

New directions in Structural Fund programming

Welcome to the eleventh issue of the IQ-Net Bulletin which reports on the latest meeting of the network in Oulu, Finland, in April 2004. Our picture of IQ-Net partners walking over the (frozen) water of the Gulf of Ostrobothnia provided an appropriate metaphor for the themes discussed at the meeting – the experience of n+2 made some Structural Fund programme managers feel that they were skating on thin ice at times over the past year!



IQ-Net delegates on the frozen Gulf of Ostrobothnia

As programmes move into the latter phase of the 2000-06 period, the Oulu meeting provided an opportune moment to take stock of progress and performance. It has clearly been a hectic year for programme managers and partners, meeting the demands of n+2 and the performance reserve, finalising the mid-term evaluations, and reprogramming following the mid-term review. For the most part, there are no major changes in strategic direction, but most programmes need to take steps to ensure they meet programme targets and deliver on outputs, results and impacts, optimising the allocation of the remaining resources as well as ensuring that approved projects perform as expected.

Based on the reports provided at the Oulu meeting, articles in this IQ-Net Bulletin review recent developments in programme implementation, with an update on issues such as financial progress, results of the mid-term evaluations, proposals for mid-term reviews and performance reserve allocations. The Bulletin also examines the strategic and operational priorities of programme managers for the rest of the current programming period with a view to optimising programming efficiency and effectiveness. Some interesting case studies illustrate the efforts being made to upgrade Structural Fund management and raise project quality.

The attention of programme managers is also focused on the future of EU cohesion policy after 2006. The proposals put forward by the European Commission in the Third Cohesion Report, and in the draft Structural Fund regulations published in July, envisage a substantial increase in resources with the aim of promoting competitiveness and growth in the enlarged EU. The implications of the proposed new delivery system and the funding priorities under ERDF (research, innovation, accessibility and services of general interest, environmental issues and risk prevention) and ESF (education, employment and social support systems, human capital and labour supply) will form the subject of discussions at the next IQ-Net meeting in Toscana in November 2004. Equally important, if not more so for some regions, the EC's proposals for the reform of the regional aid guidelines are also being considered.

Lastly, with the enlargement of the EU in May 2004, the IQ-Net network is preparing to broaden the consortium to include new partners from regional and national programming authorities from the new Member States. Potential partners are cordially invited to contact the IQ-Net secretariat at EPRC in Glasgow for further information. More generally, we welcome feedback on any of the issues discussed in this Bulletin and the wider activities of the IQ-Net network.

Professor John Bachtler

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Programming Update: Evaluation and Performance Review

The past 18 months have been a period of intensive evaluation and review. The completion of the mid-term evaluations (MTEs) was followed by the development of proposals for allocating the performance reserve and the mid-term review. For many programmes, the end of 2003 also saw the first application of the n+2 rule, so that attention has been focused on financial implementation and avoiding automatic decommitment. This article considers some of the main programming issues that have preoccupied programme managers over the last year.

Financial absorption

For several programmes, notably those adopted in 2001, 31 December 2003 was the critical date of their first n+2 deadline. This provided a formal test of the programmes' ability to commit and disburse Structural Fund allocations.

As discussed in the tenth IQ-Net Bulletin (December 2003), the experience of programmes in relation to the n+2 rule has varied widely, with very different levels of commitments and payments across Member States and regions. Many programme managers were confident from an early stage that, while some action might be needed to ensure absorption, there was no real risk of automatic decommitment. Elsewhere, however, financial monitoring showed that levels of commitment and/or spending were too low to meet targets, and that a significant mobilisation of effort would be required to avoid the possibility of automatic decommitment.

Even programmes with strong overall levels of absorption experienced problems due to the complexities of EU systems for managing claims. There is a growing awareness of the need to ensure that steps are taken now to ensure that all funds are fully absorbed by the end of the programming period.

The current picture remains extremely varied across programmes, with some experiencing little or no serious difficulty in meeting the n+2 rule at programme and Fund level, even if there have sometimes been specific problems with financial absorption below the level at which the n+2 rule is applied i.e. at the level of individual measures or sub-measures. In other cases, programme managers have experienced serious difficulties and have had to take extraordinary steps to

avoid decommitment. For the most part, it appears that these steps were successful. Even where funds have actually been decommitted, the amount of money has tended to be very small compared to total funding.

The mid-term evaluations

The deadline for the submission of the mid-term evaluations (MTEs) was 31 December 2003 and IQ-Net partner programmes submitted their evaluations to deadline. The content of the MTEs across partner programmes is fairly standard. The programmes have generally drawn on the guidelines of the Commission's Working Paper 8, including: a re-appraisal of the validity of the strategy; an assessment of financial and physical progress; an overview of the anticipated impacts (and sometimes also of efficiency); an analysis of management and implementation mechanisms; and an assessment of the operationalisation of the horizontal themes (equal opportunities, environmental sustainability, the information society). In some cases - e.g. in the Italian Operational Programme for Local Entrepreneurial Development (OP LED), in Kempen and Limburg, in West of Scotland, in Austria and in France - these general themes were supplemented by other thematic or geographical foci.

