in their early stages.
- Consider complementing close monitoring of project progress with a system of overcommitment ('overbooking') of programme resources since, in order to ensure 100 percent expenditure, it is necessary to commit more

than 100 percent of available resources to allow for projects which fail to be implemented. The practice of overbooking presents some complications to programmes. The Toscana 'Regional Added Plan' arrangement provides a well developed example of an alternative arrangement which addresses the problem. The Regional Added Plan (RAP) is a strategy operated in parallel with the Objective 2 SPD, with a measure structure mirroring selected measures in the SPD. Under the RAP, projects are approved for regional funding. If projects approved under the Objective 2 SPD fail to be implemented, then an appropriate project approved under the RAP (and meeting relevant rules) is simply transferred into the Objective 2 programme to replace it. The mechanism provides an alternative way to organise overbooking the Objective 2 programme.

- Consider whether the allocation of responsibilities for monitoring can improve financial monitoring. Austria has placed the monitoring and paying authority responsibilities with the same organisation (the ERP Fund) to improve the efficiency with which data on payment of awards can be updated within the monitoring system. This in turn ensures that a more up-to-date picture is available of the state of progress of individual projects and whole programmes.

5.2.2 Monitoring and effective strategic management

Financial monitoring has long been the central focus of most Structural Fund monitoring systems. However, in an increasing number of programmes, physical monitoring data is being exploited to an ever greater extent as a source of insights to inform the strategic and management decisions of programmes. As physical monitoring data becomes more systematic, comprehensive and comparable, so the potential for exploiting it as a strategic management tool increases.

a. Monitoring supporting Monitoring Committee activity

Monitoring data is one of the key instruments available to inform Monitoring Committees. The strategic role of Monitoring Committees has been strengthened by the new regulations, reflecting the aspirations of the programme managers of most Member States. In Austria, for example, some steps have been taken to raise the profile of Monitoring Committees and shift their emphasis from technical problems towards more strategic issues, for example through the reduction in the number of funding agencies involved in the implementation of programmes. Monitoring Committees are likely to achieve a more strategic role due to improvements in the capacity of these Committees over successive programming periods and the clearer definition of strategic goals in the texts of programmes. The availability of distinct and relevant information to Committees will be even more essential in the new context.

As previously, Monitoring Committees will meet every six months in order to review the progress of programmes and take the necessary decisions to ensure that programmes run as foreseen. In order to enable the Committee to take decisions, programme secretariats elaborate reports on the implementation of the programme, including up-dated financial tables, descriptions of

implementation progress (ie. project selection procedures undertaken), the main problems encountered in each measure, management arrangements, the actions undertaken on publicity etc. Monitoring data provides the basis for these reports and well thought-out indicators and appropriate information are therefore essential.

The way in which data is exploited in monitoring reports is important to encourage more strategic reflection. Reports can be made both more accessible and challenging with imaginative presentation of data relating to the financial and physical progress of programmes[32] (including graphics, diagrams and cartography and clear analysis of observed patterns). In future, a particularly strong link will need to be made to key deadlines in the programming cycle.

b. Monitoring as a tool for accountability: reporting activities

Monitoring Committee reports and Annual Reports are the two main compiled and annotated outputs of programme monitoring. While there is no regulatory basis for Monitoring Committee reports, the Annual and Final Reports on the implementation of programmes are formal requirements (Art. 37). For 2000-06, the Commission is interpreting reporting, particularly in terms of the Annual Report, as an important dimension of ensuring accountability. The European Commission has specified the content of the Annual Reports in its *Vademecum* (see Table 5.1).

Table 5.1: Information required in annual implementation reports

Any change in general conditions with importance for the implementation of the assistance including socio-economic trends and relevant policy changes
Progress in the implementation of each priority and measure - quantification of the targets and indicators
Progress of the financial plan (using model tables supplied by the EC) and addressing expenditure paid out and payments received from the EC
The steps taken by the managing authority and the Monitoring Committee to ensure the quality and effectiveness of implementation
Steps taken to ensure compatibility with other Community policies
Progress and financing of major projects as a separate section of the report

Source: DG Regio (1999) Vademecum: Plans and programming documents for the Structural Funds 2000-06, Chapter 6: Annual Implementation Reports.

