



ACCELERATING IMPLEMENTATION OF
STRUCTURAL FUNDS PROGRAMMES

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SUMMER 2009 - AUTUMN 2009

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PREFACE

The research for this paper was undertaken in preparation for the 27th IQ-Net meeting held in Åre, Sweden, on 2-4 December 2009. The paper was written by Stefan Kah.

This paper is the product of desk research and fieldwork visits during autumn 2009 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium). The field research team comprised:

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Austria

- State Government of Niederösterreich, Economic and Tourism Department
- State Government of Steiermark, Economic Policy Department

Belgium

- Agency for the Economy of Vlaanderen, Europe Economy

Czech Republic

- Ministry for Regional Development

Denmark

- Danish Enterprise and Construction Authority

Finland

- Alliance of Länsi-Suomi
- Ministry of Employment and the Economy

France

- Délégation interministérielle à l'aménagement et à la compétitivité des territoires (DIACT)

Germany

- Nordrhein-Westfalen, Ministry of Economy, SMEs and Energy, EU Affairs Unit
- Sachsen-Anhalt, Ministry of Finance

Greece

- CSF Management Organisation Unit, Ministry of Economy and Finance

Italy

- Lombardia Region, Presidency, Central Directorate for Integrated Programming
- Ministry of Economic Development
- Institute for Industrial Promotion (IPI)

Poland

- Śląskie Voivodeship (Marshal's Office)

Portugal

- Financial Institute for Regional Development (IFDR)

Spain

- País Vasco, Provincial Council of Bizkaia, Department of Economy and Finance

Slovenia

- Government Office for Local Self-Government and Regional Policy, EU Cohesion Policy Department

Sweden

- Tillväxtverket, Swedish Agency for Economic and Regional Growth

United Kingdom

- Department of Communities and Local Government
- ONE NorthEast
- Scottish Government
- Welsh European Funding Office

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It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.

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EXECUTIVE SUMMARY

Whilst many Cohesion policy programmes are successfully starting to implement the Structural Funds on a significant scale, others are still facing difficulties with achieving the set targets. Financial absorption has significantly improved in the last six months and almost all programmes could make their first payments.

The impact of the economic crisis on programmes has so far been limited. Public sector bodies have often succeeded in maintaining investments, although some local authorities have struggled to find co-financing. Private sector measures have often been more affected; this is also the case for some measures aimed at disadvantaged areas/people. Some regions have recorded a decline in demand, but this has not always been attributable to the crisis. Lower demand is often only a result of a delayed start to the programmes.

The reactions of the IQ-Net programme authorities to the Commission's response to the crisis (in the form of changes to the Cohesion policy framework) are mixed. Although the changes are predominantly regarded as positive, the actual effect of the measures can be expected to be limited. Nevertheless, specific parts of the recovery package (e.g. additional advance payments) were regarded as useful by most programme authorities.

Notwithstanding the implications of the current economic crisis, the programme authorities have been busy with a range of other operational issues. A number of difficulties still persist in some cases - e.g. with regard to monitoring indicators or specific regulatory requirements. One of the main developments in the last six months has been the production of the Strategic Reports. Most countries were still in the drafting phase at the time of writing, but will have to meet the deadline for submission to the Commission by the end of 2009.

A review of evaluations realised and planned in the various programmes shows that the breadth and depth of the studies go far beyond regulatory requirements. Finally, the closure of the 2000-06 (2004-06) programmes seems coming to an end. The first final reports are being submitted in these months and most others are expecting to follow soon.

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1. INTRODUCTION

Whilst discussions about the future of Cohesion policy have already started, programme authorities have also been making major steps forward with the current programmes. In this, the third year of the 2007-13 programme period, implementation is now fully under way in most cases. Nevertheless, some open operational issues remain and new ones, such as the Strategic Report on the achievement of the goals set out in the NSRF, have emerged. The main external factor in the last six months has been the economic crisis, although it remains to be seen to what extent this affects the Structural Funds programmes.

The objective of this paper is to review recent developments in the implementation of the 2007-13 programmes in IQ-Net partner countries and regions. It draws on a mix of desk research and interviews with staff working on the implementation of Structural Funds programmes. The desk-based research has focused on EU-level and programme documents, including financial performance and monitoring data. The interviews were conducted with a range of Managing Authorities, programme secretariats and national coordination bodies in 15 Member States.

The paper is organised as follows.

- Section 2 begins with a review of the state-of-play of the 2007-13 programmes in light of the economic crisis, looking at both the EU27 and the IQ-Net programmes. This is followed by a look at the numerous implications that the crisis has for the implementation of the programmes. Finally, a summary of the Cohesion policy anti-crisis measures is presented and confronted with the IQ-Net partners responses.
- Section 3 examines operational developments, covering the state of the management and control systems, monitoring systems, the Strategic Reports and audits.
- Section 4 takes a closer look at the topic of evaluation, examining arrangements, evaluation topics and results, and highlights IQ-Net partners' views of the Commission's 2000-06 ex-post evaluations.
- Section 5 looks briefly at the progress with closure of the 2000-06 programmes.
- Section 6 concludes the paper and raises points for discussion.

2. FINANCIAL PROGRESS AND THE CRISIS

The late start of many programmes has resulted in relatively low commitment and payment levels in most Member States. Although programme authorities made major steps forward in the last year, absorption often remains below expectations. The situation is expected to be aggravated by the current economic crisis; however, this does not seem to be the case in all Member States.

2.1 Financial implementation

Financial absorption is still relatively low across the EU27. A main reason for this is the late approval of OPs, and, related to that, the late or still outstanding approval of the programmes' management and control systems (see section 3.1). Table 1 shows that four countries did not yet receive any interim payments for ERDF, ESF or Cohesion Fund (Bulgaria, Cyprus, Spain, Luxembourg) by 01.10.2009.

Table 1: Executed payment requests by the Commission (EU27, 1.10.2009)

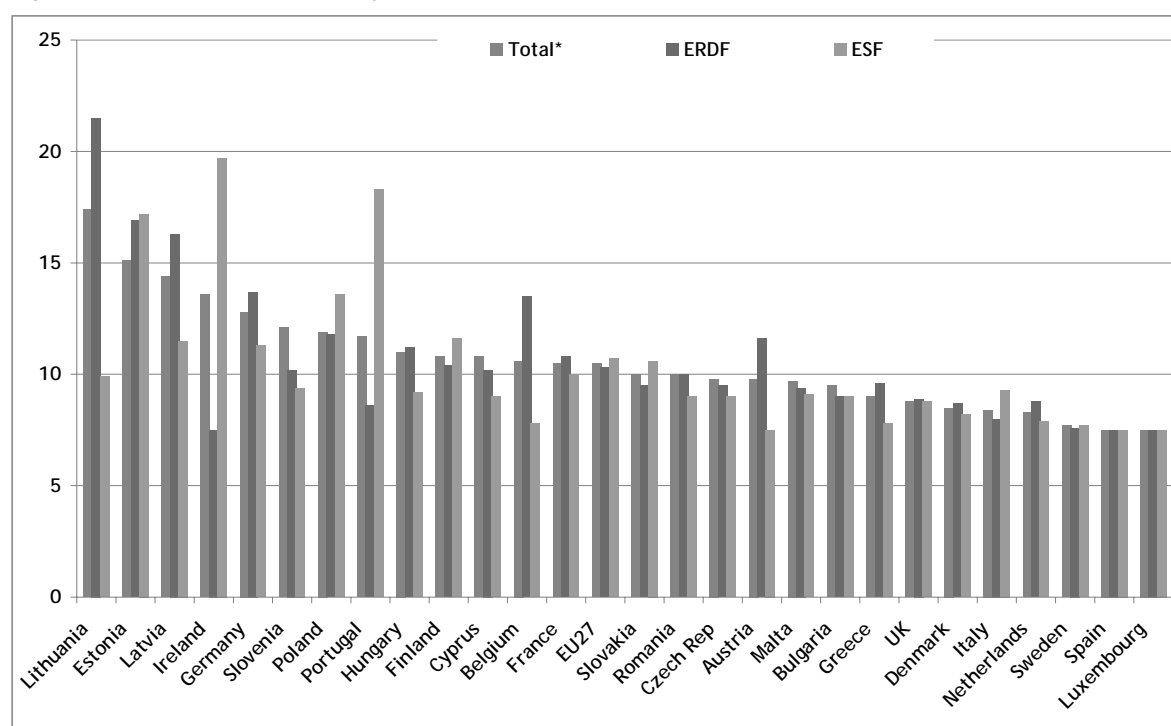
Member State	ERDF and CF		ESF	
	OPs with at least one payment request	Amount of interim payments executed, € million	OPs with at least one payment request	Amount of interim payments executed, € million
Austria	8	16.96	-	-
Belgium	2	59.79	-	-
Bulgaria	-	-	-	-
Cyprus	-	-	-	-
Czech Republic	2	50.07	-	-
Germany	12	754.39	9	230.58
Denmark	1	3.14	1	1.77
Estonia	2	150.60	1	20.45
Spain	-	-	-	-
Finland	-	-	1	15.07
France	16	117.20	3	27.25
Greece	8	284.45	1	13.05
Hungary	13	352.94	1	5.96
Ireland	-	-	1	45.68
Italy	15	54.48	5	105.29
Lithuania	2	528.87	2	9.52
Luxembourg	-	-	-	-
Latvia	2	147.76	1	7.67
Malta	1	1.64	1	0.07
Netherlands	4	10.45	1	3.32
Poland	20	398.42	1	321.50
Portugal	1	107.00	4	493.73
Romania	5	93.86	2	0.38
Sweden	8	1.17	1	1.53
Slovenia	2	90.47	1	3.24
Slovakia	-	-	-	-
United Kingdom	3	72.71	3	60.10
Territorial Coop	8	12.13	n.a.	n.a.
Total	135	3308.50	40	1366.19

Source: DG Regio

2.1.1 Financial implementation in the EU27

The variable state of financial implementation across the EU is shown in Figure 1, which presents the rates of payments to the Member States effected by the Commission by 10.11.2009. Although the overall payments were at 10.5 percent, in some countries payments did not exceed the level of advance payments (7.5 percent for the EU12 and nine percent for the EU15). This is the case in Luxembourg and Spain, and, looking at ESF, also in Austria, Bulgaria, Czech Republic and Cyprus. No payments in ERDF have been registered in Bulgaria and Ireland. As mentioned above, payments are dependent on the approval of the programmes' management and control systems; this has been challenging for many programme authorities (see 3.1). At the other end of the scale are the Baltic States, with payment levels above or around 15 percent. Usually, ERDF payments were higher, but in a number of cases ESF programmes performed better. In Ireland and Portugal, these were significantly above average.

Figure 1: Structural Funds payments in 2007-13 (10 November 2009)

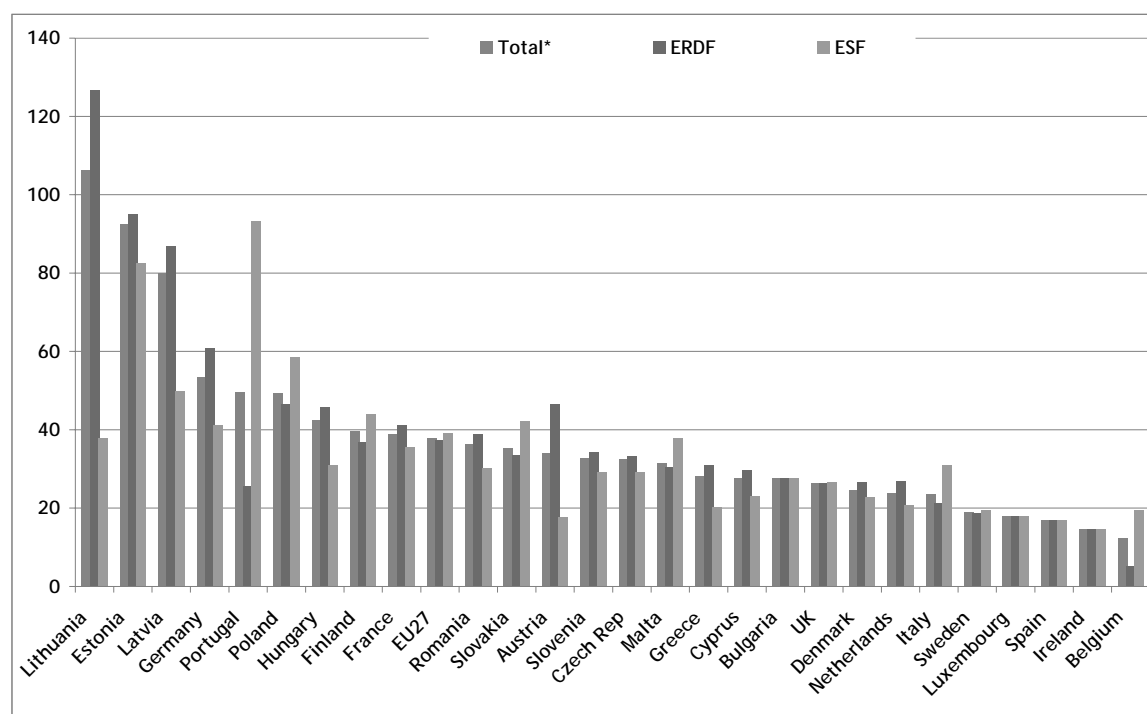


Source: Commission data from 10 November 2009, EPRC calculations

* Includes ERDF, ESF and Cohesion Fund

The payments situation is clearly dynamic especially as the end of the year approaches. The figures might be affected by payment requests still being handled at the time of writing, and the Commission is expecting a significant volume of claims by the end of 2009. The level of Structural Funds payments in relation to allocated funds is shown in Figure 2. Yet, again, the Baltic States showed the highest absorption levels at 10.11.2009. Interestingly, especially EU15 Member States lagged behind, and EU12 countries typically performed close to the average.

Figure 2: Structural Funds payments in relation to allocated funds for 2009 (10 November 2009)



Source: Commission data from 10 November 2009, EPRC calculations

* Includes ERDF, ESF and Cohesion Fund

2.1.2 Financial implementation in the IQ-Net programmes

As for the EU27 as a whole, financial progress in the IQ-Net programmes shows a varied picture. However, it can be said that many programmes have made significant steps forward, and the vast majority have made first payments to beneficiaries.

- **Austria.** The Austrian programme authorities report financial progress broadly in line with expectation. Commitments in Steiermark were at 27 percent and payments at seven percent (24 September 2009), with Priorities showing similar rates. The activity field levels reveal more significant differences, with support for innovation in enterprises over-performing at 46 percent commitment, and tourism also having a high payment rate at 20 percent. Other areas such as R&D could still make almost no payments; problems within the Intermediate Body responsible for R&D are delaying implementation. In Niederösterreich, commitments at OP level were at 31 percent and payments at five percent (29 September 2009). The more business-oriented Priority 1 showed higher commitments at 37 percent, and Priority 2, which focuses more on regional potentials, lagged behind with 18 percent.
- **Belgium (Vlaanderen).** The programme secretariat is content with financial progress, with commitments at 50 percent and payments at 8 percent (6 October 2009). Nevertheless, absorption differs widely between Priorities. The business-oriented Priorities 1 and 2 show little change in approvals over the past six months, standing at 34 and 22 percent respectively. At over 94 percent, Priority 3 has nearly used up the funding available and Priority 4 has increased significantly from 29 to

44 percent (Priorities 3 and 4 focus mainly on public-sector infrastructure provision). The fact that the Priority 3 budget has been almost fully utilised is leading to some informal discussions about possibly moving funding between Priorities. This might not be possible because of concerns relating to achievement of the Lisbon targets.