Strategic appropriateness

Most evaluations undertook an assessment of the strategy and core objectives, and concluded that these were still broadly relevant. In none of the evaluations of the partner programmes was there a fundamental critique of the appropriateness of the strategies adopted. Although the evaluators were generally positive in their assessment of the overall strategic relevance of the programmes, many raised issues relating to the programmes' strategic orientation, in particular: (i) the need to narrow and/or re-focus the strategy; (ii) the opportunity to revise overall targets; and (iii) the need to respond to problems emerging from the strategy.

Progress and effectiveness

Most MTEs confirm the good implementation levels achieved, both financially and in terms of physical outcomes. Most evaluations present a measure-by-measure detailed analysis of financial and physical targets. Provisional estimates of gross jobs created are also common. The MTEs also present some recommendations on improvements needed. A common theme across a number of programmes, for example, relates to the difficulty of implementing less traditional interventions.

Efficiency and impacts

Most MTEs do not carry out an assessment of programme efficiency, in terms of cost-per-job and/or opportunity-cost of the interventions. Cost-per-job estimates, however, are included in some IQ-Net partner evaluations (including for Italy's OP LED, the Danish, País Vasco and Western Finland Objective 2 programmes, and some French programmes). As an example, the assessment of cost-per-job was relatively straightforward for the Italian OP LED. This programme concentrates about 80 percent of its spending on one measure providing capital aids to firms for fixed investments. In estimating cost-per-job, the evaluators could draw on the forecasts of the numbers of jobs created and safeguarded made by applicants in their applications (job creation being one of the selection criteria).

Few MTEs undertook a detailed assessment of the impacts that the programmes are likely to deliver, either because it was too early in the life of the programme or due to the methodological difficulties of assessing impacts in programmes involving comparatively small amounts of public spending. Some programmes did, however, attempt to estimate impacts. In the Western Finland MTE, the evaluation team measured the impact of direct programme actions in terms of gross jobs, and then made adjustments to take account of deadweight, double counting, etc. in order to produce an estimate of the net jobs created by the programme. The evaluators emphasised the need to bear in mind that, in a number of projects, the main objective was not always short-term job creation but, for example, longer term business competitiveness. Also, the evaluation of the Italian OP LED includes an assessment of the programme's initial impact, by means of a survey of 340 supported firms (from a total of 1,615 which had received aid in 2000-03). A further interesting example of an attempt to calculate impacts can be found in the MTE of the Flemish Objective 2 programme, via a case study analysis of the effects of investment in industrial estates and tourism in the Kempen area.

Management and implementation

As might be expected, most evaluation reports focus on measures which have met problems with financial absorption or other implementation difficulties. The most commonly raised issues relate to the following themes:

- Staffing and internal organisation of programme secretariats, particularly the need to increase the number of staff working on programme coordination/implementation.
- The need to improve information exchange between the actors involved in programme implementation.

- Publicity, animation and proactive project development, where often only minor adjustments were suggested, but some evaluations emphasised the need to increase efforts.
- The need to improve coordination between ERDF and ESF and between Objective 2 and Objective 3 programmes.
- Domestic co-financing problems.
- Project selection, including both general and specific improvements to the selection mechanisms of measures with lower than expected take-up of funds.
- Gaps and inefficiencies in monitoring systems and data (a feature of most reports).

The horizontal themes

Virtually all MTEs commented on the progress made in the integration of the horizontal themes of equal opportunities and environmental sustainability, as well as on the need to improve progress in these areas. In addition to the need to improve monitoring information, the reports underline the difficulties met in linking projects to these two horizontal goals - e.g. in a number of programmes the evaluators found that projects were classified as neutral in a higher proportion than expected - and the need for targeted communication activities.

In addition to the environment and equal opportunities, evaluations also covered the Information Society theme. Some programmes, moreover, included additional thematic foci in their evaluations, for example rural development and rural-urban cooperation in Finland, and competitiveness and SMEs in Italy.

Views of IQ-Net partners on the MTEs

The MTE has generally been seen as useful. In a number of cases, partners stressed the real value of this exercise as a management and decision-making tool, as a stimulus to strategic discussion among stakeholders, as a partnership-building tool, and as an instrument for enhancing accountability and transparency.

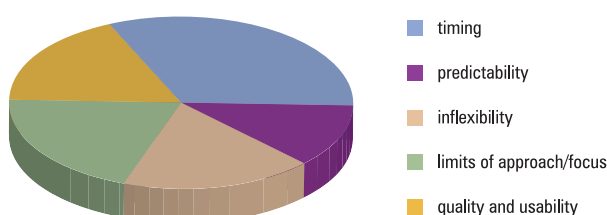
However, a number of comments were made on aspects which hindered the overall usefulness of the MTEs (see figure below) which can be categorised as follows:

- the *timing* of the exercise was in many cases deemed inappropriate due to the delayed start of the programmes;
- limits in the *approach and focus* of the MTEs, as defined in Commission and national guidance documents, were often underlined. The evaluations were sometimes seen

to be too focused on process, with too little emphasis on strategic aspects and impacts;

- some partners noted the lack of scope for tailoring the evaluation to programme-specific needs and questioned the usability and, at times, quality, of the evaluation reports received (often too long, sometimes with vague and non-operational recommendations); and
- some partners underlined that evaluations provided little added value by delivering 'already-known' messages.

