Programme Review:
November 2000 – May 2001

–

with executive summary

John Bachtler and Rona Michie

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

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

December 2001

PREFACE

The research for the following paper was undertaken in preparation for the fourth meeting of Phase II of the Structural Funds exchange of experience network IQ-Net, which took place in Aalborg in North Jutland, Denmark, on 6 – 8 June 2001.

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

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

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

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

Thanks are due to everyone who participated in the research. The European Policies Research Centre also gratefully acknowledges the financial support provided by participating regions in funding the production of this report and the conference hosts, the Nordjylland County Council and the Nordjylland Development Fund, for their role in organising the Aalborg meeting.

Programme Review:
November 2000 – May 2001

TABLE OF CONTENTS

Programme Review: November 2000 – May 2001

1. EXECUTIVE SUMMARY

1.1 Introduction

Eighteen months into the new programme period and a significant number of Objective 1 and 2 programmes have now been approved and launched, although the process is still incomplete. This paper reviews recent developments in programming across the EU, updating the IQ-Net paper of November 2000[1]. It summarises new aspects of the regulatory context before providing updated information on programme preparation, strategies and management systems. The focus is on developments that have occurred in the last six months and on programme strategies in particular.

1.2 Programme Context

The first part of the paper updates developments in the context of Programme submission and approval. All Objective 2 programmes have been submitted, over three quarters have been approved and programmes are now focussing on the finalisation of programme complements (PCs). Completing the PCs is a current management priority, although the regional picture varies reflecting the different processes and timetables used to draft their content. Although the Commission produced guidelines for the PCs, the reaction to them has been mixed and confusion over the role of the Commission in PCs remains. Once the PCs have been finalised many programme managers intend them to be used as 'working documents' for programme managers.

1.3 Strategic Orientation

The approval of most of the SPDs and the completion of the programme complements has progressively led to the finalisation of the regional programmes, with more detail regarding the proposed orientation of the strategies becoming apparent. A key trend to emerge from this process is the growing use of regional strategies and programmes within national economic development policies. This represents a fundamentally new approach. The integrated approach to regional development is more embedded in some countries (e.g. France) than others but it is arguable that increasing emphasis on a decentralised, partnership-based approach to regional development, fostering networking, innovation and skill enhancement in the interests of 'regional competitiveness' is significantly changing the context for Structural Fund intervention with respect to both the policy and institutional environments.

[1] Downes, R and Michie, R (2000) *Objective 2 Programme Review: May - November 2000*, IQ-Net Thematic Paper 8(1), European Policies Research Centre, Glasgow.

In terms of content, there is a high degree of continuity in many of the strategies, with relatively little radical change compared to the previous programmes. The long-term nature of economic development challenges, the priorities of national, regional and local organisations, the incremental implementation of policy change and the effects of the loss of Structural Funds after 2006, militate against radical innovation. Thus although in presentational terms, the language and format of the SPDs may be different, it is generally thought that the types of beneficiary and projects will be largely the same as in the 1997-99 programme period.

However, the paper identifies several important differences in the new programmes. The first difference relates to the language and tone of the strategic objectives. Recognising that this may be the last period when Objective 2 regions qualify for significant Structural Fund receipts there is a widespread pursuit of durable economic and social impacts. Compared with previous programmes there is a stronger emphasis on ‘regional competitiveness’: regional innovation, competitive businesses, higher levels of skills and qualifications, business networking, interaction between enterprises and RTD institutions, cluster development and the knowledge economy. The strategic objectives also give higher priority to the issues of sustainability, social inclusion and equal opportunities.

It is still too early to judge the extent to which strategic objectives are realised in priorities and measures. However available information point to four basic characteristics. First, many strategies are very wide ranging, with measures encompassing a broad combination of traditional and modern interventions. Second, it is possible to identify certain expenditure patterns and shifts among the priorities and measures, compared to the previous programme period. These relate to reduced infrastructure expenditure, increased and different support for business development, new ways of promoting innovation, and more community development assistance. A third feature of priorities and measures is the funding provision for innovative methods for delivering programmes. Lastly, there is a range of support for new types of financial instruments (e.g. provision of funding streams to support SMEs up to and beyond 2006).

One interesting feature is the more widespread appearance of spatial/territorial development elements among programmes. While most strategies have priorities and measures that apply to the eligible area as a whole (distinguishing between designated and transitional areas in many cases), several programmes, especially in the Benelux countries, France, Spain and the UK, have an explicit strategic commitment to balanced territorial or spatial development. The European Commission has sought to establish links between the economic development objectives of the Objective 1 and 2 programmes with the European Spatial Development Perspective. However, although there are some explicit references to the ESDP in some programmes, there is little evidence that the ESDP has exercised a major influence on the programmes.

Commission commitment to horizontal themes, in particular equal opportunities and sustainable development, as well as social inclusion, innovation and the information society, has been reflected in the programmes.

Although interpretation of the themes vary and countries fulfil their commitment to mainstreaming at different levels (strategic objectives, programme, priorities and measures), they have, in comparison to previous programming periods, become more integral to aspects of the programme design, structure and delivery. There is evidence that several programmes (e.g. Denmark) intend to fulfil their commitment to mainstreaming through project selection criteria

1.4 New Programme Management

The main message of recent developments in programme management and implementation concerns the efforts to ensure more strategically coherent programme delivery mechanisms. There has been a sustained trend of regionalising programme management arrangements, for differing domestic reasons. Specific changes and wide ranging reviews have been undertaken to increase the efficiency and effectiveness of managing authorities, and coordination mechanisms are being introduced or improved at national or regional level. An important stimulus has been the stricter financial management and monitoring regulations, in particular the decommitment rule, which is a source of considerable concern to programme managers. There are also fears that the need to consume budgets could dominate the desire to programme well and restrict innovative projects and funding approaches.

The launch of the new programmes has initiated a new phase of management. At programme level, the challenge is to operationalise new structures and systems (some of which are still under development) and to continue mobilising partnerships which were developed during the programme planning phase. The first Monitoring Committee and programme management/ implementation meetings have also been taking place. While progress is being made on monitoring arrangements, finalisation of the new systems is often awaiting completion of the programme complements. The composition of Monitoring Committees during the new programme period (often, wider representation) may prove problematic. In Denmark, for example, the presence of representatives from Objective 2 regions across the country makes for a much larger Monitoring Committee, with the possible result that meetings concentrate more on formal decision-making and less on the informal exchange of experience and views. Several regions have set up smaller working groups to assist the committees

Looking to the medium term, an issue that is progressively rising up the agenda is the allocation of the performance reserve. In terms of the approaches taken to implementing the reserve, although Member States have followed various approaches, all have followed the basic principles set out in the regulations.

Programme Review:
November 2000 – May 2001

1. INTRODUCTION

Eighteen months into the new programme period and a significant number of Objective 1 and 2 programmes have now been approved and launched. The process is, though, still incomplete - at least a quarter of Objective 2 programmes are still awaiting approval and many others are still finalising their programme complements. Where programmes have been launched, only one round of applications has generally been undertaken so far, and the focus is on how to operationalise the new management arrangements. Looking to the medium term, Member States are also beginning to consider how to deal with the performance reserve.

As a basis for discussion at the Aalborg IQ-Net meeting, this paper reviews recent developments in programming across the EU. Updating the IQ-Net paper of November 2000[2], produced for the Como IQ-Net conference, it summarises new aspects of the regulatory context before providing updated information on programme preparation, strategies and management systems. The focus is on developments that have occurred in the last six months and on programme strategies in particular. The box overleaf summarises the main components of the paper.

2. PROGRAMME CONTEXT

The regulatory basis for new programmes is now fully in place, and several new pieces of EU legislation relating to Structural Fund programme implementation which were introduced in mid-2000, including regulations on eligible expenditure and financial management and control, have now been approved. Almost all of the Objective 1 programmes and over three-quarters of the Objective 2 programmes have been approved in full or in principle, and programmes are now turning their attention to finalising their programme complements.

This section provides an update on the progress of the Structural Fund programmes, highlighting the key features of negotiations which took place in the early part of 2001. An overview of the position with regard to both the Objective 1 and 2 programmes is then provided, followed by an update on how regions are dealing with completing the programme complements.

[2] Downes, R and Michie, R (2000) *Objective 2 Programme Review: May - November 2000*, IQ-Net Thematic Paper 8(1), European Policies Research Centre, Glasgow.

OBJECTIVE 2 PREPARATIONS FOR 2000-06: DEVELOPMENTS TO MAY 2001

Programme Context

- Almost all of the new Objective 1, and over three quarters of the new Objective 2 programmes have now been approved. The submission of the Italian programmes in spring 2001 completed Objective 2 programme submissions.
- Programmes are now turning their attention to finalising programme complements. Regions have worked to differing timetables and used different methods. While the PC is not universally considered a useful addition to programme documentation, it is frequently in daily use as a 'handbook'.

Strategic Orientation

➢ The new programme strategies are commonly embedded in the broader regional development framework, and are strongly influenced by the changing regional policy context. Other programmes have had to reconcile many different local, organisational or sectoral strategies.

➢ Many programme strategies display a high degree of continuity, reflecting the long-term nature of the problems they face, the policy and institutional context and the gradual nature of policy change. The fact that this may be the final programming period has also had an impact, along with the implications of the decommitment rule and performance reserve scheme.

➢ Programmes show a strong emphasis on regional competitiveness and achieving durable impacts, and their measures are wide-ranging, often reflecting a desire for flexibility. Broad trends include: reduced infrastructure expenditure; increased and different support for business development; new ways of promoting innovation; and more community development assistance.

➢ The appearance of new spatial/territorial development elements is widespread, with a significant degree of geographical targeting. This approach can also be seen in proposed implementation arrangements which involve programme management procedures or project selection criteria promoting balanced development across the eligible area.

➢ Horizontal themes are being addressed through programmes' strategic objectives, priorities and measures, as well as programme delivery mechanisms.

New Programme Management

➢ Current management challenges include operationalising new management structures and systems, and continuing to mobilise the partnerships. Increased opportunities for feedback (including through Internet-based systems) are one method of maintaining the partnership relationship developed during the consultation period.

➢ Attention is now turning to developing publicity strategies and communications plans, with the use of consultants, websites and targeted campaigns among the marketing tools under consideration.

➢ Many programmes are up and running, and, with generally high programme awareness, high numbers of project applications are being submitted. Some budget lines have already been over-subscribed.

➢ The first Monitoring Committee meetings are taking place and monitoring systems are being finalised. New structures (eg working groups) are being set up to make the new (often larger) committees more manageable.

➢ In the medium-term, the issue of selecting distribution systems and indicators for implementing the new performance reserve will climb higher up the agenda.

2.1 Programme approval update

2.1.1 The submission, approval and negotiation timetable

As previously reported, by November 2000, all the new Objective 2 maps had been approved, and the process of formulating the new programmes had been completed in many regions. The programme approval process had begun and the focus had shifted to negotiations, with most regions having met the April deadline. A few regions continued with the programme development process:

- Italy, where the programmes were finalised following map approval; and
- Spain where the submitted CSF with seven regional OPs was re-formulated into regional SPDs and re-submitted.

Table 2.1 provides an overview of programme submissions and approvals. The first programme approvals (in principle) came in June 2000 (Finland), followed in October by the Danish, Swedish and several Austrian programmes, as well as the Finnish Åland Islands. Over the course of the final few months of 2000 and the Spring of 2001, all of the French, German, Spanish and UK regions followed suit, along with several Belgian programmes and one Dutch one.

The negotiation process proved relatively straightforward in many regions, although there were instances where discussions were more difficult. While negotiations are clearly programme-specific, there are common issues, as previously noted[3]: the socio-economic analysis; programme structure; horizontal priorities; coherence with other programmes; quantification and management. Most changes were presentational and did not significantly alter the strategic basis of the programmes.

The last of the programmes to be submitted were the Italian Objective 2 programmes, with their negotiations starting in March/April 2001. It appears that, again, negotiations will focus on very technical and detailed issues. The Commission has responded to the Italian programmes in a uniform way, by sending out a 'standard negotiation mandate' to all the regions, as well as commissioning an independent ex ante evaluation of the programmes. Difficult negotiation issues include the Commission's encouragement of more spending on infrastructure rather than spending on direct aid to enterprises, in the interests of what they believed would be a better balance within the programmes. Some of the procedures planned for measure implementation are also proving problematic. For example, previously, financial engineering and promotion measures were implemented through 'regional' financial institutes, in some cases wholly owned by the regions concerned. The Commission has now insisted instead that public calls for proposals should be issued, and the regions involved are seeking clarification on the criteria that make an institute *ente strumentale* and therefore allowed to manage measures.