- **Czech Republic.** Across all the programmes, commitments were at 19 percent and payments at 3.6 percent (25 September 2009). Financial progress differs widely between programmes; out of 17 programmes, five have not yet made any payments, and the OP ‘Research and Development for Innovation’ has not yet even committed any funding. At the other end of the scale is the OP ‘Human Resources and Employment’ which has already committed 66 percent of its funds. Looking at the Integrated Operational Programme (IOP), the financial progress is deemed as being unsatisfactory. Commitments stand at nine percent and payments only at one percent, although the rates for the 2007 allocation are at 62 and nine percent respectively. This is important for meeting the n+3 rule, which is at risk. Reasons for the delays are, for instance, that payments to final beneficiaries are made only ex-post and that most Intermediate Bodies not only have no experience in Structural Funds, but also are often in a competitive situation with each other. However, the long-term and innovative character of the interventions in the Integrated OP is expected to result in financial progress later in later stages of the programme period.
- **Denmark.** Commitments in both the ERDF and ESF programmes are broadly on target in relation to budgets, with 82 percent of the funding set aside for 2007-2009 committed (5 October 2009). While some regions and areas of activity have made brisker starts than others, the current pattern does not give grounds for concern: originally a relatively slow start was due to delays in approval from the Commission and the introduction of new institutional arrangements in Denmark; thus, the current figures actually represent a sizeable catching-up effort. With more than half of the programming period outstanding, the prospects of being able to spend allocated European funding are considered to be good.
- **Finland.** Financial progress overall is deemed to be satisfactory. For the Länsi-Suomi OP, the commitment rate for ERDF is 26 percent and the payment rate 7 percent respectively (18 August 2009). Commitments are somewhat higher for Priority 1 (promotion of businesses), reflecting the earlier start of these projects which in turn was possible due to the earlier set-up of the monitoring system TUKI2000. Meanwhile, the EURA2007 monitoring system has also gradually become operational and commitments have been picking up under other Priorities. The economic downturn has played a role in slowing down the pace of commitments, but partners do not perceive it as necessary to undertake further measures to encourage absorption. The lower level of payments is not surprising considering that the description of the Management and Control System was not approved until August 2009, and hence first payment requests to the Commission were not possible until then.

- France. For the French ERDF programmes under the RCE Objective, the commitment rate is 20 percent and the payment rate is close to three percent (1 October 2009). At the regional level, commitments range between nine percent (Ile-de-France) and 38 percent (Auvergne) and payments between 0.2 percent (Ile-de-France) and 7.2 percent (Limousin). Figures are slightly higher for regional ESF programmes under the RCE objective: the average commitment rate is 26 percent and the payment rate is four percent. There was a steep increase in commitments between July and September 2009, due to the fact that the programmes only really started to commit funding at that time. There has been progress on commitments for innovation projects, but it is not clear what developments on payments are likely to be. This will become clear at the time of the joint mid-term evaluation and mid-term revision of OPs and State-region contracts.
- Germany. In Nordrhein-Westfalen, there are no problems with commitments, which stand at around 35 percent in line with allocations. The payments situation is more difficult, with only around 10 percent of funds paid out. There could have been problems with n+2 for the year 2007 if the programme had not received additional advance payments from the Commission. Such problems are still possible next year. Reasons given for the low levels of payments are: commitments in 2009 which have not yet led to payments; financial difficulties of local authorities; the slow start of some large projects; and the fact that many projects submit payment claims only at the end of the year due to the complex procedures involved in making claims. In Sachsen-Anhalt, the level of commitments under the ERDF OP is 41 percent, and the level of payments is 18 percent; while the level of commitments under the ESF OP is 22 percent and the level of payments is six percent. The ERDF OP has already committed and paid out sufficient funds to ensure that the n+2 rule will be respected for the year 2007 but, in the case of the ESF programme, a further €52 million still needs to be paid out by the end of 2009 in order to ensure that no funds are decommitted.
- Greece. Financial progress overall is not considered satisfactory by programme authorities. Commitments at NSRF level are at six percent while payments remain low at three percent. Regarding sectoral OPs, commitment stands at two percent and payments at one percent (September 2009). For instance, the OP 'Environment and Sustainable development' has not yet been able to commit any funds. Financial progress of the five regional OPs is better; overall, they reached 12 percent of commitment and the payment rate was at six percent. Commitments across the five regional OPs range from 15 percent in Makedonia-Thraki to 8 percent in Attikí; payments were between nine and three percent respectively. The authorities are optimistic that the closure of the 2000-06 OPs at the end of 2009 will accelerate financial absorption of the new programmes.
- Italy. The ERDF OP for Lombardia is considered to be progressing well and has a level of expenditure that does not pose any threats in terms of n+2. At the end of September 2009, commitments were at €98 million (payments €89 million) of total public funds, which corresponds to a commitment rate of 18 percent and a payment rate of 17 percent respectively. This expenditure mostly relates to the three

Financial Engineering funds within Priority 1. However, some major commitments are also expected soon in other Priorities; the Managing Authority is expecting a commitment rate of about 60-75 percent by the end of 2009. The OP Research & Competitiveness, on the other hand, is experiencing significant delays with its implementation. Although in parts of the OP the resources have not yet been allocated to measures, n+2 will not be a problem thanks to a guarantee fund. Most of the measures which have been launched so far relate to the research part of the OP.

- **Poland.** Overall, the financial progress of Polish programmes is deemed to be good. The nationwide HCOP is among the top ESF programmes across the EU in terms of total funds contracted; commitments are 25 percent and payments at seven percent. Within the OP, Śląskie is the top region in terms of total funds contracted and total spending. The best-performing interventions are Priorities 6 ‘Labour Market’ with around 25 percent of payments and Priority 7 ‘Social Integration’ with 17 percent of funds paid out. Contracting under Priority 9 ‘Development of Education and Skills’ is going slower than expected, even in comparison to the national average (seven percent of total funding paid out). For the Śląskie OP, it is still too early to give an accurate assessment of how individual Priorities are performing. Projects under Priority 8 ‘Educational Infrastructure’ and Priority 9 ‘Health and Recreation’ are doing well as these are relatively straightforward to implement.
- **Portugal.** At the mid-point of the year, over 30 percent of funds in Portugal had been committed (30 June 2009). The most advanced programmes were the ERDF Lisboa ROP (49 percent), the Madeira ESF OP (44 percent) and the NOP Competitiveness Factors (39 percent). Other programmes above the national average include the NOP Human Capital (ESF) the Açores ROP (ESF) and the Centro OP (ERDF). Compared to Spring 2009, progress has been especially good in the NOP Territorial Development due to the approval of a number of large projects. In the mainland ROPs, progress has been facilitated by the approval of the Cities Programme (Partnerships for Urban Development and Urban Networks for Competitiveness and Innovation) and a relatively large number of incentive schemes calls. The payment rate averaged 4.6 percent for Portugal as a whole, although there are wide variations across programmes. The Açores ROP and Human Capital NOP were both around the 10 percent mark, while three programmes had a payment rate of less than one percent (Norte, Centro, Alentejo and Technical Assistance).
- **Slovenia.** The Managing Authority is satisfied with the progress in commitments, but payments need to be improved. The highest absorption rates were reached in the OPs funded by ERDF and ESF; the OP ‘Strengthening Regional Development Potential’ reported commitments at 41 percent and payments at 14 percent and the OP ‘Human Resources Development’ also committed 41 percent of the funds, while payments were still lower at 5 percent. (31 August 09). The Cohesion Fund OP ‘Environmental and Transport Infrastructure Development’ lagged behind, with commitments only at 18 percent and payments at 5 percent.

- **Spain.** National data from 30 September 2009 indicates that payments remain relatively low across Spain, albeit with variations across OPs. Payments remain below five percent in most programmes, with the exception of the comparatively small OP of Ceuta which has reached 20 percent. The Diputación Foral de Bizkaia has not yet certified any expenditure, although all projects co-financed by the ERDF in 2007-13 are being implemented as planned, and the first round of expenditure claims were being finalised for certification in early Autumn. The same is true across Spain where programme authorities were reported to be finalising payments claims during October, and n+2 difficulties were generally not anticipated.
- **Sweden.** Financial progress in the Swedish ERDF programmes is deemed to be good (August 2009), with a commitment rate of 62 percent and a payment rate of 16 percent in the Mellersta Norrland OP. Partners are confident that the n+2 target will be met. Particularly high commitments are recorded for the Measure ‘Risk capital and financial instruments’, which has been fully committed. The underperformance of some Measures is not considered alarming, as to some extent this is due to the size of some projects that are soon expected to substantially raise the figure. Also, programme authorities plan to attract further projects through various marketing initiatives. For the Norra Mellansverige OP, commitments are similarly high at 65 percent and payments at 15 percent. Differences among Priorities are mainly due to the nature of the projects in one Priority, which are mostly infrastructure-related and hence need more time to be implemented.
- **United Kingdom.** In Wales, 51 percent of the funds were committed and 6.7 percent had been paid out (8 October 2009). While ESF funds have been committed to 68 percent, ERDF commitment is lower at 39 percent. Payments are at similar levels in both funds (7.4 and 6.3 percent respectively). In North East England, 20 percent of the programme budget has been committed and 2.4 percent has been spent. The achievement of the n+2 target will depend of the approval of a project under JEREMIE. Most English programmes are reasonably confident of meeting n+2 this year, but a number are reliant on venture capital schemes being approved (including London, the North East and the North West). In Scotland, just over half of the available funding has been committed. When a current round of commitments in the Lowland and Uplands OP is added in the near future, commitments will stand at about 60 percent.

2.2 Implications of the crisis for the programmes

Overall, the impact of the economic crisis on programmes has so far been limited. The demand for funding has not been significantly affected; some regions have recorded a decline in demand, but this is not always attributable to the crisis. The following sections look at the effects of the crisis on demand and absorption, the responses undertaken by the programme authorities and liquidity issues that arose in several programmes.

2.2.1 Effects on demand

A decreasing demand for funding has been noticed in some programmes, although only a limited number of partners attribute this to the economic crisis (e.g. Länsi-Suomi, Slovenia in some priorities, Czech Integrated OP, Austria). The Czech Integrated OP estimates a drop in the number of project proposals by 7 percent. Niederösterreich reported a year-on-year drop of around one third between the first quarters of 2008 and 2009; Steiermark estimated a drop of between 5 and 10 percent. The strong weight given to enterprise support in the Austrian programmes is a key factor. In Vlaanderen, the effects are mainly noticeable at level of the sub-regions; the seven provinces and cities report that stimulating participation is becoming more difficult, especially amongst SMEs.

A fall in the number of project proposals is one effect of the crisis; another is a reduction in the scale or pace of project implementation. Some authorities, such as the Czech Ministry for Regional Development see the real challenges posed by the crisis more in actually realising the projects and less in the demand for funding. For instance, the Czech OP ‘Enterprise and Innovation’ has experienced cancellations of already committed projects. Similarly, North East England observed a high interest, but translating this into actual projects has been difficult. Niederösterreich and the Czech Integrated OP also noticed that some investments are postponed.

The extent to which a programme is affected by the crisis often depends on its target group. Some programmes involve a high share of direct investment grants to private firms (e.g. Austria); others do this only to a very limited extent. Hence, in programmes directed predominantly at the public sector, the effect of the crisis is less notable. In Bizkaia and Vlaanderen, most applicants are not entrepreneurs/private sector actors but are rather public bodies, although projects may relate to the private sector. Hence, the crisis has not had an immediate impact.

In many cases, the decrease is limited to certain Priorities or Measures of a programme, while other parts of a programme still perform well. In the Czech Integrated OP, there is a worrying lack of interest in the Measure ‘Social economy’, which supports the employment of socially disadvantaged persons. In Slovenia, the drop is notable in specific measures directed at the private sector, e.g. related to qualification and social entrepreneurship. A fall in demand is especially evident in the ESF OP; this is mainly due to the need for private co-financing of 50 percent. Nevertheless, specific measures for qualification are experiencing strong demand. In the Slovenian ERDF OP, the decline is not significant. One of the reasons is that a lot of projects had already started in 2008. Also, in Niederösterreich, some activity fields are still performing well (e.g. R&D and tourism), although in general investments have fallen significantly. National authorities in Spain, by contrast, expect falling demand for R&D and innovation projects as well as the private sector in general.

Many partners did not notice a considerable fall in demand (Denmark, Greece, France, Nordrhein-Westfalen, Portugal, Sachsen-Anhalt, Sweden), sometimes because the programme is still at too early a stage for the effects of the crisis to be estimated (Italian OP Research & Competitiveness). In the Swedish Mellersta Norrland and Norra Mellansverige OP, the programme managers have not noticed any drop in the number of applications, nor

have any specific problems been reported by the applicants. Although the perception among some actors in Structural Funds implementation would suggest otherwise, the statistics do not reflect a negative effect of the crisis. One measure in Nordrhein-Westfalen, namely a loan for SMEs, has seen lower than expected demand and this may be due to alternative funding streams provided by the German federal government. Yet, parts of the programme that obviously address gaps in the market continue to be strong. This is the case, for instance, for the micro-enterprise loan fund. Other concerns about competition from domestic crisis sources did not materialise. In comparison, in Sachsen-Anhalt, no problems have yet emerged in terms of lower take-up due to increased competition from the federal government's crisis package measures. Although programmes are considered to be operating normally, the partners in Sachsen-Anhalt cannot exclude the fact that demand may turn out to be lower than originally anticipated. Some instruments, particularly the SME loan fund, are reporting higher than expected demand.

Problems with the lack of sufficient match-funding have been reported in many programmes (Czech Republic, Länsi-Suomi, Nordrhein-Westfalen, Śląskie ROP, Spain, United Kingdom). As the crisis has affected public budgets in Spain, this has put pressure on the necessary Structural Funds co-financing; national authorities report that some Spanish regions may have liquidity issues. In Länsi-Suomi, Nordrhein-Westfalen and the Czech Integrated OP, it is the necessity for co-funding at the local level that is challenging. While the *Land* Nordrhein-Westfalen itself is optimistic that it will not encounter problems, the OP is negatively affected by constraints on local authority budgets. Although these are not due entirely to the crisis, it has contributed to an aggravation of the situation. The main impact is on demand for Priority 3 which supports projects in disadvantaged areas and towns. Nevertheless, there is no need yet to undertake changes to the OP. The partners from the Czech Integrated OP report that municipalities have been encountering difficulties with bank lending.

The decrease in application numbers is not always attributed to the economic crisis. The Austrian partners report that some Intermediate Bodies are backing out of Structural Funds co-financed projects, because the administrative effort is considered to be too great and too complex. Similarly, programme authorities in North East England noticed that some potential beneficiaries, namely the higher education sector, are discouraged by the administrative complexity; they are also concerned at the lack of certainty of rules and their possible retrospective interpretation. From the view point of One North East (the regional development agency), this undermines the credibility of ERDF. Finally, in Scotland, there is some anecdotal evidence that the voluntary sector is not very active, due to the audit burden in the previous programme period.

Certain measures might even be more successful under the current climate.

- This is the case in Denmark, where one unemployment-related measure in the ESF OP which co-funds training measures and which had been relatively unsuccessful before the crisis, is now experiencing very high demand.
- A similar trend for unemployment measures has been noticed in the Norra Mellansverige OP and in Wales, where, for instance, the PROACT scheme aims at keeping workers in employment.