IQ-Net partners assessment of the main limitations of the MTEs



The Commission's view

The Evaluation Unit of DG Regio reviewed all evaluation reports for Objectives 1 and 2, both at draft stage and after finalisation, and has drafted a detailed analysis of the MTEs, including lessons and examples of good practice. A preliminary overview on the quality of the MTEs was provided by Veronica Gaffey of DG Regio¹. The overview concludes that the MTEs were undertaken for all programmes, to deadline and in the vast majority of cases, delivering reports of high quality.

At the same time, it underlines that not all the objectives of Working Paper 8 were met, and identifies areas where further improvement is needed:

- evaluations often placed too much emphasis on process, often due to the late launch or slow start of programmes;
- most evaluations had a weak strategic focus, so that 'evaluators took programmes as a given and focused on the individual performance of measures', failing to discuss whether the strategies implemented were the best response to the regions' needs;
- whilst some evaluations adopted a mix of well-targeted methodologies, a number did not carry out a satisfactory level of primary research, particularly as regards interviews with the beneficiaries;
- many evaluations were hindered by weak monitoring data; this is an area that the Commission considers as one of the main priorities for improvement;

- some evaluations over-emphasised financial analysis, leading to purely 'financially-driven' recommendations; in addition, efficiency was often considered as simple absorption, with few evaluations dealing with the issue of unit cost;
- final MTE reports were often too long, too detailed and not sufficiently operational. Recommendations were often vague and at times even imprecise, relying only vaguely on evidence;
- MTEs tended to be more descriptive than analytical; and
- analysis of whether the programmes were likely to deliver forecast results was often missing.

The Commission is working through the lessons to be learnt from the recently completed MTEs with a view to improving future Structural Funds regulations and building capacity for future evaluations at both Member State and regional levels.

The mid-term reviews

Commission Regulation 1260/1999 states that, after the MTE and the allocation of the performance reserve, the programmes would be re-examined, and, if necessary, adapted further. This 'mid-term review' process was intended to involve relatively limited changes, with proposed shifts in financial allocations substantiated on the basis of evidence from the MTE and/or the assessment of performance reserve criteria.

In some programmes, the main goal of the mid-term review has been to enhance conditions for financial absorption. In others, an additional aim has been to focus interventions more strongly on strategic goals. Finally, some programmes decided not to make additional changes, either because progress on financial absorption was already rapid, because no changes were considered necessary, or because of negative experiences with the Commission in previous attempts to modify the financial tables.

Laura Polverari and Dr Sara Davies

¹ Gaffey V (2004), *The Mid Term Evaluation of the Structural Funds in 2003 - The Commission's perspective on Lessons Learned*, Paper for the 7th National Congress of the Italian Evaluation Society, Milan 25-27 March 2004.

The Reform of EU Cohesion Policy

February 2004 saw the much anticipated publication of the European Commission's Third Cohesion Report which provided an outline of proposals for the future of EU Cohesion Policy after 2006. The debate has already been going on for some time, due to pressures to reform Cohesion Policy in the context of the accession of ten new Member States, all of which have levels of GDP per capita below the EU15 average. The Commission's formal legislative proposals were presented in July 2004, and there will be further debate and amendments to the instruments, rules and funding of Cohesion Policy before a final decision is taken by the Council and Parliament towards the end of 2005.

The discussion to date has concentrated on two main themes: the potential for simplifying the administration of Cohesion policy without undermining accountability, and the financial implications of reform for different Member States and regions.

- A number of the net contributing Member States argue that the **future EU budget** should be capped at 1 percent of EU Gross National Income, not least given the pressures on public finances in many of these States. However, the Commission, along with some other Member States and many regional authorities, argue for a larger budget, with many regions in the EU15 fearing a reduction in Cohesion Policy funding after 2006, when funds are likely to be directed more strongly towards the new Member States with significantly lower levels of income per capita.
- Although there is widespread agreement over the **desirability of simplification**, it is less clear that there is consensus over which aspects of the management and monitoring systems should be changed. Aspects which are seen as a burden in some Member States or regions may be perceived as useful devices for ensuring strategic focus and consistency in others. However, it is often the case that administrative rules seem particularly burdensome in locations where the level of Cohesion Policy funding is small relative to total public investment, and where Structural Fund programmes are not subsumed into existing implementation systems. In the Third Cohesion Report, the Commission has made various proposals aimed at reducing the administrative burden, while also endeavouring to ensure Cohesion Policy's strategic focus, and respecting the Treaty's allocation of legal responsibility for the EU budget to the Commission rather than the Member States.