In the past (and certainly in the 1989-93 period), Annual Reports were often not produced on time and, in some cases, were generated years late simply to satisfy EC requirements and enable the close of programmes. The low priority placed on Annual Reports reflected the fact that they were not considered to make a practical contribution to programme management during the lifetime of programmes. In future, programmes will have to report much more systematically and this could provide an opportunity for programme managers to exploit reports as real management tools, either for strategic or operational issues. For this reason, it may be beneficial to fit Annual Reports more

[32] Smith A (1996) *op. cit.*

explicitly into a programme strategy for the production and exploitation of monitoring information.[33]

In addition to the annual and final reports, Managing Authorities have to provide the Commission with other information. The following tables (which are illustrative rather than authoritative at this stage) set out the data required by the Commission for the Structural Fund programmes to meet their regulatory obligations. Relating to the main reporting activities, Table 5.2 identifies the data sources and scope while Table 5.3 outlines the frequency or timing for data to be provided. Reporting for financial management, for example, will rely on measure-level and programme-level financial data, not necessarily disaggregated to project level, and will be supplied through electronic data exchange three times a year. The performance reserve will be based on priority/programme level financial and result indicators, and, in some cases, on measure-level output and result indicators, with relevant reporting taking place in 2003.

Table 5.2: EC data needs and the sources or scope of programme level information

EC requirements of programmes	**Project Level Indicators**		**Measure Level Indicators**			**Priority/Programme Level Indicators**		
	Financial	**Output**	**Financial**	**Output**	**Result**	**Financial**	**Result**	**Impact**
Monitoring Art 35.3 (a)	AR	AR	AR	AR		AR	AR	
Financial Management Art. 32 and 32.3			EDE			EDE		
Financial Control Art. 38	DA	DA	DA	DA				
Reporting (Codification) Art. 36, 45			EDE AR					
Annual Implementation Reports Art. 37			AR	AR	AR	AR	AR	
Mid-term Evaluation Art. 42	Based on sample of projects		Evaltn	Evaltn	Evaltn	Evaltn	Evaltn	Evaltn
Performance Reserve Art. 44				(DA)		DA	DA	
Ex post Evaluation Art. 43	Based on sample of projects		DA	DA	DA	DA	DA	Evaltn

AR = Annual Reports EDE = Electronic Data Exchange DA = Data access to Commission

Source: Adapted from DG Regio table.

[33] Smith A (1996) *op. cit.*

Table 5.3: EC data needs and the periodicity of provision of programme level information

EC Requirements of programmes	Project Level		Measure Level			Priority/Programme Level		
	Financial	**Output**	**Financial**	**Output**	**Result**	**Financial**	**Result**	**Impact**
Monitoring Art 35.3 (a)	Quarterly	Annual	Quarterly	Annual		Quarterly	Annual	
Financial Management Art. 32 and 32.3			3 times/yr			3 times/yr		
Financial Control Art. 38	According to need	According to need	According to need	According to need				
Reporting (Codification) Art. 36, 45			Annual					
Annual Implementation Reports Art. 37			Annual	Annual	Annual	Annual	Annual	
Mid-term Evaluation Art. 42	2003	2003	2003	2003	2003	2003	2003	2003
Performance Reserve Art. 44				2003	2003	2003	2003	
Ex post Evaluation Art. 43	Jul 2008	Jul 2008	Jul 2008	Jul 2008	Jul 2008	Jul 2008	Jul 2008	Jul 2008

AR = Annual Reports EDE = Electronic Data Exchange DA = Data access to Commission

Source: Adapted from DG Regio table.

c. Monitoring as a strategic tool enabling ad hoc analyses

The above mentioned 'strategy' for the exploitation of monitoring data could also comprise *ad hoc* analyses. These could be undertaken using monitoring information to respond to specific needs such as increasing the performance of specific interventions or verifying the reasons of procedural impasse. An example of monitoring data being used in this way can be drawn from the former Bergslagen Objective 2 programme. In the 1995-99 programming period, monitoring data from the programme was analysed on a geographical basis to identify which municipalities were weakest in submitting successful projects. The economically stronger municipalities were shown to be better able to access resources, leaving the poorer ones behind. This highlighted a specific strategic issue, opening up debate on possible responses to the problem. Other examples include certain programme administrations which produce thematic reports on an *ad hoc* basis to inform programme groups (eg. the Regional Steering Committees in Denmark) or external groups (eg. thematic reports to the regional *Giunte* in the case of Italian Objective 2 programmes).

Further, databases are increasingly being designed to enable highly targeted *ad hoc* analyses which can feed directly into day-to-day management. The proposed software packages of some programme secretariats for the next programming period offer a high degree of flexibility and the option to respond to specific, need-based enquiries. In Wallonie, for example, an Oracle database has been developed and in Austria, a new centralised Access database will be available to each programme and will increase the potential for data manipulation and calculation, thus widening the range of uses for the data. The Italian regions are also devoting considerable effort to the software

side of programme monitoring. Lombardia, for example, has commissioned a consultant to design a flexible, user-friendly database for all Structural Fund programmes. The system has core elements common to all programmes, but is also flexible enough to be personalised in relation to the needs of the different programmes and Managing Authorities. The system, called MONITOR, will involve different subjects in the regional administration in different ways, notably:

- the *Cabina di Regia* and the Budget Directorate General, which need an overview of all programmes;
- the different DGs involved in the implementation of the various programmes, such as DG Industry;
- other personnel of the region interested in obtaining information on Structural Fund implementation, although they are not directly involved, and
- the wider public.