- In Greece, there are some indirect positive effects. The newly-introduced energy efficiency measures and loan guarantees to SMEs generate high interest and are very successful. About 100,000 applications have been registered for energy efficiency projects and about €5.7 billion of loans and guarantees to over 27,000 SMEs have already been approved.
- In France there has been a recent rise in commitments, mainly due to the late start of the commitment phase. Yet, the crisis has accelerated the implementation of certain measures, notably regarding innovation financing instruments.
- In the Mellersta Norrland OP there has been a notable increase in tourism-related applications. This is due to the weakened currency which has attracted both foreign and domestic tourists.
- In terms of the character of project applications, it is interesting to note that, while the partners in Niederösterreich noticed an increase in the size of projects, the partners in Sachsen-Anhalt are expecting a shift from larger to smaller projects because of their successful SME loan fund.

2.2.2 Absorption challenges

Several partners are concerned about possible decommitments. In Greece, the crisis coincided with budgetary adjustment problems, making high absorption rates even more difficult. Also, French programme authorities are concerned that some funds could be decommitted; European funding would be all the more necessary to stimulate the economy in the current situation. The Managing Authority of the Czech Integrated OP states that spending challenges depend on the future impacts of the crisis on the public sector. Concerns about n+2 in the NOP Technology Fund in Spain are being eased to an extent by the introduction of a JEREMIE fund.

Other programme authorities are already certain that some funds will be lost. In the Scottish H&I OP, there is inherent front-loading in the programme because of phasing out; half of the resources have to be committed in the first three years. The above-mentioned lack of match-funding also contributes to the tense situation, and the n+2 target will probably not be achieved for 2009, although perspectives for 2010 look more positive. The United Kingdom, together with other countries outside the euro zone, experienced windfall gains from the high euro value in comparison to their national currency. Hence, during re-negotiations with the Commission, Wales stressed the importance that the value of the programmes in Sterling is maintained. The above-mentioned public sector match-funding issues meant that not all funds could be absorbed.

Some partners did not report problems with absorption (Portugal, Sweden, Spain, Finland), at least not to an extent that puts the n+2 target in danger for the current year. As some Managing Authorities, for instance in Austria, pointed out, the additional advance payments granted in the context of the Commission's recovery package are very helpful in complying with the n+2 rule in 2009. The crisis has affected spending in Finland, but has not lead to a major crash. Länsi-Suomi reports good progress with spending, while the situation is more challenging in other Finnish programmes, especially in those funded by

ESF. The Austrian programmes do not expect problems for this year, but expect compliance to the n+2 rule to be difficult in 2010. Generally it can be said that challenges will increase in 2010 for many programme authorities, when the tranche for 2008 will have to be spent. Yet, some countries, such as Portugal, have the advantage of being able to rely on n+3 instead of n+2.

2.2.3 Programme responses

Where project demand is deemed insufficient, or absorption might be in danger, programme authorities have developed various strategies to keep the programmes operating according to plan. The following section takes a closer look at the option of reprogramming, which has been simplified in the context of the Commission's regulatory amendment, and also a number of other initiatives taken by IQ-Net programmes.

As the recovery package eased some regulatory restrictions¹, reprogramming the OPs has become easier and some Managing Authorities have already carried out changes to the programmes. Nevertheless, this was not always entirely connected to the economic crisis.

- In Spain, the Cohesion Fund OP has been changed and funds allocated for Technical Assistance have been shifted to transport measures. There was also a minor transfer of funds within a regional OP.
- In Portugal, changes were made in the ESF programme, and some technical errors have been addressed.
- In Slovenia, the crisis is only one reason to change the Cohesion Fund programme, other reasons relate, for instance, to issues with land ownership in the case of major environmental and transport projects.
- In Austria, Steiermark and three other *Länder* had applied to the Commission for an amendment of their OP in early Autumn. Steiermark plans to shift €7 million from 'R&D in enterprises' to 'Support of innovation in businesses'.
- The Welsh ESF programme has been reoriented in order to respond to rising unemployment and the exchange rate changes. Also, the Welsh ERDF programmes have been changed, e.g. new opportunities for marketing and business support initiatives for sustainable tourism have been created.
- In Länsi-Suomi, an equity fund has been introduced under the Priority 'Promotion of businesses'. However, many of the Länsi-Suomi sub-programme-level regions have been showing rather reluctant responses, since the fund will effectively reduce their budgets for other purposes.

¹ Mendez C and Kah S (2009) Programme Implementation in Times of Economic Crisis: Review of Programme Implementation Winter 2008 - Spring 2009, *IQ-Net Review Paper* 24(1), European Policies Research Centre, Glasgow, p. 12.

- The Polish Human Capital OP in Śląskie plans to respond to the fact that enterprises tend to focus less funding on training activities during the crisis.
- Finally, in England some OPs have also been changed. As mentioned above, two programmes have been amended to include private sector match funding.

A group of partners have not yet carried out any modifications but are planning to modify their programmes.

- The Scottish programmes are to be adjusted slightly as a result of the evaluation of the Scottish evaluation system (see Section 4.2.1). Some funds will be shifted to the ESF Priority 'Access to Employment'.
- In France, the current crisis is understood as an important socio-economic change which, according to the Regulations, can be taken as an opportunity to exceptionally change the OPs. The Managing Authorities are encouraged by DIACT to think of potential programme adaptations, favouring those measures and actions which are likely to be implemented rapidly, and to adapt the financing plans accordingly.
- In Länsi-Suomi, reprogramming is being discussed because of some difficulties with the funding requirements to the so-called 'challenging areas', for which 67 percent (€159 million) of the programme's funds have been earmarked. This rule meant that many good project proposals had to be rejected because they did not come from a prioritised area. However, this is not directly connected to the effects of the economic crisis. Furthermore, there have been some ongoing issues in Länsi-Suomi with respect to Priority 3 'Regional accessibility and improvement of the business environment', where demand had been relatively high. The regional-level actors had called for more funding to be made available for this purpose, but the Commission objected, as it would like the OP to focus on the previously set strategic goals.
- In Greece, earlier this year, the first 'Annual Conference of the OPs' Monitoring Committee Chairmen' discussed possible redistributions of funds. It was intended to shift funds between thematic priorities of the OPs in order to adapt to the needs of the real economy. Focus should be on promoting entrepreneurship, especially for SMEs, and on job maintenance and creation. However, the recent national elections and the government change have frozen this discussion.

Notwithstanding the regulatory simplifications, several IQ-Net Managing Authorities consider their programmes to be appropriate under the changed conditions and do not plan any modifications (e.g. Diputación Foral de Bizkaia, Lombardia, Sachsen-Anhalt). Some, such as Mellersta Norrland and Niederösterreich, consider their programmes to be flexible enough to react to the new framework conditions. Also the Managing Authority in Lombardia trusts that their programme strategy, which focuses strongly on firms' competitiveness (e.g. through RDI), is the right approach. Also, the focus on competitiveness is deemed instrumental for the post-crisis, i.e. it will help the Lombard firms to exit the crisis with a strengthened position. However, if there were signs that some

measures do not have enough take-up, a reallocation of funds would be considered. Also, the programme managers of the Czech Integrated OP do not plan any modifications, as it would still be too soon to change the programmes. The low demand across all OPs makes shifting funds between OPs questionable, as it is not sure that this would actually result in higher absorption. Finally, Norra Mellansverige does not fully exclude reprogramming its OP.

Several other initiatives have been taken in order to respond to levels of funding demand and absorption.

- Consultations between the relevant authorities have been organised in Italy in order to tackle the economic crisis. In March 2009, and again in September/October 2009, there were meetings in Rome designed to take stock of the Italian progress with the programmes and the current structural crisis conditions. All the regions, the State and the European Commission participated at the meetings and reviewed the anti-crisis measures introduced in the programmes. In order to maximise the synergies and avoid overlaps with the ROPs, the Managing Authority (Ministry of University and Research) of the Italian OP Research & Competitiveness has been engaged in meetings with the Convergence regional authorities. Institutional understandings and, subsequently, Framework programme agreements have been signed with some of these authorities to this purpose. The aim is to make the OP synergic with the regional OPs and domestic programmes.
- Changes to the scope of eligible expenditure or to project selection criteria have been introduced.
 - In Portugal, eligible investments under the incentive schemes have been extended to those with relevant impacts on production, employment or exports, although it is also stipulated that the existing focus on innovation should continue.
 - Also, Niederösterreich reports that the selection criteria have been changed. Yet, the partners do not interpret the change as a form of weakening, but as a form of reinterpretation. One example is the criterion of ‘staff increase’, which has been changed into ‘staff retention’ and hence is still about supporting employment.
 - In Länsi-Suomi, the project selection criteria have not been affected. However, changes have been introduced to the municipal co-funding requirements in order to alleviate the situation.
 - In the Śląskie unit for the Human Capital OP, there is now more emphasis on support for new SMEs. Additionally, so-called ‘access criteria’ have been added to help guarantee that regional Intermediate Bodies across the country are supporting firms in their own regions. In the past, it has been possible for firms from outside of the region (e.g. larger, more experienced enterprises from Warsaw) to gain funding. Now there is more emphasis on

the region's own businesses. Also in the Śląskie ROP, project selection criteria have been changed and made less complicated.

- Measures to encourage the participation in the programmes have been undertaken in Vlaanderen. The provincial and urban contact points make regular reports on levels of response to the programme secretariat. These show that more effort will be needed in order to achieve the required results. Nevertheless, there remains an expectation that progress will remain in line with initial expectations.
- A specific call responding to the economic downturn call has been set in place in North East England as an immediate response to the crisis.
- An interesting approach is being taken in Scotland, where an exceptional project procedure for fast tracking has been introduced under both the Highlands & Islands and the Lowland & Uplands (LUPS) OPs (May/June 2009). This gives the Monitoring Committees the opportunity to fast track key strategic projects in response to the current crisis. Hence, the LUPS Monitoring Committee is now meeting four times a year instead of only twice. For example, in the Scotland LUPS OP there were a couple of fast track projects dealing with potential job losses.

2.2.4 Liquidity issues

Several partners reported problems with bank lending. These were mentioned by North East England and Austria, where banks are reported to be very restrictive with credit. Liquidity problems are delaying investments in the Steiermark OP; for example, the activity field 'Environmental investments' shows a very high commitment rate of 45 percent, but could not make any payments. There are also bank lending challenges in Slovenia, especially in the ESF OP with credits for NGOs, and in Finland, where some business projects have experienced problems in terms of guarantees. The Czech Integrated OP reports that municipalities especially have been encountering difficulties. Previously, municipalities were used to obtaining credit relatively easily, but now, with cuts in public expenditure, the banks' approach has changed.

Bank lending problems were not a major challenge in the Mellersta Norrland OP, Spain and Portugal. The Greek partners had noticed problems with the availability of credit, but these did not affect the implementation of the OPs. In the case of the Diputación Foral de Bizkaia, there were not any problems because they have mainly public infrastructure projects. The Portuguese authorities tried to anticipate potential problems by providing more advances some time ago. Also the Slovenian Managing Authority decided to give more advance-financing to support projects with NGO involvement. This option of giving higher advances was extended to the business sector in June 2009.

Some partners use guarantee schemes and loan subventions and these have been deemed very useful, for instance in Slovenia. Steiermark has launched two programmes in order to provide interim and investment credit. Also at the Austrian federal level, a bank specialised in financial services to the export industry and the capital market, is active in closing liquidity gaps. In many cases, the state assumes the role of a quasi-bank.

Financial engineering instruments are seen as helpful in Länsi-Suomi, North East England and Spain. In Spain, a JEREMIE fund is in the final stage of approval for the ‘Technology Fund NOP’. This is supposed to help with the guarantee of loans for the programme’s beneficiaries. A JEREMIE fund has also been set up in North East England. One of the advantages of such a fund is the fact that it allows payments to be processed at once; hence it is contributing to n+2 targets.

A change to the repartition of EU, public and private funding can be a solution in some cases. In Wales, project sponsors who have struggled to find match-funding can have a greater proportion of their costs met by Structural Funds. Similarly, some French programme managers would like to increase the percentage of EU co-funding to 50 percent, so that less domestic co-funding would be necessary. However, this is being negotiated with the Commission. Another approach has been chosen in England, where Yorkshire and Humberside did amend their OP in order to include private sector match-funding. In Finland, the difficulties of obtaining municipal co-funding led to a government decision that made it possible for municipalities to lower their contribution to 15 instead of 25 percent in 2009 and 2010. The co-funding share is then expected to be increased after 2010, so that the average over the programme period will remain at 25 percent. A change to the co-financing rates has already been discussed in Portugal, although no decision has yet been taken.

2.3 Cohesion policy responses to the economic crisis

2.3.1 *Amendments to the implementation framework*

The Commission introduced a series of measures between November 2008 and July 2009 aimed at accelerating the implementation of Cohesion policy and providing additional flexibility to Member States in using Cohesion policy resources to address the crisis.² The European Economic Recovery Plan of 26 November 2008 stated that, among other measures, the Commission would propose changes in the regulations governing the 2007-09 Structural Funds programmes with the aim of enhancing the flow of funds to appropriate projects. These changes were designed to: increase advance payments; encourage the front-loading of programmes with EU funds; facilitate the implementation of major projects and financial engineering funds; simplify the treatment of advances paid to beneficiaries; increase the use of flat-rate payments; and allow funds to be shifted toward energy-efficiency investments, including in social housing.³ This Communication was followed by a series of Commission proposals to the Parliament and Council to amend the Structural Funds regulations in order to allow these changes to be introduced.

A Commission Communication of 16 December 2008 set out a more comprehensive view of the role of Cohesion policy in responding to the economic crisis.⁴ It outlined a series of recommendations to the Member States, and noted the legislative changes proposed. It also

² Section 2.3.1 is based on Davies S, Kah S and Woods C (2009) Regional Dimensions of the Financial and Economic Crisis, *EoRPA paper* 09/1, European Policies Research Centre, Glasgow.

³ European Commission (2008a) *A European Economic Recovery Plan*, 800 final, 26 November 2008.

⁴ European Commission (2008b) *Cohesion Policy: investing in the real economy*, COM(2008) 876 final.

stated that the Commission would work with Member States to increase flexibility, notably by allowing domestic authorities to reallocate funds in the 2007-13 programmes in order to: accelerate spending; shift funds towards support for energy efficiency and renewable energy investment in housing; and extend the final date for eligibility of expenditure for the 2000-06 period by six months.

A further proposed legislative change followed on 24 February 2009. This proposal allowed Member States greater flexibility in closing the 2000-06 programmes.⁵ According to the Structural Funds regulations, Member States are obliged to ensure that there is little divergence between the final financial tables and the actual funds declared for each programme, EU Fund and Priority. Where the divergence is greater than the legal ceiling, the Commission does not pay out funds to the Member State. In February 2009, the ceiling was raised from two percent to ten percent of funds for the period 2000-06, thus allowing Member States to claim a larger amount of EU funds than would otherwise have been possible.

In addition, in June 2009, Commissioner Hübner announced that the Commission would introduce an exceptional change for 2009 only, namely to extend the n+2 rule on automatic decommitment (n+3 in poorer Member States) for an additional year, so that programmes would have three years (or four years in poorer Member States) in which to absorb funds committed.⁶

The following section focuses on the third Commission Communication which was published on 22 July 2009.⁷ It introduced various measures aimed at simplifying the implementation of Cohesion policy, including:

- the possibility that ESF projects could receive 100 percent finance from EU funds in 2009-10;⁸
- the introduction of a single threshold of €50 million for projects to be defined as major projects;
- the simplification of rules relating to 'revenue-generating' projects;
- the simplification of revisions to programmes;
- certain provisions concerning the obligation to maintain investments over a five-year period will not apply to undertakings which go bankrupt;

⁵ European Commission (2009a) *Commission increases flexibility of structural funds in response to financial crisis*, Press release February 24 2009.