The dual focus of the debate – on simplification and on the availability of funding for relatively wealthier parts of the EU25 – inevitably reflects the concerns of the current EU15 Member States and regions which are engaged in implementing

Cohesion Policy. It still remains to be seen whether this focus will shift in 2004-06 as the new Member States gain hands-on experience of Cohesion Policy and its practical implications for their own domestic policy environments. A widely cited concern is the administrative burden associated with Cohesion Policy interventions, which can more easily be borne in Member States with well-resourced public administrations, and may pose a considerable strain in the new Member States. There are, however, other aspects of Cohesion Policy which may also prove to be problematic, relating for example to the geographical and thematic focus of funding.

A key question is the current system of determining eligibility for funding at the relatively disaggregated level of 'NUTS II regions', rather than, for example, at the level of Member States or the larger NUTS I regions. While the argument in favour of directing Cohesion Policy expenditure to the poorest regions may be clear-cut in the wealthiest Member States, it is less so in States with low aggregate levels of GDP per capita.

A further aspect of Cohesion Policy which may prove problematic in the new Member States is its broad thematic remit, which covers not only transport and environment-related infrastructure, but also education and training, State aid and other forms of business support, R&D and innovation, Information Society interventions, community development, small-scale local infrastructure, social programmes for various disadvantaged groups, environmental protection and numerous types of support for agriculture and fishing.

In this context, the Commission's Third Cohesion Report indicates that efforts are already being made to ensure a stronger focus for Cohesion Policy after 2006 on those themes which most directly contribute to economic growth and employment. It proposes that funding would be directed only to the following areas:

- Innovation and the knowledge economy
- Accessibility and services of general economic interest
- Environment and risk prevention
- Education, employment and social support systems
- Human capital and labour supply
- Adapting the public administration and institution building.

It remains to be seen how the Commission's proposals in the Third Cohesion Report will be received by the myriad actors involved in the implementation of Cohesion Policy in the EU15 and the new Member States. In particular, the views of policy-makers in the new Member States may evolve over the coming year as they fully come to grips with the practicalities of Cohesion Policy from May 2004. However, the debate is likely to continue to focus on the core questions of the financing of Cohesion Policy, the administrative burden on implementing authorities, and ways in which funds can best be concentrated in both geographical and thematic terms.

Dr Sara Davies

Oulu, Finland Venue of the 15th IQ-Net Conference

The fifteenth IQ-Net Conference was held in Oulu, Finland. Located in the region of Ostrobothnia, Oulu has a population of over 100,000 people and is the capital of Northern Finland. The Oulu Region has been one of the fastest growing areas in Finland in recent years.

Oulu is an internationally renowned centre of expertise in high technology, most of all wireless communications and 'wellness' technology. After becoming a 'City of Technology' about 20 years ago, the ongoing collaboration between companies, research and training institutes and public organisations has become known as the 'Oulu Model'. More traditional industrial sectors, such as the wood, paper and steel industry also occupy a prominent position in the region. Important, internationally well-known companies in the region include Nokia (IT industry), Stora Enso (pulp and paper), Rautaruukki (steel) and Polar Electro (Heart Rate Monitors).

The Western Finland Objective 2 Programme is receiving a total of €284 million from the Structural Funds over the 2000-06 period. The programme covers parts of the regions of Satakunta, Ostrobothnia, South Ostrobothnia, Central Ostrobothnia, North Ostrobothnia, Central Finland and Pirkanmaa.

The main aim of the programme is to promote entrepreneurship and employment by increasing the competitiveness and diversification of the economy. The programme focuses on growth sectors, information society and competitiveness-based know-how.

Oulu also participates in the national Finnish **Centre of Expertise Programme**. The Programme provides support to develop regional strengths and specialisation, concentrating on using the expertise in selected, internationally competitive fields and on the development of business activities. The Oulu Region Centre of Expertise 2003-06 has two main foci: information technology (telecommunications, electronics and software); and well-being (medical technology, biotechnology and environmental technology). One of the tasks of the Centre of Expertise is the realisation of the Oulu Growth Agreement, which aims to develop the city as one of the key centres of technology in the world. The initiative is founded on five clusters: information technology; wellness; the environment; biotechnology; and content and media. Each cluster forms a group that includes businesses and associations working in the sector, supported by a cooperation network.

As part of the conference **study visit**, delegates visited the Technopolis area. Established in 1982, Technopolis is Finland's largest company providing operating environments for high-tech companies with serviced premises and access to sector-specific expertise. A series of presentations then showcased a number of projects which form part of Oulu's 2006 Growth Agreement.

