



Review of Structural Fund Programming: March-September 2003

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Preface

The research for this paper was undertaken in preparation for the second meeting of Phase III of IQ-Net, the exchange of experience network for Objective 1 and 2 programming authorities. The meeting took place in Leoben, Steiermark (Styria), Austria from 15-17 October 2003.

This paper is a product of desk research and fieldwork visits among national and regional authorities in Member States (notably in partner authorities of the IQ-Net consortium) in Spring 2003. The field research team comprised:

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For further information about IQ-Net, and access to the full series of Thematic Papers, visit the IQ-Net website: <http://www.eprc.strath.ac.uk/iquet/iqu-net/index.html>.

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1. INTRODUCTION

In most countries, Structural Fund programme managers are currently in a pressured environment. 2003 is the first year when n+2 is likely to 'bite' and significant amounts of funding may be decommitted. This has led to programmes across the EU undertaking various measures to have as much funding drawn down as possible this year. The mid-term evaluations are now in their final stages, and attention is turning to how the results of the studies will affect the allocation of the performance reserve and the programming of resources over the remaining years of the current period. Programme managers are also engaging in the longer term debates about the reform of the Structural Funds post 2006 and, in particular, the simplification of programming.

This paper addresses all of these issues, focusing on the progress of 2000-06 Structural Fund programmes over the last seven months since the IQ-Net conference in Dortmund in February 2003. First, it examines the issue of financial progress and decommitment, highlighting the overall status of programme implementation and drawing out some of the key difficulties and responses to the n+2 regulation. Second, the paper discusses progress with the mid-term evaluations, with emphasis on the topical issue of how best to disseminate and utilise the emerging results. Third, the ongoing simplification debate is considered, looking both at more immediate measures for the current programming period and relevant issues within the context of the longer-term debate on the reform of the Structural Funds. The research results, as usual, draw mainly from the experience of the IQ-Net partners.

The paper concludes with a section outlining the key issues at the heart of the current debate on the reform of the Structural Funds post-2006 and in view of the enlargement of the European Union in May 2004. Finally, since the reform debate has been gaining pace, an Annex to the paper provides an overview of relevant recent conferences and reports on both this and other issues; website addresses have been included for ease of obtaining further information.

2. FINANCIAL PROGRESS AND DECOMMITMENT

Automatic decommitment has become an established theme in IQ-Net update papers, and this forum has progressively explored the implications of this innovative rule for partner programmes. For many Structural Fund programmes, it is only now that they are moving towards their first n+2 deadline, when their ability to commit and disburse Structural Funding to schedule will be formally tested.

The picture emerging from IQ-Net research is of contrasting experiences; levels of commitments and payments vary widely across Member States and regions, and sometimes between Funds within individual SPDs. For a majority of programmes, there has been confidence from an early stage that targets would be met and no funding decommitted. Indeed, in some cases,

the regulation has been broadly welcomed as a way to tighten up systems and procedures and make programme management more efficient and delivery-focused. In the UK, the Office of the Deputy Prime Minister responded to problems being exposed by the n+2 rule by commissioning a study to examine business processes and organisation in the English Structural Fund programmes. The results, which came out in summer 2003, are now being progressively implemented. Overall, in many programmes, while certain steps have been taken to improve awareness among project owners or make amendments to payment systems, there has been no real risk of the automatic decommitment of finance.

Elsewhere, financial monitoring has shown that levels of commitment and/or spend are too low to meet targets, and urgent and concerted action has been needed to avert the possibility of automatic decommitment. For these programmes, the last year has been extremely demanding, requiring a significant mobilisation of effort, action planning, and, in some cases, changes to how programme management and implementation takes place and what is funded, in order to reclaim lost ground. Considerable human resource capacity has had to be put into addressing the potential threat of decommitment, drawing resources away from other areas of programming activity.

Data from this spring indicated that, at that stage, commitment rates at the level of individual programmes ranged widely, from around 20 percent to 80 percent of total funding. As regards payments, these rates were often much lower at this time, and ranged from below five percent to around 35 percent of total funding. While the situation has changed very significantly since then, these figures serve to illustrate the contrast in fortunes.

When it takes place, the assessment of possible automatic decommitment will be applied at the level of a programme or, where programmes are multi-Fund, at the level of each Fund within the programme. In principle, the n+2 rule applies to *payments* i.e. finance is decommitted if no payments have been made on commitments within two years. As such, payments have been the recent focus of attention. However, the level of commitments is also crucial in the longer run, as low levels of commitments are likely to mean serious difficulties with meeting the n+2 rule in future years. The Commission has noted that around 0.5 percent of the relevant commitment appropriations were decommitted at the end of 2002, and anticipates that a maximum of 0.4 percent (€26 to €56 million) might be decommitted at the end of 2003¹.

The next sections analyse some of the issues which appear to have hindered progress on payments and commitments, before turning to factors and actions which have facilitated good or improved performance on payments and commitments. These sections draw mainly on examples from the UK programmes, as well as Steiermark and France, given that these are among the main programmes which have identified a potential threat from the n+2 regulation and undertaken the most intensive activity to deal with this.

2.1 Reasons for low levels of commitments and payments

2.1.1 Reasons for low levels of commitments

A first set of reasons for difficulties with commitments relates to **administrative weaknesses** within individual regions. In Austria, problems

¹ Proceedings of the Informal Ministerial Meeting on Regional Policy, Halkidiki, May 16th 2003.

have been caused by the lack of appropriate human resources, as well as administrative changes, for example in the allocation of implementation responsibilities. In some regions, programmes have overestimated absorption capacity under some Measures; for example, in Steiermark, the environmental measures have under-performed, and full absorption would depend on changes in national co-financing guidelines and the provision of additional domestic resources. Problems have also arisen in Scotland, where the level of domestic public co-financing has been lower than originally anticipated due to shifts within the existing regional distribution of tasks and funding. In Wales, the local partnerships which are responsible for generating projects have sometimes experienced difficulties in building the necessary human and organisational resources for generating projects, as well as for managing administrative burdens and reaching agreement on projects to be proposed.

There is also sometimes tension between the Structural Funds system and domestic policy frameworks. The English Regional Development Agencies and Scottish Enterprise, for example, have to meet output and impact targets which do not necessarily coincide with those of Structural Fund programmes. Commission procedures may also cause delays in commitments, with Austria experiencing uncertainties over the calculation of revenue-generating infrastructure. Similarly, UK and Austrian regions have experienced delays in getting Commission approval for venture capital funds.

Other issues slowing commitment levels relate to more **strategic issues**. For example, both Austria and the UK are characterised by fragmented maps of eligible and transitional Objective 1 and Objective 2 regions. This tends to cause confusion for administrators and businesses over project eligibility and award rates. The administrative burden is also increased if a project covers areas with different levels of eligibility (eg. Objective 1, Objective 2 fully eligible and Objective 2 transition). Moreover, some transitional areas experience particular absorption difficulties, often because they are often mainly residential (i.e. with few businesses) or because award rates for aid to business are relatively low.

A particular problem in Steiermark has arisen from strategic decisions taken about another technical aspect of the Funds - rates of award. To maximise value for money in the programme, the decision was taken not to apply maximum rates of aid in awards to businesses, nor to use the maximum Structural Funds co-financing rates allowed. The rationale was to maximise funds from both national and EU sources but in practice it has meant that payments and commitments levels are relatively low even though many projects have been approved.

In the UK, **absorption** has been affected by an unexpected windfall in the form of additional receipts due to the appreciation of the euro relative to sterling. This bonus means that expenditure will need to be higher than originally planned. Further, the availability of alternative sources of business aid or loans with lower administrative burdens may have reduced take-up. Conversely, in Austria and Nordrhein Westfalen, state aid schemes tend to be regarded as relatively reliable instruments for committing and spending funds (apart from large aid projects where Commission approval is needed), particularly in comparison with less traditional schemes or soft instruments, which are often not integrated into existing programmes and where administrators are not able to draw on already available experience and expertise.

Questions over **project eligibility** have led Austria to try to finance more innovative projects from domestic resources, which has reduced Structural Fund commitments. For example, some of the ESF training measures originally had demanding requirements on networking; these projects will now be financed from domestic funds and the ESF will be used to finance other interventions. Similarly, due to problems in the previous programming period with project eligibility, Steiermark decided to focus funds for tourism on a small number of larger projects - an approach which has involved a larger administrative burden in the start-up phase.

A final issue, for example in Denmark, Germany, Austria and Italy, has been the **low aggregate level of economic growth**, which has tended to reduce take-up of State aids and similar business-oriented schemes, due to lower levels of private investment and activity. A weak economic climate has also had an impact on the availability of public domestic co-financing due to lower tax receipts and higher social expenditure. In Nordrhein Westfalen, for example, both the Land and the local authorities are looking to cut back on funding in non-obligatory areas, and this may include regional policy.

2.1.2 Reasons for low levels of payments

Administrative issues are also a key reason for insufficiently rapid progress on payments. Problems have included complex and error-prone payment claim systems, which have led to the need for comprehensive changes, for example in Scotland. Moreover, in a number of UK regions, project-holders do not always see a pressing need to submit timely payment claims (e.g. because Structural Funds account for a small percentage of their overall budget) and this may be exacerbated by the lack of human resources in Structural Fund Secretariats for chasing claims. There is some concern that these administrative weaknesses reflect more deep-rooted problems in the UK's public spending system, such as a tradition of rolling forward under-spending from one financial year to the next. Moreover, some projects do not seem to have built in adequate leeway to allow for the typical slow start-up phase, for example due to the need to recruit and train additional staff, to purchase equipment or to expand/move premises.

In Nordrhein Westfalen, the efficiency of payments is seen as being hindered by **rigidities in the payments system**, notably by the interaction between EU and domestic systems (although these problems are in themselves not sufficient to generate a risk of automatic decommitment). For example, although the EU system allows for an advance payment of seven percent, German rules state that advance payments can only be made for activities firmly planned in the following two months, so that it may not in fact be possible to make advance payments to final beneficiaries.

Other **more specific problems** have emerged which affect the efficiency and speed of payment systems. In both the UK and Austria, there have been unanticipated delays in setting up and gaining Commission approval for venture capital funds, which allow rapid payment because the initial allocation to the fund can count as both commitment and payment.

2.2 Factors which have improved commitments and payments

A range of factors and initiatives have allowed regions to make progress in both commitments and payments. These can be categorised under the following headings.

- **Revised administrative procedures.** A number of regions have introduced amended administrative procedures in an attempt to tackle problems of both commitments and payments. These range from simple steps such as increasing the number of staff in programme secretariats (eg. in the UK) to targeted training sessions for project holders to ensure timely submission of claims (eg. in Norra Objective 2 programme in Sweden). North East England has been working on streamlining project selection procedures by avoiding overlap with similar appraisals for national schemes which should allow staff to spend more time on ensuring that organisations make timely claims. Similarly in the West of Scotland, a business process review was undertaken and new application and claims systems introduced to support programme management. In Denmark, changes have been made to payments procedures so that funding for individual projects is broken into a larger number of smaller tranches.

Some regions have proposed a reallocation of funds towards those types of interventions, organisations and Funds where absorption levels are highest or where commitments have been most efficient (eg. País Vasco and Western Finland). In Wales, funding is being withdrawn from the indicative allocations of partnerships which are not allocating and spending resources quickly enough, and local allocations of funds are no longer being maintained. The infrastructure committee in Wales was unable to decide on priorities, so funding has been taken back into the programme, and the work of generating projects will now be undertaken instead by a working group of experts. In the UK more generally, there has been an emphasis on starting up venture capital funds in order to allow rapid through-put of commitments and payments.