⁶ Commissioner Hübner (2009) Meeting with the regional offices, 25 June 2009, Brussels, available at http://ec.europa.eu/commission_barroso/samecki/pdf/2009/25062009_regoff.pdf

⁷ European Commission (2009b) *Proposal for a Council Regulation amending Regulation (EC) No 1083/2006 concerning general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as regards simplification of certain requirements and as regards certain provisions relating to financial management*, 22 July 2009, COM(2009) 384 final.

⁸ Evidence suggests that this proposal will not be realised.

- Investments linked to energy efficiency and renewable energies in housing to be encouraged;
- changes in the rules on decommitment so that, for example, grants to major projects would be treated as having been paid out as soon as the Member State submitted the project to the Commission (rather than from the date of the Commission's approval);
- and the extension of eligibility rules on ERDF funding for housing to include support for communities faced with social exclusion, particularly Roma, in both rural and urban areas.

2.3.2 Reactions of the IQ-Net programme authorities

The reactions of the IQ-Net programme authorities to the changes are predominantly positive (e.g. Austria, Greece, Spain). As the Austrian partners pointed out, any simplification is welcome. Nevertheless, a lot of the measures are not relevant to many IQ-Net programmes (Austria, Bizkaia, Denmark, Länsi-Suomi, Sweden, Italian OP Research & Competitiveness, Vlaanderen, Wales). For instance, in the Swedish context, the programmes of Mellersta Norrland and Norra Mellansverige have not used any of the measures introduced by the Commission, nor are there plans to do so in the future. However, possible revisions to the programme of Norra Mellansverige are not entirely excluded.

Often, the size of the programme and the Fund associated with the OP prevented the measures being of significance. Also, the different roles that the programme authorities play in their implementation meant that the suitability of the changes differs widely.

Some partners found the Commission proposals to be disappointing (e.g. North East England). Mixed views were also expressed by Spain. Nevertheless, the measures will facilitate implementation as they are small changes that will help to simplify the management framework.

A number of programme authorities viewed the changes as part of a more general simplification effort that has come 'too late'. Instead, they argue that the changes should have been made at the start of the period (Austria, Portugal, Spain). This is important because any change to the regulations requires a variety of procedures to be adapted accordingly afterwards. Additionally, the funds have been allocated to areas of interventions with a long-term view, and they cannot easily be relocated. Authorities in the Czech Republic pointed out that a re-allocation of funds might not have the expected effect, as there might be a lack of potential applicants. The Niederösterreich Managing Authority also noted that more support from the Commission would be appreciated in order to implement the introduced amendments efficiently.

Generally, the amount of administrative work required until the simplifications feed through to project level was mentioned by several programme authorities (e.g. Austria, Portugal, Spain).

Specific reactions to the changes introduced are as follows.

- For projects financed by the ESF, reimbursement of 100 percent of the public costs is possible in 2009 and 2010 (amendment of Art. 77, Reg. 1083/2006). Several government authorities have welcomed this measure as being useful, for example the Czech Managing Authority of the NSRF. However, while Managing Authorities in Finland expect to use this measure, it is seen as bringing only temporary alleviation of the problems being faced, with the overall budget allocation remaining intact for the programme period. Also, authorities in England, France, North East England, and Portugal consider that it would only postpone problems.
- Increase in the threshold for major projects in the environmental sector to €50 million, hence speeding up smaller-scale environmental projects (no Commission approval needed) (Art. 39-41). The proposed modification was made at the request of the Greek authorities and took into consideration the fact that some major NSRF interventions have been planned in order to receive finance from several OPs. The changes enable the co-financing of major projects by more than one OP. The Czech Republic, Slovenia and Spain also support this proposal; in the latter case, the measure is important, as a significant number of Spanish environmental projects will be affected by this provision. Also in Sachsen-Anhalt the measure is seen as relevant because the *Land* has a lot of major projects, particularly in comparison with other German programmes. This change means that there is no longer a need to differentiate between environmental and other major projects in terms of financial scale. Portugal notes that it was generally not perceived to be good to have two thresholds when the article was being negotiated originally in 2005, but the number of projects affected is low anyway. Also in France, only a limited number of projects will be affected. Still, the authorities are concerned about the intense support necessary.
- Simplified rules for revenue-generating projects, e.g. projects involving the leasing or sale of land (Art. 55). This measure has been welcomed by many programmes, e.g. Czech Republic, England, Austria and Finland. In Autumn 2009, the latter two countries were carrying out studies on impacts and implementation in practice. Sachsen-Anhalt expects the administrative burden to be reduced and Slovenia welcomes the measure especially because of land-ownership concerns. Also, France, North East England, Spain and Greece see the measure as useful, but have been more critical. For instance, higher thresholds would have been better according to the Spanish authorities.
- Revisions of OPs are simplified (Art. 48) (see section 2.2.3). A number of partners appreciate the simplifications (e.g. Czech Republic, France, Greece, North East England, Portugal, Slovenia), although they have not yet carried out any amendments. However, Spain is not sure if this change will have any significant impact, especially in relation to general programme administration. Nordrhein-Westfalen especially welcomes the measure, as it would mean they would not need to carry out the previously necessary evaluation for an amendment of their OP. By

contrast, Sachsen-Anhalt does not intend to make any programme changes before undertaking an evaluation and so the measure is not relevant. However, the Greek authorities would appreciate an explanatory note from the Commission regarding the meaning and content of the analysis that must be provided instead of an evaluation for the revision of OPs.

- Certain provisions concerning the obligation to maintain investments over a five-year period will not apply to undertakings which go bankrupt (Art. 57). The attitude of several programme authorities toward this change is positive (England, Finland, Greece, Sachsen-Anhalt, Slovenia). Slovenia especially welcomes the measure, as it had similar problems in its SPD in the 2004-06 programme period and this period has seen the first bankruptcies. The Czech Republic also considered it to be useful but would have regarded a decrease in the requested maintenance period to be of more help.
- Investments linked to energy efficiency and renewable energies in housing are encouraged (Art. 44). This is clearly supported by the French government, which had already (November 2008) asked for the option to use ERDF funding for energy efficiency measures in social housing. However, there remain questions regarding the fact that four percent of the overall funding envelope must not be exceeded. Some regions have asked to modify their OPs to integrate the new approach. In November 2009, the division of responsibilities and eligible activities was discussed at a meeting of programme managers. The measure is also being adopted in Slovenia; the first call was under preparation in early Autumn 2009 and there is a lot of interest in this area. In Greece, the authorities have agreed a plan to apply the new rule to the Cohesion Fund; Scotland and Wales are also interested. In addition, North East England will adopt the measure, but sees Lisbon earmarking as a potential problem. Contrarily, this measure is not seen as relevant in Spain and by the Austrian and the German programmes, as there are already domestic programmes in place.
- More flexibility with regard to the rules on decommitment for major projects (Art. 94). This change was requested by Spain. The Czech Republic, England and Greece also welcome the increased flexibility, and France considers concessions in the field of automatic decommitment very important. It is also a relevant measure for Sachsen-Anhalt, which plans to have a large number of major projects in 2007-13. More generally, France, North East England and Wales would welcome more changes to the financial rules, e.g. more concessions in the field of automatic decommitment - i.e. easing the n+2 rule in 2010. Slovenia proposed that Cohesion Fund commitments should be subjected to n+3 instead of n+2 in order to take account of the significantly longer time needed to implement larger infrastructure projects.
- ERDF support can be granted for housing projects for communities faced with social exclusion, particularly Roma (Art. 7(2), Reg. 1080/2006). This rule is not applicable in most IQ-Net programmes. Portugal is rather critical of the approach because it applies only to specific Member States; although all countries face social

exclusion challenges, these are not eligible for such investments according to the new rule. Hence, the measure should be more general. Similarly, Greece disagrees with its application only to the new Member States and has proposed its extension. In Slovenia, the change is not regarded as relevant, as there are already national funding streams with a similar scope in place. However, the Czech Republic would consider using the new facility in cases where financial resources for housing would be reallocated from other measures.

A number of other changes have been proposed by the IQ-Net interviewees (see also Box 1). Some of these relate to:

- **State Aid issues.** According to North East England, there is a need for more clarity. This issue is a major disincentive for the private sector, especially on regeneration schemes. Scotland would like the *de minimis* threshold to be higher.
- **Financial engineering instruments.** England would have liked more proposals for the use of financial engineering instruments, including more flexibility for co-investment models where all match funding is not up front.

Box 1: Simplification principles proposed by England

The Department of Communities and Local Government in the United Kingdom (Managing Authority for the English ERDF programmes) has outlined a number of desirable non-regulatory changes that would provide further simplification:

- No retrospective enforcement of rules.
- Proportionality.
- Subsidiarity - with Member States primarily responsible for management functions, and the Commission assessing compliance with general principles.
- Commission consistency and promptness, with consistent advice from different geographical desks and desk officers.
- Some general principles for audit, for example, Audit Authorities accredited by the Commission should have their method and strategy and conclusions automatically accepted by the Commission, while the Commission should concentrate on ex-ante audits of the systems.
- Some principles related to financial corrections: if irregularities arise as a result of changes in rules or interpretation, or if the Commission concludes that a practice it has previously allowed is illegal, no financial corrections should be made.

Looking comprehensively at all the changes introduced in the course of the last 12 months⁹, the following changes have been mentioned as being especially helpful.

- Many partners mentioned the extra advance payment as one of the most important measures (Austria, Diputación Foral de Bizkaia, Italy, Scotland, Spain, Wales); North East England would find an additional advance payment helpful.
- The introduction of flat rates was especially welcomed by Austria and Denmark. Also Vlaanderen plans to make use of the provision. By contrast, Scotland will not take up this proposal, as it is considered to come too late and they do not want to change the rules half way through the period. To implement this new rule in the Austrian context, a study has been commissioned in order to calculate appropriate flat rates; results were expected in November 2009. This also will involve an amendment of the national eligibility rules.
- Simplifications to the rules on revenue-generating projects were mentioned by Austria.
- Finally, the extension of closure deadlines has been welcomed by many programme authorities, e.g. Wales.

Box 2: Czech responses to crisis effects on Structural Funds

The Managing Authority of the NSRF has undertaken a wide range of activities to tackle the impacts of the economic crisis on Structural Funds implementation.

Mainly during Summer 2009, the study ‘Impacts of the financial crisis on the implementation of OPs’ was conducted which included assessing which, and how, OPs, Priorities and Measures could be affected by the crisis. The study developed proposals for responses and identified barriers for efficient Structural Funds implementation.

The study results were submitted to the Government, in order to provide information about the consequences of the crisis for Structural Funds. The following key threats have been identified:

- challenges to ensure co-financing on the side of project applicants;
- shortcomings with ensuring direct liquidity of project applicants;
- fundamental decrease in tax revenues in the budgets of municipalities and self-governing regions (*kraj*);
- problems with maintaining indicators/outputs of projects;
- and negative impact on absorb capacity (a general decrease of available financial resources and decline in services and products demand).

⁹ Mendez C and Kah S (2009) *op. cit.*, pp. 11-21.

In September 2009, the NCA (National Coordination Authority) organised the seminar ‘Current financial and economic crisis - impacts and proposals of response measures’. Managing Authorities and other implementation bodies developed a series of proposals in order to accelerate and simplify the implementation process.

3. MANAGEMENT OF 2007-13 PROGRAMMES

Notwithstanding the implications of the current economic crisis, the programme authorities have been busy with a range of other operational issues. The following sections look at the state of approval of management and control systems, challenges with monitoring systems, progress with Strategic Reports and issues that arose with regard to audits.

3.1 Management and control systems (MCS)

The descriptions of programme management and control systems (MCS) need to be approved before any intermediate payments can be made. Hence, the approval of these documents is crucial for financial progress. As previously noted¹⁰, this has been a protracted process. As recently as Spring 2009, many MCS issues still needed to be resolved for a large number of programmes, but considerable progress has made during the interim. The majority of MCS have, in the meantime, been approved by the Commission (Denmark, England, Finland, France, Greece, Lombardia, Poland, Scotland, Slovenia, Sweden, Vlaanderen, Wales). For example:

- In England, the national MCS has been approved; specific adaptations of the system for the programme level already had informal compliance approval from the Commission and were expecting formal letters in the course of the Autumn 2009. In some cases, approval came with a number of comments.
- In Finland, the joint MCS for all of the country's four ERDF programmes was approved in August 2009; however, the Commission pointed out that there are too many, and too small, Intermediate Bodies in Finland. This latter could compromise the necessary separation of tasks within these bodies.

Not all MCS had been approved by Autumn 2009, as some partners were still involved in negotiations. This was the case for the Czech Integrated OP, where the Managing Authority experienced the complexity of the MCS as being challenging. However, major progress had been made in the Czech Republic in general, and now most of the systems have been approved. Reasons for the late or outstanding approval of many MCS mainly related to the workload at the domestic compliance body, the Audit Authority. Also in Portugal, four MCS had not yet received full approval. In Italy, the MCS of the OP Research & Competitiveness was amongst those not yet approved at the time.

Table 2 provides an overview of the state of approval of MCS in the EU27 (as at 1 October 09). 17 Member States no longer had any open issues with their MCS, while ten Member States were still waiting for approval. The situation was most challenging in Spain, the United Kingdom, Italy and Germany (but not relating to the IQ-Net programmes); in Bulgaria, no MCS at all had yet been approved.

Table 2: State of approval of MCS in the EU27 (01.10.2009)

¹⁰ Mendez C and Kah S (2009) *op. cit.*

Member State	ERDF and CF		ESF		OPs without MCS
	OPs	MCS approved	OPs	MCS approved	
Austria	9	9	2	-	2
Belgium	4	3	6	4	3
Bulgaria	5	-	2	-	7
Cyprus	1	1	1	1	-
Czech Republic	14	11	3	3	3
Germany	18	14	18	15	7
Denmark	1	1	1	1	-
Estonia	2	2	1	1	-
Spain	23	2	22	-	43
Finland	5	5	2	2	-
France	31	31	5	5	-
Greece	10	10	4	3	1
Hungary	13	13	2	2	-
Ireland	2	2	1	1	-
Italy	28	21	24	23	8
Lithuania	2	2	2	2	-
Luxemburg	1	1	1	1	-
Latvia	2	2	1	1	-
Malta	1	1	1	1	-
Netherlands	4	4	1	1	-
Poland	20	20	1	1	-
Portugal	10	6	4	4	4
Romania	5	5	2	2	-
Sweden	8	8	1	1	-
Slovenia	2	2	1	1	-
Slovakia	9	9	2	2	-
United Kingdom	16	6	6	4	12
Territorial Coop	71	27	-	-	44

Source: DG Regio

The partners' views on the need to have an approved MCS are mixed. Late approval of the system caused significant spending delays in some countries and still does in a number of cases. Usually, the drafting process did not create major challenges in the EU12, as they already had to prepare a similar document for their 2004-06 programmes. Rather, in some EU15 countries, the drafting process was seen as quite a challenging exercise. This was the case in Vlaanderen, where the national compliance process was the most time-consuming part of the approval process. The programme secretariat had to make various submissions of the description to the national compliance body. In Austria, the need to prepare descriptions of the MCS was found to have advantages, but also some disadvantages. On the one hand, the system gives certainty about procedures; on the other hand, the density and depth of information makes the implementation of the OPs less flexible.

Following approval, the on-going adjustment of the system is now an issue being dealt with by a number of partners (e.g. Austria, Denmark, Slovenia). In the case of a change to the Danish system, the document will be amended in coordination with the domestic controller unit, thus assuring compliance with the Commission's rules. The system

description is seen in Denmark as an evolving and up-to-date document which remains useful for programme administrators. Austria precisely defined the procedures on how to incorporate changes to the MCS¹¹. When Intermediate Bodies propose amendments, both the Managing Authority and the federal level are involved in their approval, if these are system-relevant. Other, non-system-relevant changes can be made by the Intermediate Bodies themselves and need only to be communicated to the other relevant implementation bodies.