The Wallonian programmes also underwent the bulk of their negotiations during early 2001. As with the Italian programmes, negotiations focused on very technical and detailed issues. The main themes emerging centred round a

[3] Downes, R and Michie, R (2000) *op. cit.*

reduction on the emphasis on technology policies and Commission resistance to the funding proposed for a controversial major infrastructure project (Bierzet Airport).

As reported previously, there is a strong desire to get programmes up and running, and, to this end, those programmes which received retroactivity to 1 January 2000 have already begun spending. As discussed in the section on management issues, others are lining up projects to launch as soon as possible.

Table 2.1 Submission and approval timetable for the Objective 2 programmes

		Objective 2 SPDs submitted		Objective 2 SPDs approved (in principle or in full)
1999	December	Finland (2)		
2000	January			
	February			
	March	Rheinland-Pfalz (Germany)		
	April	Remaining 10 German SPDs Austria (7) Sweden (4) Denmark (national SPD)	Spain (CSF & OPs) France (21) UK (14)	
	May	Flanders (Belgium) (6 – reformulated as 4 during negotiations)		
	June	Wien (Austria)		Finland (2)
	July	Wallonie (Belgium) (2)		
	August			
	September	Spain (SPDs - resubmission)	Toscana (Italy)	
	October			Denmark (1) Sweden (4) Åland Islands (Finland)
	November	Lombardia (Italy)		East Scotland, South of Scotland, Gibraltar (UK)
	December			France (21)
2001	January			Bremen, Baden-Württemberg, Niedersachsen, Nordrhein Westfalen, Rheinland-Pfalz, Saarland (all Germany) East Midlands, East Wales, East of England (UK)
	February			London, North East England, North West England, South East England, South West England, West Midlands, West of Scotland, Yorkshire and the Humber (all UK)
	March			Netherlands (1) Spain (7) Austria (7)
	April			Wallonie (Belgium) Bayern (Germany) Hamburg (Germany)
	May			Limburg (Belgium) West Flanders (Belgium) West Berlin (Germany)

2.1.2 *Summary: Objective 1 progress*

Table 2.2 provides a ‘broad picture’ of the progress of the new Objective 1 programmes through the negotiation process. Reflecting the Commission's approval process, and the role of different DGs, it is difficult to get a complete picture. Roughly, it can be said that, of the Objective 1 programmes, all the CSFs (7) and SPDs (19) have been approved, as have over 90 percent of the 90 or so Operational Programmes. All of the Objective 1 countries have had the great majority of their OPs approved and at least eight Member States have completed the Objective 1 programming process (Austria, Belgium, Finland, France, Germany, Netherlands, Sweden and the UK).

Table 2.2 Summary of Objective 1 approvals

Objective 1*	**Approved (in full or in principle)**	**Awaiting approval**	**% Approved**
Austria	1 SPD	-	100 %
Belgium	1 SPD	-	100 %
Finland	2 SPDs	-	100 %
France	7 SPDs	-	100 %
Germany	1 CSF 9 OPs	-	100 %
Greece	1 CSF 21 OPs	4 OPs	84 %
Ireland	1 CSF 6 OPs	1 OP	86 %
Italy	1 CSF 13 OPs	1 OPs	93 %
Netherlands	1 SPD	-	100%
Portugal	1 CSF 17 OPs	2 OPs	89 %
Spain	1 CSF 21 OPs	1 OP	95 %
Sweden	2 SPDs	-	100 %
UK	1 CSF (NI) 5 SPDs 1 OP (NI transitional)	-	100%
TOTAL	107	9	92%

*Approximate figures only. The ‘total’ includes only SPDs and OPs (ie not CSFs).

Table 2.3: Summary of Objective 2 approvals

Objective 2	**Approved SPDs (in full or in principle)**	**Awaiting approval**	**% Approved**
Austria	7	1	88 %
Belgium	4	2	67 %
Denmark	1	0	100 %
Finland	3	0	100 %
France	21	0	100 %
Germany	9	2	82 %
Italy	0	14	0 %
Luxembourg	0	1	0 %
Netherlands	1	2	33%
Spain	7	0	100 %
Sweden	4	0	100 %
UK	14	0	100 %
TOTAL	71	22	76%

2.1.3 *Summary: Objective 2 progress*

The Objective 2 programming process is not far behind, with just over three-quarters of all 93 SPDs having been approved. The underlying picture, however, is more varied (see Table 2.3). Six Member States (Denmark, Finland, France, Spain, Sweden, the UK) have all their Objective 2 programmes approved, while two Member States have not yet had any of their Objective 2 programmes approved (Italy, Luxembourg).

2.2 Completing the Programme Complements

Completing the PCs is a current management priority. The regional picture varies reflecting the different processes and timetables used to draft their content.

The Commission produced a working document in January 2001[4] providing standard guidelines for the programme complements. The contents were based on the Structural Fund regulations, reflecting the '*Commission's interpretation, as expressed in a number of internal working papers (Vade-Mecum), of the requirements imposed by the…regulations*'.

The reaction to the guidelines has been mixed. While the clarification is welcomed, there is widespread confusion about the role of the Commission with regard to the complements. There is concern that interim payments may be withheld if the specified items are not included. (Article 44 gives the Commission the right to negotiate the content of the programming complement in terms of performance reserve indicator choices.) According to some, the content raises new issues about what should be included in the complements (eg the results of the ex ante evaluation at measure level). The timing of the guidelines has also proved problematic for those regions which prepared their PCs in parallel with their SPDs.

Once the complements have been finalised (or nearly), they are often being used as 'working documents'. For example, in Denmark, the PC is the key reference document for programme managers; in Finland, it is regarded as a programmers' 'handbook'; and in France it is planned to be a working guide for programme administrators and 'in daily use'. By contrast, in the Netherlands, the SPD is the real legal basis for the document, and an additional administrative document has been produced with all the implementation details; the PC is therefore an additional stage, intermediate between the SPD and the administrative document – and serving little practical purpose.

In Finland, the PC is supplemented by new Regional Collaboration Documents, annual documentation which outlines ERDF budget allocations and State co-financing from the sectoral ministry offices and the Regional Councils. The PC outlines the selection criteria for projects, while the regional document outlines finance and also areas of focus. In Wallonia, the SPDs are so detailed, that there is not much left to go into the PCs (also due to uncertainty about what the Commission would require). In Nordrhein Westfalen, the aim was to keep the PC as short and technical as possible, not

[4] European Commission (2001) *The Programme Complement, Commission Working Paper* (January 2001), DG Regio, Brussels.

least because much of the measure level detail was already included in the main programming document. Lastly, in Spain, the Programme Complements do represent a little more work, but Spanish programmes have always included detailed measure sheets (often specifying individual projects) because of the stage at which many projects are selected. Therefore, the document does not really mark a change in the scope of what has to be prepared.

3. STRATEGIC ORIENTATION

The approval of most of the SPDs and the completion of the programme complements has progressively led to the finalisation of the regional programmes, with more detail regarding the proposed orientation of the strategies becoming apparent. The key messages are, in some respects, similar to those discussed previously but with some new insights regarding the content and delivery of the programmes. The following sections review, first, the regional strategic context of the new programmes and then their content - discussing the strategic aims and objectives, the priorities and measures (particularly with reference to trends in spending on infrastructure, business development, innovation and the information society and community development) as well as aspects relating to territorial development. Some observations on the mainstreaming of the horizontal themes within the strategies are also provided.

3.1 Regional strategic context

One of the most striking features of the new Structural Fund programmes is the degree to which they relate to - or are even embedded in - a broader regional development framework. There are more examples than ever before of countries and regions developing domestic regional strategies to bring coherence to national, regional and local economic development interventions and to provide a clearer strategic context for the design and delivery of EU-funded regional development programmes.

While this is not a completely novel development, the increasingly widespread usage of regional strategies and programmes within national economic development policies represents a fundamentally new approach. Indeed, it has been argued that there is a shift in the ‘paradigm’ of regional policy underway, whereby the classical top-down intervention by central governments, relying heavily on direct aid to enterprise to stimulate investment and employment creation, is being replaced by a decentralised, partnership-based approach to regional development, fostering networking, innovation and skill enhancement in the interests of ‘regional competitiveness’[5]. The use of such terminology and the application of such policy approaches within national regional development policy is significantly changing the context for Structural Fund intervention with respect to both the policy and institutional environments.

In France, this approach is well-known and long-standing. As in previous years, the most important strategic feature of the 2000-06 Objective 2 SPDs is

[5] Bachtler J and Yuill D (2001) *Policies and strategies for regional development*, Nordic-Scottish Cooperation Seminar, Skibo Castle, Caithness 29-31 March.

their strong complementarity with the Contrats de Plan État-Régions (CPER). The central principle is that: *"Les DOCUP et les CPER sont les instruments d'une stratégie unique de développement en région"*[6].

Elsewhere this integrated approach to regional development is more recent. In England, for example, there is now for the first time a close link between the regional economic strategies recently developed by the new regional development agencies and the Objective 1 and 2 strategies. Like other English regions, the West Midlands Objective 2 programme has adopted the same underpinning strategic framework as the West Midlands Regional Economic Strategy 'Creating Advantage' (the WMES), developed by the regional development agency Advantage West Midlands. The SPD states that: *"The Objective 2 Programmes...is a main plank in the delivery of the WMES and its strategy sits within the WMES strategic footprint"*. Within both the WMES and the Objective 2 programme, a common vision is to be achieved through the delivery of four 'pillars' of activity [priorities in the SPD] which are in turn influenced by three horizontal themes.

In Sweden, there is a similar strategic relationship between domestic and EU interventions. The Objective 1 and 2 regional development programmes are strongly linked to the Regional Growth Agreements (developed at county level) which are also partnership-based, multi-annual regional frameworks for economic development conceived with the aim of promoting regional growth and employment by co-ordinating the application of economic development resources. In Italy, the strategic context for the Objective 2 SPDs (and other EU interventions) is provided by regional development plans (as in Lombardia and Toscana), part of a process of decentralisation and territorial co-operation in Italy involving the use of negotiated economic development pacts or contracts between central and regional government (*contratti di programma*) and between regional/local organisations (*contratti d'area* and *patti territoriali*). The Danish Objective 2 programme is also strongly related to national economic development strategies, the regional elements of the SPD having been developed in accordance with the county development programmes. As in England, this is part of a wider national policy to improve the coherence and co-ordination of all regional and local economic development interventions.

This kind of strategic context is not universal. Many Objective 2 programmes have been developed to fit in with several or many different sectoral, organisational and local strategies, with the need to reconcile different institutional interests. This typifies the situation in Germany: in some of the smaller states (such as Bremen, Schleswig-Holstein) the Objective 2 programme was formulated on the basis of a limited number of sectoral programmes, such as the *Wirtschaftsstrukturpolitische Aktionsprogramm*, the *Beschäftigungspolitischeaktionsprogramm*, and the *Investitionssonder-programm* in Bremen, addressing economic development, employment and business development respectively; in the larger Länder (eg. Nordrhein-Westfalen), the strategy encompasses a multiplicity of regional and sectoral strategies. This situation also applies to Austria and Spain where the Objective

[6] "*The SPDs and the State-Regional Planning Contracts are the instruments of a single strategy for regional development*".

2 strategies draw on the elaborated strategies and programmes of a range of public sector organisations. The SPDs in Scotland were also not informed by a single regional strategy; although there is a new Framework for Economic Development, this is essentially a national (Scottish) and general framework and the Objective 2 programmes were still required to take account of a diverse and complex policy context of regional and local development agencies, local authorities and other public sector bodies.

3.2 Content of the strategies

In the view of programme managers, there is a high degree of continuity in many of the strategies, with relatively little radical change compared to the previous programmes. Although in presentational terms, the language and format of the SPDs may be different, it is generally thought that the types of beneficiary and projects will be largely the same as in the 1997-99 programme period.