- Smart Oulu brings together a range of achievements from the Information Society City of Oulu programme, as well as being a new brand that the city is using to market its know-how and achievements. Information Society City of Oulu is a project funded by the City of Oulu and the Council of Oulu Region to promote the development of Oulu's Information Society and boost competitiveness in northern Finland. It forms part of the North Ostrobothnia Objective 2 programme and is part of the Oulu 2006 Growth Agreement, but it also involves the co-operation of companies, the university and vocational institutes.
- Bioforum Oulu aims to stimulate cooperation between biotech companies, universities and R&D organisations in the Oulu region. Bioforum works closely with other players in the region and also carries out 'spearhead projects' named in the Oulu Growth Agreement. The intention is to develop new products and services which enhance the health and well-being of the population and to create new businesses in the field.
- The Octopus Program, which is part of the Smart Oulu range of projects, is a network set up to promote the creation, development and testing of new mobile services. It also provides support in the form of commercialisation, financing, marketing and communications, together with training and business services which are provided throughout the entire process.

Useful links:

Council of Oulu Region:

www.pohjois-pohjanmaa.fi/k/e/kehys.htm

Ministry of Interior webpages on the Finnish Structural Fund programmes (in English):

www.intermin.fi/intermin/home.nsf/pages/A69092467B69BDBFC2256B870056B61A?opendocument

Technopolis:

<http://www.technopolis.fi/index.php?211>

The Oulu Growth Agreement and Oulu Region Centre of Expertise:

www oulu.ouka.fi/kasvusopimus/

Smart Oulu:

www oulu.ouka.fi/smartoulu/english/paasivu.htm

Bioforum Oulu:

www.bioforumoulu.org/index.php?165

Octopus Program:

www.hightechfinland.com/2004/communications/octopus.html

Achieving the aspirations of the 2000-06 programmes: meeting targets and improving delivery

Following the mid-term evaluations (MTEs), programme managers are looking forward with a view to maximising the opportunities of the remaining years of the 2000-06 programming period. There are lessons to be learned from the analyses of programme performance in the MTEs and, in some cases, the painful experience of meeting n+2 targets. While the overall strategic objectives of programmes are generally unchanged, the MTEs often recommended adjustments to programme content, a refocusing of management arrangements and further investment in monitoring systems to address persistent weaknesses. This article examines the priorities and challenges of the remainder of the programming period.

Aspirations of programmes

At the start of the current programming period, many managing authorities were keen to fulfil new ambitions. Significant effort was put into programme preparation and the new strategies introduced innovative methods of promoting regional development and a higher profile for the horizontal themes. Changes were made to programme management structures and delivery systems to improve efficiency, raise project quality, and improve communication. Investment in monitoring systems was undertaken to comply with regulatory obligations and increase oversight of programme activity.

Some changes made at the start of the period can already be viewed as having delivered on their potential to improve programming. One success has been **publicity and communication**. Strengthened provisions arguably intended to ensure improved compliance have turned communications planning into an effective management tool. **Stronger monitoring requirements** have also improved the quality and consistency of monitoring activities, although perhaps not enough as yet.

In contrast, some other instruments aiming to improve programming have not achieved their potential. The **Performance Reserve**, as implemented, has not proved to be a sophisticated performance-enhancing instrument.

In addition, some technical changes which appeared to be relatively straightforward have proved problematic in practice. Implementing **ESF and business development interventions** in the more fragmented eligible areas has been extremely challenging, for example, while the introduction of **phasing out budgets** has meant the additional bureaucracy of parallel programming plus absorption problems.

Factors driving future choices

A central aim of all programmes is to deliver on set targets – this means not just meeting spend schedules, but also delivering in terms of outputs, results and impacts. There are several parallel aspects to achieving these aims, notably optimising the allocation of remaining resources – filling gaps and maximising impacts generally, and, as more and more resources are committed, considering how to optimise the performance of approved projects. Another common task will be managing the process of programme closure. Lastly, Objective 2 programmes, in particular, are thinking about how to maximise legacies from the Funds.

The scale of planned change

The scale of change planned by programmes at this stage is determined by whether adjustment is needed, how feasible it is, and how useful it will be at this stage in the programming cycle. These three influences together mean that the general picture is one of continuity for programmes, with minor, evolutionary adjustments to programme orientations, management approaches and delivery mechanisms where necessary. A minority of programmes are making more substantial changes; a good example here is the management reforms taking place among the English programmes (see the ODPM case study in this Bulletin).

In terms of progress, programmes are in different positions at this stage of the programming period. They also operate in different institutional environments which influence how easy it is to change strategies or management arrangements.

1. Changes to programme content

The overall strategic direction of programmes is largely being maintained, but with some adjustment.

- There is action underway to resolve intractable implementation problems in two ways: judicious **adjustment** where measures which are important for the structural regeneration of the region are faltering but need to

be maintained; and **virement** where measures are deemed unlikely to succeed.

- Adjustments have also been proposed to improve the **relationship between Structural Fund spending and domestic policy priorities**, realignment with the new Swedish regional growth agreements being an example.
- Steps are being taken to address some purely **technical barriers to participation**, such as divisions between measures which are impediments at the implementation stage, or overly stringent selection criteria.