In France, changes have been introduced to simplify procedures. A detailed presentation of these measures was given at the Dortmund IQ-Net conference in February 2003 and is available under Partner Presentations on the IQ-Net website². In summary, these measures include:

- amendments to the phasing of project approvals to allow a global appraisal of funds rather than an assessment of each project;
- the exemption of grants below €23,000 from part of the *ex ante* financial control assessments;
- the simplification of application forms for projects below €100,000 and the facilitation of commitment decisions on the basis of letters of intention from sub-national authorities or the regional prefect rather than the previously more formalised procedures;
- the setting up of regional accounts for EU receipts so regional prefects can access funds directly within one week rather than going through the accounts of central State Ministries;
- the provision of the possibility for managing authorities to allocate paying authority functions to the Public Revenue Department or another qualified public body, with the aim of accelerating payments; and

² (see http://www.eprc.strath.ac.uk/ignet/partners_pages/next-conference6.htm)

- the option for sub-national authorities to apply for global grants, and to raise the share of global grants above the previous limit of 25 percent of the total SPD.
- **Communication and awareness-raising.** Awareness-raising to heighten understanding of the regulatory requirements relating to n+2 and the potential seriousness for both programmes and individual projects has been a widespread response at regional level. Sweden, for example, has highlighted this issue in meetings aimed at the exchange of experience between programme managers. In the UK, the central government Ministries have been in a process of active dialogue with programme secretariats about the need to respect the n+2 rule. Similarly, programme managers in many regions have been encouraging project-holders to make timely and accurate claims, for example through bilateral meetings, workshops and letter-writing. In some cases, where the backlog of claims is more serious, briefings have been held about n+2 with more senior figures in the beneficiary organisations.

Similar initiatives have been undertaken to accelerate progress with commitments and project generation. Some regions, such as Steiermark and Nordrhein Westfalen, have taken steps to improve marketing, for example via workshops for potential applicants, consultations with other regional organisations, and information in newspapers. The Norra Norrland Objective 1 programme has used its website for a general call for projects which has resulted in large numbers of eligible applications. The case of specific Measures with very low levels of commitments has sometimes been discussed in detail in Monitoring Committee meetings, for example in Nordrhein Westfalen where the relevant stakeholders responsible for Measures with zero commitments were asked to develop solutions. One idea has been to launch a competition for projects on a particular theme e.g. women and services to households and websites.

- **More effective monitoring.** Many regions have introduced mechanisms aimed at ensuring efficient monitoring, so that any problems can be quickly identified. The 'Ampelberichte' (traffic light reports), described in the IQ-Net Programme Review paper presented at Luleå in summer 2001³, are one example of this where the colours red, yellow and green are used to indicate progress on payments, commitments and core horizontal indicators at the level of each priority or measure. Regions have also set up systems to ensure regular and clear monitoring of claims, followed by information campaigns targeted on projects making insufficient progress.

Some regions are using more graphic means of communicating about problems. For example, Western Scotland has a 'thermometer' on its website⁴ showing progress on payments which need to be made by the end of 2003. Also in the UK, some programmes are considering 'naming and shaming' organisations which consistently fail to submit timely claims. As yet, no regions seem to be using the ultimate deterrent of refusing to pay the claims of organisations if they are not submitted on time – although this was the planned final stage of the series of warning letters issued by some Swedish programme managements.

³ Bachtler, J and Michie, R (2001) *Objective 2 Programme Review: November 2000 – May 2001*, IQ-Net Thematic Paper 9(1), European Policies Research Centre, Glasgow

⁴ See <http://www.wsep.co.uk>

- **Programme and project funding changes.** In France, permission has been obtained from the Commission to modify the SPDs before 2004. This includes permission to: allow new categories of beneficiaries; increase award rates; include new eligible activities such as funding for mobile telephone networks; and extend funding for infrastructure, as well as for local spatial development strategies. Moreover, the amount of advances paid to project-holders in France is now allowed to rise from 5 percent to 20 percent if the beneficiary has cashflow problems. Other regions have tried to make changes in order to maximise payments. Steiermark has proposed raising ERDF co-financing rates for some Measures, within the overall SPD ceiling and the annual ceiling for each Fund's co-financing rates, although this change has not (yet) been approved by the Commission. In some cases, programme authorities sought to make changes (such as transferring funding from transition to fully eligible Objective 2 budgets in North East England) but were refused by the Commission.

The targets of intervention have been expanded in some regions. In Niederösterreich, project selection criteria have been relaxed, so that Measures move from targeting mainly start-up firms to also providing support for existing small firms. Austria has also moved to include the part-financing of projects which cover eligible and non-eligible areas.

Some UK regions, such as the West of Scotland, have started funding projects retrospectively, and have obtained approval from the Commission for this approach. This implies re-designating existing projects to be included in the SPD, even though they have already been started and/or completed with domestic funds, on the condition that applicants agree to earmark the windfall to their budgets for potential future EU projects. A similar approach has been taken in France, where investment projects can receive funding if they were started but not completed at the date of the programming committee which approves the project.

- **Political commitment.** This has been particularly important in the area of payments, where a clear political message has been sent from Ministries and Managing Authorities to ensure that EU funds are fully absorbed. In some cases, this political interest has facilitated comprehensive strategic action to address administrative and institutional problems. It has also been beneficial in some contexts because it means that more senior figures in relevant ministries are gaining a fuller understanding of European funding instruments. At the programme level, evaluations have sometimes stimulated the political commitment needed to address the issue of automatic decommitment, for example the early evaluation results in North East England (see section 3.3.1), or the mid term evaluation in Steiermark.

2.3 The bigger picture

The discussion in the previous sections reflects the major impact the n+2 rule has had on those programmes which face a potential decommitment risk. It has demanded a significant input of time and resources in order to analyse the reasons for slow progress, and mobilise programme authorities, administrators and partnerships into playing their part in raising levels of programme uptake, accelerating administrative processes and progressing timely and accurate claims. At its most extreme, this process has potentially disturbed some of the normal programming rhythms and processes which will be essential to achieving targets in future years. Further, in some cases,

programming authorities consider that the required response to the n+2 rule has led to a very negative impact on both project quality and strategic direction. Revenue-type projects are often particularly difficult to balance with the demands of n+2, despite the original strategic focus in some programmes on this type of intervention. For other programmes, however, while there has not been complacency, this magnitude of response has not proved necessary.

Looking to the future, it will be important to determine the reasons behind this disparity. One of the critical questions is whether the difficulties experienced in some cases are related to features of the regulation and its current application, or more to particular sets of national or regional circumstances. If the latter is the case, a shift in regional conditions or funding frameworks may significantly ease the impact of the n+2 regulation in future years. For those programmes which have faced a serious risk this year and mobilised emergency corrective measures, it will be important to reshape systems and practices in more strategic and durable ways to avert future risks. Lessons could also usefully be drawn for the benefit of the new accession states, to whom the n+2 rule will also apply. If, however, the problems lie more with the regulation itself and the way it is applied at a European level, then one imperative is to ensure that relevant arguments about this feed effectively into the reform debate. Issues in this respect include the need for greater flexibility for programme implementation to respond to external factors such as the economic cycle which can have a serious impact on absorption levels. Further, in many programmes, n+2 is in reality n+1¾ because of the time required to process claims and payments which are part of the calculation. This further increases the need for flexibility. Overall, if the problems lie with the regulation, difficulties which have already been experienced may re-occur and could also arise in regions where, to date, decommitment has not been a major cause for concern.

At the informal Ministerial meeting on regional policy held under the Greek presidency in Halkidiki in May 2003, DG Regio noted the 'love-hate relationship' which exists in most Member States (and the Commission) with regard to the n+2 regulation. On the one hand, while the transition to this new regulation has caused some difficulties, decommitment has come to be viewed positively because it avoids large-scale spending left to the end of the programming period and provides a framework of discipline within which programme managers operate. On the other hand, it may be that aspects of the application of the instrument make it inherently problematic for some: in particular, the Berlin profile of expenditure which has been applied does not necessarily reflect the day-to-day life of programmes. In particular, it requires the spending of a large amount of money at the start of the programmes when all the initial delays in systems are usually being experienced. On balance, however, the Commission concluded at Halkidiki that *"it's one of the successful changes that was made in the programming technique with the current regulations, and the Commission is committed to keeping it"*⁵. Now that the difficulties of introducing the n+2 rule have been smoothed over, its application is becoming easier, and it is making a positive contribution to the quality of programme management.

⁵ Proceedings of the Informal Ministerial Meeting on Regional Policy, Hellenic Presidency of the European Union, Ministry of Economy and Finance, Halkidiki, May 16 2003 (p114)

3. MID-TERM EVALUATIONS: PROGRESS AND POTENTIAL USAGE

Work on the mid-term evaluations has been steady over the past 6-7 months, with progress in most regions taking place within the anticipated timetable. Interim reports have been produced in most cases, followed by a process of comment, feedback and amendment. While evaluations have been completed in some regions, for many programmes, the draft final reports of the evaluations are anticipated at the end of September or start of October. In some areas, the timetables have proved tight because of delays at the start of the process; initial problems related to procurement issues in Sweden, for example, meant that the mid-term evaluations for both Objective 1 and 2 programmes started later than anticipated. In other cases, such as many of the larger UK evaluations, whilst the studies have been progressing to schedule, the final reports will nevertheless be submitted as late as possible in 2003 to ensure that they reflect the most up to date programme position. This is in light of their influence on the distribution of the performance reserve fund.

3.1 The methodology and process of the mid-term evaluations

The Dortmund IQ-Net update paper⁶ provided an overview of the approaches being taken to the mid-term evaluations. This emphasised the influence of DG Regio Working Paper 8 on all evaluation methodologies, but also highlighted region-specific initiatives to integrate new elements into the process.

In Austria, the intention for the current mid-term evaluations was to manage a more on-going approach to evaluation. As such, the interim and draft final reports which have been produced re-emphasise an understanding of evaluation as a tool for learning and supporting the development of the programme, rather than as a form of external control. The participative components of the evaluation process designed to reflect this approach have included:

- the operation of evaluation working groups (comprising the managing authority and key implementing organisations);
- interviews with all key players; and
- specific thematic workshops with the evaluation working groups.

This type of procedure is recognisable in many of the mid-term evaluations, reflecting a desire to have an inclusive process with genuinely usable results in the national and regional context, rather than an exercise which simply fulfils a European Commission requirement.⁷

An additional initiative introduced in Austria is the KAP-EVA platform (*Koordinierungs- und Arbeitsplattform Evaluierung*). The aims and objectives of KAP-EVA are outlined in the Dortmund IQ-Net paper and are primarily to promote information and good practice exchange and coordinate and accompany the current process of mid-term evaluation. Given that there was

⁶ Polverari, L, Bachtler, J and Michie, R (2003) *Taking Stock of Structural Fund Implementation: Current Challenges and Future Opportunities*, IQ-Net Thematic Paper 12(1), European Policies Research Centre, Glasgow (see http://www.eprc.strath.ac.uk/ignet/partners_pages/next-conference6.htm)

⁷ Raines, P and Taylor, S (2002) *Mid-Term Evaluation of the 2000-06 Structural Fund Programmes*, IQ-Net Thematic Paper 11(2), European Policies Research Centre, Glasgow.

an independent tendering exercise for each of the Structural Fund mid-term evaluations, the KAP-EVA framework has helped to avoid duplication and overlap in the evaluation work. A single presentation was made by the main federal agencies involved in Structural Fund implementation, for example, rather than separate (but essentially identical) coverage being needed for each evaluation team. The type of issues which have been raised for more general discussion by the evaluators in the KAP-EVA forum include how to manage gender mainstreaming measures, how to improve the integration of ERDF and ESF measures, the problems of absorption in the phasing out areas and the issue of the extent of genuine steering power of managing authorities.

In some Member States, the same evaluators are covering more than one programme. This is the case in Sweden, for example, where the same evaluator group is responsible for the Objective 1, 2 and 3 evaluations. The advantages of this overlap are the potential synergy between the evaluations, particularly given the mirroring of measures between Objective 3 and 1, while a potential disadvantage is the use of a very similar methodology for both the spatially targeted programmes. Similarly in Wales, the company undertaking the evaluations is also responsible for evaluation work in other UK regions, allowing the studies to be informed by cross-programme comparisons. In neither of these Member States, however, is this cross-programme aspect formally or overtly integrated into the evaluation process.