Box 3: Finnish administrative reform 2010 (ALKU)

The Finnish regional administrative structure is composed of state regional administration and of Regional Councils which are municipal agglomerations. The former is responsible for delivering the tasks of the central Government at the regional level, while the latter take responsibility for the regional strategic programmes and their implementation plans, regional plans, regional land use plan, as well as for the regional EU programmes. In addition, they carry out a number of other voluntary tasks depending on the needs of each region. There are 19 Regional Councils and a number of different regional state authorities, including: the State Provincial Office, T&E centre, regional environment centre, environmental permit authority, road administration, occupational safety and health administration, and the forestry centre.

ALKU was launched in June 2007 with the aim of creating a regional-level governance structure by 2010, which is close to the citizen, efficient and one which produces results. One of the key changes of the project concerns the creation of two new regional state authorities, namely the agency for regional administration (AVI) and the centre for business, traffic and environment (ELY). The six AVI and 15 ELY authorities will hence replace a number of existing authorities, and are set to cooperate with the Regional Councils.

The two new authorities will replace the State Provincial Offices, T&E centres, regional environment centres, environmental permit authorities, road administrations, and the occupational safety and health administrations.

One of the key implications of this reform is felt on the budgeting side. For instance, projects under the administration of the State Provincial Offices would normally be transferred to the Regional Councils (responsible for regional Cohesion policy programmes) at the time of the reform. However, due to the separate budgeting processes, this would mean that these projects would have to be cancelled and restarted by the Regional Councils after the transfer. Therefore, it has been agreed that such projects would instead be transferred to the new ELY authorities so that the funding and the project cycle can remain uninterrupted.

Some substantial changes to Structural Funds implementation are under way in Finland, where the regional administrative reform (ALKU) will be implemented in 2010 (see Box 3)

¹¹ Mendez C and Kah S (2009) *op. cit.*

and in Poland, where changes to the financial arrangements will have significant impacts for the Polish Structural Funds programmes (see Box 4).

Box 4: Changes to the Polish financial system

There are plans for a change in Polish public finance law that will have significant implications not only for the Polish Human Capital OP. On the one hand, recently introduced legislation should see a move towards a multi-annual perspective in state budget plans (up to now the approach has been for any unspent funds from the national budget - including EU funding - to be claimed back and then sent out again at the end of every budget year). On the other hand, according to planned legislation, from January 2010, the state owned bank BGK, which provided credit to regional governments who lacked the finances to implement the IROP, will now administer all payments to beneficiaries in all OPs. Money will be transferred from the Ministry of Finance to an account set up in BGK and from there directly to beneficiaries. No money will pass through the Ministry of Regional Development or other Managing Authorities or Intermediate Bodies. Programme funds will not be included as part of regional budgets, although income and spending on the realisation of projects will be included. This will incur significant administrative adaptation and other costs: currently, there is no extra cost associated with transfers but BGK is likely to introduce a charge for transfers. The fact that Managing Authorities and Intermediate Bodies have significant implementation responsibilities but no control over transfers is also likely to create challenges. There is also some concern about whether BGK will have developed the necessary capacity for this role by the end of the year.

3.2 Monitoring

The correct use of indicators is an issue on the agenda of many Member States as well as of the Commission. Experiences with the SFC2007 system show that the information given by core indicators is often unreliable as the use of core indicators varies and is sometimes ambiguous. Also, the interpretation of baselines and targets can be different. In order to improve the use of core indicators, DG Regio's Evaluation Network (see also section 4) provided some useful guidance on indicators for monitoring tasks. In April 2009, the Evaluation Unit of DG Regio held a seminar on the results of reviewing core indicators in the OPs and presented a draft of a Working Document on the use of indicators.¹²

Notwithstanding these challenges, monitoring systems are now fully in operation and working to a satisfactory degree in most IQ-Net programmes. For instance, in Śląskie, the monitoring system 'SIWIZ' is considered to be working well. It provides a higher level of detail than the national system 'SIMIK', with which it is integrated. Also in Vlaanderen, major improvements have been achieved in the last months; the monitoring system is working well and it is continuously being improved.

¹² European Commission (2009) *Working Document No. 7 'Indicative Guidelines on Evaluation Methods: Reporting on Indicators for the European Regional Development Fund and the Cohesion Fund - the Programming Period 2007-2013'*. Available at: http://www.dps.tesoro.it/documentazione/QSN/docs/indicatori/WD7CE_Draft_EN_Core%20Ind_May09.pdf (accessed 19.11.2009).

Yet, in some programmes there are still open issues. In Portugal, the system was expected to be fully operational by the end of November 2009. All the preparatory work has been done and data templates and financial circuits have already been set up. In some programmes, specific modules still need to be finalised. This is, for instance, the case in Lombardia, where the last modules will be operational by the end of the year. In Spain, the system is working, but the evaluation module is still missing. In Greece, the monitoring system has been adapted to the new Management and Control System of the NSRF. However, the data has some gaps regarding the progress of the programmes, since many Priorities and thematic axes are shared between several Intermediate Bodies and Intermediate Managing Authorities.

Although most systems are in operation, there are still a number of aspects which need to be revised; these relate mostly to the indicator systems, the systems' reporting facilities, the quality of the data provided, and the general complexity of the monitoring systems.

- **Reporting facility.** In Finland, the reporting facility of the national system 'EURAF2007' is still not fully working. This facility is not only required to develop the annual implementation report, but it is also necessary in order to be able to extract data for the regional management committees which are involved in funding decisions. Also, in Slovenia there are still problems at the operational level regarding daily reporting, in part due to problems with the definitions of indicators.
- **Data quality.** The quality of data entered into the monitoring system by the various institutions involved in programme implementation is not always satisfactory. In France, the authorities are tackling the problem of the insufficient quality of data being entered into their monitoring system 'PRESAGE'. As some regional services fail to provide adequate support on indicator provision to beneficiaries, training on indicator definition is being provided at the regional level via the national Technical Assistance programme (EUROP'ACT). Also in the Czech Republic, the quality of data is not satisfactory. The Managing Authority of the NSRF analysed the data and concluded that it is essential that deadlines are respected by the users of the monitoring system. Quality issues have also been noted by the Slovenian Managing Authority, which plans to carry out an analysis of the data quality.
- **Indicators.** In the Czech Republic, there has been a full renewal of the indicator system, comprising a redefinition of indicators and a reduction in their number, and resulting in a new indicator catalogue. This also involved creating an aggregated indicator system, which is now being tested in the monitoring systems of a number of selected programmes. In the near future, it will also be applied to the central monitoring system 'MSCF2007', and methodological guidelines will be issued which support the introduction of the new indicator system. Similar, in the Polish HCOP, the indicator system will be revised after an evaluation of the regional monitoring system - regional variations were supposed not to be adequately reflected in the indicator sets. In Vlaanderen, there are problems concerning both the definition of the indicators and the development of a common understanding, and also with their interpretation amongst project promoters. Following the experiences with the 2000-06 programmes, efforts were made to try to reduce the complexity of the

indicator system for 2007-13. Nevertheless, the new system remains very complex. In Sweden, although the national monitoring system 'STINS' is up and running, the indicators are being reviewed in an effort to reduce the number of indicators and make them more transparent.

- **Complexity.** Indicator issues are closely related to problems resulting from the high complexity of the systems. In Austria, a working group has been looking at the national Structural Funds monitoring system 'ATMOS'. It is considered to be too complex and with some requests for data made several times. Concrete simplification proposals were expected by the end of November 2009. Also, in Slovenia, the general complexity of the monitoring system is seen as a problem, not least due to the fact that the system is connected to a national accounting system as well as to the Certifying Authority's own system.

Other challenges arose with regard to the inclusion of horizontal priorities (Slovenia) and the complicated submission of information to the Commission via the SFC system (Vlaanderen). In Finland, there are issues with regard to the transfer of information from a separate monitoring system for business aids. Also, the Finnish data are not yet fully available in the country's second official language - Swedish. Lastly, the developers of the Finnish system 'EURA2007' are facing challenges due to the future regional administrative reform ALKU (see Box 4) , which is set to be implemented in 2010.

The Danish partners, alternatively, are creating a joint digital platform for Structural Funds administration that will go beyond core monitoring system functions. Currently the programme modules still being developed relate to monitoring (reporting formats etc.). The process is being delayed by IT subcontractors who have not been able to meet deadlines.

3.3 Strategic Reporting

In the context of the increased strategic orientation at Member State level in the 2007-13 programme period, the regulatory framework asks for two Strategic Reports to be submitted in 2009 and 2012. According to the regulations, Member States should provide a 'concise report' on the contribution of programmes in implementing Cohesion policy objectives, the Community Strategic Guidelines and the Integrated Guidelines for Growth and Jobs. The content of the report should highlight: the socio-economic situation and trends; achievements, challenges and future prospects of the strategy; and examples of good practice. The Commission issued guidance to the Member States in May 2009, providing a structure, templates and questions to be answered. Other specific information which should be contained in the Strategic Reports relates to: proposals on how to overcome difficulties and delays in implementing the programmes; Member States' responses to the proposals in the European Economic Recovery Plan; and to potential changes in the priorities of the NSRF in response to the changed socio-economic situation. Some countries also issued their own domestic guidance¹³.

¹³ Mendez C and Kah S (2009) *op.cit*, pp. 37-38.

After the submission of the Reports, the Commission will produce a synthesis and an overview for the Spring 2010 European Council.

3.3.1 Organisational arrangements

Different organisational approaches to strategic reporting have been adopted. Because the Report constitutes a review of the NSRF, the drafting process is intrinsically tied to the national level. Accordingly, Member States have usually assigned the task to an existing body at the national level (France, Greece, Italy, Portugal, Spain, Sweden, United Kingdom, Slovenia). However, a number of other countries set up working groups dedicated to the specific task of strategic reporting (Austria, Czech Republic, Finland). Some Member States made use of public consultations (Bulgaria, Cyprus, Italy, Malta, Spain).

The following briefly describes the drafting processes in a number of Member States.

- In Austria, compilation of the Strategic Report 2009 came under the responsibility of the *Unterausschuss Regionalwirtschaft* (Sub-committee for regional economy) at the Austrian Conference on Spatial Planning (ÖROK). A working group had already been established in December 2008, which consisted of the relevant ministries and the Managing Authorities of three *Länder* (Niederösterreich, Tirol and Burgenland). The drafting itself started at the beginning of 2009 and was embedded in the ‘STRAT.AT plus’ process. In 2009, ‘STRAT.AT plus’ focussed on two main themes - the Strategic Report and Trends & Challenges. The working group for the Strategic Report met three times throughout the year. The report was finally approved on 22 October 2009, submitted to the Commission and was presented officially at the ‘STRAT.AT plus’ forum on 16 November 2009.
- In the Czech Republic, the National Coordination Authority (NCA) established a working group that brought together representatives of all the OPs and a number of academics. The report preparation was also discussed at the central level within the Working Group for Evaluation. The actual drafting of the Strategic Report has been outsourced, with the NCA providing consultancy support and data. The finalisation of the report was planned for the beginning of November 2009; however, the analysis of the socioeconomic situation had already been finished earlier. The external contractor contacted all Managing Authorities for data inputs; both financial figures and monitoring indicators referred to the date of 30 September 2010. Although some model calculations have already been made taking older data into account, the deadline for the quantitative part of the Report was expected to be tight.
- The French Strategic Report has been drafted by the steering group for the NSRF, which is composed of thematic groups working on innovation, sustainable development, urban issues and information technologies. The working groups, in turn, consist of experts and representatives of the regions. The drafting of the Strategic Report 2009 was based on the analyses of these working groups, as well as on evaluations carried out at national and regional level.

- In Greece, the Strategic Report was the responsibility of the National Coordination Authority; however, the drafting had been externalised to a consultancy. The contents of the Report were based on the OPs' Annual Implementation Reports and on an analysis of the available NSRF Management Information System (ERGORAMA) data. The first draft was prepared at the end of August and the report was expected by 30 November 2009. A consultation with the European Commission will follow and the final version has been planned for the end of the year.
- In Italy, the Department for Economic Cohesion of the Ministry of Economic Development was responsible for the Strategic Report. The Managing Authorities have forwarded information on the implementation progress of the programme to the central level.
- In Portugal, responsibility lies with the NSRF Observatory. The Strategic Report drew on a number of sources, although the main part of the Report consisted of the findings of an annual NSRF report compiled in September. This had been developed by the four bodies (the Observatory, the ERDF/ESF Paying Authorities and the Audit Authority) that support the Technical Coordination Committee of the NSRF. The NSRF report contains information on: strategic and operational monitoring; the governance model; the response of the NSRF and its instruments to the crisis; and future perspectives. The annual NSRF report, along with the introduction of a quarterly reporting mechanism,¹⁴ is seen as an innovative decision that goes beyond the regulatory requirements and the approach taken in most other countries. In addition to the annual NSRF report, preliminary reports of a separate evaluation of the NSRF were also fed into the Strategic Report. These looked at the contribution to the Lisbon targets and to cohesion objectives. The Portuguese evaluation will run from September 2009 to February 2010. Finally, the Strategic Report also drew on Annual Implementation Reports at OP level and extensive financial and physical data.
- The Slovenian Strategic Report was prepared by a working group organised by the evaluation unit of the Managing Authority GOSP. The cut-off date for information to be included in the Report was the end of September 2009. While the financial data were available early, in early Autumn a lot of work had still to be done in terms of the effects of the policies. There had been no evaluation of the social and economic impacts. GOSP is also preparing the annual progress report on the Lisbon Strategy and will therefore be able to build on synergies.
- In Spain, the Sub-Directorate General for Territorial Programming and Evaluation (DG for Community Funds) at the national Ministry of Economy and Finance was responsible for drafting the Strategic Report and for coordinating the process in cooperation with regional government departments and other Intermediate Bodies, the ESF Managing Authority and the Evaluation and Strategic Reporting committee. A draft of the report was submitted to the evaluation and strategic reporting

¹⁴ Mendez C and Kah S (2009) *op. cit.*, p. 39.

committee meeting at the end of October 2009. In early Autumn, the only completed sections were on the analysis of the socio-economic context analysis and the SWOT.

- In Sweden, the responsibility for the Strategic Report rested with the Ministry of Enterprise, Energy and Communications. Each regional programme office was responsible for forwarding their respective reports to Tillväxtverket.
- In Vlaanderen, the approach taken to the Strategic Report focuses only on essential aspects. It is mainly based on an evaluation of the NSRF currently being undertaken by external consultants.

In some instances, major parts of the Strategic Reporting process have been externalised to consultants (Germany, Vlaanderen). In Germany, the Federal Ministry for Economics and Innovation is responsible for compiling the Strategic Report. An approach has been agreed between the federal government and the *Länder*, and the task of drafting the document has been given under contract to an external consultancy. The German IQ-Net Managing Authorities reported that they contributed by providing data on financial aspects, core indicators and case studies. However, both noted that there have been some difficulties in drawing up the report.

3.3.2 Progress, results and challenges

Progress on the drafting of the Strategic Reports 2009 varies across countries. In Denmark, work on the Strategic Report had not yet begun in earnest in early Autumn, partly because the responsible authorities are expecting a postponement of the deadline from the Commission. Ireland and the Netherlands only started discussions in October 2009.