2. Refocusing management

In most cases, programme management arrangements are not changing significantly. Management issues raised by the MTEs which are being followed up include: (i) improving the capabilities of secretariats, eg. by increasing staffing; (ii) improving coordination, especially between networks of intermediaries; and (iii) continuing the drive for simplification. Most change is taking place where $n+2$ related problems have been particularly acute.

A wider trend has seen secretariats taking a more pro-active management role, trying to identify and avert risks and to plan for alternative scenarios. This is not surprising given that there are now real consequences for programmes not running to plan. More responsibilities are also being cascaded down through partnerships to regional, local or sectoral organisations in order to share the risks of programming.

3. Monitoring

Financial monitoring is already of good quality everywhere. Aggregate information has been used in increasingly imaginative ways to inform decision-making, especially around $n+2$ issues (see the Sachsen Anhalt case study in this Bulletin).

Physical monitoring has improved dramatically compared to the previous programming period, including in some programmes where collecting uniform information from many intermediaries was challenging. However, the MTEs found a range of persistent weaknesses which undermined the utility of data, both as a basis for evaluation and as a management tool. First, databases are still not always easy or efficient to use. Second, the completeness, quality and reliability of data sets can be lacking.

Improving programme delivery

Ultimately, programme aims are achieved by the projects they fund. Improving programme delivery over the remainder of the current programming period involves three parallel issues:

- how to manage demand for uncommitted resources, increasing uptake where it is low and prioritising between projects where demand is strong;
- how to commit remaining funds wisely, potentially raising the quality of project applications; and
- whether and how to support project delivery, as programmes move into a phase where spending resources begins to predominate over committing them.

1. Committing remaining funds

Turning first to **project generation, appraisal and selection**, many programmes are maintaining existing systems as they are well understood and functioning smoothly and stability is being prioritised. In other contexts, adjustments are being made to project generation or selection:

- to facilitate the access of underrepresented groups from particular sectors or geographical areas,
- to achieve the basket of planned targets where some indicators show slow progress; or
- to prioritise higher quality, or more effective projects with the remaining resources, sometimes building on lessons from the MTEs.

There is certainly awareness that there is a need to become more selective as resources decline, to maximise outcomes to the programme but also in some cases to ensure fairness to applicants. Prioritising quality, however, raises some difficult questions about what this is and how it can be identified.

Programmes considering more proactive approaches to **project generation** might be interested in the following initiatives.

- A private sector initiative has been run in Wales, including the recruitment of facilitators, to increase uptake by private enterprises. In Italy, chambers of commerce and other intermediaries are being used to facilitate access by businesses.
- In France, animators are working to ensure that projects coming forward reflect programme priorities, and some are actively helping to shape projects.
- In North East England and Wales, pro-active approaches are being undertaken in which programme actors work alongside key agencies to identify the projects which best meet mutual objectives. This is a significant shift from former reactive approaches.

- Quality is also being sought in the Italian regional programmes through the PISL or Integrated Programmes for Local Development (see the Toscana case study in this Bulletin).

Likewise, there are good examples of attempts to refocus **project selection** in Scotland, France, Finland and Sweden.

- In the West of Scotland, expressions of interest have been invited for capital investment measures, to identify the pool of potential projects from which to make a strategic selection. This reflects the practice in Toscana at the start of the current period. As elsewhere, this raises questions about which are really the best and most necessary projects.
- Selection criteria are being adjusted to promote certain aspects of projects, such as their horizontal theme responses (for example, in Bourgogne) or their innovation potential. Promoting additional themes has to be carefully judged - dwindling resources potentially give programmes more influence over project design, but could lead to changes which simply discourage applicants.
- In Finland and Sweden, evaluators have recommended reflection on choosing the most 'socially profitable' or dynamic projects. The challenge here is to decide what this means in practical terms, to build this into the selection system and to communicate it to applicants.

2. Support to implementation

Committing resources is only the start. Projects must then be implemented as anticipated. Although applicants are skilled in their area of expertise, and other guarantees may be in place, there is still the potential for projects to diverge slightly or significantly from their anticipated plan. The factors affecting the capacity of organisations to take forward Structural Fund projects are well known, including their project management experience, the size and complexity of the project and the priority placed on the project by the applicant. In addition, any project can face unexpected occurrences which make ongoing adjustment the norm, not the exception.

At the same time, programmes face real consequences if their projects do not proceed to plan. The extent to which programmes can and do intervene at the project level, and the instruments available to do this, varies in different administrative contexts. Where there is a direct relationship with projects, more interventionist and proactive approaches may be appropriate. In other contexts, where contact with projects is limited, the use of more 'defensive' management tools or a mobilisation of intermediaries are more relevant responses.

Sandra Taylor

Case study: Sachsen Anhalt, Germany

Improving monitoring

In Sachsen Anhalt, Germany, the Objective 1 Managing Authority is currently improving its Structural Fund monitoring systems to enable monitoring to serve a fuller role as a management tool. Their aim is to create a system which allows for transparent information flows, enabling comparisons across the programme's 90 different sub-measures, so that funds can be targeted more strategically towards the most efficient and effective interventions.