Finally, the horizontal themes benchmarking exercise between the Nordrhein Westfalen, West and East of Scotland Objective 2 programmes was highlighted in the Dortmund paper. A benchmarking report is now being drafted, drawing out the key comparative findings from the three evaluations and highlighting relevant good practice. This will be used as the basis for discussion between the three programmes at a second Workshop, to be held in Scotland in mid-November. The outcome of this Workshop will then be incorporated into the final report, due for delivery in early 2004.

In addition to this exercise, the West of Scotland and North East England undertook a short staff exchange of their environmental officers in an *ad hoc* initiative in August 2003. This was designed to follow up the findings of their respective programme evaluations in the area of environmental outcomes, through an exploration of practices and achievements of the other region. Lessons were drawn and ideas generated for both programmes to take this area forward in the second half of the programming period.

3.2 Initial results

Before looking in more detail at the type of recommendations and results which are emerging from the mid-term evaluations, it is worth noting that a significant step forward in quality has been observed by the Commission in the majority of evaluation reports. This is related in part to the regulatory requirement to undertake a mid-term evaluation in the 2000-06 period which has meant the process has been taken more seriously. Other contributory factors include the continued evolution of evaluation culture and methodologies and the interest in more participative and learning-focused evaluation approaches.

The initial results and recommendations of the mid-term evaluations clearly vary across regions, reflecting the specific programme strategies, delivery structures and stages of implementation, including the extent of potential risk

from decommitment. Within this diversity, a number of (sometimes overlapping) categories of recommendation can be identified.

- *Context and strategic changes.* A common assessment of many of the mid-term evaluations is that, despite worsening socio-economic and investment conditions, the original SWOT analyses remain broadly relevant. Strategic recommendations tend to be more specific such as proposals to integrate recent initiatives (for example supporting new technological developments) which have emerged since the start of the programming period.
- *Financial absorption.* Recommendations in this area are particularly prevalent in the evaluations of programmes facing higher risks of decommitment. The mid-term evaluation of the Steiermark programme, for example, raised a series of recommendations in this area including: increasing award rates to improve the incentive for individual company applicants; increasing to the maximum the ERDF contribution; assessing the options for co-financing projects covering non-eligible areas (eg. cluster initiatives).
- *Priority/measure level assessment (including virement).* Based on a measure-specific data analysis, many of the mid-term evaluations make recommendations with regard to measures where absorption or delivery problems are evident and where virement may be an alternative. In Niederösterreich, the evaluation recommended a clarification of the financial absorption potential in the phasing out area with a view to possible virement of resources, as well as making the more general proposal that virement should be considered from investment-oriented measures to revenue-based measures such as consultancy and R&D. Interestingly, the opposite conclusion is reached in the Danish mid-term evaluation which reports that many regions would like to vire money away from revenue and towards capital-type projects. The weight placed by the Commission on the recommendations of the mid-term evaluations with regard to virement and programme changes heightens the importance of this area for a number of programmes where such amendments are considered important for the second half of the programming period. The Norra Objective 2 programme, for example, would like to merge two of its programme measures and, while a more flexible approach to the programme change would have been preferred, the Commission has insisted on a link with the mid-term evaluation.

The Nordrhein Westfalen mid-term evaluation provides an assessment grid against which Measures can be assessed in the second half of the programming period (see box). This uses a series of criteria to achieve an overview of the merits and options of individual measures which ensures that a range of relevant factors have been taken into account.

- *Implementation issues.* The Finnish mid-term evaluation highlighted evidence that deadweight was a considerable issue in Objective 2 programme activities. It was estimated that as much as 40 percent of co-financed investment by SMEs, which is also funded nationally, would probably have gone ahead anyway. This may have implications for project selection and generation in the second half of the programming period.

The Steiermark mid-term evaluation proposes that there should be improved information exchange not only to support the better integration of ERDF and ESF measures but also more generally between funding

agencies involved in the implementation of the Objective 2 programme. The ERDF and ESF division is also highlighted in the Danish mid-term evaluation which draws attention to the perception that the ERDF is currently better managed by its responsible authority than the ESF.

- *Monitoring systems and indicators.* The Niederösterreich mid-term evaluation compared the actual size and nature of approved projects with original expectations. This showed, for example, that there were more large projects in some measures than anticipated, and that this had implications for the adaptation of indicator systems. The Danish mid-term evaluation reports a mixed response to the increased emphasis on quantitative indicators. On the one hand, these are viewed as a positive tool for producing better projects through the more explicit assessment criteria. On the other, there is concern that the indicators also constitute a barrier, particularly to smaller-scale applicants.

NORDRHEIN WESTFALEN : MATRIX FOR ASSESSMENT OF PROGRAMME MEASURES

The Nordrhein Westfalen mid-term evaluation proposes a matrix system for the assessment of programme measures. This is designed to provide an overview of the efficiency and effectiveness of individual measures, set against a range of criteria. This in turn should support deliberations on virement and potential changes to the programme.

The criteria chosen reflect both strategic and practical aspects of programme implementation as well as considerations specific to Nordrhein Westfalen. The indicators were grouped into the following four categories:

(i) *Economic policy priorities of Nordrhein Westfalen*

- **Age of measure** (a = this type of measure existed in previous programmes; n = new measure)
- **Share of programme's financial resources** (+ = increased; - = reduced; 0 = comparison not possible)
- **Significance of measure for future Land policy** (based on recent policy statements and interview work for mid-term evaluation: + = high; - = low; 0 = significant although implementation may be carried out under other policy field)

(ii) *Significance for the programme or programme objectives*

- **Employment effect** (This is the main objective of the Objective 2 programme: ++ = >40% of anticipated level of new/secured jobs for this stage of the programme implementation; + = >30-40%; 0 = 20-30%; - = <20%)
- **Horizontal themes** (based on assessment in mid-term evaluation, indication of where measures have positive impact: I = innovation; G = gender; B = disadvantaged groups; N = sustainability. Letters in brackets indicate an only just above average impact. The word 'potential' can be used where measures are expected to have more impact in the second half of the programming period)
- **Competence clusters** (A strategic focus of the programme: + = measures with specific link to competence cluster development; sp = measures with a link to a specific competence cluster; 0 = measures aimed at diversification of economy rather than competence clusters per se)

(iii) *Efficient resource absorption, sound institutional structure for project generation and development*

- **Status of commitments and payments** (use of latest colour from 'traffic light reports')
- **Started or planned activities** (+ = those measures where there has been little activity to date but where much is in the pipeline)
- **Fachausschüsse (technical advisory groups) or juries** (- = those measures where such support structures for project appraisal do not exist)

(iv) *Risk factors*

- K = economic climate, particularly related to own financing options for firms and labour market measures
- A = availability of alternative and potentially more attractive programmes where cooperation may be useful
- U = acceptance by actors important for project generation and implementation
- GrPr = dominance of a few large projects in absorption of money
- E = options for own financing by the municipalities
- BA = financial and strategic changes in the Federal Agency for Employment

Each programme measure was then ranked on the basis of each indicator, culminating in an overview table which provides a useful picture across the programme as a whole. This gives a useful tool for seeing the relative position of measures based on a variety of factors and allows programme managers to make more informed judgements about the future options for programme change and virement.

3.3 The dissemination and use of the mid-term evaluation outcomes

As the mid-term evaluations move towards completion by the end of 2003, it is important that attention turns to how the findings and recommendations of the evaluation reports can be disseminated and used. Working Paper 8 states that the “*mid-term evaluation is not an end in itself but a means to improve the quality and relevance of programming*”⁸. Identifying ways to exploit positively the outcomes of the mid-term evaluations is an important way of ensuring that this aim is translated into reality to the benefit of programmes and their partnerships.

The last two IQ-Net papers on mid-term evaluation⁹ have highlighted issues in this area, differentiating first between the dissemination and use of evaluation results, and second between the generation of results for accountability reasons and as part of a process of programme-level learning.

3.3.1 Dissemination of evaluation findings

Dissemination is the step before usage and is important for a number of reasons. These include, not least, the responsibility to inform partners or actors who were involved in the evaluation process of its main outcomes (while maintaining the confidentiality of their original input). Failure to do this can lead to a sense of disengagement or frustration and unwillingness to become involved in this type of exercise in the future. This is particularly counter-productive where the evaluation approach adopted has engaged actors in a new way or encouraged them to have roles or stronger voices in the process. Further, the mid-term evaluations in this programming period cover a very wide range of topics, increasing the likelihood that individual organisations or interest groups could profit from the findings. Overall, the extent to which an evaluation is disseminated and exploited among ‘users’ or ‘clients’ can significantly affect the returns that the study may have.

It is worth noting that, with the increasing use of ‘participative’ evaluation approaches, outlined in more detail in the 2002 IQ-Net Thematic paper on the mid-term evaluations¹⁰, that dissemination is not an activity which is restricted to the end of the evaluation process. The use of feedback workshops, evaluation steering groups, coordination platforms and interview contact as part of the evaluation all provide an opportunity to provide a more ongoing dissemination of emerging findings which can already be used by programme partners. A more explicit approach to the generation and use of early results from the mid-term evaluation can be seen in the example of North East England (see box). Similarly in Italy, the draft reports of the mid-term evaluations for Objective 1 regions were requested by the end of July 2003 so that the key messages emerging from the reports could be presented to Monitoring Committee meetings in the autumn, allowing sufficient time to consider any issues of reprogramming.

⁸ CEC (2000) *The Mid Term Evaluation of Structural Fund Interventions*, Working Paper No. 8, Commission of the European Communities, Brussels

⁹ Raines, P and Taylor, S (2002) *op cit*; and Bachtler, J, Michie, R and Downes, R (1997) *The Interim Evaluation of Objective 2 Programmes*, IQ-Net Thematic Paper 2(1), European Policies Research Centre, Glasgow

¹⁰ Raines, P and Taylor, S (2002) *op. cit.* – see section 4.3

NORTH EAST ENGLAND : INITIAL REVIEW APPROACH

An interesting approach to the mid-term evaluation was taken by North East England in an attempt to highlight relevant and usable results from the mid-term evaluations at a very early stage. The invitation of tender for the mid-term evaluation included a requirement for the evaluator to carry out an early assessment of progress and report these immediate and headline issues to the programme managers as early as November 2002. This was designed both to kick-start the debate and encourage more concerted and immediate responses to any urgent issues identified.

This early review of progress was undertaken on the basis of an initial examination of programme and management documentation combined with an extensive consultation involving over 80 people. Three major issues emerged:

- serious concerns with regard to decommitment;
- disillusionment within the partnership with regard to the efficiency of processes and the specification of the SPD and programme complement; and,
- concern at the quality of ideas and proposals being brought forward.

The initial review report provided an overview of the first two of the above points, summarising the main findings and highlighting key issues. Its conclusions were focused on the main crisis areas facing the implementation of the programme, setting out the underlying reasons, and proposing a series of actions to address these problems. These included the establishment of a Task Force to support the process of securing increased activity as well as a series of recommendations for existing actors and partners engaged in the implementation process.

Overall, therefore, while the preparation of the initial review has meant that the overall timetable for the mid-term evaluation is now slightly behind schedule relative to many other UK evaluations, the impact has been to give the evaluation a much higher profile among partners and ensure that its findings are already influencing practice in key areas of programme management and implementation.

Many regions do, however, focus dissemination efforts towards the end of the evaluation process, given the availability at that point of finalised reports with clear conclusions and recommendations. Working Paper 8 states that a summary of the mid-term evaluation should be made available to the public, where possible through Structural Fund websites and relevant implementing organisations. It is also stated that it is regarded as 'good practice' for the entire evaluation report to be made available to the public. While this is important for completeness sake, some of the current mid-term evaluations run to several hundred pages, making it unlikely that the documents as a whole will be read in detail. Perhaps the greater challenge for programme authorities is to identify ways of disseminating relevant sections of the text to interested bodies as this will increase the overall visibility of the report and extend its potential use in practice.