Several factors militate against radical change. First, the regional economic development challenges for Objective 2 areas are mostly long-term problems which do not change substantially over a 3-6 year period. Second, the Objective 2 policy mix is determined by the policy and institutional environment, in particular the resources and priorities of national, regional and local organisations, whose strategies (with some exceptions, as in France) are not aligned or reviewed according to Structural Fund timescales. Third, the implementation of policy changes is rarely radical over the short term, and usually involves progressive, incremental adaptation. Over the longer term, there are, of course, significant differences between the 1988-93 and 2000-06 programmes, but the shifts in expenditure and policy priorities have been gradual over successive programming periods. Lastly, the effects of the loss of Structural Funds after 2006, the decommitment rule and the performance reserve may have sometimes militated against radical innovation and encouraged continuity.

Notwithstanding this continuity in overall approach, there are several important differences in the new programmes, some qualitative, some substantive. These relate to the strategic aims and objectives, the priorities and measures and the horizontal themes.

3.3 Strategic aims and objectives

The first apparent difference of the new programmes is subjective and relates to the language and tone of the strategic objectives. There is a widespread commitment across many countries and regions to exploiting EU funding for durable economic and social impacts. Recognising that this may be the last period when Objective 2 regions (in particular) qualify for significant Structural Fund receipts, many programmes appear determined to maximise the opportunities provided by the current programming period, especially as for the first time it runs for seven years (in practice, six years) and enables some longer term programming.

In pursuit of these ‘durable impacts’ there is strong emphasis on the goal of regional competitiveness. Compared to earlier strategies, which tended to use the language of economic growth, industrial restructuring/diversification and

employment creation, the current programme objectives are phrased much more in terms of regional innovation, competitive businesses, higher levels of skills and qualifications, business networking, interaction between enterprises and RTD institutions, cluster development and the knowledge economy. The strategic objectives also give higher priority to the issues of sustainability, social inclusion and equal opportunities. The overarching strategic aims of the Denmark, Steiermark and Lombardia programmes give some flavour of the language:

> *"to improve the conditions for development and change in order to ensure welfare, employment, equal opportunities and sustainable environment in regions with structural problems" (Denmark),*
>
> *"to contribute to the sustainable development of key economic areas and associated areas of regional economic strength with the aim of achieving international competitiveness, permanent jobs and improved living conditions in the region" (Steiermark),* and
>
> *"to initiate and support sustainable development processes capable of increasing the local indigenous potential, re-launching employment and protecting the environment" (Lombardia).*

While some regions limit themselves to this kind of overall statement of aims, many other programmes have more specific strategic objectives (see Box) addressing individual themes of regional competitiveness. These objectives are generally phrased in relatively neutral terms, but in some cases use highly aspirational or rhetorical language, predominantly in the UK and Finnish programmes eg. "to become the innovation capital of Europe"; "to promote world-class businesses through competitiveness" (East of England); "to contribute to the creation of a 21st century economy through the development of new and high-growth employment sectors...." (North-West England); "to make West Finland the leading area of entrepreneurship and human growth in Finland by 2006" (West Finland); "to establish South Finland as a high-level centre in the Baltic Sea Region" (South Finland).

In a very few programmes, the strategic objectives are phrased in specific, quantifiable terms, as in the case of North-East England:

- *"to reduce the gap between the North East's unemployment rate and the average for England by job creation through projects leading to a net increase in SMEs;*
- *to reduce the gap between the performance of the North East's SMEs and the average for England by raising their competitiveness leading to a net increase in turnover;*
- *to reduce the employment disparities within the region by investment in the target communities leading to an increase in the number of residents taking up employment".*

STRATEGIC OBJECTIVES - THE NEW LANGUAGE OF PROGRAMME GOALS (INDICATIVE LIST)

Business competitiveness
- to promote world-class business through competitiveness (East of England)
- to assist and encourage the development of a more competitive, dynamic and innovative business base (East of Scotland)
- to increase business competitiveness in the area (East Midlands)
- to strengthen the competitiveness of the Lombard economic system, notably SMEs (Lombardia)
- to promote competitive firms and future-relevant jobs (Saarland)
- to strengthen enterprise competitiveness, especially SMEs (Sachsen-Anhalt)
- to encourage an international and competitive business sector (South Finland)
- to raise the competitiveness of business activity (West Finland)

Regional innovation systems
- to support the regional innovation process (Bremen)
- to promote innovation and optimal expansion of the information society (Nordrhein-Westfalen)
- to develop interaction between businesses and research institutions (Norra Norrland)
- to enhance the innovative capacity and competitiveness of the regional economy to improve economic growth (Western Scotland)

Clustering/networking
- to focus efforts in areas of growth (Norra)
- to focus on sectors with growth potential (Norra Norrland)
- to foster co-operation between businesses (Norra Norrland)

Human resources
- to improve the skills base and increase employability of the workforce (East of England)
- to strengthen knowledge and competence in industry and the population (Norra)
- to increase the skill levels in business and the population (Norra Norrland)
- to promote a learning and skilful region (West Midlands)

3.4 Priorities and measures

To what extent are the strategic objectives realised in the priorities and measures? As yet this is still unclear, given that the programme complements are not complete in all countries. However, some preliminary conclusions can be drawn from the available information.

Table 3.1: Priorities and Measures in 2000-06 Programmes

Member State	**Programme**	**Priorities (number of measures)***
Austria	***Nieder-österreich***	➢ Mobilisation of endogenous potential for regional development , economic infrastructure and regional pilot projects (8) ➢ Development of industry and commerce, innovation/ technology (2) ➢ Development of tourism and leisure (2)
	Steiermark	➢ Support of production and service sectors (5) ➢ Support of competitive locations and preparation for the information society (6) ➢ Support of the development potential for integrated regional development, tourism and culture (5) ➢ Support of employment and human resources (2)

Belgium	***Limburg***	➢ Initiatives stimulating business and employment (5) ➢ Optimisation of surrounding environment (2) ➢ Development of rural areas (2)
	Wallonie – Meuse-Vesdre	➢ Diversification (3) ➢ Knowledge society (4) ➢ Human resources (3) ➢ Consolidation of international roles (3) ➢ Sustainable urban development (4)
	Wallonie-rural	➢ Indigenous development (3) ➢ Structuring the rural environment (5) ➢ Human resources (3)
Denmark	***Nordjylland***	➢ Regional development, especially new and existing framework measures (2) ➢ Business development (2) ➢ Human resource development (3)
Finland	***Western Finland (Länsi-Suomen)***	➢ Business development and restructuring of the economy (3) ➢ Development of skills and new technology (2) ➢ Modernisation of regional infrastructure and improvement of the living environment (4)
France	***Aquitaine***	➢ Employment creation through the creation and development of firms (7) ➢ Improving the region's competitiveness (5) ➢ Balanced territorial development and improved quality of life (4) ➢ Rural development (3)
Germany	***Bremen***	➢ Diversification of the regional economic structure (2) ➢ Strengthening the service sector (4) ➢ Improving environmental protection and reclamation of wasteland (3) ➢ Urban problem areas (3)
	Nordrhein-Westfalen	➢ Finance for business and start-ups (5) ➢ Innovation and competence development (10) ➢ Innovation-oriented infrastructure development (5) ➢ Target group support (4)
	Saarland	➢ Modern infrastructure – effective economy (3) ➢ Restructuring of the economy – alternatives to coal and steel (5) ➢ Valuable living town structures (2) ➢ Support for transition areas (2)
	Sachsen-Anhalt OP	➢ Support for competitiveness of the commercial economy, especially SMEs (3) ➢ Infrastructure measures (4) ➢ Protection and improvement of the environment (4) ➢ Support for labour potential and equal opportunities (5) ➢ Rural development (2)
Italy **(Draft)**	***Lombardia***	➢ Competitiveness of the regional economic system (8) ➢ Territory and environment (3)
(Draft)	***Toscana***	➢ Development and strengthening of enterprises (6) ➢ Territorial qualification (6) ➢ Environment (6)

Spain	***Catalonia***	➢ Increasing competitiveness and employment and development of the productive sector (5) ➢ Environment, natural resources and water resources (5) ➢ Knowledge society (6) ➢ Development of communications and energy networks(6) ➢ Local and urban development (7)
Sweden	***Norra***	➢ Improving the business environment (4) ➢ Encouraging a knowledge economy (1)
	Norra Norrland	➢ Development of infrastructure (3) ➢ Trade and industry development (2) ➢ Skills development and employment (5) ➢ Rural development, fisheries and aquaculture (8) ➢ Nature, culture and the living environment (2) ➢ The Sami programme (3)
UK	***Western Scotland***	➢ Competitiveness and innovative capacity of the region's SMEs (3) ➢ Develop region as a competitive location (3) ➢ Economic and social cohesion (2)
	East Wales	➢ Developing and expanding the SME base ➢ Sustainable rural development ➢ Urban community regeneration

* Table does not include technical assistance.

First, many strategies are very wide ranging, with measures encompassing a broad combination of traditional and modern interventions. In part, this reflects the coverage of the 'new' Objective 2 regions which include both urban and rural areas and designated and transitional areas. For some regions, the eligible area is highly fragmented, requiring a multiplicity of separate, targeted initiatives. In addition, breadth is a product of the programme development process - the need to accommodate the strategic requirements of a range of national and regional government departments (Austria, Germany), and the growing commitment to partnership. Some of the Spanish programmes (Pais Vasco, Cataluñya), for example, took the approach of making the programmes as diverse as possible, including as many organisations as they could, with the mission of maximising the involvement of local actors in EU programmes. The same applies to the French Objective 2 SPDs where the breadth of strategies is attributable to the need (or pressure) for inclusivity across the regional partnerships.

As noted previously, the broad scope of measures also arises from a desire among programme managers for flexibility in delivering the programmes. In some cases (eg. Austria), strategies have been consciously formulated in general terms in order to provide the flexibility to react to changing socio-economic conditions over a six-year programming period. For the same reasons, a small number of Objective 2 regions (eg. Norra, Lombardia) have strategies restricted to two priorities, although this was not accepted in all cases (Scotland) because of EC concerns about 'excessive' flexibility for virement between capital and revenue interventions within the programme.

Second, it is possible to identify certain expenditure patterns and shifts among the priorities and measures, compared to the previous programme period. These relate to reduced infrastructure expenditure; increased and different support for business development; new ways of promoting innovation; and more community development assistance.

- *Infrastructure*. The resources devoted to 'hard' or physical infrastructure have generally been reduced again in the current programmes, continuing the longer term trend of the past decade. Where infrastructure spending has been sanctioned by the EC, it has tended to be spatially restricted and targeted, for example capital support for 'strategic sites' or 'competitive locations' and urban regeneration through land rehabilitation, environmental improvement and local infrastructure access. Large- scale transport infrastructure appears to be very rare, with the focus of infrastructure measures on economic infrastructure initiatives related to business development, information and communication technologies (ICTs), tourism, cultural facilities, sometimes presented or justified as 'conditions for growth'. With respect to some categories of infrastructure spending, such as ICT, expenditure on basic network provision has only been approved by the EC subject to a project-by-project cost-benefit analysis and demonstration of the existence of market failure. The EC's perceived opposition to infrastructure is not universal; in the case of some Italian regions, the EC encouraged more infrastructure spending during the programme negotiations in the interests of a 'better balance' with spending on direct aid to enterprises, especially in the 'phasing-out' regions.

- *Business competitiveness*. Direct or indirect support for enterprises appears to account for much of the proposed spending in Objective 2 programmes. From the measure lists, it seems that some of the traditional forms of support, especially investment aid for SMEs, have been repackaged or replaced by more sophisticated, softer and targeted forms of SME assistance. Several regions have also noted problems in gaining approval for some forms of State aid. In particular, there are new measures to promote: (i) enterprise co-operation and networking; (ii) awareness raising of RTD, market developments and other 'competitiveness' issues through access to information and consultancy; (iii) support for internationalisation of enterprises; (iv) innovative forms of financing eg. risk capital (see below); and (v) promotion of better environmental practices, through energy-saving, waste management and environmental technologies. There is also a trend towards greater selectivity and differentiation in business support, with a focus on particular sectors (eg. West Midlands, East of England), industrial clusters (eg. Bremen, Norra, Norra Norrland, Steiermark, Western Scotland and the Wallonian programmes) and the special needs of micro-enterprises in the crafts, commerce and service sectors (eg. Alsace, Auvergne, Lorraine, Meuse-Vesdre, Nordrhein-Westfalen).