To respond to the needs of these four groups, the monitoring system will be composed of three aggregated, tailored sub-systems: Monitor Regio, Monitor DGs and Monitor Web. Toscana is also planning an adaptable database for the Objective 2 programme, the technical content of which will be defined following the selection of the consultant to provide technical assistance to the new programme. Among other areas, the functional characteristics of the new software packages are aimed at improving the efficiency of financial circuits of the programme by linking financial monitoring and payment procedures.

d. Reporting by the EC

The EC will be exploiting programme-level monitoring data from the Member States or Managing Authorities for several tasks. The formal obligations are to produce Annual Reports on the implementation of the Structural Funds and to feed into the regular Cohesion Reports. In addition, *ad hoc* reporting activities will include answering questions from the European Parliament and Council, other EC institutions, Member States and the public.

Three key developments will significantly increase the ability of the Commission to fulfil its reporting requirements more easily, quickly and comprehensively. First, the more systematic introduction of electronic data exchange between the Member States and the EC will provide DG Regio with comprehensive datasets not only of quarterly financial monitoring information from programmes, but also, on an annual basis, of physical monitoring data, albeit at an aggregated level. Electronic data exchange will lead the EC to have more systematic, comprehensive, timely information than ever before on the activities supported by the Structural Funds.

A second, complementary development is the introduction of clear guidance about four ways to categorise projects, while should increase the ability of the EC to exploit the information submitted. [34] The first way involves the new list of 'fields of intervention', to be used to categorise measures and enabling the EC to manipulate monitoring information to compile an overview of specific

[34] DG Regio (1999) *op. cit*.

types of activity across large numbers of very different programmes. This has not been easy to apply in all cases, but should nonetheless provide an important step forward. The three other dimensions against which projects must be categorised for the EC are:

- their location: (a) urban, (b) rural or (c) not geographically delimited;
- their environmental relevance: (a) with environment as the main focus, (b) environment-friendly, or (c) environment neutral; and
- their gender balance implications: (a) with equality between the sexes as the main focus, (b) positive in terms of male-female equality, or (c) neutral.

The third development assisting the EC in its reporting is the definition of EC core indicators for some Member States with large numbers of programmes, which will facilitate the more reliable and complete compilation of overviews of activity within those Member States.

While DG Regio officers are anticipating analytical possibilities which have never before been available to them, there is some unease among Member States about the ways in which data might be exploited. A specific concern is that monitoring data could be used by the EC with insufficient contextual explanation, so providing misleading accounts of relative performance, for example, without taking into account the different definitions and methods of calculation of indicators which are in use in different Member States or the different dates of baseline statistics. In addition, given that the EC might not be comparing 'like with like', there is concern about the limitations of using any analyses based on the data for informing policy direction.

e. Monitoring supporting Evaluation

Monitoring is functionally clearly linked to evaluation: the two activities are tightly interconnected. In the past, the two activities overlapped; evaluation in past programming periods has been hampered by a lack of even basic information about the activities supported by programmes. This meant that evaluators often had to commit themselves to the task of establishing what were effectively basic physical (and sometimes even financial) monitoring data sets, so reducing the resources which could be dedicated to the tasks of evaluation proper.

While the two activities are interrelated, defining a clearer separation between them and ensuring that each meets its own objectives is clearly fundamental to profiting from both. The challenge is to avoid overlaps while ensuring integration. In an effort to achieve an improved articulation between monitoring and evaluation, Toscana plans to establish a protocol of agreement between the evaluators and the consultant in charge of technical assistance for the programme (including its monitoring). In this way, the monitoring system is being designed early to provide the data which the evaluators will require, while evaluation will be able to focus on supplying 'value-added', building on the foundation of monitoring data which they know is being gathered.

There are no absolute rules about the minimum which should be expected of monitoring as a foundation for evaluation, nor on how far monitoring should be expected to go to contribute to evaluation. While there is no ideal solution,

it is clear that, whatever balance is chosen, outputs and tasks need to be clearly defined in advance, with the provision of adequate and targeted resources. The approach in Finland, for example, is to only collect basic factual information in the monitoring system, and to reserve more ambitious question setting for the evaluation stage.

f. Interim evaluation

As is 'universally known' there are different stages of evaluation according to the time they are undertaken in relation with the implementation of the programme: prior the start of a programme (*ex ante*), during the life-span of a programme (interim) and after the closure of a programme (*ex post*). The new regulations also include a post-interim evaluation in 2005 (Art. 42.4).