The MEANS handbook¹¹ recommends the drafting of a communication plan, including the incorporation of a matrix of communication channels and target audiences (see Table 3.1).

¹¹ CEC (1999) *Evaluating socio-economic programmes – Evaluation design and management*, MEANS Collection, Volume 1, Office for Official Publications of the European Community, Luxembourg

Table 3.1: MEANS 'communication channels' matrix

Comm. Channels	<i>Interview meeting</i>	<i>Draft report</i>	<i>Confidential note</i>	<i>Public report</i>	<i>Synthesis</i>	<i>Presentation</i>	<i>Brochure article</i>	<i>Press conference</i>
Audience								
<i>Commissioner</i>			✓	✓	✓	✓		
<i>Steering Group</i>	✓	✓		✓		✓		
<i>Managers</i>								
<i>Operators</i>								
<i>European regional and national institutions</i>				✓	✓		✓	
<i>Citizens</i>					✓		✓	✓
<i>Journalists</i>								

Source: MEANS (1999) *Evaluating Socio-Economic Programmes – Evaluation Design and Management*

While a full communication plan dedicated to the mid-term evaluation is unlikely to be adopted by most regions for time and capacity reasons, the matrix provides a useful starting point for thinking through the details of dissemination tailored to the specifics of each programme. Since this matrix was published by MEANS, new options for communication have opened up, most notably through the use of the Internet. Programmes may also have identified programme-specific approaches to information and publicity more generally which can open up alternative options to explore. Further, the mid-term evaluations now cover a broader range of topics, necessitating a wider-ranging consideration of potential target audiences. The relevant audience for each programme will vary depending on a range of factors such as the type of implementation structure (subsumed, differentiated, mixed) and the approach of the mid-term evaluation (continuum of 'expert oriented' to 'participative').

Overall, therefore, programmes are likely to be able to extend the original matrix to include new audiences and communication channels including, for example:

Audience:

- Horizontal priority interest groups or dedicated organisations
- Funding agencies involved in implementation
- Voluntary sector organisations

Communication channels:

- Websites
- Thematic summaries
- Workshops and interactive discussion sessions (and subsequent publication of slides/papers)¹²
- Widespread notification of dates of any presentations of mid-term evaluation results

¹² One example of this is the French approach of 'days of exchange' – see Raines and Taylor (2002) *op. cit.* (section 5.2)

The process of putting together this kind of matrix involves programmes thinking through systematically how and to whom the outcome of the mid-term evaluations could optimally be disseminated. This is important given the increasing complexity of structures and partnership arrangements in many programmes. The MEANS handbook comments that:

*Although a good evaluation report always produces new knowledge (cognitive use), it does not necessarily lead readers to revise their judgements in line with its conclusions (normative dimension), nor to adopt all the recommendations in their decisions concerning the programme (instrumental value added). Indeed, the public decision-making process often involves several actors and a larger number of factors.*¹³

An effective dissemination of the relevant parts of the mid-term evaluation to the appropriate actors provides a better basis for subsequent discussions on the use of the findings and the potential for their integration in complex strategic and decision-making structures associated with the programme.

To maximise dissemination and use of evaluation outcomes, programmes may be challenged to identify new ways of promoting discussion which better fit the interactions and decision-making patterns of the actors involved. This could include experimentation with different types of workshop or interactive sessions or the use of new instruments drawn from other disciplines (see box). The application of new ways of communicating and cooperating may be an interesting way of taking a fresh look at partnership and how disparate actors can become involved in common tasks.

DISSEMINATION : EXPLORING NEW OPTIONS

Identifying ways to disseminate and discuss effectively the findings of an exercise such as the mid-term evaluation of a Structural Fund programme can be challenging. While programmes have moved in this programming period to the greater use of a range of participative fora, recent research has also highlighted the potential for applying experience and models from other disciplines.

A recent paper at the fifth European conference on the evaluation of the Structural Funds, held in June 2003, for example, highlighted a new technique entitled '**Future Dialogue**' which has been applied to some ESF-related evaluation work in Finland¹⁴. This approach moves away from the drive to achieve consensus and a common language in discussion fora and emphasises the fact that "*in multi-stakeholder settings, each and every [participant] is solving a different problem and looking at each problem from a distinctive perspective*". The discussion separates talking and listening, with participants learning about the motivations and aspirations of others with the key aim of identifying potential joint activities and perspectives within the acknowledged diversity of actors.

¹³ MEANS (1999) *op.cit.*

¹⁴ Arnkil, R (2003) *Emergent Evaluation and Learning in Multi-Stakeholder Settings*, Paper presented to the Fifth European Conference on Evaluation of the Structural Funds, Budapest, 26-27 June 2003

Another example can be drawn from a recent study commissioned by the Austrian Federal Chancellery which looks at the **application of new instruments and techniques in systemic development** drawn from a range of disciplines and applied to regional economic development¹⁵. The study, which has a summary in English, outlines the need for new instruments to deal with the complex systems embodied in regional interrelationships, the range of potential sources and models (eg. management theory, development cooperation, psychotherapy) and an overview of possible relevant instruments. These include, for example:

- Techniques for systemic dialogue (including an approach entitled 'circular dialogue' which allows participants to perceive a given theme from at least three perspectives in a similar way to the Future Dialogue approach outlined above);
- Integrated and systemic planning including milestone and boundary planning and local and regional Agenda 21 processes;
- Systemic modelling involving a range of graphic techniques such as causal loop diagrams, stock-flow diagrams and viable system models;
- Context analysis such as value net (focusing on the interests of relevant actors) and system analysis;
- Strategic area analysis such as the innovation compass or the assessment of territorial capital which is derived from LEADER experiences;
- Strategy development including approaches such as balanced scorecard and strategic vision
- Process management, drawing on instruments such as context and network steering and process oriented project design;
- Learning systems including diagnosis of learning organisations, team learning and competency development;
- Knowledge management; and,
- Monitoring and evaluation including outcome mapping, systemic evaluation framework, 'most significant changes' monitoring and SEPO frame (success/failure/potential/obstacle).

3.3.2 Use of the evaluation findings

Working Paper 8 points to two formal uses of the mid-term evaluations: (i) as part of the mid-term review; and (ii) as a contributory element in the allocation of the performance reserve¹⁶. However, the mid-term evaluations have a much wider range of uses and applications than these two formal applications. The MEANS handbook points to three issues in particular.

- *Raising the level of knowledge*, designed to provide users with the opportunity to discover, learn or understand new aspects about the programme and its implementation. The extent to which this is the case for programme management authorities, particularly in more mature programmes, may be limited (see also comments in section 3.4). The original design of the mid-term evaluation, discussed in detail in the 2002

¹⁵ Hummelbrunner, R, Lukesch, R and Baumfeld, L (2002) *Systemische Instrumente für die Regionalentwicklung*, Report for the Federal Chancellery, Department IV/4, ÖAR Regionalberatung GmbH, Graz. An English summary of this study is available at http://www.bka.gv.at/bka/regionalpolitik/hummelbrunner_lukesch_engl.pdf

¹⁶ Raines, P and Taylor, S (2002) *op. cit.*

IQ-Net paper on the current mid-term evaluations, is also likely to have an impact here. Part of the rationale for adopting an on-going approach to the mid-term evaluations in Austria, for example, was to increase and emphasise the potential for evaluation as a tool for learning and programme development, rather than as a one-off external assessment/control (see box for specific example). Finally, the potential for learning from the evaluation within the region as a whole may also be expanded if a wider range of target audiences is identified than has previously been the case or where new methods of dissemination are exploited.

AUSTRIA: KAP-EVA COMMISSIONED GENDER STUDY

As a result of discussions on the evaluation of the gender aspect of Structural Fund programmes within the KAP-EVA forum in Austria, ÖROK (the federal coordination body for regional policy) has commissioned a separate study to look in greater detail at this issue. The study aims to draw in experience from womens' and gender relevant projects in other fields in Austria, as well as internationally, suggesting what may be transferable to within a Structural Fund context. It will also look at how to communicate gender issues across different actors in the economic development field and what steps can be taken to improve the evaluation of this area in Structural Fund programmes.

The study should conclude with a series of recommendations for the steering of the current programmes, future evaluation work and the Structural Fund programmes post-2006. The research will be completed in time for a workshop with evaluators and other interested parties in October/November 2003, making the results available both for integration in the final reports of the mid-term evaluations and as part of potential future evaluation work in this field.

- *Deciding on improvements.* For programme management bodies, this is a key area of usage for the mid-term evaluation results – particularly to inform or support intended virement between priorities and measures or other proposed programme changes (eg. introduction of new instruments or measures). Other areas of possible application to the programme include:
 - **changes to the strategic direction**, particularly if the SWOT has highlighted new developments – which is not widely the case in the current mid-term evaluations (see section 3.2);
 - **programme management structures** such as addressing efficiency issues, overlap and duplication, and communication problems;
 - **project selection procedures** based on findings and recommendations about strategic direction as well as efficiency and absorption concerns;
 - **empirical backing for programme changes**, including virement between priorities and measures or other proposed programme adjustments eg. the introduction of new instruments or initiatives; and
 - **monitoring procedures** highlighted by data difficulties experienced during the mid-term evaluations themselves or wider findings related to the indicator framework, targeting and efficiency of the existing system.

The MEANS handbook suggests that evaluation recommendations should be clearly separated from the conclusions of any report and explained on the basis of the following questions: Does the implementation of this recommendation have a financial implication? Can it be implemented in the short-term? Is there consensus on the recommendation? Sorting evaluation recommendations based on this sort of question may be a useful way for programme management to start assessing the practical implications of evaluation outcomes and applying them to the second half of the programming period. In some cases, parallel national assessments also provide a comparative framework for assessments about reprogramming (see Italian example in box).

'SELF-APPRAISAL' EXERCISE OF ITALIAN OBJECTIVE 1 PROGRAMMES

The Ministry of Economy and Finance (Department for Development and Cohesion Policies) is coordinating a so-called 'self-appraisal' exercise as an additional support to potential reprogramming in the Italian Objective 1 Operational Programmes. This self-appraisal comprises a review of progress in the implementation of all the measures in the Objective 1 programmes based on three criteria:

- the capacity of the relevant management organisation to deliver each measure;
- the current and forecast financial progress of each measure; and
- the strategic relevance of each measure in relation to the objectives of the programme.

Programme and measure managers were requested to complete the exercise by the early summer 2003 with the support of the Service for the Structural Funds and the Evaluation Unit of the commissioning ministerial department. The outcome of the self-appraisal exercise is the creation of a clear overview, comparable across programmes, of the status of implementation for each individual Measure. This should provide a comparative measure-by-measure assessment of the strengths and weaknesses of programmes and provide a basis, together with the mid-term evaluations, to make realistic and reasoned decisions on necessary reprogramming.

The outline of initial results emerging from the current mid-term evaluations presented in section 3.2 shows that recommendations with implications for programme change and improvement are relatively widespread. However, the introduction of changes is not necessarily a straightforward process – even those with the backing of the mid-term evaluation. In the Danish context, for example, fieldwork interviews highlighted a number of challenges to such adjustments including:

- *Conflict with central government policy* – the wish of programmes to spend more on direct grants to individual firms is in contradiction with central government limits to this type of expenditure and the overall stringent public expenditure limits imposed by the current coalition.
- *Potential resistance from the European Commission* – proposals to simplify the structure of the financial tables by reducing the number of measures, particularly towards the end of the programming period when the available finance is much reduced, may come against resistance from the Commission.
- *Wider implications of programme changes* – a proposal to shift support from grants to loans through a regional venture capital fund in

the Objective 2 programme in Denmark would require not only significant changes to the Objective 2 programme itself but also to Danish state aid notification as neither includes loans as a policy instrument.