- *Innovation and the information society*. As in previous programmes, RTD measures feature prominently in the new programmes, in some cases given new focus and coherence by Regional Innovation Strategies (Niederösterreich, Western Scotland). The main differences among the priorities and measures appear to involve more efforts to improve the

interface between research/technology providers and SMEs through networking and technology transfer mechanisms, and awareness and training measures to facilitate adaptation to technological change. To a certain extent, there has been a repackaging and redirection of business development and innovation measures under headings such as the ‘knowledge society’, ‘knowledge economy’ and ‘information society’ which combine RTD assistance with measures to support investment in ICT infrastructure, and access to or exploitation of ICT facilities by enterprises, communities and individuals (see Information Society paper).

Community development. There appears to be a significant increase in the number of programmes allocating resources at the priority and measure levels to social inclusion. As the examples of Basse-Normandie, Cataluña, Kempen/Antwerpen, Meuse-Vesdre, West Midlands and Western Scotland illustrate, the community development measures focus heavily on five areas. These are: (i) (re)integration of the unemployed (“pathways to employment”) through training, with a special focus on women, the disabled, ethnic minorities, asylum seekers, and those with alcohol or drug-related problems; (ii) the development of local services, mobilising local inhabitants to participate in the development and operation of specific projects eg. culture, leisure; (iii) improving access to key business and social services, with a particular focus on access on ICT; (iv) urban renewal, involving environmental and regeneration measures to improve the fabric of neighbourhoods; and (v) special business support measures to encourage entrepreneurship.

The third characteristic of the priorities and measures is the funding provision for innovative methods for delivering the programmes. At programme management level, technical assistance measures have been included (as in previous periods) to finance implementation arrangements eg. the programme management executives and project selection systems in Scotland. More novel are the measures of some regions to support integrated regional development initiatives. Steiermark has a measure supporting the preparation of integrated regional concepts, support for regional co-operation structures, regional network building and the activation of regional endogenous potential. Nordrhein-Westfalen has a measure funding studies and analyses to develop structural policy concepts and strategies at regional or local levels as well as experience exchanges of structural and labour market themes through conferences and workshops.

Lastly, there is a range of support for new types of financial instruments. Responding to the EC guidelines on financial engineering, many regions propose new ways of supporting SMEs, in particular to move away from direct grant aid and to provide funding streams that will persist after 2006. As previously noted, the Yorkshire and the Humber programme has a priority entitled ‘An Objective Partnership’ which aims to shift:

> *“the bias or focus of funding away from the simple grant aid methodologies of the past towards schemes that involve amongst other things loan finance, guarantees and/or mutual guarantees, mezzanine finance and equity finance and that involve wherever appropriate risk sharing with other third party interests”*.

Among other regions targeting financial engineering opportunities with special measures are:

- Aquitaine - risk capital and guarantee fund measure to help create and develop businesses in areas undergoing economic regeneration;
- Lombardia - measure establishing a guarantee fund (as part of a global approach towards strengthening the competitiveness of enterprises, including technological innovation, modernisation and competitive up-grading of firms). The guarantee fund is particularly intended to assist micro-enterprises, which have particular problems accessing credit;
- Meuse-Vesdre - financial engineering measure to increase the availability of risk capital and specialised guarantee funds;
- Nordrhein-Westfalen - participation capital measure for SMEs to supplement existing risk capital funds;
- Sachsen-Anhalt - measures funding ‘new financial instruments in medium-sized firm support’ and ‘local capital for social purposes’;
- Toscana - financial engineering measure to establish a fund for minority participation capital, guarantee funding, venture capital and seed capital (pre-seed and start-up); and
- Western Scotland – measure to ‘enhance access to finance for SMEs’ to support the development of investment funds and other instruments promoting the development of competitive and innovative SMEs, especially in certain clusters.

As yet, it is not clear how much progress has been made with incorporating forms of financial instrument new to the Structural Fund programmes. While some countries and regions have experience and institutional expertise in the provision of non-grant funding for economic development purposes (eg. Austria, Finland, Germany), for others this represents a new element of Structural Fund programming. There are also reported difficulties with getting such measures approved by DG Competition which is concerned about the transparency of non-grant aid and how the subsidy elements that persist after the end of the programme should be treated.

3.5 Spatial development

One interesting development is the more widespread appearance of spatial/territorial development elements among programmes. While most strategies have priorities and measures that apply to the eligible area as a whole (distinguishing between designated and transitional areas in many cases), there is also a significant degree of geographical targeting. Several programmes have an explicit strategic commitment to balanced territorial or spatial development, especially in the Benelux countries, France, Spain and the UK (eg. Alsace, Aquitaine, Basse-Normandie, Bremen Cataluñya, East Midlands, Kempen/Antwerpen, Limburg, North-East of England, Sachsen-Anhalt, Western Scotland). In part, this takes the form of spatially targeted measures, focusing on urban, industrial, mining, fishing or rural areas or communities. As examples: the Alsace programme has a series of territorial actions focused on selected districts of Mulhouse and urban regeneration in the potash mining areas; the Kempen/Antwerpen programme has specific urban development support measures concerned with urban infrastructure, sustainable transport and socio-cultural facilities; the Bremen programme has

a measure for the development of certain city quarters; the West Finland programme has a measure for the 'activation of sub-regional and local communities' to develop the social environment and support the balanced development of towns and sub-regions in the Objective 2 area.

This approach is also evident in the proposed implementation arrangements which involve programme management procedures or project selection criteria that promote balanced development across the eligible area. For example, the French programmes provide scope for more initiatives to be brought forward by bottom-up, multi-sectoral partnerships of the *pays* (in rural areas) and *agglomérations* (urban areas). This builds on new national policy orientations and the lessons of programmes such as Leader. The implementation arrangements for the English programmes foresee a similar approach, primarily through the use of 'action plans' - decentralised packages of projects managed by geographical or thematic partnership groups who take on accountability for financial management and project delivery.

A broader strategy of territorial development has been advocated by the European Commission which has sought to establish links between the economic development objectives of the Objective 1 and 2 programmes with the European Spatial Development Perspective. Although there are some explicit references to the ESDP in some programmes (eg. Sachsen-Anhalt), there is little evidence that the ESDP has exercised a major influence on the programmes. Insofar as the programmes do contain measures relevant to the ESDP objectives (eg. improvement of the urban environment and development of towns as motors for their hinterland), these tend to be implicit in the economic development strategies.

3.6 Mainstreaming the horizontal themes

As previously noted, the European Commission has emphasised the importance of mainstreaming the horizontal themes, in particular equal opportunities and sustainable development, as well as social inclusion, innovation and the information society. The recommended approach is that support for these themes should not be restricted to particular parts of the programmes (eg. specific priorities and measures) but should be integral to all aspects of the programme design, structure and delivery.

The first indicator of programme responsiveness is the degree to which regions are making strategic commitments in relation to the horizontal themes. Moreso than in the previous programming periods, programmes from across the EU make reference to the horizontal themes at the level of the strategic objectives, as the indicative list in the Box below indicates. In both the regional analyses (especially the labour market sections) as well as the discussions of strategy, several SPDs have explicitly recognised that new thinking and fresh approaches are necessary, although as yet it is not clear whether commitments are more than presentational.

STRATEGIC OBJECTIVES - THE HORIZONTAL THEMES (INDICATIVE LIST)

Sustainable development

- to favour sustainable development, social well-being and quality of life (Catalonia)
- to improve the environmental performance of the enterprises, communities and organisations in the region (East of Scotland)
- to improve the touristic, cultural and environmental heritage of the region (Lombardia)
- to promote sustainable urban development (Meuse-Vesdre)
- to make visible and develop the attractive environment of the region (Norra)
- to support an attractive living environment (South Finland)
- to decrease the factors which have a potential environmental risk and improve access to parks and protected areas, and the recovery of degraded sites (Toscana)
- to protect and enhance the environment (Western Scotland)

Social inclusion/cohesion

- to secure inclusion of disadvantaged groups in the economic renewal process (Nordrhein-Westfalen)
- to address the disproportional labour market involvement of disadvantaged groups (Sachsen-Anhalt)
- to develop greater economic and social cohesion and reduce the disparities within the region (Western Scotland)

Equal opportunities

- to support employment creation, employability and equal opportunities (Catalonia)
- to work towards an equality of opportunity for all people in the region (East of Scotland)
- to create equal opportunities for women and men in work (Nordrhein-Westfalen)
- to address the disproportional labour market involvement of women (Sachsen-Anhalt)
- to promote equal opportunities (Western Scotland)

The varied interpretation of the horizontal themes is immediately evident from the above list: sustainable development is sometimes considered in broad terms (encompassing economic, social and environmental factors), but more usually the strategic objectives focus on environmental protection or improvement; social inclusion has both social and spatial elements; and equal opportunities refers sometimes to women alone and sometimes to a broader concern with integrating disadvantaged groups into the labour market.

At a second level, there is some action to address the horizontal themes through the priorities and measures. A small group of programmes has a blanket commitment to consider equal opportunities and sustainable development in all aspects of the programmes. For example, in Western Scotland, all measures are required:

> *"to reflect the commitment to mainstreaming if equal opportunities and include scope for positive action where capacity in the region is weak" and*
>
> *"to develop opportunities or actions for raising environmental awareness-raising among SMEs".*

Other programmes present their commitments to the horizontal themes at priority level. For example, the Rural Wallonian programme undertakes to promote equal opportunities in all measures under the priority 'investing in human resources'; the Alsace programme has explicit targets for equal

opportunities in graduate recruitment and entrepreneurship for its priority ‘developing business and jobs’; and the Haute-Normandie programme is one of several French programmes with an environment-related priority to give the theme more emphasis.

More generally, the horizontal themes are addressed in certain measures of the programme only[7]. With respect to sustainability, leaving aside the ‘traditional’ measures relating to environmental improvement/protection (urban regeneration, land reclamation etc.), there appears to be an implicit assumption that many types of measure are not relevant to the goals of sustainable development. The main exception is in the field of business development where some programmes are promoting environmental awareness and the adoption of more sustainable business practices and technologies. For instance, Bremen and Nordrhein-Westfalen both have measures providing support for environmental technologies, and Meuse-Vesdre highlights the environment among the areas prioritised for networking of scientific and technological competence.

The situation is similar in the case of equal opportunities. Again there is no explicit reference to the theme of equal opportunities (or assumed application) among many measures. The exceptions tend to be in the fields of business development and human resources where there are either specific measures oriented towards improving female entrepreneurship rates or the position of women in the labour market, or women are identified as a particular ‘target group’ under more general measures. For example, under the heading of business development, the Toscana programme has a measure targeting the creation of SMEs by young people and women; Meuse-Vesdre highlights women, the young and handicapped as targets for entrepreneurship training; Steiermark has a qualification measure for people threatened with labour market exclusion (one of the aims being to support the potential of female workers); in Alsace, there is a research and professional training measure targeting young women particularly with technology training, and female trainees are a priority under two measures promoting business development in micro firms and training for the unemployed; and Nordrhein-Westfalen is prioritising equal opportunities (and sustainable development) projects in the development of certain commercial and service locations, and - along with Sachsen-Anhalt, which has similar schemes - is providing dedicated support for female employment and apprenticeships for young females under two measures.

The third aspect of mainstreaming the horizontal themes relates to programme delivery. Although there is limited information available as yet on programme management and implementation mechanisms, it is evident that several programmes intend to fulfil their commitment to mainstreaming through the selection criteria. For example, the Danish programme has identified five strategic foci which will serve as horizontal guidelines for project selection. Among them is a statement that: “sustainability, both in environmental, social

[7] It has to be emphasised, however, that these judgements are based on partial information only – in many cases on the SPDs rather than the programme complements which are likely to provide more detail on these specific issues. Also, it may be felt that the measures do not need to address the horizontal themes because they are being dealt with by non-Structural Fund policies.

and economic terms, is crucial for individual projects and the programme as a whole". The Western Scotland programme includes environmental impact/resource efficiency and equal opportunities among the core selection criteria for all projects, in each case accounting for up to five percent of the total project scores (see Box). In Wales, the Welsh European Funding Office has developed similar criteria and has also produced a detailed and comprehensive 'step-by-step' guide to assist programme managers and applicants to meet the objectives of sustainable development by maximising the environmental sustainability of individual projects.