Other countries are more advanced. The Finnish ‘Strategic Report team’ prepared a first draft to be presented to the Monitoring Committees in the course of December. Similarly, a draft of the German Report was discussed in the NSRF Monitoring Committee on 18 November. In France, there was an inter-ministerial meeting on this issue at the beginning of November.

Although most IQ-Net countries had prepared a draft of the Report by the end of November, many final Reports are not expected to be ready until near the end of 2009. Some Member States intended to submit their Report to the Commission in November (Bulgaria, Germany, Spain, Hungary, Italy, Poland, Slovakia,). Belgium, the Netherlands and Ireland envisaged early December. Austria, on the other hand, has already been able to officially approve its Report domestically and forward it to the Commission.

Because most Reports had not been finalised at the time of writing, it is difficult to compare results of the Strategic Reports. However, some findings can already be identified.

- The Austrian Strategic Report reviewed the performances of the OPs, the NSRF’s relations to the EAFRD OP, and developed ideas for the future of Cohesion policy. It includes results from the various ‘STRAT.AT plus’ seminars and goes beyond the

requirements set out in the regulations. The considerations made by the report are based on the system of thematic codes. This allows the OPs' contributions to the goals set out in the NSRF to be related.

- One of the key findings of the Portuguese Strategic Report will be that the socio-economic context has changed significantly since the start of the programme period, with the economic crisis being most relevant in Portugal from late 2008 and in 2009. A key weakness in the NSRF is the issue of human qualification, which is growing in importance.
- The Spanish Strategic Report took a look at the SWOT analysis and will conclude that some of the weaknesses have worsened, while many of the strengths have weakened or even disappeared (e.g. the capacity to generate jobs). The conclusions are that the strategy objectives continue to be relevant in addressing the strengths and weaknesses of Spain (or even more relevant because the needs have intensified). The strategy is considered to be well-defined and complementary (i.e. there are synergies with other plans, etc.).

Some of the challenges experienced by Member States resulted from the late start of the drafting process for their Reports. Additionally, in some cases, the Commission's expectations were not entirely clear to the Member States. Amongst common challenges were the following.

- **Data limitations.** Some countries carried out special evaluations, e.g. Belgium, Spain and Greece were concerned about being able to include up-to-date statistical data on recent economic developments. This related also to the need to include the European Recovery Package measures, which was seen as challenging for the Slovenian partners. More generally, Germany found it difficult to evaluate the goals set out in the NSRF which was drafted in very broad terms
- **Coordination issues.** In Germany, each *Land* operates separate data monitoring systems that use different methodologies for defining indicators and processing data on financial and core indicators. The consultant working for the Federal Ministry on the report has therefore not only needed to collect relevant data from the 16 *Länder* but also to find ways of processing and presenting heterogeneous *Land* data in a homogenous way at the national level.
- **Workload and time constraints.** Another issue relates to the demanding workload for the Strategic Reports (Finland, United Kingdom). The UK Department for Business, Innovation and Skills (BIS), which has responsibility for the drafting the Strategic Report in the United Kingdom, believed the related work to be quite extensive. Hence, BIS considered hiring additional staff for the drafting of the Report.

3.4 Audit

Some programmes have been the subject of audits in the context of the 2007-13 programmes. These can broadly be subdivided into internal audits and external ones carried out by the Commission.

Audits by the European Commission have been undertaken for Portugal, Slovenia (see Box 5) and the German IQ-Net Managing Authorities. In September 2009, an audit was carried out of the Açores OP in Portugal, the only Portuguese programme for which a payment request had been made at that time. However, no particular issues have arisen. The Commission will carry out another audit in Portugal of the national ‘Thematic Factors of Competitiveness’ OP. In Sachsen-Anhalt, there has been an audit of the documentation of ERDF payments to financial engineering funds. Questions were raised over the approach taken to financing the administration costs of these funds, as well as the methods for providing domestic co-financing. Commission auditors were expected to visit the Certifying Authority of the Nordrhein-Westfalen OP in November.

Many IQ-Net Managing Authorities reported internal audits (Czech Integrated OP, Denmark, Länsi-Suomi, Mellersta Norrland, Nordrhein-Westfalen, Portugal, Slovenia, Vlaanderen). Several audits have already come up with results.

- Internal audits of the Mellersta Norrland OP were carried out by Tillväxtverket and by the Audit Authority (the Swedish National Financial Management Authority - *Ekonomistyrningsverket*). No major issues arose; however, some adjustments have been made with regard to the functioning of the Structural Funds partnerships in the Mellersta Norrland OP.
- In Portugal, system audits have been carried out by the Audit Authority for three programmes - the Territorial Development OP, the Madeira OP and the Açores OP.
- In Vlaanderen, the Audit Authority has mainly been engaged in a system audit, on which it has to report to the Commission. In this way, it is ensuring that the system operates in the manner described in the MCS report. The task was out-sourced to an external consultant and was due to be completed in November 2009.
- For the Czech Integrated OP, a system audit was recently conducted by the Audit Authority. It looked at the implementation system and the appropriate staffing necessary for the different implementation activities. No major new issues arose.

A number of audits have not yet been concluded; other partners expect audits to be launched soon, e.g. Länsi-Suomi. For others, audit results are still anticipated, including the following examples.

- In the Czech Republic, the partners are planning an audit at NSRF level for the beginning of 2010. It will focus on the monitoring systems, with the aim of examining the transfer of data between different levels of the system, i.e. between project, OP and NSRF-level. Additionally, the Audit Authority for the Czech Integrated OP is currently carrying out an audit on samples.

- In Denmark, a project audit is being undertaken by DECA through visits to projects. Experience suggests that this makes it possible to avoid later issues for beneficiaries because, for example, demands for documentation of expenses have been clarified early enough. In the previous programming period, back payments were necessary which could have been avoided.

Box 5: Summary of audit recommendations in Slovenia, 2004-2009

Between 2004 and 2009 several audits on Structural Funds implementation were carried out by a number of different institutions. Audits have been undertaken both from the domestic side (i.e. the Slovenian Court of Audits and the Budget Supervisory Service) and from the European side (i.e. the European Court of Audits and the Commission). The Slovenian Managing Authority GOSP recently prepared an analysis on the main results and errors pointed out by the auditors in relation to implementation:

- insufficient use of on-the-spot checks and controls;
- lack of knowledge regarding the legislation on public procurement;
- lack of consistency in entering data into the monitoring system;
- lack of precise definition of implementation processes and tasks;
- no audit trails provided in some cases;
- an undefined system for indicating various versions of the measures; and
- insufficient systems to locate and prevent irregularities under €10,000.

Since 2005, most of the points raised by the audits have been resolved.

4. EVALUATION

As mentioned in section 3.2, DG Regio's Evaluation Network provides useful support for evaluation activities. It is a forum for discussion between the Commission and Member States on methodological guidance, indicators, evaluation plans and evaluations undertaken at EU and Member State-level. The Network also facilitates exchange of experience and good practice in order to strengthen evaluation capacities. The Network's last meeting in September 2009 only looked at the Commission's ex-post evaluations of the 2000-06 programmes (see section 4.3), but it also presented first evaluation results from the Member States.¹⁵

This section looks at the various evaluation activities undertaken by the IQ-Net Managing Authorities. The first part examines the evaluation arrangements that have been set in place - such as dedicated units, plans and guidance documents. The second part looks at the topics that are being evaluated and is subdivided into a presentation of the results, an overview of planned evaluations and a look at current challenges faced by the partners. The third section examines views on the Commission 2000-06 ex-post evaluations.

4.1 Evaluation arrangements

A range of evaluation arrangements have been set up by programme authorities. Since the start of the programme period, several countries have set up dedicated evaluation units or teams at the national level (e.g. Czech Republic, Finland, Portugal, Spain, Sweden). In the Finnish example, responsibility lies with a specific ERDF evaluation group at the Ministry of Employment and the Economy. The group is composed of Ministries, regions and social partners and is not only involved in drafting the evaluation plan and in support of the evaluation work during the programme period, but also has been responsible for selecting the evaluators. This selection process was subject to a competitive tendering in Spring 2009, as a result of which three evaluators were selected. In both Portugal and Spain, national evaluation bodies are responsible for evaluation activities concerning all programmes, but in cooperation with actors at the regional level.

In the case of the Italian OP Research & Competitiveness, an evaluation steering group has been set up at programme level. The group has two formats: an enlarged steering group which includes representatives from key programme partners; and a restricted steering group which includes a narrower group of members, with more technical and decision-making functions.¹⁶

Most programmes developed evaluation plans as suggested in Article 48 of Regulation 1083/2006 (Czech Republic, Denmark, Finland, France, Nordrhein-Westfalen, Poland, Portugal, Sachsen-Anhalt, Scotland, Slovenia, Spain, Sweden, Wales). Box 6 presents the example of the Spanish plan, which extended its tasks beyond evaluation and included

¹⁵ http://ec.europa.eu/regional_policy/sources/docgener/evaluation/tech_en.htm (accessed 19.11.2009).

¹⁶ For more information see Polverari L and Michie R (2009) 'New Partnership Dynamics in a Changing Cohesion Policy Context', *IQ-Net Thematic Paper* 25(2), European Policies Research Centre, Glasgow.

Strategic Reporting (see section 3.3). The examples of Scotland and Slovenia show that such plans can involve a wide range of partners.

- In Scotland, a Monitoring and Evaluation Group (MEG) has been set up to oversee the Scottish Government's evaluation plan, which covers the four Scottish OPs for 2007-13. The group was set up to promote the sharing of experience and the dissemination of good practice. The Group includes representatives from the Scottish Government, the Intermediate Advisory Bodies (programme secretariats), Highlands and Islands Enterprise, Scottish Enterprise, the Scottish Government's analytical services unit, and local government. Part of the Group's role is to identify evaluation work from other sources. The Group will revise the evaluation plan annually, and meet at least twice a year.
- The Slovenian Managing Authority GOSP developed a detailed evaluation plan which sets out the evaluations for each year. It defines three main actors: the evaluation unit of the GOSP; an advisory group for each OP; and an interministerial group. These develop evaluation proposals which are discussed and decided in the Monitoring Committee meetings. The funding of evaluations could be challenging in the future as, in some programmes, almost 50 percent of the planned money is already allocated.

Box 6: Contents of an evaluation plan - the example of Spain

In Spain, the evaluation plan was published in the first quarter of 2009. It also covers the issue of strategic reporting. The 'Strategic Reporting and Ongoing Evaluation Plan for the ERDF, ESF and CF 2007-2013' outlines the general requirements and planned activities for strategic reporting and evaluation in the current period. These will be undertaken by the evaluation units of the DG for Community Funds and of the ESF Managing Authority respectively (from the Ministry of Labour and Immigration), in coordination with the regions (which are Intermediate Bodies of the ROPs). The plan covers all national and regional OPs. In terms of content, the plan is a 40 page document divided into the following sections:

- Introduction: the plan and objectives
- Regulatory and methodological framework: regulatory requirements and obligations
- Strategic reporting and ongoing evaluation
- NSRF strategic reporting: calendar, actor responsibilities, reference documents);
- On-going evaluation: a) thematic evaluations (calendar, actor responsibilities, reference documents) b) operational evaluations (calendar, actor responsibilities, reference documents)
- Publicity and information evaluation (calendar, actor responsibilities, reference documents)
- Human and financial resources for evaluation

- Indicators: Types of indicators defined by the ERDF national body; indicator quality control and monitoring procedures; types of indicators defined by the ESF Managing Authority
- Evaluation coordination actions
- Evaluation plan modifications
- Training for evaluation coordinators
- Annexes: Regulation 1083/2006, and 1828/2006; General calendar for evaluation

In addition to the plan, a methodological guidance for each of the planned thematic evaluations was issued.

Guidance documents on evaluations are another approach adopted in some programmes, for instance in Spain and a number of French regions. In Greece, the Special Service for Strategy, Design and Evaluation of Development Programmes of the NCA produced a guidance document on on-going evaluations in July 2009. This document sets out guidance for the evaluation arrangements with regard to the call for tenders, assignment and implementation of the evaluations. The detailed table of contents of the evaluation report and the general and specific evaluation questions are also provided in this document.

It is addressed to the Managing Authorities which have the responsibility to organise, monitor and ensure that the on-going evaluations are carried out according to the regulatory provisions. In June 2009, the NCA also issued a draft guidance document for the measurement of employment created through Structural Funds interventions.

Guidance is being provided in Austria not through a common document, but through the 'STRAT.AT plus' process, which is an on-going NSRF tool to foster cooperation and the exchange of experience. The national evaluation platform 'STRAT.EVA' provides orientation for the programmes' Managing Authorities. The coordination and working platform has been gradually set up by ÖROK since the Austria's EU-accession in 1995 and finally became integrated into the 'STRAT.AT plus' process for the programme period 2007-13. Participants in the platform include Managing Authorities, evaluation teams, ÖROK, the Federal Chancellery and representatives of the European Commission. In the new programme period, ÖROK organised the first STRAT.EVA workshop in October 2009, which focused on the Commission's 2000-06 ex-post evaluations, their implications for the Austrian Structural Funds programmes and current domestic evaluation arrangements.

Contrary to the other IQ-Net Managing Authorities, Vlaanderen decided not to draft a plan or a guidance document. Instead, the partners limit their evaluation activities to the mandatory part defined by the regulatory framework. Given this, no specific evaluation plan or guidance document has been produced. In this vein, there has been the obligatory ex-ante evaluation, a (voluntary) mid-term evaluation planned for 2011, and there will be an evaluation if it is decided to shift funds between Priorities. Currently, an evaluation is being carried of the NSRF in the context of the Strategic Report (see section 3.3).

Although programme authorities usually plan their evaluation activities with a long-term view throughout the programme period, the flexibility of evaluation arrangements is an important issue for several programmes. Often, although there is a common strategy for the whole programme period, emphasis is put on annual evaluation plans (e.g. Poland, Denmark, Finland, Czech Republic). Some examples can be found in the following countries.

- In Denmark, Structural Funds programmes evaluations are carried out according to a plan adopted by the Monitoring Committee. The plan looks at both thematic and process-oriented issues, while maintaining the flexibility to focus on new issues emerging. It is seen as too difficult to foresee evaluation needs in detail for the full seven-year programming period.
- In Finland, the planned ERDF evaluations were set out in an evaluation plan in October 2008. After a tendering process, the evaluators have been selected and guidance has been provided. The evaluation plan sets out the basic principles guiding the evaluations and describes the processes, as well as the different actors involved in the evaluations. However, the plan is rather general in nature; more detailed information is provided in annual plans. These plans set out what evaluations will take place during the respective year and what are the key themes, principles, resources and timing of these evaluations.
- The Czech Managing Authority of the NSRF developed an evaluation plan for the whole programming period and annual plans are based on this. The long-term plan not only looks at the current period's activities, but already at planned ex-ante evaluations and Strategic Environmental Assessments for the post-2013 programmes. Also, one section is devoted to the enhancement of evaluation capacities in the Czech Structural Funds environment. A similar structure has been adopted at programme level, where the Managing Authority for the IOP has produced both an evaluation plan for 2007-13 and annual plans.

In contrast to the Czech approach, where evaluation plans exist at both NSRF- and OP-level, in France these exist in such a form only at the regional level. These usually cover OPs and State-region contracts (CPER) and are updated on an annual basis. They contain information on the timing and themes of evaluation activities. Responsible regional evaluation committees have been set up. Although there is no evaluation plan at the national level, the national evaluation body INE (*Instance Nationale d'Evaluation*) has provided guidance on how to collect data on national indicators. The regions will not be obliged (although they will be strongly encouraged) to adopt the national priorities which were defined by the INE at the end of October 2009. Following that, a seminar was held to inform programme managers on how the joint evaluations of OPs and State-region contracts should be carried out. Also in Austria, the decision about evaluation arrangements at the programme level is left to the *Länder*, who should flexibly decide on appropriate evaluations. The principle of proportionality and the understanding of evaluation as a learning tool are crucial for the Austrian partners.