- *Judging success and failure.* This involves the use of the evaluation as a way of judging the success or failure of all or part of the programme, in part to identify areas of best practice. This is particularly important when the evaluation comprises a form of accounting of the programme to political authorities or the wider public; it enables people outside the context of the programme to form an opinion on the intrinsic value of the action. The Nordrhein Westfalen mid-term evaluation, for example, will be presented to a meeting of partners and to the *Landtag*, the regional parliament, because of the programme's integration with wider Nordrhein Westfalen economic development policy and links to key policy initiatives such as the so-called *Wirtschaft- und Beschäftigungspakt* (Economic and Employment Pact). Equally, organisations or individuals more directly involved with the programme can compare evaluation conclusions with their own opinions which can maintain, support or change their personal judgement on the programme.

To conclude, a recent presentation of the experience of the South Yorkshire Objective 1 programme¹⁷ at the fifth European conference on evaluation of the Structural Funds highlighted the following key point:

Evaluations of complex programmes typically do not provide simple recommendations that can be acted upon by organisations working independently. Actions implemented independently and without coordination may have no discernable effect and may even prove to counter-productive. Instead, recommendations are typically multi-faceted and require action across organisations.

Recommendations from evaluations therefore need to be realistic, that is within the scope of programme partners to change, and be developed throughout the evaluation process, and not at the end of the evaluation. The starting point for this must be the ability of partner organisations and project sponsors to be receptive to the evaluation and be willing to act upon the evaluation's recommendations.

The particular mix of activities, ranging from formal reporting to broader awareness raising and discussion initiatives, should reflect programme-specific structures but be aimed, where possible, at influencing decision-making positively. Where successful, this process can have an impact not only on the Structural Fund programme but also on wider economic development structures in the region.

3.4 Future considerations on the evaluation process

The mid-term evaluations for the 2000-06 programmes have widely used the Commission guidelines provided in Working Paper 8. While this overall approach has been amended or extended in some regions, the use of the guidelines has inevitably resulted in an overall similarity of evaluation aims and objectives. In this context, some interesting questions have been raised in Finland about the rationale and approach advocated by the EC to

¹⁷ Wells, P and Georgiou, C (2003) *Developing the Evidence Base for Transformational Change: the Mid-Term Evaluation of the South Yorkshire Objective 1 Programme*, Paper presented to the Fifth European Conference on Evaluation of the Structural Funds, Budapest, 26-27 June 2003

evaluation more generally. These have been echoed in the reservations expressed by programme managers in other regions about how well the Commission-preferred methodologies sit with the realities of programming.

The Finnish questions provide a useful basis for consideration of future approaches to evaluation, particularly given the current reform debate and potential changes to the spatial and thematic focus of Objective 2 funding. These questions can be addressed under a series of headings:

- *Is a programme-based approach relevant?* The issue here is whether an overly strong focus on programmes detracts from more important issues about how Structural Fund activities feed through into genuine regional development. Do fragmented eligible area maps and relatively low levels of programme funding limit the extent to which programmes can genuinely influence development trends in a region? If so, does this support a greater emphasis on regional- rather than programme-level evaluation?
- *How much account should be taken of broader contextual factors?* Contextual factors can play a critical role in the success or failure of a programme. If the overall economic climate is particularly poor, for example, it is likely that job creation and project generation will be difficult, regardless of how well the programme is operating. Other national and regional policies and programmes can also have an impact on the practical delivery of Structural Fund programmes. Should evaluations incorporate greater consideration of the interaction between specific programme activities and such wider contextual issues?
- *What are the most appropriate questions to be asking through an evaluation?* The questions proposed by the Commission in the current mid-term evaluation guidance focus mainly on implementation issues (eg. is the programme administration and monitoring working and have targets been met?). To a great extent, the answers to these questions are already known by regional and national authorities. Further, the focus on achievements and targets places an over-emphasis on immediate results - this can have a misleading effect on recommendations both for programme developments and individual projects included in the evaluation. Would it be beneficial to focus more on assessing the added value of the Structural Funds and generating good practice examples and new ideas of greater practical use to the region?
- *What is the most appropriate timing for an evaluation?* There is a view that the checking of results and programme achievements at the mid-term stage is premature, particularly when programmes have started later than anticipated. Numbers inevitably tell only a small part of the story. Further, the timing of evaluations would ideally be better linked to the progress of a programme. Many of the current Swedish Structural Fund programmes, for example, will already have committed most of their programme budgets by the time the mid-term evaluations are completed – limiting the usability of the results. This timing issue is also relevant for the various stages of evaluation required by the Commission (ex ante, mid-term and ex-post) – is there a genuine rationale for each of these three stages or would an integrated approach be more beneficial?
- *What are the benefits of evaluation?* In the light of some of the issues raised above, if regional administrations are already aware of most of the implementation problems, and the target results are too early to report anything of significance, where does the real benefit of the mid-term evaluation lie and how can this benefit be increased?

4. SIMPLIFICATION

IQ-Net Thematic paper 12(1), prepared for the Dortmund conference in February 2003, dealt with the current debate on the simplification of the Structural Funds in some detail. It is possible to differentiate between a consideration of how procedures and implementation practices can be simplified for the remainder of the current programming period and the longer-term discussion on simplification, linked to the reform of the Structural Funds and the post-2006 regulations.

4.1 Shorter-term simplification considerations

Several Member States and regions have taken steps to tackle immediate issues of implementation complexity in the current programming period. It is interesting to note that a number of these initiatives were originally prompted as a response to the decommitment threat and the corresponding need to improve and streamline commitment and payment mechanisms.

Several examples of shorter-term simplification initiatives can be highlighted from the experience of the IQ-Net partner regions.

- **Reallocation of responsibilities.** In Denmark, responsibility for ESF management was transferred in May 2003 from the National Labour Market Authority to the National Agency for Enterprise and Housing (NAEH - also responsible for ERDF). This was a top-down decision, in line with wider moves to increase coordination within central government. The key rationale for this integration, which breaks with administrative arrangements reaching back decades, is to increase coordination between the two Funds and promote efficiency and holistic policy-making. In practice, however, the responsible staff for the ESF component have been relocated to the Copenhagen office of the NAEH, rather than the Silkeborg one where the ERDF administrators are located. This may restrict some of the practical networking benefits of both Funds being operated from the same national agency.
- **Wide-ranging reforms.** In France, partly in response to decommitment threats, simplification measures were adopted at national level in the second half of 2002, focusing on three priorities: (i) to simplify procedures; (ii) to intensify project development and facilitation activities; and (iii) to involve local authorities to a greater extent (see section 2.2).
- **Streamlined decision-making.** In North East England, partly as a response to issues of decommitment, moves have been made to streamline the project decision-making process. There are two motivations for these changes: (i) bringing projects on-stream more quickly means that spending can begin faster; and (ii) minimising the time commitment of programme managers in the appraisal process frees them up for involvement in other parts of programme management addressing the n+2 issue, notably the generation of new applications and encouraging the submission of claims. The focus of the streamlining is to strip out duplicated effort in project appraisal. The appraisal process undertaken by the Regional Development Agencies for a large national funding measure (the Single Regeneration Fund), for example, has many similarities with that for Structural Fund projects. Allowing joint appraisals where the European officers only address distinctively 'European' questions can therefore significantly reduce the effort involved. A further streamlining initiative is to start appraising projects even before the

application is fully 'receivable', thereby allowing key issues to be addressed in good time. More generally, the UK authorities have commissioned a process management study to examine and identify ways to improve Structural Fund management in England.

- **Review of potential reforms.** In Sweden, a Working Group led by NUTEK (the national business development agency, responsible for Structural Fund coordination) has looked at simplification issues in a national context, submitting its report to the government in early summer 2003. This Group included representatives from managing and paying authorities in Objective 1, 2 and 3 programmes as well as Interreg. The Group looked at both short- and longer-term issues, although it was found to be difficult to identify realistic and concrete proposals for the remainder of the current programming period.

In other regions, steps to simplify the implementation procedures for the remainder of this programming period may be introduced as a result of recommendations in the mid-term evaluations. In North East England, for example, the mid-term evaluation has proposed a simpler programme structure which would maintain the four Priorities but reduce the number of Measures from 19 to 14. This has the rationale of making the programme easy to access and not overly compartmentalising the projects across a high number of Measures. It is worth noting, however, that in some Member States, such as Finland, the regional actors do not want changes introduced to the current structures before 2006. Implementation is progressing well and any change brings with it the potential for new conflict to be created within the partnership. Further, any system change implies an adaptation of monitoring procedures which would have wide-reaching implications for many actors.

4.2 Longer-term simplification debate

Simplification issues were raised at the informal Ministerial meeting on regional policy held under the Greek presidency in Halkidiki in May 2003. While the debate in this forum was relatively general, the need for simplification and transparency was reiterated. This included: proposals for a single Fund for Objective 1 and more streamlined, flexible procedures for the remaining post-2006 Structural Funds; improved coordination between regional and other Community policies; the need for proportionality in administrative requirements; the need for greater management decentralisation linked to the division of financial responsibility for the Funds; and the importance of providing greater flexibility in amending programmes. There was also support for the Commission-led discussion of simplification which has been underway since Summer 2002.

DG Regio made several points at the Halkidiki meeting with regard to simplification changes already underway. These included, for example, the possibility to adapt programmes to take account of good management or the socio-economic evolution in the regions. It was noted that 53 programmes had already been modified in late 2002 and early 2003 and that 166 changes to programme complements had been notified. A second issue highlighted was the attempt to simplify and coordinate controls. This focused on the possibility of introducing a 'contract of confidence' with regions to provide the option for reducing the number of controls required in regions and Member States. This approach is still under discussion and would be voluntary, requiring an overall audit strategy and an annual report with conclusions regarding the correct functioning of that system. This idea of single audit system was supported by a number of Member States.

In addition to this political debate, other recent reports have commented on issues of simplification. The Court of Auditors, for example, produced a Special Report on the implementation of the Structural Funds in the current programming period¹⁸. The report looked at three questions in particular: (i) whether the way in which eligible regions were determined ensured that measures were focused on least developed areas; (ii) whether programming procedures and processes ensured that structural measures were consistent and effective to reduce regional and national disparities; and (iii) whether the management, payment, monitoring and control systems were satisfactory.

In the context of simplification, the conclusions of the report, and the Commission's responses, are summarised in Table 4.1.

¹⁸ Court of Auditors, *Special Report No. 7/2003 on the implementation of assistance programming for the period 2000 to 2006 within the framework of the Structural Funds together with the Commission's reply*, Published in the Official Journal of the European Union, C174, Volume 46, 23 July 2003

Table 4.1: Summary and conclusions from Court of Auditors report of relevance to simplification, and Commission responses

Court of Auditors	Commission response
<p>➤ The new mechanism of the programme complement eventually proved to be a supplementary procedure which heightened delays and gave rise to problems of interpretation counter to the objective of simplification laid down in the Structural Fund Regulation.</p>	<p>➤ Commission recognises cumbersome nature of programme approval procedures and resulting delays with deadlines. A judgement on the advantages of the system of programme complements should be made on the basis of the experience of the whole period, not just the start.</p>
<p>➤ Management, payment, monitoring and control systems in the Member States still contain weaknesses as regards compliance with deadlines, separation of functions, certification of expenditure, electronic data exchange and the preparation of annual implementation reports.</p>	<p>➤ Commission considers that Member States have made and are continuing to make substantial progress in all these areas. Preventative audits covering various aspects of the new systems are being carried out in anticipation of a report in spring 2003 on the ERDF-related findings.</p>
<p>➤ The objective of simplification has still not been fully attained and sometimes, in fact, the reverse has been achieved.</p>	<p>➤ The objective of simplification has not always been achieved and the programming process has sometimes had effects opposite to those originally desired. The Commission is making considerable efforts to simplify the rules and practices for both present and future programmes.</p>
<p>➤ Report recommends that the Commission continue to pursue efforts towards simplification including:</p> <ul style="list-style-type: none"> ➤ establishing clearer rules for identifying Objective 2 areas; ➤ providing a better definition of the division of responsibilities; ➤ ensuring strategic priorities for programming and reinforcing existing decentralised management procedures; and ➤ emphasising the effectiveness of the Structural Funds rather than the optimum up-take of funding. 	<p>➤ The Commission agrees with the Court and is taking action simultaneously on the two fields of quality and sound financial management:</p> <ul style="list-style-type: none"> ➤ the issue of rules on identifying Objective 2 areas is being considered as part of the preparation of the future of the Structural Funds; ➤ the current Regulations set out the responsibilities to a considerable degree, although further progress in the field of shared management would be desirable; ➤ the Commission intends to follow the path advocated by the Court and welcomed the discussions with the Member States on this point at the conference on the future of Structural Funds held on 3-4 March 2003; and ➤ the Commission endeavours to stress effectiveness rather than absorption but considers that sound financial management should allow both objectives to be obtained.