WESTERN SCOTLAND - CORE SELECTION CRITERIA

Environmental impact/resource efficiency

The project should reflect the way in which it contributes to the enhancement and/or protection of the environment, or seeks to minimise negative impacts. The score will reflect the extent to which the project demonstrates a positive contribution towards the environmental objectives of the Programme. This may be illustrated by:

- re-use of land and buildings, incorporating high standards of energy efficiency, public transport links and habitat creation in built developments,
- promotion of more effective use of energy and raw materials in business development,
- inclusion of environmental considerations in local area-based strategies,
- inclusion of an environmental element appropriate to training.

0 = project demonstrates little or no consideration of environmental issues beyond those required by the legislation
1-3 = project demonstrates a consistent and well-integrated approach to environmental integration
4-5 = project demonstrates a consistent and well-integrated approach to environmental issues, including appropriate partnership working or professional advice from environmental bodies.

Equal opportunities

The project should demonstrate the extent to which it actively promotes the full and equal participation of individuals and social groups in the local economy. This may be achieved for example by:

- ensuring that there are no built-in constraints preventing individuals accessing employment and personal development opportunities,
- creating the right conditions in the labour market through active labour market policies,
- positively tackling the more subtle forms of discrimination and exclusion.

0 = project demonstrates little or no consideration of equal opportunities issues beyond those required by legislation,
1-3 = project demonstrates a consistent and well-integrated approach to equal opportunities integration and mainstreaming
4-5 = project demonstrates a consistent and well-integrated approach to equal opportunities issues, including appropriate partnership working or professional advice from relevant bodies.

In Nordrhein Westfalen, all projects must provide the following information:

- adherence to national and EU environmental laws;
- an indication of to what extent they affect Habitat or Bird Protection Areas;

- an estimation of jobs created, including the percentage of women;
- whether or not the project contributes to equal opportunities; and
- whether or not the project contributes to sustainable and environmentally friendly development.

Although, strictly speaking, these are not used as selection criteria, the information is used to increase the transparency of the effect a project will have on the equal opportunity and environmental areas. Lastly, some programmes are approaching the issues in terms of programme outcomes; the Meuse-Vesdre programme states that equal opportunities and sustainability will be an explicit theme of the programme evaluations.

4. MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS

The main message of recent developments in programme management and implementation concerns the efforts to ensure more strategically coherent programme delivery mechanisms. There has been a sustained trend of regionalising programme management arrangements, for differing domestic reasons. Specific changes and wide ranging reviews have been undertaken to increase the efficiency and effectiveness of managing authorities, and coordination mechanisms are being introduced or improved at national or regional level. An important stimulus has been the stricter financial management and monitoring regulations, in particular the decommitment rule, which is a source of considerable concern to programme managers. There are also fears that the need to consume budgets could dominate the desire to programme well and restrict innovative projects and funding approaches.

The launch of the new programmes has initiated a new phase of management. At programme level, the challenge is to operationalise new structures and systems (some of which are still under development) and to continue mobilising partnerships which were developed during the programme planning phase. The first Monitoring Committee and programme management/ implementation meetings have also been taking place.

With regard to project generation, there has been some pre-consideration of projects in many regions in order to permit the fast-tracking of approval once programmes are launched. The key challenge is how to publicise the programme and communicate the nature of the new strategies (and its management/monitoring requirements) to applicants. Programme managers have been divided as to how quickly they can insist on their ambitious selection criteria being fulfilled.

This section examines these issues in more detail, beginning with the immediate management priorities and then discussing some of the medium-term challenges associated with the performance reserve.

4.1 Immediate management priorities

Immediate priorities for programme managers include finalising the new organisational structures in those regions where major changes have been

made, and adjusting to the new structures. They have also been turning their attention to finalising publicity and communications plans, initiating monitoring responsibilities and looking ahead, settling into new relationships with the programme partnerships and the European Commission.

4.1.1 Financial regulations

The financial regulations remain a source of concern to programme managers. In an effort to alleviate this, the Commission held a conference in Brussels, in January 2001, for programme managers on 'Sharing Responsibility for the decentralised management of the Structural Funds'. Intended to help clarify the role and responsibilities of managing and paying authorities, Member States and the Commission for programme monitoring and financial management, the objective was achieved to only a limited extent, and there is still uneasiness at national and regional levels regarding certain aspects of the new financial regulations. The decommitment rules in particular continue to cause concern. For those programmes which were formally approved late in 2000, the decommitment rules stand as if programmes had been launched at the beginning of the year. Programme managers feel under considerable pressure to approve projects quickly and get funds paid to them, with potential implications for project quality. In Sweden for example, the volume and financial magnitude of proposals being received under the first application round are regarded with mixed feelings as there are fears that it could create difficulties for decommitment. Indeed, the suggestion has been made that it may prove easier to manage and work with quality projects later in the programming period when there is less money available.

However, it should be noted that the decommitment procedure for the first year of the programmes is different to that of subsequent years - providing more time for gearing up than was originally anticipated. French programme guidance issued by DATAR has provided the following clarification on the decommitment rules.[8]

Article 31 of the general regulation specifies that decommitment applies to that part of the intervention which 'has not been settled by the payment on account'. This means that the automatic payment on account made by the Commission at the start of the programme should be deducted from the expenditure to be justified for the year 2000. Article 32 of the regulation specifies that, when the first commitment is made, a payment on account amounting to seven percent of the Funds' contribution to the intervention will be made to the Paying Authority. Mathematically, seven percent of the 'envelope' over seven years approximately equals half the first annual tranche.

Therefore, during the two years following the 2000 commitment, it will be necessary only to justify expenditure equivalent to about half of this first tranche, and not all of it. In practical terms, there are two possible outcomes:

(i) if the programme was adopted before the end of 2000, there are two years after 2000 in which to prove the expenditure – ie. decommitment can occur on 31 December 2002;

[8] DATAR (2000) *Séminaire sur la gestion et la mise en oeuvre des docup régionaux,* 5 October 2000.

(ii) if the programme was adopted in early 2001, decommitment comes into play on 31 December 2003. It should be remembered, however, that this will apply to expenditure taking place during both 2000 and 2001.

4.1.2 Fine-tuning new organisational structures

As the programme negotiation phase comes to a close and new programmes are launched, the management structures to run the programmes are being finalised. As reported previously,[9] managing authorities are principally operating at regional level and are often the same bodies which were previously responsible for implementation. In some countries, however, a regionalisation or re-organisation process has taken place, and different approaches have being identified to deal with the associated increase of administrative responsibilities. Roles and responsibilities have had to be clarified. While many regions are now at the stage of settling into their new arrangements, others have had to make more wide-ranging changes and are still in the process of finalising these.

Table 4.1 below summarises the allocation of the Managing Authority (MA) role for the 2000-06 programmes, across the main Member States involved in Objective 2 programming. A key distinction is made between areas where responsibility is officially held by regional level bodies (each responsible for a single regional Objective 2 programme), and those where the role is formally held by one or more national bodies (which would be responsible for all the Objective 2 programmes in the relevant Member State).

Table 4.1 Allocation of Managing Authority responsibilities[10]

MA responsibility held by regional or territorial bodies	
Austria	*Land* level – generally the economic development or European co-ordination department of the *Land* government.
Belgium	In Wallonia, MA responsibility for both Objective 2 programmes in the territory is held by departments of the Wallonian government. In Flanders, the MA role held by the Ministry of the Flemish Community (with many tasks delegated to the provinces).
France	*Préfectures de Région*, deconcentrated offices of the state (but with an enhanced role for the regional councils).
Germany	Economic development departments of *Land* Ministries of Economics (except Brandenburg Objective 1 OP, where the MA is the *Land* Ministry of Finance.
Italy	Regions, represented by the Regional Presidents.
Sweden	County Administrative Boards, deconcentrated offices of the state in the regions.
Scotland, UK	Departments of the Scottish Executive. In practice, delegated to dedicated agencies or ‘Programme Executives’ for each Scottish Objective 2 programme.
Wales, UK	National Assembly for Wales. In practice, carried out by the Welsh European Funding Office.

[9] Downes, R and Michie, R (2000) *op. cit.*
[10] The UK situation is particularly complex due to constitutional arrangements (which allocate differing degrees of autonomy to different parts of the country). Parts of the UK can be characterised as having an MA which is a national body, and parts as having one which is regional or territorial. In England, the responsible ministries are ‘national’ ministries (with jurisdiction over the whole of Great Britain, including Wales and Scotland, for selected policy areas), while in Scotland or Wales, the relevant ministries are ‘territorial’ in that they only have responsibilities within Scotland or Wales.

MA responsibility held by national bodies	
England, UK	Department of Environment, Transport & the Regions (ERDF) and Department for Education and Employment (ESF). In practice, day-to-day responsibilities are delegated to relevant English regional Government Offices, which are deconcentrated offices of the state.
Denmark	Erhvervsfremme Styrelsen (a department of the Ministry for Industry and Trade) for ERDF and the Arbejdsmarkedsstyrelsen (a department of the Ministry of Labour) for (ESF), but continuing the previous arrangement of decentralised management, with much responsibility delegated to five regional management committees and their supporting programme secretariats.
Finland	Ministry of Interior for Objective 1 and 2 programmes (Ministry of Labour for Objective 3 programmes) - with some responsibilities delegated to the new programme-specific Regional Management Committees.
Spain	The Directorate General for Community Funds and Territorial Financing at national level, working in collaboration with the ERDF and ESF Administrative Units in the General State Administration, and in co-responsibility with the Administration of relevant Autonomous Communities.

The separation of managing and paying authority responsibilities has caused some problems, especially where personnel resources are tight. The regulation states that ‘If the member state so decides, the managing authority may be the same body as the paying authority for the assistance concerned (Article 9n).

However, the Commission has reportedly expressed a preference that different people should be responsible for the agreement of the project and payment control. The point is that there must be a clear division of duties between the authorities and a separation of the responsibility for checking claims, paying aid, compiling and certifying claims of Community funding and for internal audit procedures. Table 4.2 provides an update on the distribution of Paying Authority responsibilities.

Table 4.2 Allocation of Paying Authority responsibilities

PA responsibility held by regional bodies	
Austria	Federal level. Federal Chancellery for ERDF, Federal Ministry for Economy and Labour for ESF.
Belgium	In Wallonia, a department of the Wallonian government (different from the MA department). In Flanders, the PA role is also centralised.
France	*Préfectures de Région*, deconcentrated offices of the state (but with an enhanced role for the regional councils).
Germany	Various, for example, in Nordrhein Westfalen, a public bank for ERDF, the *Land* MASQT Ministry for ESF. In contrast, in Saarland, the *Land* Ministry for the Environment is responsible for both ERDF and ESF.
Italy	Regions, represented by the Regional Presidents.
Sweden	County Administrative Boards, deconcentrated offices of the state in the regions.
Scotland, UK	Departments of the Scottish Executive. In practice, delegated to dedicated agencies or ‘Programme Executives’ for each Scottish Objective 2 programme.
Wales, UK	National Assembly for Wales. In practice, carried out by the Welsh European Funding Office.

PA responsibility held by national bodies	
England, UK	Department of Environment, Transport & the Regions (ERDF) and Department for Education and Employment (ESF). In practice, day-to-day responsibilities are delegated to relevant English regional Government Offices, which are deconcentrated offices of the state.
Denmark	Erhvervsfremme Styrelsen (a department of the Ministry for Industry and Trade).
Finland	ERDF: Ministry of the Interior ESF: Ministry of Labour EAGGF: Ministry of Agriculture
Spain	Ministry of Finance.

These changes have had particular impact in Germany. To meet the requirements of the new financial regulation, all of the German regions have had to introduce new management arrangements, and take on new staff (the requirements of the new financial regulation did not correspond with the existing financial systems/legal framework so a new structure had to be created). For example, in Saarland, the new structure which has been introduced is quite complex. The Managing Authority is located within the Land Ministry of Economics, where co-ordination took place previously. Implementation of the funds will continue to be through the *Förderreferate* (implementation units) but the Managing Authority will have more control than the Ministry co-ordination unit had in the past. The *Förderreferate* approve funding, and then notify the new paying authority, located in the Land Ministry for the Environment. The funding is released to the *Förderreferate*, from where it is then passed on to the project. All this is checked by a *Prüfdienst* (audit service) located in the Ministry of Finance. Approval of projects and financial flows follow the same route. The new management structure will require a doubling of the existing staff currently involved in programme management. The transparency created by the new system will hopefully avoid any future problems through the increased control which will be used over the *Förderreferate*. The changes which the German regions have to introduce to meet the requirements of the new financial regulations will be more difficult for smaller Länder with fewer resources/smaller administrations.