Also in Germany, evaluation plans have been adopted at programme level (i.e. either at *Land* level or at the level of several *Länder*, in the case of the two thematic Convergence

programmes). In Sachsen-Anhalt, a call for tender for the ERDF, ESF and EAFRD evaluations was published at EU level and an evaluator was selected. The evaluation plan includes thematic annual evaluations for the different Fund programmes, and also a joint interim evaluation across all three Fund programmes that will be undertaken in 2010, with results published in 2011.

In Slovenia, a different approach is taken, aimed mainly at flexibility. In order to facilitate the more rapid commissioning of ad-hoc evaluations, the Managing Authority GOSP is about to develop an evaluation framework which avoids long tendering procedures and already lists the potential evaluators. In this way, the time-lag between the decision about an evaluation and the actual start of the study can be significantly brought forward.

Some countries take advantage of overlaps and therefore useful synergies between their evaluations and the Strategic Reports. This is the case in Portugal, where the NSRF evaluation is a main source of the report, and in Vlaanderen, where it constitutes the major component. Also other partners interpreted the Strategic Reports mainly as an evaluation exercise with respect to the NSRF, namely Austria, the Czech Republic and Spain, where the Strategic Reports for 2009 and 2012 are incorporated into the evaluation framework.

Interesting approaches to evaluation are being adopted in Wales, Sweden and Austria. In Wales, evaluations will be carried out comprehensively at project level. Each project is required to carry out an evaluation and the involved costs are considered to be eligible project expenditure. A difference is made between projects over £2 million (approximately €2.2 million) which have to carry out an external independent evaluation, and smaller projects, which only need an evaluation proportionate to their size. WEFO (Welsh European Funding Office) has provided a template for what the evaluations should cover and provides individual guidance where needed. WEFO intends to maintain a library of project-level evaluation plans and reports which can be made available to all projects. The introduction of this obligation results from the positive experiences gained during the last programme period, when many large projects carried out evaluations. These have helped sponsors manage their projects well and have provided good supporting evidence for bids by these sponsors under the current programme. Sponsors are now thinking about evaluation much earlier, i.e. as soon as they are starting their projects, especially as the WEFO evaluation team is involved in the project inception (launch) meetings. Where several projects come together to provide a suite of activities, they can undertake a single evaluation to cover all the projects, with synergies expected from having one consultant do all the work.

In Sweden also, there have been various project-level evaluations, which have taken place throughout the duration of the project. It is expected that there will be a total of 100 on-going project-level evaluations during the current programme period. The results will be disseminated in different settings, including conferences, and will be part of the various update reports that the projects are required to submit.

In Austria, the Managing Authorities of Steiermark and Kärnten tested a new form of evaluation, a so-called ‘effect monitoring’ (*Wirkungsmonitoring*). It is based on an assumed effect chain which connects inputs to outputs, to results and finally to effects. It looks at the final effects and at the processes that are behind these. The system is supposed to allow timely information in order to support programme management. In

Steiermark, five out of eleven of the OP's activity fields were tested as a kind of pilot study between July and November 2009. In the Austrian *Land* of Kärnten, the first outcomes had already been made available in October. These outcomes were positive, but suggested some amendments to the 'effect chain'.

4.2 Evaluation topics

In early Autumn 2009, most IQ-Net countries and programmes were carrying out evaluations or already had results from concluded studies available. The partners' evaluations can be broadly separated into thematic evaluations and process-related evaluations. While the first category looks at a specific theme - often a programme's Priority or emphasis, such as tourism or innovation - the second category analyses implementation processes or bodies, e.g. a selected phase of the project cycle (e.g. monitoring).

Some studies are comprehensive evaluations; often, approaches cannot be separated into purely thematic or process-oriented, but are rather combined. This is usually the case with on-going or mid-term evaluations, which look at both thematic and procedural aspects. Several partners are carrying out on-going evaluations or are planning to do so (e.g. Czech Republic, Greece, Lombardia, Portugal, Steiermark, Sweden). These will regularly provide an assessment of the programme throughout the 2007-13 period. Some programmes will carry out a mid-term or interim evaluation, i.e. they will carry out an analysis of the programme's achievement around half way through the programme period (France, Nordrhein-Westfalen, Polish HCOP, Portugal, Sachsen-Anhalt, Steiermark, Vlaanderen). For instance, the mid-term evaluation in Steiermark in 2010 will be followed by an on-going evaluation for the remainder of the period. The mid-term evaluation of the Polish HCOP in Śląskie will use a new indicator system developed in the recently concluded revision of the regional monitoring system. The French mid-term evaluations will be launched at the end of 2009/start of 2010 in preparation for the mid-term revision of the OPs. In Sachsen-Anhalt, the *Land* authorities have decided to undertake a combined interim evaluation of the ERDF, ESF and EAFRD programmes in 2010.

Also in both Finland and Greece, there is a mixed approach looking at both thematic and procedural aspects. Evaluations will also explicitly look at specific procedures, such as project selection. Indeed, all Finnish evaluations should include an analysis on how the selection criteria are used at the project selection phase, and how these should be developed. The Greek guidelines for the on-going evaluation published in July 2009 by the NCA ask for a distinct chapter in each evaluation looking at the programme's implementation system. A trend towards analysing implementation procedures can be recognised also in Denmark, where the authorities are planning to focus more on administrative issues. In Portugal, specific evaluation will be done on data quality (physical and financial), ERDF/Cohesion Fund information systems as well the specific domestic regulations which govern programme implementation, while in Spain thematic evaluations also cover processes, such as the quality of monitoring systems.

Looking at the current and planned evaluations, a wide range of issues are being subjected to evaluation (see Table 3).

Table 3: Topics selected for evaluation in IQ-Net programmes 2007-13*

IQ-Net country / Managing Authority	Topic	Status
<i>Programmes, Priorities and synergies</i>		
France	Appropriateness of OPs in the time of crisis	Planned
Scotland	Appropriateness of OPs in the time of crisis	Completed
Greece	Sectoral OPs	Planned
Slovenia	Regional development Priority	Dec 2008 - May 2009
Czech Republic	Synergies between interventions	Planned
Portugal	Contribution of other Funds to ESF initiatives	2010
Śląskie ROP	Clarity and accessibility of the OP	March 2009 - running
Śląskie ROP	Complementarity of ROP activities	Planned
<i>Environment and sustainable development</i>		
Sweden	Environmentally-driven economic development	Planned
Spain	Environment	2010
Czech Republic	Environment	Planned
Sweden	Environment and sustainable development	Completed
Nordrhein-Westfalen	Impact on climate change	Planned
Finland	Environmental effects and sustainable development	Sept 2009 - running
France	Sustainable development	Planned
<i>Business promotion</i>		
Nordrhein-Westfalen	Micro enterprise loan fund	Running
Nordrhein-Westfalen	Support for female entrepreneurs	Running
Finland	Promotion of businesses	Sept 2009 - running
Sweden	Clusters and incubators	Completed
Nordrhein-Westfalen	Clusters	Planned
Italian OP Research & Competitiveness	Growth factors for firms in the Mezzogiorno	Planned / call for tender
Portugal	Enterprise investment incentives	Running - end of 2009
Sachsen-Anhalt	Loan funds	Running
Slovenia	SME measures	Scheduled for 2009/2010
<i>Innovation</i>		
Finland	Innovation, networks and knowledge structure	Sept 2009 - running
Denmark	Promotion of innovation	Late 2009/early 2010
Italian OP Research & Competitiveness	PIA innovation scheme	Running
France	Innovation/competitiveness	Planned
Finland	Regional accessibility and improvements in the business environment	Sept 2009 - running
<i>Equality, integration and demography</i>		
Sweden	Horizontal criteria of integration and diversity	Completed in Nov 2008
Czech Republic	Equal opportunities	Planned
Sweden	Equality	Completed
Wales	Equality Impact Assessments for cross-cutting themes	Completed
Portugal	Gender mainstreaming	2010
Portugal	Social and professional integration of immigrants	2010/2011
Spain	Equal opportunities	2011
Slovenia	Social inclusion of the Roma community	Running - end of 2009
Sachsen-Anhalt	Demographic change	Running
Spain	Immigration	2010

<i>Knowledge, learning and R&D</i>		
Spain	Knowledge society (R&D&I, information society)	2010
Sweden	Learning and the participation of businesses	Running - Mar 2010
Sachsen-Anhalt	Education	Planned
Portugal	Basic and secondary education reforms	2009-2010
Portugal	Qualification and employability	2010/2011
France	R&D and education	Planned
<i>Other themes</i>		
France	ICT	Planned
France	Businesses	Planned
France	Transport	Planned
France	Territorial issues	Planned
France	Agriculture	Planned
France	Employment	Planned
Wales	Customer attitudes survey	Running
Sachsen-Anhalt	Urban dimension	Running
Portugal	Urban policy instruments	Running - end of 2009
Slovenia	Tourism infrastructure	Scheduled for 2009/2010
Slovenia	Crisis-related ESF projects	Scheduled for 2009/2010
Sweden	Links between entrepreneurship and culture	Running - Jul 2010
<i>Process-oriented evaluations</i>		
Wales	Implementation process	Planned
Sweden	Implementing organisations for the ERDF and ESF programmes	Apr - Dec 2008
Austria	Implementation system of Austrian Structural Funds ('Governance check')	Completed
Czech Republic IOP	Implementation system of the IOP	Oct - Dec 2009
Nordrhein-Westfalen	Competitive calls for tender	Completed
Portugal	Suitability of national regulations to ESF challenges	Running - end of 2009
Portugal	Physical and financial data quality	2010
Portugal	ERDF /Cohesion Fund information systems	2010
Śląskie HCOP unit	Capacity of regional institutions to implement the OP	Being finalised
Scotland	Community Planning Partnerships	Running
Scotland	Strategic Delivery Body arrangements	Running
Śląskie HCOP unit	Regional monitoring system	Running
Śląskie ROP	Indicator system	Completed
Śląskie ROP	Utility of project selection criteria	Completed
Śląskie ROP	Quality of applications	Planned
Slovenia	Public calls	Planned
Wales	Communication plan	Running
Spain	Publicity and communication plans	Planned

Source: EPRC, based on IQ-Net fieldwork interviews

*This list is not exhaustive.

Some Managing Authorities, e.g. the ones responsible for the Czech Integrated OP and Niederösterreich, do not plan to carry out any thematic evaluations in the near future, as it is considered to be still too early. Such an evaluation would need to be relevant for the post-2013 period, as pointed out by the authorities in Niederösterreich.

Some partners are still carrying out evaluations with respect to the 2000-06 programmes. The Managing Authority of the Italian OP Research & Competitiveness will carry out two studies. One evaluation on PIA Innovation of the 2000-06 programme will look at ca. 500 projects that have been implemented, entailing a counterfactual assessment. Another evaluation will carry out an analysis on the growth factors that make firms grow, i.e. a general assessment of performing firms in the Mezzogiorno and their characteristics. Also, Portugal's evaluation on the impact of major projects, and Slovenia's evaluation of public business zones funded by the past SPD, relate to projects from the 2000-06 programme period.

4.2.1 Concluded evaluations

A number of evaluations have already been completed and the results are now available. The following examples from Scotland, Slovenia, Sweden and Wales, show the range of strategic levels at which evaluations are carried out: A programme, a Priority and horizontal themes have been evaluated.

- In Portugal, the evaluation plan set out future evaluation exercises quite in detail until 2012. A special feature of the Portuguese arrangements is its 'Global evaluation on the implementation of the NSRF', which contributed a significant part to the Strategic Report 2009 (see section 3.3). A similar study will be carried out for the Strategic Report 2012. Additionally, the results also contribute to the development of the Portuguese position on the future of Cohesion policy.
- In Scotland, a consultant carried out assessments of the Highlands and Islands Convergence OPs (ERDF and ESF) and the Lowlands and Uplands Scotland OPs (ERDF and ESF) and their appropriateness in the current economic climate. The reports, presented to the Monitoring Committees in July 2009, concluded that the programmes remain fit for purpose, subject to minor adjustments.
- In Slovenia, the results of a pilot evaluation of a specific Priority ('Regional Development') of the ERDF OP are considered to be v useful for the daily work of the Managing Authority. The scope of the evaluated Priority is to strengthen the public infrastructure in the 12 NUTS 3 regions in Slovenia. The study looked at how the money was spent in ca. 400 projects and developed a number of proposals to improve the Priority's implementation.
- In Sweden, a thematic pre-study on the horizontal criteria of integration and diversity looked at a number of applications and decision procedures, as well as feedback from the involved actors on the possibilities with respect to the horizontal criteria. Another Swedish evaluation that has already been concluded was on the implementing organisations for the ERDF and ESF programmes¹⁷. In Wales, the 'Equality Impact Assessments' analysed the new legislation on equality and how the adverse impact on cross-cutting themes (e.g. gender and disability issues) can be minimised.

¹⁷ Mendez C and Kah S (2009) *op. cit.*, p. 46.

A number of process-oriented evaluations have already been concluded and provided results, for instance in Austria and Śląskie.

- In Austria, the results of the ‘governance check’¹⁸ have recently been presented. The study acknowledges that the Austrian implementation system is working well, but recommends closer cooperation between the responsible authorities, especially with the Intermediate Bodies, which are of significant importance in the Austrian implementation system. The ‘governance check’ also had a look at practical implementation issues; it contains, for instance, some considerations concerning the appropriate materiality threshold. The importance of ÖROK has been emphasised; this national coordination body will be strengthened in the future in order to be able to deliver its services more proactively.
- In Śląskie, two evaluations have already been completed. One assessed the ROP indicator system (the relevance of indicators, their quality at OP and project level, their definition and measurement). The final report’s main recommendations included: additional work on the definition of some result indicators in order to facilitate measurement; strengthening the capacity to aggregate related indicators across project types; and adapting and expanding the indicator set in order to strengthen integration with the national data system. Another evaluation on the utility of project selection criteria has also been conducted, looking at the relevance of criteria to OP objectives. The utility of both of these studies as programme management tools has been constrained by their timing - the results and recommendations arrived too late to influence decisions and the OP was at such an early stage it was difficult to access useful data.

A first report on its on-going evaluation was expected by the Managing Authority of Lombardia by the end of October 2009. In this region, one evaluation team is carrying out the evaluation of the programme throughout the whole programme cycle. The report entails the following parts, each with recommendations:

- an appraisal of the programme’s strategy in the changed policy context (assessment of the adequacy of the diagnosis and strategy of the OP in the changed Lombard context, assessment of the adequacy of the diagnosis and strategy in the context of the unitary regional policy, and assessment of the OP’s coherence with, and pertinence of, the implementation approach taken, particularly as regards monitoring indicators and project selection mechanisms/criteria);
- priority-by-priority progress: procedural, financial and physical;
- assessment of the performance of the OP *vis-à-vis* the indicators listed in the OP itself;
- effectiveness and efficiency and first impacts;

¹⁸ Mendez C and Kah S (2009) *op. cit.*, p. 44.

- assessment of the adequacy and functionality of the management system;
- assessment of the monitoring system; and
- assessment of the quality and effectiveness of the communication plan.

4.2.2 Planned evaluations

While a couple of evaluations were ongoing at the time of the fieldwork for this paper, many studies are planned for later phases of the programme period.