Interim evaluation is probably the type of evaluation more closely related to monitoring, it can indeed be seen as an enhancement to monitoring, deepening analysis at a key point in the programming cycle with specific objectives, allowing the verification of the effectiveness of practical arrangements and the adequacy of the strategic direction. A new Working Paper of the Commission, still at a draft stage, defines interim evaluation goals and contents as follows:

> *"Mid term evaluation will revisit the main elements of programming examined in the ex ante evaluation to review them for continued relevance, to assess interim results and to review likely impacts. It will also examine the results against the indicators agreed for the performance reserve. Therefore the main elements and key concerns […] are:*
>
> 1. *analysis of previous evaluation results;*
> 2. *the current socio-economic context of the intervention;*
> 3. *assessment of the continuing relevance and the consistency of the strategy;*
> 4. *the quantification of objectives – output, results and impacts;*
> 5. *evaluation of effectiveness and efficiency to date and expected socio-economic impacts and, on this basis, evaluation of the policy and financial resources allocation;*
> 6. *quality of implementation and monitoring arrangements; and*
> 7. *the results for the indicators agreed for the Performance Reserve*".[35]

According to the above points, monitoring provides an essential background to interim evaluation in particular if:

- output, results and impact indicators are gathered from the start of the programme and with common understanding;
- the indicators for the allocation of the performance reserve are identified promptly;

[35] CEC (2000) *The Mid Term Evaluation of Structural Fund Interventions – Draft*, Commission of the European Communities, 13 October 2000, p. 2.

- financial circuits are clear and as far as possible integrated in the monitoring process;
- monitoring data are available through flexible instruments/software packages.

The centrality of monitoring is proven by the fact that monitoring arrangements are one of the objects of the evaluation, which can suggest adaptations and improvements to monitoring processes and methods too.

6. DATA COLLECTION AND ANALYSIS: CAPACITY BUILDING

Structural Fund monitoring systems for 2000-06 will be more ambitious than ever before, bringing benefits to all involved actors in terms of the quality, quantity, completeness and comparability of the analytical information available to support a wide range of programme management and accountability objectives. However, these developments imply that the demands on those generating and collating monitoring information in 2000-06 are likely to be greater than ever before.

The success of the mechanisms put in place depends on being able to generate good quality, timely data at source. It will be important that all actors involved, including project applicants and those working with them, have sufficient know-how and understanding to provide high quality information. The greatest risks of not succeeding in this are financial, with programmes potentially losing their performance reserve allocation or suffering financial decommitments.

Despite the importance of getting monitoring right in the next round, building the relevant capacity is not yet the focus of attention among most programmes, since other issues are currently taking precedence. The next sections address two important elements of building capacity: development of people and mobilisation of technical solutions.

6.1 Human capacity for monitoring

The new monitoring arrangements pose challenges for everyone involved:

- applicants for funding are rarely experts in monitoring, and certainly address the issue from their own perspective which may not be that of a European economic development programme (eg. it is rarely a business objective to create employment);
- the demands on applicants and administrators have increased, so even those with experience have to adapt; and,
- new actors will have joined the system, eg. where different areas have become eligible for Structural Funds (eg. the Norra Objective 2 programme will involve some new CAB employees).

There are several ways in which capacity can be built up among programme administrators, partners and applicants/implementers, as the next three sections illustrate, focusing on: (i) improving awareness among partners

through advice and guidance; (ii) motivating partners; (iii) ensuring common approaches and standardised procedures through manuals and guidelines; and (iv) introducing contractual or legal arrangements to clarify responsibilities.

6.1.1 Improving awareness

More information than ever before on the arrangements for programme monitoring will be included in new SPDs, in response to EC requirements.[36] This will certainly improve awareness of the monitoring obligation and transparency about the arrangements in place. It also underlines the fact that this activity is a fundamental, integral requirement of the Structural Fund regulations, and not an obligation which emanates from the Managing Authority level. While the description of monitoring arrangements is valuable, this information nonetheless has its limits as an awareness-raising device: it is drafted more from the point of view of satisfying EC information needs than informing a partnership in language that is appropriate to them.

Various initiatives have been taken in different contexts to improve awareness of the monitoring obligation in more accessible user-friendly ways. In Scotland, a booklet has been published to explain the obligations of implementing organisations and project managers at an early stage in the programming cycle. The handbook, entitled "*Measuring Progress: A Handbook for Monitoring European Structural Fund Projects*",[37] sets out the up-to-date position on project monitoring and evaluation in Scotland, explains the 'core indicators' for the Scottish programmes, describes the collection of information on the horizontal themes of the programmes, and provides both case studies of project monitoring and a checklist for partners, applicants and others (see Table 6.1).