Nordrhein Westfalen has tackled this problem by locating the Paying Authority role outside the Land administration system in a public bank. All payments will now be made by the *Landesinvestitionsbank*. Payments to the projects themselves will flow through the implementing units, with the Investment Bank having the role of earmarking money – claims for payment come from the implementing units and payments are released by the Investment Bank. This should provide a better overview and make payment checks easier.

In addition, Nordrhein Westfalen have introduced a new secretariat which came into operation in January 2001, taking over tasks previously carried out within the Co-ordination Unit located in the Ministry of Economics. The secretariat involves an external consultancy firm, but is physically located within the Ministry (in-sourcing).

4.1.3 *Developing communication plans and publicity arrangements*

Some regions have progressed quite far with developing the required communication plans and publicity strategies for the new programmes; others are waiting until their programmes have been finalised and concentrating management time on other areas which are considered to be more urgent. As it has been included as part of the programme complement in many regions, the plans are being developed as the PC is finalised.

Programmes are adopting varying strategies to deal with their publicity responsibilities.

- *Use of consultants*: Wallonia is one of the regions making use of external consultants. A provisional budget of BF 20 million (€495.8k) has been set aside by the DPE, which will contract a consultant to organise publicity at an overall level for all the Structural Fund programmes. The consultant will, for example, ensure the wider dissemination of the deliberations of the Monitoring Committee, secure media coverage, organise brochures, ensure an Internet presence, etc. There will also be an ad hoc committee to track and steer activity in this area. The consultant will summarise all activities in an annual report on publicity for submission to the Commission. To complete the overview, examples will be given from the project level illustrating how publicity has been sought. In Finland, the strategy was prepared by an external consultant, overseen by the Ministry of the Interior, and with regional consultation. Implementation of the strategy will be assisted by a network of experts. In Sachsen Anhalt, the Land marketing society will be responsible.
- *Use of websites*: In Norra, the programme website will be used as the base point for communication with the press and media - once the Structural Fund Delegation has made project decisions, the press will be informed and directed to the site for further details. Toscana are considering employing a web consultant to help implement the information and communication plan, with resources from Technical Assistance. In Scotland, extensive use is also made of a website as part of a communications and publicity strategy, covering both operational issues and details of evaluation studies, publications etc. The situation is similar in Wales, where even monitoring committee minutes are available on the National Assembly website.
- *Targeted campaigns*: Several regions are undertaking targeted publicity strategies e.g. Sachsen Anhalt is publicising bundles of measures aimed at particular target groups, while Lombardia are planning to target part of the communication plan on the environmental aspects of the programme.

Fear of decommitment may be an impetus behind regions moving their publicity strategies up a gear during this programming period, to encourage the submission of good projects and the speedy commitment of funds. However, several programmes in the new Member States have received so many applications in advance of programme launch, this may not be an issue.

HAUTE NORMANDIE, FRANCE:
'SAY IT CLEARLY, ACT EARLY AND CONSULT YOUR AUDIENCE'

In preparation for the 2000-06 Objective 2 programme, programme managers in Haute Normandie, France decided to reassess their 1997-99 communications plan. The region's public relations concept has now been summarised as - 'say it clearly, act early and consult your audience'.

A promotional video, to be shown by local television stations and featuring interviews with beneficiaries, was funded by the prefecture to target the general public. This was backed up by an exhibition featuring photographic material on existing Structural Fund projects in the region. The material, now stored in an image bank numbering 450 photos, was also used to devise billboards for use by local operators. Over 35,000 copies of a general factsheet were distributed, and their 'Europe express' newsletter has become a monthly feature. In addition, potential sponsors were invited to meetings held in towns across the region, a series of press conferences was arranged, and approximately 15 press releases were placed in the regional press.

Source: adapted from European Commission, *Inforegio Panorama* No 2 (January 2001).

FINLAND'S COMMON COMMUNICATIONS PLAN:
'VITALITY WITH EU PROGRAMMES'

Publicity material about Finland's Objective 1 and 2 programmes has been streamlined through a standard profile set out in a common communications plan. The profile, involving a standard visual format, was introduced to raise awareness about the programmes and to shape future development of information activities. The objectives behind the approach were to increase the visibility, effectiveness and transparency of EU co-financed activities, to make collaboration more effective and promote real partnership among the various actors, to increase information, stimulate project ideas and start-ups as well as increase awareness of the programmes through the promotion of a coherent image.

The communications programme revolves around the profile of the regional programmes, based on a model in which jointly agreed priorities have been classified by order of importance. These are then translated into themes and messages, including: local origin, objective-setting, equality, know-how, collaboration, added value, welfare and employment, sustainability and effectiveness. All organisations implementing the programme provide information in a way which supports these themes, with each information provider deciding on thematic emphasis and the actual content of the message in view of the context and target group.

The aim is to present information in an accessible style, avoiding jargon, and catching the attention of particular target groups, eg by highlighting opportunities offered by the programmes and results achieved. Attempts are made to 'personalise' the programmes, by including interviews with people involved in implementing the projects and by translating project results into themes which are directly relevant to individuals: protection of work and income; social well-being, quality of life, faith in the future and personal responsibility.

A common visual identity was also introduced, including a slogan and logo to be used alongside the EU logo, standard picture formats, colours and topography, and model advertisements and brochures ensure the consistency of information.

The communications plan was drawn up by a communication consultant, overseen by the Ministry of the Interior (the Managing Authority for the programmes), in collaboration with other ministries, regional councils and organisations involved. Work began by interviewing those participating in programme activities and by analysing publicity disseminated by the media.

In parallel with development of the plan, programme partners were encouraged to commit to it. After the plan was discussed with the actors centrally involved in its implementation (spring 2000), it was approved by the four programme Monitoring Committees. A network of communications experts was then set up, to help implement the plan.

Source: adapted from European Commission, *Inforegio Panorama No 2* (January 2001).

4.1.4 *Managing the application process*

Many programmes are up and running, final SPD or Programme Complement approval notwithstanding. Particularly in the newer Member States (Austria, Finland, Sweden), which are entering only their second programming period, there is a heightened awareness of programme opportunities, with an increased volume of applications being received. In Sweden, numerous applications were received even before the programmes had been finalised. This deluge of applications was partly put down to the backlog that built up through 2000. Indeed, in some programmes, some budget lines/measures have already been fully, or almost fully, committed.

Awareness of programme opportunities is now higher, and even where submissions are not being made before the programme launch, relevant actors are often prepared with projects to submit. For example, in Toscana, the first programme draft was passed by the regional *Giunta* in December 1999, and this was followed by seminars in every province, including all municipalities and local partners, to raise awareness on the opportunities offered by the programme. The relevant actors will therefore be ready to submit projects as soon as the programme is approved. In Flanders, there are estimated to be around 300 projects currently in the pipeline. A high early take up has also been noted in Denmark, where funds have been committed ahead of the financial schedule detailed in the PC, something which may in some cases create difficulties with Structural Fund co-funding.

There is generally a strong desire within programmes to spend quickly and the predominance of logic of consuming budgets (often in fear of the decommitment rule). This programme round may also be seen as a final opportunity for public sector authorities to accelerate their investment programmes.

As outlined in last year's IQ-Net paper on project selection[11], project generation and application procedures vary greatly across the EU. In some cases, projects are largely 'pre-selected' as part of the programme development process, whereas in others, programme implementation is open for any partner to submit a project application, each being treated on its merits. An intermediate approach is to use mechanisms such as 'packages' or 'action plans' through which multiple projects relating to a specific sector, area or measure can be generated (and possibly selected) in a more strategic and co-ordinated manner.

Global grants and/or larger framework projects, for example, have been investigated in a number of regions. This can help both to raise the level of strategic input into the design and follow-up of projects as well as delegate certain responsibilities for decision-making and implementation to other allocated groups. Where framework projects have already been in operation, the opportunity has been taken to improve implementation systems - the Norra

[11] Taylor, S, Bachtler, J and Rooney, ML (2000) *Implementing the New Generation of Programmes: Project Development, Appraisal and Selection* IQ-Net Thematic Paper 7(2), European Policies Research Centre, Glasgow.

Objective 2 PC contains an annex which provides guidelines for any framework projects which might be submitted. These guidelines are designed to combat the administrative confusion which surrounded experience with the framework project carried out under the former Objective 5b programme, with insufficiently accurate tracking of expenditure, invoices etc.

In Sweden, project applications have, in general, been much larger than previously, as well as more numerous. In the former Objective 2 Bergslagen programme, for example, the average project size in the last programming period was ca. SEK 1 million while the average size of the current proposals is SEK 3.3 million. While a financial balance has to be established in terms of the size and number of projects which are supported, it is hoped that the trend towards larger projects will mean a greater overall visible impact of the programme on the region if they prove successful.

Around 70 percent of the project applications so far received in Norra region have been from municipalities. To some degree, the Structural Funds are seen as a way of co-financing municipality development plans, which does not cause any difficulties assuming that the project quality is sufficiently high.

In Italy, strategy implementation will partly be achieved through new forms of Integrated Projects, under the Objective 1 and some of the Objective 2 programmes. In Toscana, in particular, these will take place only during the second half the programming period, because of the need to identify *ad hoc* implementation procedures. The aim is to encourage projects involving broad participation of various actors and strategic integration. This approach will enable the implementation of flexible instruments, capable of responding to the specific needs of the territories. Also, broader use will be made of the so-called instruments of the negotiated planning (*strumenti della programmazione negoziata*).

An innovative dimension of the new French Objective 2 SPDs has been the integration of a stronger ‘territorial’ dimension into programmes, allowing more scope for initiatives brought forward by the bottom-up multi-sectoral partnerships of the *pays*’ (in rural areas) and *agglomérations* (urban areas). This marks a strong political commitment to move in this direction (although the financial commitments are in fact relatively modest). Local organisations will be involved more in collective actions, working together on the ground. Both national instruments and new ones will be used to take actions forward. Among the best developed examples is Picardie, where a three-year pre-programming exercise was undertaken to take forward much of their programme with ‘territorial’ projects (ie. partnerships proposing packages of projects for given areas). They will then re-programme for the final three years. Effectively, the programme is being implemented like a Leader programme, through local partnership structures. This delivery approach has implications for capacity, and resources will be made available to enable the teams to manage their packages.

A further innovative dimension of the French programmes has been the inclusion of measures to be implemented through global grants. Three types of authority are the subject of these measures: Regional Councils, ANVAR (a technology transfer agency) and ADEME (an environmental agency). Five programmes will not operate global grants (mainly because they preferred to

see the idea piloted elsewhere first). A further five will have ANVAR and/or ADEME global grants but none for the Regional Council, and five programmes will have Regional Council global grants but not ADEME or ANVAR ones. Where global grants have been taken up, they were limited in size to 25 percent of relevant programmes, to prevent the fragmentation of programmes into a number of sub-programmes. A critical mass of the programmes is being retained for delivery through the established partnership-based routes.

For those organisations operating global grants (or considering their inclusion in a programme), there are clear implications regarding whether they have sufficient institutional capacity to manage the funds which are dedicated to them.

In North Jutland the abolition of fixed application deadlines has created a new form of stop-go cycle as private and public applicants anxious to ‘get a share of the action’ apply sooner rather than later, leading to exhaustion of the yearly allocation and temporary closure of the programme: currently no applications are accepted but the programme will re-open again in September 2001 for applications concerning projects beginning in 2002. This effectively negates the original intention of ensuring a more even workload in the programme secretariat by not having fixed application deadlines, and may eventually lead to the new procedures being introduced.