- The Śląskie ERDF Managing Authority launched an evaluation on the overall clarity and accessibility of the OP in March 2009; it also plans in the future to carry out a study on the complementarity within the ROP and with the regional part of the Polish Human Capital OP. The aim will be to identify areas of synergy. Another study is planned on the Sub-regional platforms, focusing on the quality of applications.
- Slovenia plans to analyse how public calls are working. Special attention will be given to those projects which have not been selected and to the reasons for a negative response.
- The Spanish authorities plan to carry out four evaluations on themes which are seen to be particularly important in the Spanish context: the environment; the knowledge society (R&D&I, information society); equal opportunities; and immigration. The evaluations will cover all ERDF and Cohesion Fund programmes across Spain.
- The Greek NCA will carry out two evaluation exercises in 2011 and 2013. These will entail thematic studies on a range of topics of interest to the programme authorities. Thematic evaluation studies are expected to be carried out in at least three sectoral OPs and in the regional OPs.
- The Managing Authority of the Czech Integrated OP is preparing an evaluation of its implementation system, assessing its functionality, logical relations and effectiveness.
- In Nordrhein-Westfalen, the mid-term evaluation will take the form of an external evaluation of the impact of the ERDF OP on climate change. The programme funds a number of interventions that should help to reduce e.g. business contributions to climate change and to focus on energy efficiency and eco-innovation.
- Wales has started the procurement process for a so-called 'leavers survey' in 2009, which will look at the beneficiaries from the ESF OP and how they benefitted from the support. A second-wave ESF survey is planned in 2010.
- Forthcoming evaluations in North East England will build on a flexible approach, i.e. a mixture of thematic evaluations, including the impact on the cross-cutting

themes, the Innovation Connectors, and how governance structures and partnership are working.

Finland provides an interesting example, where selected evaluators have prepared evaluation plans, which have then been discussed in the ERDF evaluation groups. The three evaluators are required to work in close cooperation with each other in order to avoid overlaps, for instance in terms of contacting the relevant focus groups. The three key priorities of all Finnish programmes, plus a horizontal theme will be under scrutiny:

- *Promotion of businesses.* Key issues are the development of business competitiveness and productivity; R&D and innovation activities; internationalisation of businesses; networking; adoption and development of environmentally-friendly projects and production methods; development of key clusters; and the achievement of regional priorities and targets.
- *Promotion of innovation and networks, and strengthening of knowledge structure.* The evaluation will look at the operation of regional knowledge structures and systems, as well as at thematic projects that have been implemented across the sub-regions within the programme area.
- *Regional accessibility and improvements in the business environment.* Focus will be put on the added value of these activities in relation to nationally-funded activities, and at new service solutions.
- *Environmental effects and sustainable development.* This evaluation will look at how the programmes have taken sustainable development and environmental effects into consideration and what affects have these have on the programme activities. Furthermore, this evaluation will include suggestions on how to develop environmental evaluation and how to improve the respective project selection criteria. Lastly, the development of relevant indicators will be looked at.

4.2.3 Evaluation challenges

In most cases, the planned evaluations are implemented without any difficulties. France pointed out that evaluation results should be used to inform decision-making; this is an issue also mentioned by the partners in Śląskie, where it is seen as a main challenge to produce the information in time for it to influence the direction of the projects.

However, some programmes experienced delays, e.g. in England, Portugal, Sachsen-Anhalt and the Polish Human Capital OP. In the Polish case, this delay was, in part, the result of Polish public procurement regulations and the quality of some of the bids. In Sachsen-Anhalt, challenges with payment-flows and with revising the monitoring system delayed the start of the evaluations. In Greece, there are delays due to the recent elections, but the National Coordinating Authority expects to have all evaluation consultants in place by Spring 2010. In England, evaluations have not yet been started, although evaluation strategies are ready and consultants are appointed.

4.3 View of the Commission's 2000-06 ex-post evaluations

Most results of the Commission's ex-post evaluation are available on the DG Regio website¹⁹; first findings were presented at a hearing in Brussels in June 2009 as well as at a meeting of the Evaluation Network in September 2009. Some IQ-Net programmes also served as case study in one of the Commission's Work Packages. For instance, Steiermark was a case study in Work Package 4 'Structural change'.

Several partners recognised that the evaluations of the 2000-06 programme period were useful for the implementation of the 2007-13 programmes (e.g. Länsi-Suomi, Spain, Greece, Czech Republic). The Czech National Coordinating Authority plans to prepare an overview of the key results relevant for the Czech Managing Authorities, and to disseminate the information. The results were also presented to the Austrian implementation bodies at a seminar in October 2009. The Greek authorities believe that the ex-post evaluations constitute a very useful tool for the authorities at national, regional and programme level. The results facilitate the exchange of experience across Member States and offer the opportunity to learn from good practices and to continuously improve projects and programmes.

While Denmark saw some of the administrative issues highlighted by the evaluations as being well-worth considering when preparing for the next round of Structural Funds programming, the Slovenian partners saw the value of these ex-post evaluations less for operational issues, and more as a useful comparison with other Member States.

Several partners also questioned the usefulness of the evaluations' results for the current programming period, given that the outcomes became available only after the new programmes were already running (Niederösterreich, Steiermark, Denmark, Greece). Criticism included, for instance, the following aspects.

- The array of different themes and evaluators made the process somewhat confusing and, in some respects, overlapping since, due to the small teams, the same people ended up being contacted for the different evaluations (Länsi-Suomi).
- The views of the responsible authorities should have been taken into consideration in determining the case studies in Member States for specific issues (Greece).
- The use of the work package approach to engage with the complexity of Structural Funds evaluation was not always seen as ideal.
- Indicators are defined, interpreted and applied differently by different staff in Intermediate Bodies and Managing Authorities (Sachsen-Anhalt).
- The evaluations do not allow for a common or aggregated vision of what is happening in the Member States. Since there has been no common definition of

¹⁹ http://ec.europa.eu/regional_policy/sources/docgener/evaluation/rado2_en.htm (accessed 19.11.2009).

indicators, differences (which can already be observed at the national level) are being multiplied. Therefore, it is difficult to draw general lessons (France).

5. CLOSURE OF THE 2000-06 PROGRAMMES

For most programmes, the closure process for the 2000-06 and 2004-06 programmes is generally proceeding well, only minor issues remaining (e.g. in Denmark, Länsi-Suomi, Sachsen-Anhalt). Some partners also expressed satisfaction with the absorption of funds (Länsi-Suomi, Lombardia, Vlaanderen). The deadlines for the closure documents have been extended by six months in the context of the Cohesion policy part of the recovery package. The documents have to be submitted to the Commission by 30 June 2010 (or 31 October 2010 for aid schemes).

In Austria, a number of closure reports had already been finalised at the time of the interviews. The 2000-06 OP in Niederösterreich was the first programme in the European Union to be officially closed by the European Commission. Only the final payment is still outstanding and the partners hope to receive it by the end of 2009. This would avoid adding another year to the existing three-year obligation to store all relevant information. The report in Steiermark was practically ready and had only to be sent to the Commission.

When the fieldwork for this paper was being conducted, many programme authorities were expecting to finish the work soon, but were still in the phase of drafting the report. Vlaanderen originally expected their final report to be ready by the end of November 2009, but the process had been delayed. Partners in the Czech Republic and in Länsi-Suomi will submit their final closure reports by the end of 2009. Similarly, in Greece, closure reports are expected by the end of 2009 for most programmes.

At the time of the fieldwork research, a number of authorities still had to carry out part of the closure work.

- In Slovenia, the Managing Authority was expecting about 370 project-level reports by the end of September. This was still creating a considerable administrative workload - the final report is under the responsibility of a working group established in mid-2008.
- In England, the internal deadline of the end of September 2009 for closure documents to be submitted to the Department of Communities and Local Government's internal audit body could only be met for a number of programmes. All documents in the closure packs must be consistent and coherent. The process was further complicated by the fact that, in England, each government department involved in the 2000-06 programmes has its own audit body, each with different deadlines.
- In Nordrhein-Westfalen, project-closure checks have not yet been undertaken for some projects; these need to be completed by the end of 2009.

In some cases, it is too early to know if the finalisation of the reports will produce any challenges. Spain, for instance, reports that the preparatory work has been done, but that the national authorities would only know in mid-November if there will be major problems. Polish authorities reported that the closure process has not started yet. Advice from central

government and the Commission is anticipated, but the main focus of the implementation bodies is inevitably on issues for the current programme period. In Portugal, expenditure has been higher than anticipated in 2009, requiring additional audits to be undertaken. The plan is to have the audit reports ready in November, so they can be passed on to the Monitoring Committees during the first half of December.

One main challenge encountered by many programme authorities was the parallel management of two programme periods (Portugal, Vlaanderen, Slovenia, Poland). In the Czech Republic it was particularly challenging to orchestrate the involvement of all the relevant implementation bodies in the closure process. Limited human and time capacities are an issue for many programmes.

Other challenges include the following.

- *Change of implementation bodies.* In England, the responsible bodies changed between the 2000-06 and 2007-13 programme periods. Hence, any comments received from the Commission after the submission of the closure reports may potentially be difficult to handle, as the staff that dealt with closure will no longer be available. One solution being discussed is to create clusters of regions and a mobile task force that could respond to any issues arising.
- *Reference date.* The authorities responsible for the Czech Joint Regional OP are finding it difficult to identify the correct date to which figures in the closure report should refer. As many indicators are still expected to change, the preparation of the closure reports has been described as a ‘moving target’.
- *Legal and technical issues.* In Nordrhein-Westfalen, in the case of some large infrastructure projects, there are challenges with guarantees and issues relating to ensuring the availability of all documents for audits.

However, the Commission’s closure guidelines have generally been regarded as useful, although some countries (e.g. the Czech Republic) provided additional domestic guidance on the closure of the programmes. Sometimes, the duties of drafting closure reports are shared; in Vlaanderen, the reports are jointly drafted by the provinces and the programme secretariat, while in Greece, the Managing Authorities and the Final Beneficiaries are being supported by external consultants.

6. CONCLUSION

Financial absorption has significantly improved in the last six months and most programmes could now make their first payments. Despite many programmes successfully starting to implement the Structural Funds on a significant scale, many programme authorities are facing difficulties with achieving the set targets. Despite this, the impact of the economic crisis on programmes has so far been limited. Overall, demand for funding has not been greatly affected. Public sector bodies have often succeeded in maintaining investments, although some local authorities have struggled to find co-financing. Private sector measures have often been more affected; this is also the case for some measures aimed at disadvantaged areas/people. Some regions have recorded a decline in demand, but this has not always been attributable to the crisis. Lower demand is often only a result of a delayed start to the programmes.

Although generally regarded as helpful, the Commission's response to the crisis (in form of changes to the Cohesion policy framework) has generated a mixed response. The actual effect of the measures can be expected to be limited; nevertheless, specific parts of the recovery package (e.g. additional advance payments) were regarded as useful by most programme authorities.

On the operational side, a number of difficulties still persist in some cases - e.g. with regard to monitoring indicators or specific regulatory requirements. One of the main developments in the last six months has been the production of the Strategic Reports. Most countries were still in the drafting phase at the time of writing, but will have to meet the deadline for submission to the Commission by the end of 2009.

A review of evaluations realised and planned in the various programmes, showed that the breadth and depth of the studies go far beyond regulatory requirements. Finally, the closure of the 2000-06 (2004-06) programmes seems coming to an end. The first final reports are being submitted in these months and most others are expecting to follow soon.



Improving the Quality of Structural Funds Programming through Exchange of Experience

IQ-Net is a network of Convergence and Regional Competitiveness programmes actively exchanging experience on practical programming issues. It involves a programme of research and debate on topical themes relating to Structural Funds programme design, management and delivery, culminating in twice-yearly meetings of members. IQ-Net was established in 1996 and has successfully completed three periods of operation: 1996-99, 1999-2002 and 2002-07. The fourth phase was launched on 1 July 2007 (Phase IV, 2007-10).

IQ-Net Meetings

26 partners' meetings and a special 10th anniversary conference have been held in ten European countries during 13 years of operation of the Network. Meetings are held at approximately six-month intervals and are open to IQ-Net partners and to observers interested in joining the Network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.



IQ-Net Website

The IQ-Net Website is the Network's main vehicle of communication for partners and the public (www.eprc.strath.ac.uk/iqnet). The launch of Phase IV has been accompanied by an extensive redesign of the site which comprises two sections:



Partner Intranet Pages available exclusively to IQ-Net members.

Public Pages which provide information on the Network's activities and meetings, allow the download of IQ-Net Reports and Bulletins, and provide a news section on issues relevant to the Network.

The Partners' section of the website provides exclusive services to members of the Network, including access to all materials prepared for the IQ-Net meetings, a list of EU27 links (programmes, institutions, economics and statistics etc.), partners' contact details, a partners' blog and other items of interest.

IQ-Net Reports

The IQ-Net Reports form the basis for the discussions at each IQ-Net meeting. They present applied and practical information in a style accessible to policy-makers, programme executives and administrators. The reports can be downloaded, at no charge, from the IQ-Net website. To date, around 25 thematic papers have been produced on both 'functional issues' (e.g. management arrangements, partnership, information and communication,

monitoring systems) and ‘thematic issues’ (e.g. innovation, enterprise development, tourism). A similar number of papers have also been produced to review developments in the implementation of the Network’s partner programmes.

IQ-Net Thematic Papers

- Pandora’s Box and the Delphic Oracle: EU Cohesion Policy and State Aid Compliance
- The Financial Management, Control and Audit of EU Cohesion Policy
- From Environmental Sustainability to Sustainable Development? Making Concepts Tangible in Structural Funds Programmes
- Making sense of European Cohesion Policy: 2007-13 on-going evaluation and monitoring
- Turning ideas into action: the implementation of 2007-13 programmes
- The New Generation of Operational Programmes, 2007-2013
- National Strategic Reference Frameworks and OPs, 2007-2013
- Preparations for the Programme Period 2007-13
- Territorial Cohesion and Structural Funds
- Cohesion Policy Funding for Innovation and the Knowledge Economy
- The Added Value of Structural Funds
- Information, Publicity and Communication
- Mid-term Evaluation of the 2000-06 Programmes
- Mainstreaming Horizontal Themes into Structural Fund Programming
- The Structural Funds: Facilitating the Information Society
- Information into Intelligence: Monitoring for Effective Structural Fund Programming
- At the Starting Block: Review of the New Programmes
- Tourism and Structural Funds
- Preparations for the New Programmes
- The New Regulations and Programming
- Strategic Approaches to Regional Innovation
- Effective Responses to Job Creation
- The Evolution of Programmes and Future Prospects
- Equal Opportunities in Structural Fund Programmes
- The Contribution of Meso-Partnerships to Structural Fund Implementation
- Regional Environmental Integration: Changing Perceptions and Practice
- Structural Fund Synergies: ERDF and ESF
- The Interim Evaluation of Programmes
- Monitoring and Evaluation: Principles and Practice
- Generating Good Projects
- RTD and Innovation in Programmes
- Managing the Structural Funds - Institutionalising Good Practice
- Synthesis of Strategies 1994-96

IQ-Net Bulletin

The IQ-Net Bulletin promotes the dissemination of the Network’s activities and results. Fourteen issues have been published to date, over the period from 1996 to 2009. Bulletins are published using a standard format, with each providing summaries of the research undertaken and reports on the discussions which take place at IQ-Net meetings. The Bulletins can be downloaded from the IQ-Net website (public pages). A printed version is also sent out to the IQ-Net mailing list.



Admission to the IQ-Net Network is open to national and regional Structural Funds Managing Authorities and programme secretariats. For further information or to express an interest, contact Professor John Bachtler (john.bachtler@strath.ac.uk) or Laura Polverari (laura.polverari@strath.ac.uk).