The *Diputación Foral de Bizkaia* in the País Vasco is intending to undertake a similar exercise, preparing a manual on monitoring which clearly sets out the obligations of project managers and implementing authorities in order to encourage them to take the initiative in meeting requirements. It is intended that the guide should share the know-how which was previously concentrated in the *Diputación*. The manual will guide project managers through the monitoring process, so enabling them to take more initiative themselves. In order to be effective, any manual will have to be readable, and must synthesise the various official documents rather than obliging actors to go to these directly. The guidance will have several chapters, targeted at different audiences, eg. with different guidance according to project size. Chapters relevant to all projects will address publicity rules and the three-monthly reporting requirements.

The guidance is an initiative of the *Diputación* but will be shared with the other *Diputaciónes* and the regional government if it is successful. It is ambitious, but the time is felt to be right for it because considerable experience has already been gained over time among partners and managers - especially in terms of financial data collection and, increasingly, physical data collection. The initiative is also seen as important in that not all actors yet understand that

[36] DG Regio (1999) *op. cit.*

[37] Scottish Executive (2000) *Measuring Progress: A Handbook for Monitoring European Structural Fund Projects*, Edinburgh. Available from: http://www.scotland.gov.uk/esf/mon_hand-00.asp.

receiving European funding brings with it a range of obligations which have to be met.

Table 6.1: Monitoring Checklist for those involved in Scottish Structural Fund Programmes

Monitoring starts at design stage not at implementation stage. Collect all relevant information during the design phase which will provide your starting point on which to monitor performance.
Consider and establish the required baselines (ensuring that they will assist in monitoring against objectives).
Carefully chose the most relevant and appropriate indicators (again remembering they have to enable progress towards objectives to be monitored).
The Monitoring Framework tells everybody: – what will be monitored; – how it will be monitored; – who will undertake it (roles and responsibilities); and – when to carry out monitoring and gather data (considering perhaps milestones).
Liaise and make arrangements for data collection with partners - it is unprofessional and unwise to expect bodies to answer regular & perhaps lengthy requests for data if they have no prior knowledge of your requirements.
Consider the costs and systems required, e.g. new IT systems, new filing systems, any data which will have to be purchased, staff time etc.
Ensure the project or scheme managers are encouraged to accept monitoring as a positive and useful tool.
If operating a scheme, make sure that client groups understand fully what information will be requested from them, when it will be requested and in what form they will be expected to provide it.
Make sure you incorporate the requirements of any external funders into the Monitoring Framework - check you are keeping the information and data in a way that can easily be extracted for all purposes and users.
Review what you are doing to ensure the project is being delivered: – according to schedule - to the required quality – to the appropriate clients - in planned volumes
Consider and encourage a variety of monitoring methods, including independent and "external" feedback through the use of mystery shoppers, focus groups and surveys.
Most of all, USE your monitoring system. Don't ignore the issues that are being highlighted. Monitoring is a management tool and will help project delivery. Failure to monitor effectively could result in penalties.

In a less comprehensive form, Swedish programme managers will be using initial publicity on the new programmes to inform applicants about what will be required of them in terms of monitoring and financial management. They will also be using the Internet as a dissemination tool wherever possible, and will ensure that it is clear that the CABs are available to answer any questions that potential applicants or project implementers might have.

A further channel to raise awareness about monitoring obligations is to involve relevant actors in the design of monitoring forms, indicators and guidance. This route potentially ensures that there is a sense of ownership of the monitoring process among partners, and that the provisions set out benefit

from knowledge about the fields of intervention and the capacities of the partners involved.

6.1.2 Motivating partners

Considerable and frequent monitoring demands are made of project implementers and implementing organisations. To maintain the goodwill underpinning such arrangements, it is important to motivate partners. The awareness-raising initiatives described in the previous section of course contribute to this aim. A series of other distinct practices also have an important role. A central principle is the value of establishing a two-way channel of communication between those requesting monitoring information and those providing it, confirming the value and utility of this information.[38]

Some have argued for 'more partner-sensitive approaches' to monitoring - making the benefits and relevance to all partners clearer to them to help the issue to be taken seriously.[39] Simple approaches include:

- using newsletters, websites and other publicity instruments to explain to those providing information how it will be used at programme, national and EC level;
- distributing a regular newsletter to those supplying the primary data, with summaries of programme or priority progress prepared using this data (this could be an adapted summary of the latest monitoring committee report, summarising recent progress and issues);
- providing specific feedback to projects on the monitoring data and project reports which they have supplied and the uses to which they have been put, eg. through the regular monitoring visits with project implementers;
- using the Monitoring Committee to address strategic issues raised by monitoring information.

In some cases, considerable secretariat resources are dedicated to developing a rapport between project implementers and implementing organisations, and those responsible for overseeing Structural Fund monitoring, eg. in País Vasco, the West Midlands and Western Scotland. Building up such relationships is more likely to generate a good response than 'faceless' requests for information which are perceived as a bureaucratic, autocratic burden.