The considerable uncertainty experienced under previous programming rounds about ESF eligibility is continuing among those regions which have chosen to include an ESF component in their programmes. Agricultural/rural development projects are also proving problematic – despite previous representation of the new Rural Development Programmes as a ‘consolation prize’ or alternative source of funding for those Objective 5b regions losing eligibility. In Sweden, for example, the national Rural Development Plan does not have a large budget for specific projects and is more focused on direct aid to farmers. This leaves a gap for projects which were formerly eligible under Objective 5b but which are now often no longer eligible under the new Objective 2. Given that some of the new Objective 2 region was formerly a 5b area, this is very problematic. Rural development projects, particularly those supporting economic diversification, are relevant to the aims of the new programme but it is not always clear from the Regulations what is eligible for Objective 2 support and what is not. In Finland, Rural Working Groups were set up to co-ordinate Objective 2 with the Rural Development Plans, but in reality, these groups have not yet begun to act.

4.1.5 Initiating reporting and monitoring requirements

As programmes are launched, or near their launch date, the first Monitoring Committee meetings are taking place. While progress is being made on monitoring arrangements, finalisation of the new systems is often awaiting completion of the programme complements.

Reporting requirements are causing some difficulties, in particular the Commission’s request for annual reports for the year 2000 for the new programmes as well as for the previous ones. In the case of the previous programmes, this has met resistance from Member States which see little

point, as often the only thing that can be reported is payments made, given that decisions could no longer be made on projects during 2000. The Commission argue that a 2000 report should not represent much extra work and should therefore be provided. In the case of the new programmes, the proposal for providing an annual report was met with considerable opposition on the part of the Member States - particularly as it was implied that finance could be withheld by the Commission if it was not supplied. (The Commission is now apparently reconsidering this requirement following widespread opposition and a decision is still outstanding.)

The role of the new annual review meetings between the Commission, the Managing Authority and the Payment Authority is not yet clear and it will be important to establish a pattern which enables these to become a useful forum. The opinion has been expressed that there is a need for review meetings to focus on getting advice on the bigger issues, rather than providing an opportunity to open up matters of detail.

Work on harmonising and refining monitoring systems is continuing. As reported in last year's IQ-Net paper on monitoring[12], DATAR has taken a major role in harmonising work on indicators across the French regions – for example, a set of national core indicators was agreed with the Commission. This work is supported by the development of a national Structural Fund monitoring system in France (*Présage*), to be implemented in all regions and at national level. An additional national technical assistance programme (*Programme National d'Assistance Technique (PNAT)*) – structured as an SPD) to support Structural Fund programme management and administration will also help with co-ordination and avoid duplication of work. In Sweden, indicators have been harmonised across programmes where possible, particularly within the same Objective. Where indicators are used within different programmes, the aim is to ensure that the definition is the same. The horizontal indicators are also the same within Objective groupings.

Changes to the composition of Monitoring Committees during the new programme period (often, wider representation) may prove problematic. In Denmark, for example, the presence of representatives from Objective 2 regions across the country makes for a much larger Monitoring Committee, with the possible result that meetings concentrate more on formal decision-making and less on the informal exchange of experience and views.

Several regions have set up smaller working groups to assist the Committees. In Sweden, a new development has been the formation of smaller working groups, one for the Objective 1 programmes and one for the Objective 2 ones, designed to develop the Monitoring Committees into forums which are more beneficial to practical programme implementation. NUTEK have been keen to encourage Monitoring Committee delegates to be more active and move the discussions away from a purely technical focus. The exact aims and functions of the group are expected to be refined with time but the overall objective is to improve the functioning of the Monitoring Committees and to better prepare

[12] Taylor S, Bachtler J and Polverari L (2000) *Information into Intelligence: Monitoring for Effective Structural Fund Programming*, IQ-Net Thematic Paper 8(2), European Policies Research Centre, Glasgow.

for their meetings. The working group will discuss the type of questions which could be developed and encouraged and how the focus of the full meeting could be more beneficial for the participants. The forum of the smaller group is considered to be more conducive to information, open discussion and feedback between the programmes, NUTEK and the social partners, providing a better on-going picture of real implementation issues as the programming period continues and serve as a basis to better inform and guide the full Monitoring Committee. The working group is not a formal decision-making body and its exact position in the monitoring and programme structure is still settling. However, it is viewed as a step forward in increasing the relevance and meaningfulness of the Monitoring Committee.

A working committee for the monitoring committee will also operate in Nordrhein Westfalen. Because the Monitoring Committee is made up of a high-ranking configuration of people, a working committee was set up to prepare the information which is presented to the Monitoring Committee for approval. This contrasts quite strongly with other *Länder* who have adopted approaches whereby the Monitoring Committee has voting for only some members.

In Sweden, the spring 2001 round of the Monitoring Committee meetings will be held in the regions as it is considered important that the Committees are more visible in the regions and see what is being achieved through the programmes. This is also an attempt to combat becoming overly involved in technical detail in Monitoring Committee discussions.

4.1.6 The future of the partnerships

The programmes are now settling into new relationships with their partnerships and the European Commission. A current issue is how to continue and develop the relationships which have been built up over the programme preparation period, adjusting, in some cases, to the new roles which have been taken on, as well as defining the changing relationship with the European Commission.

At programme level, changing management structures are giving programmes the impetus/opportunity to ensure that the benefits of the partnership working methods developed during the programme consultation phase are extended during the next phase (at least to some degree). For example, in both the Norra Norrland Objective 1 programme and the Norra Objective 2 programme, attempts are being made to secure the continued involvement of the regional partnerships. It is anticipated that there will be more systematic feedback to the partnership - helping with project formulation and eligibility, as well as providing general information on the progress of the programme.

Following the approval of the Norra Norrland SPD by the Commission, individual special interest and partnership groups were asked to look again at relevant priorities and measures, with the intention of defining more clearly what the aims should be, what, as far as possible, could be achieved, and the type of indicators which could be used to measure it. There was a variety of responses, and not everything was integrated into the programme complement, but the exercise served to involve the partnership further. The challenge remains as to how to encourage groups such as these to continue working

together during programme implementation, particularly where they do not match with traditional political decision-making structures.

Improved programme websites are likely to play a major role in this process.. In the case of the Norra Objective 2 programme, for example, the Internet is expected to help considerably in this regard (although it should be remembered that not all partners or project applicants will have access to the Internet). Electronic-based communication will be used more frequently in the organisation of both the Monitoring Committee and the Structural Fund Delegation. Agendas, documentation where possible and other communication will principally be carried out via email. In addition, the partnership built up as part of the regional growth agreement process will also help in the implementation of the new programme, as there is a high degree of overlap. It is hoped that there will be coordination between the two areas with the aim of generating good quality project applications.

A further example of the use of information technology to strengthen partnerships are the intranet developments in France. An intranet system is currently under development to link programme actors in to common resources. The system will help to provide a longer institutional memory, given the rate of turnover of French civil service personnel, and will provide a training resource. Networking to the wider partnership is also being undertaken in Wallonia, where one of the main changes taking place in terms of programme management is the improvements to the databases supporting operational and financial programme management, and their networking to the wider partnership.

An additional management priority over the next period will be working out a new relationship with the Commission. There is little consensus on what this role should be, as evidenced by the regions' differing experiences in regard to completion of the programme complements, and the differing signals being sent regarding the role they would like the Commission to play in future Monitoring Committee meetings.

4.2 Management priorities: the medium term

Looking to the medium term, an issue that is progressively rising up the agenda is the allocation of the performance reserve. Article 44 of the new general Structural Fund regulation[13] provided for the introduction of the Performance Reserve: '*Each Member State, in close consultation with the Commission' shall assess under each objective and not later than 31 December 2003 the performance of each of their operational programmes or single programming documents on the basis of a limited number of monitoring indicators reflecting effectiveness, management and financial implementation and measuring the mid-term results in relation to their specific initial targets*.'

It was left to Member States to decide the relevant indicators, although these had to take account of all or part of an indicative list of indicators proposed by the Commission. The guidelines were contained in a Commission working

[13] European Commission (1999) *Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds*. Official Journal L161; 26.6.1999.

document[14], although a certain amount of flexibility was implied in how each Member State implement the reserve ('*taking account of its specific institutional features*'). The three sets of indicators were specified in the regulation -management, financial and effectiveness criteria.

In December 2000, the Commission produced a synthesis report analysing how Member States were dealing with the Performance Reserve[15] so far and drawing some preliminary conclusions.

The scale of resources available for distribution through the reserve was analysed, splitting the countries into three categories[16]: those representing a high financial volume (sums up towards and over one billion Euro); medium (mainly around €100-150 million, and low (mainly below €50 million). Falling into the 'high' financial volume category were Greece, Spain (Objective 1), Portugal, Germany (Objective 1) and Italy (Objective 1). The 'medium' scale reserves were located in Spain (Objective 2), Ireland, Germany (Objective 2), Italy (Objective 2), France (both Objectives 1 and 2) and the UK (both Objectives 1 and 2). Denmark, Netherlands, Belgium, Austria, Finland, Sweden and Luxembourg were therefore placed in the 'low' financial volume category.

Clearly, the size of the reserve is based on the size of the programmes, but it can serve as a useful context within which to consider the importance attached to the reserve in any particular Member State. However, the financial volume of the reserve is also not the only indicator of the importance attached to it – as the Commission's report points out, '*in the medium-sized programmes (mainly Objective 2 regions) – the volume of the Performance Reserve is relatively low, but it is nonetheless seen as psychologically important, for the point of view of competition with neighbouring regions*'.

In terms of the approaches taken to implementing the reserve, the report's conclusions state that, although Member States have followed different approaches to implementing the reserve, all have followed the basic principles set out in the regulations. The report distinguishes two main groups of countries, as described in the box below.

[14] *'Working Paper 4: Implementation of the performance reserve'. The programming period 2000-2006: methodological working documents*. European Commission, DG Regio, Brussels.

[15] European Commission (2000) *Performance Reserve: Analysis of the situation in the Member States. Objectives 1 and 2. Synthesis Report* (December 2000), DG Regio Evaluation Unit, Brussels.

[16] Not including the phasing out regions. The reserve for the phasing-out regions is often very small, except for Ireland, the UK and Portugal/Lisbon. It is not possible to transfer between phasing-out and non phasing –out areas; it is, however, to put several phasing-out areas in competition within a Member State (eg in France, where Nord-pas-de-Calais and Corsica are in competition).

IMPLEMENTATION OF THE PERFORMANCE RESERVE:
INITIAL COMMISSION ANALYSIS

"To summarise the analysis outlined in this report, it is possible to distinguish two large groups of countries depending on the attitude, the choice of competition mode, the setting of indicators as well as the distribution systems:

- Ambitious attitude. Certain Member States have used the performance reserve as a real management (tool) and incentive for innovation in order to add to their own regional policy dynamics. Sweden, Finland, Belgium and Italy are representative of this group with, in the Nordic case, the possibility to give more to outstanding regions and not necessarily follow a proportional distribution (pattern). Sweden has quantified already on SPD level the effectiveness indicators. In the case of Hainaut, aware that the competition can only function between priorities, the authorities have decided to distribute the sums to the 10 best measures. Italy has adopted a national reserve, different in scope but similar in principle to the performance reserve.
- Following the guidelines. A second group consists of Member States such as the Netherlands, the UK, France, Greece, Ireland, Portugal and Spain that are applying the instrument correctly, that put the programmes or the regions in competition (whenever possible) and generally uses the instrument for its intended purposes. They do not, however, go beyond the Regulations. The CEC proposals in terms of indicators are extensively used and, in certain cases, the effectiveness indicators are identified in the SPD or the OP. Certain countries in this group have been somewhat reticent towards the instrument from the start and have not had the ambition to put programmes and regions in competition. Germany and Austria are a part of this group. This does not, however, mean that they have ignored the CEC guidelines."

The report also identifies the competition patterns selected to implement the reserve:

- open competition between regions/SPDs; and
- limited competition between priorities inside an SPD. This option was opened for Member States which, on institutional grounds (e.g. federal structures) preferred not to use the open competition option, and for phasing-out regions.

Table 4.3 summarises the situation in each Member State.

Table 4.3 Competition types in implementing the Performance Reserve

Austria	Competition limited to priorities inside each SPD (Objectives 1 and 2).
Belgium	Walloon region: Competition between measures for each SPD. Brussels region: Competition between measures. Flemish region: Competition between each SPD.
Denmark	Priorities inside the (single) Objective 2 SPD are in competition.
Finland	Competition between all SPDs inside each Objective.
France	Competition between all Objective 1 SPDs and between the two phasing-out regions. Competition between all Objective 2 SPDs.
Germany	Competition limited to priorities inside each OP for Objective 1 or, for Objective 2, inside each SPD.
Greece	Competition between all OPs.
Ireland	Competition between OPs for Objective 1 and between priorities for phasing-out regions.