5. THE STRUCTURAL FUND REFORM DEBATE: POLICY PERSPECTIVES¹⁹

As mentioned in the previous section, parts of the simplification debate form part of a much wider discussion about the shape and future of the Structural Funds post-2006. Against the historic backdrop of an enlarging EU in May 2004, the European Union is about to enter a critical period of formal negotiation and decision-making on the future governance, funding and policy objectives of the Union. Within the EC, the Commissioners are currently debating their proposals for the financial perspective for the post 2006 period, expected to be published before the end of this year. With respect to structural operations in the prolonged run-up to the Third Cohesion Report, there has been extensive and open debate among European institutions, Member States and regional and sectoral interest groups over the past year.

The debate on the future of the Structural Funds is often a highly political one and there is no common view across all Member States and with the European Commission. The Commission's perspective on the reform debate is that enlargement requires an intensification of action by EU regional policy, with continued involvement of the EU in both lagging and non-lagging regions. Commissioner Barnier expressed this argument most recently at the Halkidiki Ministerial Meeting in the following terms²⁰.

Economic and social disparities in the enlarged EU of 25 constitute an unprecedented challenge. There will be an increase in disparities in the EU25 as well as geographical changes in the way these disparities are shared out.

As pointed out in the Second Cohesion Report, problems linked to competitiveness, to sustainable development and to economic and social restructuring are significant in all Member States. These problems are even more important at the regional level than at the national level.

These statements lead to a strong message: the necessity for a Community cohesion policy which involves all of the EU's regions and citizens. This policy should be modulated according to the nature and intensity of the problems.

Will the needs of cohesion be more or less important in 2007 in a Union confronted by deeper disparities, by the necessity of following the catching-up of regions in the current Member States, by the competitiveness deficit and by the necessity to reinforce integration and European co-operation? My response is clear: the needs are increasing and one can measure them. This is what the Commission will do in its cohesion report.

Among Member States, there are significant differences in position towards the size and allocation of the post-2006 budget. Over the past year, most EU-15 Member States have produced memoranda or position papers of various kinds, with contributions from the new Member States also starting to appear.

¹⁹ This section is taken from a recent EPRC report: Bachtler J (2003) *Enlargement and Structural Fund Reform: Policy perspectives and Budgetary Implications*, Report to the EoRPA Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow, September 2003.

²⁰ *La Politique de Cohesion Dans une Union Enlargie*, Project de discours de M Barnier, Informal Ministerial Meeting Halkidiki, 16 May 2003.

There has also been extensive discussion at Council meetings under the Greek Presidency, in response to the Second Progress Report, culminating in the Informal Ministerial Meeting held in Halkidiki on 16 May 2003. The differences expressed in these fora and media relate to the level of financing, the future focus of EU cohesion policy (poorest countries or poorest regions), the treatment of less-favoured regions in the EU-15 excluded from eligibility by the statistical effect or development performance, the scope and form of Community assistance outside Objective 1, and the implementation of future funding.

The following sections provide an overview of some of the main issues at the heart of the debate on structural operations and the views of the principal actors. They cover the range of policy models being proposed, the key budgetary factors facing a post-2006 EU regional policy, implications for implementation and the issue of territorial cohesion.

5.1 Policy approach

5.1.1 Cohesion model

The most radical thinking on the future of EU regional policy has been undertaken in some of the net contributor countries (Netherlands, UK, Denmark, Sweden). They advocate a rationalisation (sometimes termed renationalisation) of spending and an exclusive focus of Structural and Cohesion Funds on the poorest parts of the EU, with eligibility determined on the basis of national disparities in GDP per head. This was first advocated by the Netherlands, which argues that richer countries should be able to deal with their own regional problems. A variant on this approach was put forward by the UK which proposed a 'devolved framework' for EU regional policy whereby the EU would establish overall policy objectives, but the Member States (outside Objective 1) would be responsible for the resourcing and implementation of policy responses.

The case for this model has been boosted by the so-called Sapir Report, published in July 2003. This was the output of an 'independent High-Level Study Group' established by the President of the European Commission whose remit was to review the entire system of EU economic policies and propose a coherent strategy for faster growth with stability and cohesion in the enlarged EU. The report proposes a radical restructuring of the EU budget to support the Lisbon growth agenda, with a 'convergence fund' to help low-income countries to catch up, an 'economic restructuring fund' (eg. providing assistance to displaced workers) and a 'growth fund' (for investment in R&D, education and infrastructure).

5.1.2 Concentration model

Some of these views are shared by the federal German government, which would also envisage Member States being primarily responsible for their own internal disparities and would also like the EU regional policy budget to be reduced. However, the German approach would continue to focus EU support on a regional basis. The so-called 'concentration model' foresees EU structural resources being concentrated on Objective 1 areas with a GDP per capita of less than 75 percent of the EU average. Outside Objective 1, it supports special measures where there is particular value added and with only very limited funding (not more than 5-10 percent of the overall Structural Fund budget). Examples of measures with 'high European added value' are

networks, exchange of experience and pilot projects (especially in the fields of employment policy and problems in urban environments) and cross-border, interregional and transnational cooperation. Objectives 2 and 3 would cease to be independent objectives.

5.1.3 *Status quo model*

The third approach – which commands most widespread support among Member States and European institutions – is for a continuation of the current policy model, albeit with considerable simplification of regulations and implementation procedures. This approach would involve focusing between two-thirds and three-quarters of resources on Objective 1 regions, but with a sizeable share of funding (minimum of 25 percent of resources) on Objective 2/3 interventions and interregional, cross-border and transnational support.

Proponents of the current policy approach argue that it has delivered considerable economic added value, combining a macro-economic stimulus to growth, investment and employment in the Objective 1 areas (and thereby narrowing the convergence between the poorest countries/regions and the remainder of the EU) together with micro-economic effects and ‘process’ benefits (associated with the Structural Fund principles) in other regions. However, the argument for retention of the current model is also argued in terms of political cohesion – ensuring that all countries have an interest and involvement in EU regional policy and avoiding the possibility that it becomes a ‘welfare policy’.

Under pressure from the Member States arguing in favour of other policy approaches (and latterly the Sapir report), DG Regio has emphasised the importance of linking future regional policy intervention outside of Objective 1 to the Lisbon agenda and maximising ‘Community added value’. The language of growth and competitiveness has become more pervasive in recent policy proposals – see for example a recent EC review of options in Table 5.1.

Table 5.1: Indicative outline of DG Regio proposals for post-2006 EU regional policy

Initiatives	Growth and Convergence	Growth and Competitiveness	Growth and Cooperation
Resources	70 percent	20 percent	10 percent
Funds	Structural Funds, Cohesion Fund	Structural Funds	Structural Funds
Coverage	Regional (NUTS II)	National and regional (according to intervention) Phasing in for ex-Objective 1 regions	Border regions Coherence transnational groupings
Criteria	Less than 75% of EU-25 average GDP p.c. Special arrangements for statistical effect areas Less than 90% of EU-25 average GNP for Cohesion Fund	Thematic concentration on Community priorities Resource concentration by Member States using Community criteria Transparent and objective project selection criteria	Transnational transport projects Human resource programmes Research networks Shared natural resources programmes Cross-border cooperation programmes with focus on justice and security and 'new neighbourhoods'
Priorities	Lisbon priorities – competitiveness, full employment, social cohesion Gothenburg priorities – environmental sustainability Emphasis on infrastructure, SMEs, human resources, institution-building	Lisbon and Gothenburg priorities Emphasis on foci such as: innovation, competitiveness, employment and training, environmental protection, rural development	
Delivery	National sectoral programmes Regional integrated programmes Cohesion Fund programmes and projects	National employment strategies Regional integrated programmes	Cross-border and transnational programmes and projects

5.2 Budgetary issues

There are wide differences among Member States on the future financial perspective for structural operations. Some sense of the differences in viewpoint is evident from the conclusions of the Halkidiki meeting:

Most of the Member States consider that the level of financing of Cohesion Policies should take into account that, in the enlarged EU, the funding needs of these policies would be greater than at present. As for the level of financing of the Cohesion Policies while some countries support an increase in resources, others think that financing should be at the level of 0.45% of EU-GDP, and other think it should be set at a lower level. A number of Member States suggested to address the issue in terms of absolute amounts. Moreover the level of funding should be decided in the wider context of the new financial perspective including the allocation of funds.

Spain, Portugal and Greece, as well as many of the new Member States, have explicitly called for an increase in EU spending beyond the current 0.45 percent, although without specifying what level of expenditure would be required. The Belgian view also implies that more resources might be needed. Italy and Finland believe that the current ceiling should be maintained, but not exceeded, a view shared by the European Commission, which “*considers the level of 0.45% of EU GDP as a reference of credibility for the resources to be allocated to Cohesion Policies for the period after 2006*”. By contrast, the net contributor countries – Austria, Germany, the Netherlands, Sweden, UK – argue in favour of a level of spending considerably below the current 0.45 percent ceiling. Indeed, the German federal government position implies a target level of 0.34 percent of EU GDP, and maintains that spending should be discussed in absolute rather than percentage terms.

Critical to the discussion is the position taken by different countries on the various determinants of the budget, notably:

- Eligible Objective 1 regions
- ‘Statistical’ effect regions
- ‘Phasing-out’ regions
- Absorption limit
- Non-Objective support
- Cohesion Fund

Each of these issues is worth briefly considering in turn.

5.2.1 *Eligible Objective 1 regions*

There is universal agreement among Member States that EU regional policy should focus principally on the least-developed parts of the EU – the poorest countries in the view of the Netherlands, Sweden and the UK, the poorest regions in the view of most other Member States and the European institutions. Most Member States consider that Objective 1 areas should continue to be designated on the basis of GDP per capita, but several (Finland, Slovenia, Spain) would prefer other criteria to be used also, such as unemployment in the case of Spain, and low population density and permanent disadvantages in Finland’s case.

Some of the old and new Member States argue for a higher percentage of expenditure to be allocated to Objective 1 (Greece, Italy, Latvia, Portugal). Italy suggests increasing the share of resources for lagging regions by five percentage points. Latvia proposes a figure of 70 percent to be allocated to Objective 1, and Poland suggests 70-75 percent. Hungary considers that the intensity of support for the least prosperous regions should be at least comparable to the levels provided to the EU’s least developed regions in the period between 1994-99 and 2000-06.

5.2.2 'Statistical effect' regions

The cohesion countries – Spain, Portugal, Greece – are clearly concerned at the possibility of currently eligible regions losing Objective 1 status on statistical grounds alone ie. rising above the threshold of 75 percent of average EU GDP per head in an EU-25/27. They have variously proposed that such regions should be considered as Objective 1 regions or at least receive 'favourable treatment' close to the level of intensity they would have been entitled to as eligible Objective 1 regions. Italy also advocates some form of 'compensatory mechanism'. Some of the regions affected by the statistical effect have taken a joint position, arguing that there should be a special arrangement after 2006 to treat these regions as Objective 1, with a differential level of aid intensity in the allocation of resources based on regional wealth²¹.