6.1.3 Ensuring common approaches and standardised procedures

Monitoring systems rely on the co-operation and participation of multiple actors, including those supplying data to systems and those inputting and exploiting the data available. Clear benefits can be derived from ensuring that for all participants, common approaches and standard procedures are used.

A range of responses can be highlighted from practice in IQ-Net regions. These can target either those responsible for collecting and collating data and

[38] Urban Programme Decentralisation Unit (1998) *Programme for Partnership - Introduction to Monitoring and Evaluation Requirements*.
[39] Smith A (1996) *op. cit.*

for liaising with data providers, or those who are responsible for generating the data. An example of the former is the UK Structural Funds Manual, while an example of the latter is the completion guidelines which supplement monitoring forms in Sweden.

The UK 'Structural Funds Manual' was drawn up to improve the overall framework for Structural Fund implementation. Developed on an interdepartmental basis, led by the Department of Trade & Industry, the Manual intends to codify existing best practice and to incorporate practical guidance on new policy. It is applicable to the whole of the UK, although parts are explicitly tailored to reflect the requirements of the English regions.

With respect to monitoring, the focus of the Manual is primarily on improving information generation at the project level by providing guidance to those liaising with project implementers. First, the Manual provides guidance on what is required from project applications to provide the foundation for project assessment and subsequent monitoring. It requires outputs to be clearly stated, consistently defined, quantified wherever possible and capable of practical measurement. Targets must avoid double counting. To give weight to the monitoring provisions, it is advised that the offer letter then issued must retain the power to withdraw grant if essential overall aims are not met. Second, the manual provides guidance on the way that project monitoring should be carried out. The principal objectives of project monitoring are defined as:

- to check that grant is used for the purposes for which it is made available and that the terms and conditions of grant are complied with;
- to ensure that grant is paid when it is clear that a claim meets the terms set in the offer letter and that the project is proceeding and can be expected to proceed according to plan;
- to deal with projects which fail to meet forecasts; and
- to provide the basis from which the evaluation of the benefits achieved by ERDF support can be assessed.

The conduct of project monitoring is left to the (English) regional Government Offices. The Manual sets out some general principles on the depth of monitoring (requiring that all projects are checked for compliance with the offer letter and that targets are met); the process of keeping track of the project; the benefits of visits to projects to check claims for payment; and the importance of recording information. Government Offices are reminded that "in addition to maintaining up-to-date information on individual projects, it is important that offices maintain and regularly update a database for project and programme outputs as an essential aid to project assessment and project management. The integrated database will allow forecast, monitoring and outturn economic outputs for programmes to be recorded."

6.1.4 Clear allocation of responsibility

In taking monitoring forward, an increasingly frequent trend is to make more explicit the pivotal role that data providers play within the overall system. In both the public and private sectors, so-called 'responsibilisation' is an increasingly common approach to ensuring the implementation of selected regulations, policy initiatives or strategic initiatives which rely on bottom-up

participation. The concept underlines shared responsibility between those at all levels in a system. Activity takes place at the initiative of all those involved in the system rather than through a top-down dynamic of motivation and/or enforcement. Such approaches mean that relevant programme administrators can then take on an 'enabling' rather than a 'policing' role.

In some Structural Fund programming contexts, initiatives are being undertaken to 'responsibilise' those in the system to help to achieve effective monitoring, presenting monitoring requirements, for example, as a *shared responsibility*. This echoes the 'responsibilisation' of the Managing Authority and Monitoring Committee which has taken place through the decentralisation dynamic contained in the new Structural Fund regulations. In the context of a Commission-organised meeting to discuss new Objective 1 programme management arrangements, Michel Barnier made the following statement:

> *'Il est de l'intérêt de tous que nous ayons des règles claires pour la mise en oeuvre, la gestion, le contrôle, le suivi et l'évaluation des fonds structurels; et que nous ayons une volonté commune de les appliquer.'*[40]
>
> *[It is in the interests of everyone that we have clear rules about the implementation, management, control, monitoring and evaluation of the Structural Funds; and that we have a shared willingness to apply them.]*

This can also be applied - and is being applied in some cases - at the level of the programme.

- Finland: in some cases, projects are given funding to use evaluators themselves (eg. the Satakunta T&E Centre Employment Department). This can help to ensure a more active and deeper approach to project monitoring, generating both valuable qualitative and quantitative information, and placing the initiative in the hands of the project.
- 'Contractualisation' as a means to formally set out roles and responsibilities. In Toscana, a '*Disciplinare'* is drafted on monitoring responsibilities. This has a status between a contract and an internal regulation and binds those organisations implementing projects to provide the required monitoring information. To ensure compliance, the agreement foresees penalties in case of non-observation.
- In Wallonie, too, the monitoring obligation has been strengthened through the introduction of a new power enabling the European Programmes Directorate (the DPE) to block payments to the functional administrations (responsible for processing and tracking projects in their field) if they do not respect their monitoring obligations. Previously the DPE had to chase information very pro-actively from the functional administrations. Delegation of the responsibility for compliance should reduce the need to do this in future and may encourage a more active response from those providing information.