Sachsen Anhalt currently has a database called eFREporter which includes project level financial and physical monitoring data. The current monitoring system has a number of weaknesses: several different electronic and paper-based systems are used for monitoring indicators; due to the scale of the programme (€8.7 billion) and range of different interventions it is difficult to draw comparisons across the entire programme; and the high number of physical indicators used means that the data are not manageable and cannot be aggregated.

The Managing Authority's aim is to develop an improved and coherent set of instruments for monitoring and evaluation. These would be used to improve the current programme and would also feed into the process of developing a new programme for 2007-13. These instruments comprise:

- a revised system for monitoring financial and physical indicators;
- complementary case studies on selected themes; and
- a version of ESRI's HERMIN macroeconomic model for Sachsen-Anhalt, complementing the existing model for all the new German Bundesländer.

One of the specific goals of changing the monitoring system is to ensure that core data are contained within the server components as part of the funding guidelines (Förderrichtlinien). This would mean that core data would be input once and would then be available to anyone who has access to the server. The aim is that all relevant bodies will have direct access to eFREporter and that the different departments and agencies will input data directly.

The Managing Authority is also developing a new methodology for monitoring programme progress, which is likely to be based on the following criteria: commitments and payments (n+2 rule); leverage effects of Land funding (ie. EU or private co-financing); and physical indicators.

The aim is to extend the scoring system developed for the mid-term review and to allocate points (-1, 0, 1 or 2) to each budget line and for each of the three sets of indicators. These scores would then be used to inform political decision-making.

Case study: the ODPM in the UK

Reforming management of the Structural Funds

Best Practice Review 2003

In 2003, the Office of the Deputy Prime Minister (ODPM) launched an initiative to improve Structural Fund management in England. A Best Practice Review was commissioned, with management consultants undertaking a comparative study of English programme management arrangements and of ODPM's own Structural Fund department. The exercise focused on identifying good practices which could be duplicated between programmes and weaknesses which needed to be addressed, and was enriched by the consultants' knowledge of organisational and management practices outside the Structural Funds. Recommendations were made for each programme.

Among the common issues highlighted were organisational weaknesses or skills deficits in the way the English programmes have been managed. First, there was a lack of senior strategic direction and leadership; it was perceived that programmes were being 'passively administered' rather than managed proactively. Second, there was insufficient support for projects during the implementation phase. While considerable efforts were being put into project generation, there was a need to provide more on-going support.



Ben Stoneman of the ODPM, UK

An interesting aspect of the exercise was the positive reaction among programme managers. The study was viewed as providing valuable insights and promoting constructive debate. This was helped by the way that the 'buy-in' of the secretariats was secured. The consultants spent around a week in each secretariat to understand how it was working and verified their understanding before moving on to the next stage of the study. The secretariats were rated against each other for their management capabilities which helped to encourage debate. Towards the end of the study, it was ensured that the secretariats had ownership of the report before it was finalised and released.

It has been up to programmes to take the recommendations forward, and many have been working positively to make improvements. As part of the process, monthly meetings are being held at ODPM, bringing together representatives of all the programmes for peer-to-peer discussions on progress in improving management systems.

Training strategy for programme management

A training strategy is also being developed by ODPM to develop the programme-related skills and knowledge of staff involved in Structural Fund programme management and administration, and to strengthen their transferable skills. As part of this, a structured exercise is underway to identify training needs in different areas, the resources available to address them and gaps in provision.

The work is structured under four skills headings: project appraisal; financial management; programme management; and project management. It will lead to the publication of a directory of training, complemented progressively by a central training resource, comprising ODPM training materials and seminars to address the gaps in existing provision. To move forward quickly, the approach is prioritising 'quick wins', including establishing a stronger induction programme focused around basic skills. The initial priority is to train people working directly for Structural Fund programmes, rather than the wider partnerships, but the target audience may broaden over time.

Alternative methods of delivering training are also being considered. 'Action learning' through study visits has a strong appeal because it boosts morale, strengthens teams and generates more memorable learning. ODPM is designing guidelines to make these activities more effective. Recommended practices include: choosing the destination and format of visits based on clear learning objectives; structuring exchanges to fulfil explicit goals; and closing the loop by contrasting anticipated with actual benefits.

Case study: the PISLs in Toscana, Italy

Raising project quality and embedding strategic capacity using targeted local strategies

The PISLs (*Programmi Integrati per lo Sviluppo Locale*), or Integrated Programmes for Local Development, in Italy, are an example of an initiative which aims both to raise project quality and enhance the strategic capacities of actors in the region. The approach is not new, but it has involved a significant development effort and is only now coming on stream. PISLs allow the Structural Funds to intervene in integrated, meso-level strategies which have the potential to endure beyond the Funds.