Italy	Competition between all OPs and SPDs inside each Objective.
Luxembourg	Not yet decided.
Netherlands	Objective 1: competition between measures (only one SPD). Objective 2: competition between SPDs
Portugal	All Objective 1 programmes (sectoral/regional) in competition. Competition between priorities for Lisbon and Vale do Tejo phasing-out region.
Spain	All programmes are in competition for each Objective.
Sweden	Competition between all SPDs inside each Objective.
UK	In England, Objective 2 regions compete with each other as do Objective 1 regions. In Scotland and Wales, the single Objective 1 SPDs have competition between priorities while the Objective 2 SPDs compete with the others in the devolved territories. For Northern Ireland, competition is between priorities in the transitional OP, as is the case in Gibraltar.

Source: adapted from European Commission (2000) *Performance Reserve: Analysis of the situation in the Member States. Objectives 1 and 2. Synthesis Report* (December 2000), DG Regio Evaluation Unit, Brussels.

Most Member States are adhering to the Commission's preference for 'open competition' ie. between regions/SPDs/OPs, while others have implemented limited competition ie. within programmes, either because of their system (Germany and Austria), or where there is only one SPD for each Objective (eg Denmark). 'Hybrid' systems are operating in Member States, where the situation is so varied across the country that a single system is not feasible (UK, Belgium).

In terms of allocation of the reserve, it has been left up to Member States to decide on a distribution system and to decide whether or not to introduce special features such as additional funding for outstanding performers (see Table 4.4).

Table 4.4 Distribution systems for implementing the Performance Reserve

Austria	Divided across Objective programmes on the basis of total financial weighting. Indicators included in programmes will then determine the distribution between programme priorities.
Belgium	Wallonia: to be distributed to the ten best measures of the two programmes. Brussels: to be distributed to the best measures. Flanders: to be distributed according to the weight of the performing programmes.
Denmark	Not yet decided.
Finland	Additional funding may be given to an outstanding region. If all regions perform in a similar fashion and all have reached the targets, the reserve will be redistributed proportionally according to the financial weight of the programmes. If only some regions are deemed performing the rest will share, proportionally to their initial weight, the totality of the reserve.
France	Proportional distribution to the performing SDPs.
Germany	Objective 1: distribution by preference to the performing priorities outside infrastructure. No specific conditions regarding Objective 2.
Greece	Distribution to the performing OP. A national reserve has also been introduced in addition to the Community reserve.
Ireland	Not known.

Italy	Objective 1: Distribution to the performing regions. Any premium (funds not fully distributed to non-performing regions) this will be distributed partly to the performing programmes and partly to new initiatives. A national reserve (6 %) has also been set up, with different allocation criteria. Objective 2: not yet decided.
Luxembourg	Not known.
Netherlands	Not known.
Portugal	Distribution to the OPs. An additional national reserve (2.6%) has been set up.
Spain	Allocation to SPDs meeting their targets. Procedure for those which do not is not yet finalised.
Sweden	Additional funding may be given to an outstanding region. If all regions perform in a similar fashion and all have reached the targets, the reserve will be redistributed proportionally according to the financial weight of the programmes. If only some regions are deemed performing the rest will share, proportionally to their initial weight, the totality of the reserve.
UK	Not yet finalised.

Source: adapted from European Commission (2000) *Performance Reserve: Analysis of the situation in the Member States. Objectives 1 and 2. Synthesis Report* (December 2000), DG Regio Evaluation Unit, Brussels.

Most countries plan to operate a ‘sliding scale’ system, whereby the Performance Reserve is divided across the programmes on the basis of total financial weighting. Within this system, there are also variations. For example, Sweden plans a ‘fully competitive’ Performance Reserve system. If both Swedish Objective 1 programmes meet their targets, the reserve will be split between them. If one of the programmes fails to meet the targets, the reserve will be given in its entirety to the other programme (assuming that the targets have been met).

In Finland, where the Reserve will be applied at programme level, there was Commission pressure to implement a system involving competition between the Objective 1 regions and between the Objective 2 regions for the entire reserve (best performing region gets all of it). Instead, a sliding system was negotiated, eg. if one programme performs 15 percent better, it will be awarded 15 percent more of the reserve (calculated per capita). If all regions perform in a similar fashion and all have reached their targets, the reserve will be redistributed according to the financial weights of the programmes. Additional funding may be available for outstanding regions.

Distributing the reserve according to financial weight of the programme could cause problems, for example, where unbalanced distribution may result if one large programme under-performs, or absorption problems if performing regions are small in terms of the financial weight of their programmes. To try and solve this, Italy has introduced a different system for distribution of the premium (funds not distributed to the non-performing regions), whereby part of the premium will be distributed to performing programmes according to the proportional weight, with the remainder going to new initiatives.

More rarely, the Performance Reserve system is being set up so that there is competition *within* programmes themselves. All the Wallonian Objective 2

measures in the two programmes will be competing against each other, with the reserve allocated to the ten best performing measures overall.

Using the selected criteria, the assessment would be balanced as follows:

- each category of assessment (financial, management and effectiveness) will have an equal third weighting in the assessment;
- under the management heading, the three separate criteria will each have an equal third weighting (ie. each representing a ninth of the overall assessment);
- under the effectiveness heading, each criteria will have an equal sixth weighting (ie. each representing an eighteenth of the overall assessment).

Using this framework, each measure will be graded in terms of its performance, and the ten best performing measures will be awarded additional resources (calculated on the basis of the original financial weight of each measure in the programme), on the condition that the measure can absorb these additional resources.

Several Member States have planned to target particular themes within programmes for allocation of the Performance Reserve. Once the reserve has been allocated in Sweden, it is likely to be prioritised in terms of its inner-programme distribution on ESF and agricultural measures. In the Norra Objective 2 programme, any additional money would probably be targeted at the ESF measure.

PERFORMANCE RESERVE CRITERIA: NIEDERÖSTERREICH OBJECTIVE 2 PROGRAMME

Effectiveness criteria

(i) *Priority 1*

- Level of private expenditure: €23.8 million
- Number of projects (business infrastructure, regional pilot projects): 80

(ii) *Priority 2*

- Level of private expenditure: €122.5 million
- Number of new jobs: 1,000
- Number of secured jobs: 6,000

(iii) *Priority 3*

- Level of private expenditure: €37.6 million
- Number of new jobs: 240
- Number of secured jobs: 600

Administrative criteria

(i) *Quality of monitoring system*

- Percentage of measures under each Priority which have appropriate annual financial and monitoring data: 100%

(ii) *Quality of internal financial control*

- Percentage of expenditure for projects which are completed and have received a final invoice which are adequately controlled and reported in the framework of internal financial control: 100%

(iii) *Quality of project selection system* (yes/no criteria applied by assessor)

- Is the project selection procedure suitable for the application of project selection criteria?
- Were selection criteria used for project selection?
- Is the selection procedure transparent?

Financial criteria

(i) *Flow of resources*

- Percentage of approved expenditure and eligible applications in relation to the 2000 and 2001 annual tranches: 100%

(ii) *Leverage*

- Percentage of genuinely committed private expenditure in comparison to financial plan: 90%

5. ASSESSMENT OF DEVELOPMENTS

After 2-3 years of programme preparation, planning, strategy development and EC negotiations, most of the Objective 1 programmes and many Objective 2 programmes are now operational. The first calls for applications have been issued and preliminary rounds of project appraisal and selection are underway. Attention is now shifting to the challenges of programme management over the next six years. The immediate issues facing programme managers appear to be five-fold.

First, the new strategies have to be made to work. As the preceding discussion has illustrated, there is considerable continuity from the 1997-99 to 2000-06 strategies but there are also important differences. In particular, there is an increased allocation of resources to business development, community development and innovation. There appear to be more softer measures and indirect aid than before and proposals for types of financial instrument new to Structural Fund programmes (eg. seed capital, venture capital, risk capital, guarantee funds). In many programmes, there is a more distinct spatial or territorial element, with a significant degree of geographic targeting, focusing measures on urban, industrial, mining, rural or fishing areas or communities. Many strategies are, therefore, likely to be more complex to manage and deliver. On the other hand, programme managers have a longer time period over which to implement the strategies, with more flexibility – at measure level – to rebalance resources if required.

Second, there are challenges arising from the new management structures. As previously noted, there is a widespread commitment to improving the

efficiency of programme management in the current period. More emphasis is being placed on publicity strategies, communication with partners and beneficiaries, and programme managers working ‘in the field’ with applicants – all in the interests of improving the project generation process and raising the quality of projects in line with programme objectives. In several regions, new management or implementation structures have been introduced – restructuring of secretariats, new project selection and decision-making structures, greater use of framework projects, more involvement of area-based or thematic partnerships. These new administrative arrangements will take time to ‘bed down’, and, for the immediate future, secretariats will be under pressure as they try to manage the closure of the 1997-99 programme, develop guidelines for the new period and deal with the first rounds of applications under the new programmes. Apart from the technical issues, the future of partnerships is an important question; more so than previously, partners were involved in the programme preparation and planning phases in many regions and there is a common commitment to maintaining the benefits of partnership working during the implementation phase. This is, though, a difficult process, and many programme managers are encountering problems in striking the right balance that achieves effective partner input rather than partner overload.

Third, along with the management structures, there are demands arising from new management systems. As discussed earlier, good financial management and control systems are imperative in this new period, but there are still many questions among programme managers as to roles and responsibilities in the new environment of decentralised management. Some regions are concerned as to whether their systems of financial data collection from applicants (especially demonstration of expenditure), reporting and audit arrangements and their approaches to data definition, classification and analysis are adequate. Similarly, with respect to physical monitoring, the new SPDs generally make many more detailed commitments with respect to monitoring indicators, benchmarks and hierarchies of results, outputs and impacts. However, the monitoring systems are often still incomplete, with inadequate definition of data requirements and collection systems. In some cases – as with the information society – it is openly recognised that more work will be necessary to establish targets in a fast-changing area of activity. More generally, several regions have been plagued by IT problems in getting electronic or on-line management and administrative systems operational. Despite the ambitions of efficient electronic administrative procedures, paper-based application systems still appear to be largely the norm, at least for the early years of the new programme.

Fourth, fulfilling the commitments made to integrate or mainstream the horizontal themes will not be easy. In the past, issues such as equal opportunities or sustainable development tended to be addressed almost exclusively by specific actions (eg. training measures for women; environmental improvement measures) with limited scope. As this paper has noted, this still applies to a significant extent, but there are more programmes intending to mainstream the horizontal themes across the whole programme – in line with EC guidance – by integrating equal opportunities and sustainability criteria among all the project selection criteria. Several programmes have created detailed specific guidance for applicants on one or

more of the horizontal themes, scoring and weighting criteria, management responsibilities for the cross-cutting themes within secretariats and advisory groups of expert input. However, the unknown question is how applicants will react, whether they will respond to the horizontal requirements and what the impact will be. Initial feedback from some programmes suggests that, despite the investment in applicant seminars and information, many applicants have either not understood what is required or are not taking the requirements seriously. This is particularly difficult in these early days of the new programming period when the volume of applications is often high and there is an expectation of quick decision times among applicants who have had to hold back applications for over a year. Intensive working with project applicants on the horizontal themes will, therefore, be a priority for programme managers.

Finally, programme managers will be more exposed and accountable for their actions in the current programming period. The process of annual review, the requirement for stricter financial management and monitoring, and the decommitment rule will all place programme managers under pressure to demonstrate 'sound and efficient management'. In the medium term, the potential impact of the performance reserve scheme (PRS) will also weigh heavily. This applies, in particular, where the outcome of the PRS exercise leads to resources being redeployed *between* programmes, and the attendant political repercussions that this could involve. However, it also applies in cases where the PRS involves expenditure allocations which have to be redirected within programmes, especially where major beneficiaries perceive that they will lose out. With under three years to go until the mid-point of the programming period, programme managers have only limited time to deal with the complex strategic, management and implementation issues outlined above and ensure that their programmes are well-positioned to benefit under the PRS criteria.