[40] Quotation from Michel Barnier's speech at the DG Regio conference on Objective 1 programme management, 5 June 2000.

It is important to view 'responsibilisation' as a process of clarification of the *respective* responsibilities of different actors in a system rather than a simple delegation of responsibilities to another level. Frequently, for one level to take a more active role, adjustments are also required at other levels, eg. in their preparedness to provide guidance to those now carrying greater responsibility.

6.2 Building capacity - technical arrangements

The design of technical aspects of monitoring systems can help to improve the efficiency and effectiveness of monitoring arrangements. Apart from the increased emphasis being placed on monitoring generally through the new regulations, there are three more specific changes to the programming environment which have encouraged Member States to improve or extend their exploitation of information technology, namely the requirements for electronic data exchange with the EC, the need to gather a range of comparable data to be able to allocate the Performance Reserve Fund, and the financial management implications of the decommitment rule.

In reforming and improving database systems, Member States are incorporating a variety of design features which should help to improve monitoring practices, in terms of generating improved quality data and in subsequently exploiting it.

A first aspect of improving the design of data gathering arrangements, whether computerised or not, is ensuring that individual monitoring forms are clear to providers of information. In Nordjylland, for the ERDF, care has been taken to design impact assessment questionnaires in a way which is accessible eg. to SME owners with limited formal education. In addition, new technologies are supporting the gathering of improved data at source with improved form filling. In Austria, monitoring forms will in future be available in electronic format. In designing these forms, a range of design features were incorporated to make them as user-friendly as possible. Where relevant, a range of pre-selected options is given for selection rather than requiring the manual input of data. In addition, a series of error checks has been programmed in. Certain categories can only be ticked once, for example, or the system highlights where individual project payments do not add up to the stated overall budget. These error checks ensure that information is as 'clean' and correct as possible from the start, increasing overall efficiency and reducing the number of checks which have to be made by the funding agencies on errors or inconsistencies. The final benefit of electronic forms is that they reduce the chances of errors being introduced when monitoring information is transferred manually to databases.

A further design feature supporting improved data generation is the networking of programme monitoring databases to a range of partners who make efficiency gains by inputting their monitoring information directly into the system. This has been the system in place in Aquitaine for some time, and is now an option being extended to other regions of France through the national *Présage* system. A networked database has also been introduced in Wallonie, which it is hoped will streamline data entry, reducing the re-inputting which introduces errors into the system.

An example of the use of technology to reduce the administrative burden associated with exploiting data is provided by Austria. Here, it is anticipated that standardised formats can be developed for the Annual Reports so that the new Access database can be used to automatically compile the necessary tabular information for each programme at the relevant time, to be slotted into reports at the appropriate sections. This would mean managing authorities would only have to draft their programme-specific text, interpreting the tables generated.

Technology, however, has its limits. Computerising monitoring forms is causing unease among some public sector workers because it bypasses established administrative procedures and norms, notably obtaining official signatures (and thus the transparent proof of authorisation and accountability). The issue of electronic signatures has not been fully resolved, but appears to have been a greater problem in some administrative contexts than others.

A further issue is that trust in computerised systems takes time to develop. Where partners input data directly to programme-wide databases, - there is concern about loss of control over the storage and exploitation of the monitoring data they have supplied. In some cases, where networked systems are being introduced, some of those sharing a wider system are maintaining their own systems in parallel (an overall increase in workload) either because the wider system does not actually respond to their own information needs because they are more detailed or include other elements (a serious problem of definition which any design stage for a shared system should seek to resolve) or because they do not trust the shared framework.

7. CONCLUSIONS

The new programming period presents programme managers with a demanding set of obligations in the field of monitoring. The regulatory requirements have increased, programme progress is subject to financial penalties and the longer programming period (with more complex measures) demands good information on how interventions are progressing.

The aim of this paper has been to review the approaches to monitoring among Objective 2 regions across the EU and to identify the spectrum of practice with respect to frameworks, systems and indicators.

The paper began by discussing the evaluation of Structural Fund monitoring over past programming periods and the changing regulatory context. Back in 1988, monitoring was one of the least-developed aspects of early Objective 2 programming. Data was poor or non-existent, there was an absence of targets and indicators, and monitoring systems (for physical indicators at least) were rudimentary and unsystematic. Over the subsequent decade, a ‘step change’ in approach to monitoring has been taking place in many countries and regions, although not universally. Prompted by stricter regulations and EC pressure, as well as the efforts of some Member State authorities, significant improvements in monitoring indicators and systems have been undertaken. First, definitive work has enhanced the quality of data and the uniform interpretation of indicators, a pre-requisite for aggregation and comparison. Second,

methodological developments have established a common language and hierarchy of indicators for use at all levels of programming. Third, investment in monitoring systems has taken place, especially the use of more efficient computer technology for data gathering, processing and analysis.