Origins and scope of the PISLs - The case of Toscana

PISLs are innovative projects for local economic development which were developed in the framework of some 2000-06 Italian SPDs. In Toscana, they emerged from previous experiences of negotiated forms of programming such as *Patti Territoriali*, the local development plans of regional law 41/1998, the integrated area projects in the tourism sector implemented under the 1994-96 SPD and others. Each PISL comprises a set of integrated, inter-sectoral actions encompassing infrastructure and aids to enterprises. The integrated actions are designed to be coherent, economically and functionally indivisible and based on clearly elaborated and shared ideas underpinned by partnership-based procedures. Because the activities converge towards common objectives, they use a single implementation and project selection procedure. The PISLs aim to generate added value by delivering more or better impacts on the locality than single interventions implemented separately. They must be the outcome of a bottom-up programming effort by local social, economic and institutional partners, coordinated by the provincial authorities, and must act at a local territorial scale. Project selection is undertaken on the basis of an analysis of expected impacts.

The PISLs are only now beginning to be implemented following a significant period of development and capacity building, but it is hoped that, having been nurtured within the context of Structural Fund programmes, they will provide a legacy in the form of the capacity to design and deliver robust, focused, area-based, partnership-oriented, integrated development strategies. Fundamentally, they are a domestic initiative rather than something whose survival depends on the Structural Funds.

The types of integration underpinning the Toscana PISLs include:

- **territorial integration** - the coordination of interventions in a local, productive or cluster dimension
- **environmental integration** - the attainment of local goals for environmental improvement

- **financial integration** –the optimal use of resources (EU, national, regional, local and private)
- **functional integration** - the delivery of interventions that relate to different priorities and measures of the SPD
- **institutional integration** – involvement of a plurality of institutional public actors (province, municipalities, mountainous communities, chambers of commerce etc.).

Capacity building to ensure the success of the PISLs and embed capacity

An important part of ensuring the success of the PISLs has been to build capacity among the actors responsible for managing and implementing the programmes. Two levels of capacity building have been needed:

- the *capofila* leading the PISLs have been assisted by the managing authority in preparing the PISLs, selecting projects and mastering the Structural Fund regulations;
- municipalities and other institutional, social and economic partners have been assisted by the lead organisations in preparing project applications, fulfilling their monitoring requirements, etc.

In Toscana, numerous activities have been undertaken to support the municipalities and provinces.

- In November 2003, the first of a series of workshops involving officers of the provinces in charge of programming was held to highlight the possible ways to set up the PISLs and the projects within them.
- The provinces and the officers responsible for the measures are undertaking consultancy-style activities to help define the projects to be submitted under the PISLs, for example by highlighting critical aspects of projects and how these can be addressed.
- An *ad hoc* monitoring system has been set up for the PISLs by the organisation providing Technical Assistance to the wider programme, which worked on the programme's monitoring system. The provinces will insert the monitoring data themselves in the monitoring system and will only have access to their own data.
- The *Nucleo Keynes* was set up as an ad hoc support structure to act as a reference point for the municipalities in setting up PISL projects. The Nucleo, together with the regional evaluation unit, drafted a *Vademecum* that is available on line at the website of the SPD (www.docup.toscana.it). The website allows appointments to be requested on-line for specific expert advice. The *Nucleo Keynes* has a helpdesk and phone line operating exclusively for the PISL.

During the life of the PISL, on-going assistance will be provided to PISL coordinators (provinces) and projects, for example by the officers responsible for relevant measures and by the Nucleo Keynes, as well as by the Technical Assistance organisation implementing the monitoring system.



IQ-Net delegates during the Oulu conference

What is IQ-Net?

IQ-Net is a network which brings together regional and national partners from Structural Fund programmes across the European Union. The aim of the network is 'Improving the Quality of Structural Fund Programming through Exchange of Experience'. The network involves a structured programme of applied research and debate, centred on a bi-annual conference. IQ-Net members currently comprise Managing Authorities and/or programme secretariats from:

Austria: Niederösterreich, Steiermark

Belgium: Flanders (Ministry for the Flemish Region, Province of Limburg, Province of Antwerp)

Denmark: Nordjylland/National Agency for Enterprise and Housing

Finland: Western Finland, Ministry of the Interior

France: DATAR

Germany: Nordrhein Westfalen, Sachsen Anhalt

Italy: IPI/Ministry for Productive Activities, Lombardia, Toscana

Spain: País Vasco

Sweden: Norra, Norra Norrland

UK: North-East England/Office of the Deputy Prime Minister, Wales, West of Scotland

DG Regio of the European Commission

The network was launched in 1996 and is managed by the European Policies Research Centre at the University of Strathclyde in Glasgow. The network meets twice a year and has been hosted across Europe in Glasgow, Cardiff and New Lanark (UK), Dortmund, Gelsenkirchen and Saarbrücken (Germany), Fyrstad and Luleå (Sweden), Bordeaux (France), Leoben and Semmering (Austria), Como (Italy), Aalborg (Denmark), Grobbendonk (Flanders) and Oulu (Finland).

The current, third phase of IQ-Net (2002-06) was launched in February 2003. IQ-Net welcomes expressions of interest from potential new members (regional or national programming authorities) from any EU-25 Member State.

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