A different perspective on the statistical effect comes from the new Member States. Slovenia argues that the statistical effect problem for regions in 'old' Member States differs from the same problem for regions in 'new' Member states, since 'statistically' affected regions in 'old' Member States have benefited from full participation in the EU's cohesion policy for several years, while new Member States will not be entitled to such access. It is argued that new Member States should be granted full access for the next programming period and only then should a gradual phasing out begin.

The treatment of the statistical effect regions has yet to be agreed: the Halkidiki conclusions refer only to an "*equitable and significant solution needing to be found to facilitate the convergence effort*".

5.2.3 'Phasing out' regions

For those regions that would cease to be Objective 1 even in an EU-15 on the grounds of development performance, the issues are more clear cut. There is no expectation that they should retain Objective status, the argument being about the length and intensity of any transitional support. The Halkidiki conclusions note that "*appropriate arrangements should be provided to sustain their development momentum*". On the basis of precedent, some Member State maintain that the phasing-out regions should receive transitional support comparable to the current transitional Objective 1 regions (over a five-year period), while others are in favour of a shorter phasing-out period. DG Regio has suggested that they should be accorded special 'phasing in' support for future non-Objective 1 assistance.

5.2.4 Absorption limit

The majority view, among virtually all of the EU-15 and some of the new Member States is that the absorption limit on the transfer of EU budgetary resources (four percent of national GDP) should apply in the new period. However, there is some opposition from those new Member States – Czech Republic, Latvia, Lithuania – concerned that their budgetary transfers will be curtailed by the rules. This appears to be recognised by the Halkidiki conclusions, which state that:

²¹ *Position paper of the regions affected by the "statistical effect" regarding the future structural policy beyond 2006*, Joint declaration of: Principado de Asturias/E; Brandenburg/D; Burgenland/A; Ita-Suomi/SF; Maedira/P; Mecklenburg-Vorpommern/D; Merseyside/UK; Murcia/E; Freistaat Sachsen/D; Sachsen-Anhalt/D; Freistaat Thüringen/D; South Yorkshire/UK; Welsh Local Government Association/UK; Brussels, 20 April 2003.

The ceiling of 4% of the national GDP should be maintained as the upper limit of finance from the Structural Funds, taking into consideration the special characteristics of certain accession countries.

5.2.5 Support outside Objective 1

As noted above, the views of the Member States and European institutions are divided between those who consider that future EU cohesion policy should be restricted to the poorest countries, those who would like to concentrate virtually all resources on the poorest regions, and those who advocate a sizeable level of resources for EU actions outside the lagging regions. There is a sizeable gap between the 5-10 percent of resourcing outside Objective 1 acceptable (for example) to Germany or Sweden and the 25-30 percent proposed by DG Regio.

With regard to the substance of this intervention, there is widespread agreement on the value of Interreg support for cross-border, transnational and inter-regional co-operation. For some Member States (eg. the Netherlands) it is the only area where 'Community added value' is perceived to exist outside of Objective 1. The new Member States are particularly keen on the further development of Interreg. In an EU-25, most of the new Member States will have an external EU border with much poorer neighbours. They argue that Interreg should be strengthened and complemented with adequate – and crucially, compatible – assistance for measures in neighbouring countries under Phare, Tacis, CARDS and MEDA.

With respect to a successor for Objectives 2/3, DG Regio has put forward a succession of menus of Community thematic priorities, most recently (at Halkidiki): innovation and development of the knowledge society, employment, social cohesion, sustainable development and improvement of competitiveness in conjunction with economic and social restructuring. Special territorial support has also been proposed – some in the context of Objective 1 support as with the support for sparsely populated areas in the case of Finland – to take account of permanent geographic handicaps, islands, mountain areas, remote regions and disadvantaged urban areas. However, the degree to which these priorities are addressed depends on resolving the budgetary debate.

5.2.6 Cohesion Fund

There is general support for a continuation of the Cohesion Fund. A critical issue for Spain is the potential loss of future eligibility for support as a result of the statistical effect (exceeding the threshold of 90 percent of average per capita GDP in an EU-25). Several new Member States are in favour of a different balance between the Cohesion Fund and the Structural Funds, maintaining the two-thirds:one-third split in the 2004-06 period beyond 2006. It is also proposed that there should be more flexibility in the use of the Cohesion Fund. For example, Lithuania suggests that the scope of Cohesion Fund assistance should be widened to include the energy sector (eg. gas and electricity networks).

5.3 Implementation

There are competing models of whether and how policy tasks (such as regional policy) should be allocated primarily to one level or shared. The EC, other European institutions and many Member States and subnational interests support the current model of policymaking whereby the task of

addressing economic and social cohesion is shared among European, national and subnational levels. They consider that the EU level should continue to have an active involvement in regional policy throughout the EU, on the grounds of solidarity and to ensure that EU regional policy does not become a kind of 'welfare policy' restricted to supporting the poorest countries and regions.

DG Regio has been proposing a differential implementation system, retaining the current mechanism for the large amounts of expenditure under Objective 1 but adopting a menu approach for non-Objective 1 funding. This would involve selecting a limited number of thematic and territorial priorities at EU level. The Member States could be responsible for spatial targeting of support. This would seem to involve the 'indirect zoning' suggested in the Second Cohesion Report whereby eligible areas would be decided by national governments on the basis of a set of parameters established by the Commission (as adopted for some Community Initiatives). The practical implications of implementing the 'menu approach' (and the interactions with EU competition policy) are still unclear, although some form of 'tripartite contract' between the region, Member State and the Commission has been suggested by Commission services.

A fundamentally different approach to EU regional policy has been advocated by countries such as the Netherlands, Sweden and the United Kingdom, which consider that the current approach is no longer sustainable. The Dutch government has suggested an EU regional policy based on a national eligibility criterion²². A more fully developed proposal is contained in a UK consultation paper²³ which put forward an 'EU framework for devolved regional policy'. This foresees broad policy objectives being established at European level (based on the Lisbon agenda) but with the implementation of these objectives being undertaken by the Member States and regions without the transfer of EU resources.

There is more unanimity about how the procedural and systematic aspects of implementation should change. A recent informal seminar of Member States²⁴ proposes that future implementation (from a non-Objective 1 perspective) should be undertaken according to the principles of:

- *Proportionality* – administrative requirements should be proportionate to the scale of funding;
- *Subsidiarity* – within an EU framework and subject to appropriate EU control, policy decisions and implementation should be decided at national/regional level;
- *Flexibility* – programming arrangements should be adaptable to the scale and aims of the intervention and be capable of adjustment to changing circumstances;
- *Efficiency* – fewer programmes (one per region);
- *Simplification* – mono-Fund programmes where possible especially for small-scale interventions.

²² *Cabinet Standpoint concerning the Interdepartmental Policy Study on "EU Structural Policy in the Context of the Enlargement of the EU"*, Dutch Ministry of Foreign Affairs, Ministry of Finance and Ministry for Foreign Trade, The Netherlands, 2001.

²³ *A Modern Regional Policy for the United Kingdom*, HM Treasury, Department of Trade & Industry, and Office of the Deputy Prime Minister, United Kingdom, March 2003.

²⁴ *Informal Working on the New Objective 2*, Ministry of the Interior, Helsinki, Finland, 15-16 April 2003.

A further aspect of the implementation debate concerns the simplification of systems and procedures for administering structural actions, as discussed in this and earlier IQ-Net papers. This discussion was initiated in October 2002²⁵, with a ministerial meeting to consider how implementation of the Funds might be simplified in the current period as well as longer term after 2006. For the post-2006 period, possible changes have been mooted to rationalise the stages of programming, possibly through some kind of contractual arrangement between the EC, Member State and region. Greater flexibility for Member States to select priorities from a menu of EU policy priorities for interventions outside Objective 1 is also being discussed. The key question is how to ensure that the EC can discharge its responsibilities to account for the EU budget to the Council, Parliament and Court of Auditors while increasing the flexibility and simplicity of administration at Member State level. A range of systemic and procedural simplification issues is also being considered (some of which should apply to the remaining years of the current programming period) to rationalise the administrative time and cost associated with audit, reporting and financial management.

5.4 Territorial cohesion

One of the contentious issues concerning the future of EU regional policy is whether to adopt a 'territorial' dimension. Proposals have been put forward by the European Commission, some Member States and other interests for the economic and social elements of cohesion policy to be complemented by a territorial approach to support the objective of a more balanced and sustainable development of the European territory in the next Structural Fund period.

There are also ambitions of a more coherent and integrated approach of all European policies to the European territory, involving the spatial co-ordination of EU and national policies. Over the last decade there has been growing interest in supranational and European spatial planning. This culminated, in 1999, in the approval of the European Spatial Development Perspective (ESDP). This document, which was preceded by two other documents Europe 2000 and Europe 2000+, represented a first attempt to define a common framework for the coordination of spatial policies and of sectoral policies with spatial implications across and within Europe. Its preparation was long and laborious: it took about ten years and 13 intergovernmental meetings to achieve a version that would satisfy all of the Member States.

Currently, the formulation of the Treaties refers to economic and social cohesion as being among the objectives of the Union (eg. Article 2, Article 158 of the EU Treaty). However, in the Second Report on Economic and Social Cohesion, the concept of territorial cohesion is, for the first time, brought alongside those of economic and social cohesion.²⁶ Here territorial cohesion is linked to the issues of balance and harmonious development, against the concentration of human settlements and economic activities which has characterised the Union so far, and to the concept of polycentric development.

These aims are reflected in the Draft Treaty establishing a Constitution for Europe, submitted by the 'Convention on the Future of Europe' to the

²⁵ *Note on the simplification, clarification, coordination and flexibility of Structural Fund management in the period 2000-06*, Commission of the European Communities, Brussels, October 2002.

²⁶ The Amsterdam Treaty introduced in Article 16 of the EC Treaty (ex Article 7D EC Treaty) the wording 'territorial cohesion', but with a circumscribed relevance, ie. only with reference to the services of economic general interest.

European Council meeting in Thessaloniki in June 2003. Among the proposed objectives for the Union is that it: *shall promote economic, social **and territorial** cohesion, and solidarity among Member States* (Article 3) as one of the areas of shared competence (Article 13). This would represent a fundamental change in the scope of EU regional policy, since until now the debate on spatial development has been conducted on an inter-governmental basis through the Committee for Spatial Development and has largely not involved EU policy intervention (with the exception of some Interreg activities).

The constitutional proposals are complemented by the EC's envisaged orientations for post-2006 regional policy²⁷. These include the identification of six types of territorial disparities between regions (apart from GDP and unemployment disparities) and the definition of territorial criteria for a possible future Objective 2 and territorial as well as thematic priorities for future EU-funded intervention. It appears likely that the Commission will present several aspects of territorial cohesion as formal proposals in the Third Cohesion Report, comprising a description of the 'new territorial context', a review of new factors determining competitiveness and the deepening of disparities at territorial level, and an analysis of the contribution of (regional and sectoral) Community policies to territorial cohesion.

Underpinning the Commission's proposals are preliminary results from the ESPON (European Spatial Planning Observatory Network) programme of research on spatial development in the EU, with a critical role in elaborating indicators of spatial differentiation at an enlarged European scale, which will be used to define the criteria of allocating money. In addition, specific studies have been undertaken relating to the challenges in particular parts of the European territory (mountain regions, islands²⁸) as well as policy recommendations for future EU regional policies.

²⁷ *Potential policy orientations for the Third Cohesion Report*, Presentation to the Second ESPON Seminar, Crete, 5-6 May 2003, by P Salez, DG Regio, Commission of the European Communities, Brussels

²⁸ Planistat Europe (2003) *Analysis of the islands and outermost regions of the European Union*, Report to DG Region, Commission of the European Communities, Brussels

6. ANNEX 1: OTHER DEVELOPMENTS OF INTEREST

Over the past six months there have been a number of other developments of interest to network members, including the publication of new Commission regulations and guidelines, continued debate on the future of cohesion policy after 2006, publication of a number of thematic reports and evaluations, and several EU-level conferences and meetings.