Monitoring is now generally an accepted element of programme management. Apart from compliance with the regulatory requirements, monitoring is seen as serving other objectives: to provide appropriate and timely information on the financial progress of programmes; to provide intelligence in support of strategic programme decision-making; to serve the demands of partners, politicians and taxpayers for transparency and accountability in the use of EU funds; and to build a sound foundation for evaluation.

Given the very varied institutional arrangements for Structural Fund implementation across the EU, it is perhaps not surprising that there is major variation in approaches to monitoring among Member States and regions. At one end of the spectrum are countries which are developing integrated monitoring frameworks. These are characterised by a standard monitoring system, developed 'top down' by central government or collectively by national authorities and programme managers. Systems have a common set of indicators and agreement on definitions, enabling the aggregation of indicator information from the project level upwards, via measures and priorities, to programme and national levels. At the other end of the spectrum are fragmented monitoring frameworks where numerous, region-specific approaches to monitoring operate in parallel at different levels. Over successive programming periods, most countries and regions have been moving along this spectrum from a starting point of fragmentation towards greater integration of their monitoring frameworks.

At the heart of any monitoring system are the monitoring indicators – contextual, financial, physical, horizontal. The EC has sought to clarify the terminology associated with indicators and to present a clear relationship between programme objectives, delivered and analysed from the top down, and programme outcomes – measured by a hierarchy of financial indicators and physical indicators (outputs, results, impacts) - delivered from the bottom up and tracked through monitoring. Most regions are trying to apply the EC guidance in practice, and to ensure that there is at least a common set of a few, core indicators contained in all the Objective 2 programmes, although the consistency of definitions varies greatly. There are also major differences between regions in the range and type of secondary indicators, the credibility of the baseline indicator values and the generation of data.

Examining the monitoring systems among Member States, these appear to be three common issues. First, the quantification of indicators is problematic. While some countries have achieved common agreement on the definitions and assumptions underpinning indicator values, most are likely to have inconsistent approaches to delivering indicators. Quantification of programme baselines has been complicated by the small size and fragmented geography of Objective 2 areas and the lack of up-to-date data.

Second, there are technical constraints. Many regions have been moving from paper-based monitoring systems to Excel-type spreadsheets and then to Web-based systems. While such systems have the potential to achieve more

efficient monitoring and new possibilities for project and programme management, the technical challenges are formidable. Few regions have found the design and 'rolling out' of new systems to be trouble free.

Third, regions are investing heavily in human capacity. Making monitoring systems work requires changes in attitudes, working methods and skills at every level. In some cases, systems have been designed to be driven by the data input of applicants (through on-line application and claim forms). In other regions, 'mediation' is required from implementing authorities who collect, collate and process data for programme management purposes and submission to higher levels. Whatever system is used, the accuracy and utility of the data depends on human capacity. National and regional authorities are using a mix of seminars, guidance notes, brochures and manuals to raise awareness, inform/motivate partners and applicants and promote common monitoring procedures.

In conclusion, it is important to note that monitoring - like other aspects of programme management – involves an evolutionary process of learning and adaptation of systems and procedures. Much progress has been made over the past decade across the EU. In some cases, the monitoring of Structural Fund programmes is highly sophisticated and way ahead of the monitoring of domestic policy interventions. In other regions, the rate of evolution has been slower. The new programming period has yet to begin - most Objective 2 programmes have not even been approved – but it is already clear that monitoring will take another major step forward over the next six years with potentially significant benefits for the management of programmes and our understanding of the results of Structural Fund interventions.

As a starting point for discussion at the IQ-Net meeting in Lombardia, four sets of questions can be considered:

- Several countries are developing integrated monitoring frameworks. The challenge of consistency and coherence increases with the number and types of programme that need to be co-ordinated. What are the key elements of effective integration? How can integration be best achieved? Are there limits to integrated monitoring?
- In the new programming period, programmes will be subject to the potential sanctions of the decommitment rule and the performance reserve. How can monitoring assist programme managers to avoid the possible penalties associated with the new regulatory environment?
- The new generation of programmes contain a wider range of indicators at different levels than ever before – financial, contextual, output, result, impact, procedural – each of which has presented challenges of identification, definition and quantification. Which types of indicator, in which fields of intervention have presented the greatest difficulty? How have problems been addressed?
- Monitoring systems place obligations on implementing authorities and beneficiaries/applicants. Regions are working in various ways to develop capacities through awareness raising, partner motivation and guidance. Will partners/applicants be able to fulfil the new obligations? What capacity/resource problems exist and how can these be overcome?