These developments are regularly highlighted on the 'News' page of the IQ-Net website: <http://www.eprc.strath.ac.uk/iqnet/iq-net/news.html>.

6.1 New Commission regulations and guidelines

6.1.1 *Simplification of Structural Fund management*

In April 2003, the Commission agreed on a package of measures aiming at simplification, clarification, coordination and flexible management of the Structural Funds (C(2003) 1255). Developed in response to issues raised by Member States at the informal meeting of regional policy ministers in Namur in July 2001, and expanding on the proposals originally presented to regional policy ministers in October 2002, the package consists of measures to simplify the adjustment of programmes, controls and the programme's mid-term review, to reduce and streamline the number of reports and indicators used to evaluate the results of the programmes and to facilitate other procedural aspects concerning the allocation of the performance reserve, annual meetings, the Commission's role in Monitoring Committees and financial management issues.

The proposed simplification measures have been divided into those which can be implemented immediately, those which will require further discussion with Member States, and those to which Member States have not agreed, and which have been withdrawn. Simplification measures agreed for immediate implementation fall under the headings of: adjusting the programmes; controls; the mid-term review; reports; result and impact indicators; the performance reserve; the annual meeting between the Commission and the managing authorities; the Commission's role in Monitoring Committees; and speeding up the Commission's internal procedures. The Communication also includes the Commission's working paper on the 'contract of confidence' proposed to be applied to management and control systems, in return for which the Commission would reduce its controls and shorten the period for keeping supporting documents.

http://europa.eu.int/comm/regional_policy/sources/docoffic/official/communic/comm_en.htm

6.1.2 *New eligibility of expenditure regulation*

In June 2003, the Commission published a new regulation on eligibility of expenditure under the Structural Funds²⁹. This amends the original regulation which entered into force in 2000, in particular with respect to the provisions governing payments in venture capital, loan and guarantee funds, the eligibility of VAT, and the eligibility of charges for international financial transactions.

²⁹ Commission Regulation (EC) No 1145/2003 of 27 June 2003 amending Regulation (EC) No 1685/2000 as regards the rules of eligibility for co-financing by the Structural Funds

Interpretation of the new regulation has caused some concern among Member States (over, for example, contradictions, unclear rules, gaps), not least because the relevant rules will apply retroactively.

http://europa.eu.int/comm/regional_policy/sources/docoffic/official/regulation/eglem_dep_en.htm

6.1.3 *Revised guidelines for structural instruments*

In August 2003, the Commission adopted revised indicative guidelines for the Structural Funds and their coordination with the Cohesion Fund (COM (2003) 499 final). The original guidelines were due to be revised by the Commission prior to the mid-term review, to take account of changes in the economic, legal and political environment. While the 1999 guidelines are still valid, the revised version offers Member States a complementary set to facilitate the identification of their development priorities up to 2006, allowing the adaptation of programming documents to take account of possible changes in the socio-economic situation or labour market and of the findings of the mid-term reviews.

The guidelines highlight changes made to Community priorities in the light of developments at various European Councils (particularly Lisbon), i.e. policies on employment and human capital investment, sustainable development, risk prevention and the environment, research and development, information society and enterprise policy. The guidelines also identify policies that have undergone modification to their regulatory framework since 1999, including: agriculture and rural development; fisheries; energy; competition; and research and development. In addition, policies on trans-European energy networks and transport policy are in the process of being amended. Three further areas are highlighted where the Commission is encouraging change: simplification of programme management; the establishment of public-private partnerships; and the financing of large projects.

http://europa.eu.int/comm/regional_policy/sources/docoffic/official/guidelines/pdf/orientations_mod_en.pdf

6.2 **Cohesion Policy after 2006: the debate**

6.2.1 *The Commission provides an overview of the debate contributions...*

The Commission launched a page on the Info regio website presenting contributions to the debate on the future of cohesion policy beyond 2006. The site makes available 'position papers' from national and regional administrations in the EU25. Papers formally sent to the European Commission are presented in their original form.

In addition, a number of EU-level conferences have been held to over recent months to help promote discussion about the direction of future cohesion policy.

Introduction to the debate:

http://europa.eu.int/comm/regional_policy/debate/forum_en.htm

Contributions to the debate:

http://europa.eu.int/comm/regional_policy/debate/reflex_en.htm

6.2.2 *...while the exchange of views has been enabled in Member States*

Similarly, Member States have been organising meetings and conferences to help promote the debate on cohesion policy after 2006.

DATAR and DG Regio organised an Objective 2 Seminar in Dijon in April 2003, entitled "Improving the Quality of Regional Operations by Creating New Dynamics: 'Animation' and Partnership as Keys for the Quality of Programmes". The seminar provided an opportunity for an update on the progress of European programmes in France, especially after the management simplification measures agreed last summer by the French government. It also allowed an exchange of views with the Commission. The seminar brought local partners from Objective 2 regions together with the central administrations and the European Commission. Representatives from other Member States and Enlargement countries were also present.

Also in April, the Finnish Ministry of the Interior organised an informal workshop to take forward the debate on a new Objective 2 as part of the reform of the Structural Funds. The intention was to promote further discussion on EU regional policy outside Objective 1, and to produce a paper as a contribution to the debate. The workshop brought together DG Regio and some 20 officials representing both national and regional administrations in ten Member States.

6.3 Thematic reports and evaluations

6.3.1 Ex post evaluations of Objective 1 and 2 programmes

In June 2003, DG Regio published the results of the *ex post* evaluations of the effectiveness and impact of the Structural Funds in the Objective 1 and 2 regions over the period 1994-99. These have been published on the Inforegio website:

http://www.europa.eu.int/comm/regional_policy/sources/docgener/evaluation/rado_en.htm

http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/pdf/synth_objective2_94_99_en.pdf

6.3.2 Accession countries' preparations for the Structural and Cohesion Funds

In July 2003, the Commission adopted a Communication assessing the progress made by the ten accession countries in their preparations to manage the Structural and Cohesion Funds (SEC (2003) 828). The report highlighted ten areas which need to be addressed in order to ensure the smooth absorption of the Funds from the beginning of 2004: public procurement, institutional arrangements and inter-ministerial co-ordination, financial management and control, accounting systems, recruitment of additional staff, programme negotiations, project preparation, partnership, monitoring systems and national co-financing. The new Member States are due to receive €22 billion in the period 2004-06.

http://www.europa.eu.int/comm/regional_policy/sources/docoffic/official/communic/pdf/chap21/com_chapter21_en.pdf

6.3.3 Commission report on gender mainstreaming

The Commission has published a Communication on gender mainstreaming in the 2000-06 Structural Fund programmes (COM (2002) 748). The Communication provides an inventory of progress in recent programmes, highlighting examples of good practice, and makes a number of recommendations, which include:

- Member States are invited to introduce incentives aimed at raising the awareness and importance of gender in all Structural Fund programmes;

- the use of gender equality expertise is encouraged, along with the establishment of awareness-raising measures and training; and
- the use of sex-disaggregated statistics and gender impact assessment should become an inherent component of Structural Fund interventions, including in 'non-traditional' fields.

http://europa.eu.int/eur-lex/en/com/cnc/2002/com2002_0748en01.pdf

6.3.4 *Structural Funds and sustainable development*

DG Regio published the results of an evaluation of the Structural Funds' contribution to promoting sustainable regional development, based on 19 regional case studies. The evaluation showed that the Structural Funds have made a positive contribution to sustainable regional development, and that there is potential for increasing this contribution.

http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/doc/sustainable_synthesis.pdf

6.3.5 *Structural Funds and the information society*

An evaluation of the Structural Funds' contribution to promoting the information society has estimated that, between 2000-06, about €10 billion or 7.3 percent of total Structural Funds has been allocated to measures promoting the information society. The study compared data from 150 regional and three national 2000-06 Structural Fund programmes. However, significant variations were found, for example in terms of amounts spent per capita.

http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/doc/information_society.pdf

6.3.6 *Structural Funds and electronic communications*

The Commission has published a set of guidelines on the conditions and procedures governing the implementation of EU structural funds in the electronic communication sector. The guidelines are designed to help regional and local authorities evaluate and select investment projects related to electronic communications.

http://europa.eu.int/comm/regional_policy/sources/docoffic/working/sf2000_en.htm

6.3.7 *Evaluation of the Territorial Employment Pacts*

The Commission has published the results of an evaluation of the 89 Territorial Employment Pacts funded through the Structural Funds between 1996-2001. The evaluation found very significant variation between the Pacts across the EU, in terms of size, organisation, number of partners and methods of working. Successful Pacts were judged to have enhanced resource deployment at local and regional level, helped match supply and demand, reduced administrative overlap and strengthened clarity in local policies for promoting employment. However, the evaluation also concluded that the success of the programme as a whole was limited by weaknesses in its conception, design and delivery. Pacts did not have a clear view of what they were supposed to achieve and the timescale for their implementation was too short.

http://europa.eu.int/comm/regional_policy/sources/docgener/evaluation/doc/tep_evaluation.pdf

6.4 Conferences and seminars

A number of conferences and seminars have been held at Commission level over recent months to help promote discussion about the direction of future cohesion policy.

6.4.1 *Managing Structural Funds in the Future: Division of responsibilities, Brussels, March 2003*

This seminar focused on experiences of Member States and regions with the current implementation of the Structural Funds and construction of an effective delivery system for future policy. Discussions centred around the division of responsibility between the Commission, Member States and the regions, the preferred implementation methods and preferences for a differentiated or uniform system. The seminar conclusions are available here:

http://europa.eu.int/comm/regional_policy/sources/docconf/responsibilities/co_nclu3_4_en.pdf

6.4.2 *Informal Regional Policy Council, Halkidiki, Greece, May 2003*

Regional Policy Ministers met at an informal ministerial meeting in Halkidiki to discuss the current implementation of structural interventions and the future of cohesion policy beyond 2006. The Presidency presented meeting conclusions focusing on the principles and priorities for the future of cohesion policy and the reform of the Structural Funds. The Presidency's conclusions are available at:

http://europa.eu.int/comm/regional_policy/newsroom/document/pdf/chalkidiki_en.pdf

6.4.3 *Committee of the Regions conference: the future of cohesion policy, Leipzig, May 2003*

The Committee of the Regions conference on the future of cohesion policy was attended by elected representatives from towns and regions in 25 present and future EU Member States, delegates from major European associations and officials from European institutions to discuss possible guidelines for cohesion policy in an enlarged Europe. Six workshop-debates were organised in conjunction with European associations of local and regional authorities (AEBR, AER, CMER, CPMRE and Eurocities), covering territorial cohesion, urban development, job creation, European integration through regional cooperation, and improving the management of regional policy and rural development.

The Leipzig Declaration is available here:

http://europa.eu.int/comm/regional_policy/debate/document/futur/europ/leipzig_declaration_06_may_2003_en.pdf

6.4.4 *Challenges for evaluation in an enlarged Europe, Budapest, June 2003*

The fifth European conference on the evaluation of the Structural Funds, on the theme of "Challenges for Evaluation in an Enlarged Europe", is part of a series beginning in Brussels in 1995 and followed by Berlin (1996), Seville (1998) and Edinburgh (2000). The objective of the conferences is to bring together evaluators and those who use evaluations in order to identify and disseminate good practice. A summary of the key messages from the conference is available here:

http://europa.eu.int/comm/regional_policy/sources/docconf/budapeval/keymessages.pdf

6.4.5 *Cohesion and constitution: the roles and responsibilities of the regions, Brussels, July 2003*

This conference aimed to engage the regions of the Member States, and the applicant and acceding countries, in a deeper political reflection on the roles and responsibilities of the actors of Cohesion policy in the context of the conclusion of work on the new European constitution. A summary (in French) of the main points arising in the debate is available on Info regio:

http://europa.eu.int/comm/regional_policy/sources/docconf/role/compte_rendu_fr.pdf