

New OPs, new instruments: progress with the 2014-20 programmes



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The partners in the IQ-Net network are as follows:

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- Enterprise Agency Flanders

Croatia

- Ministry of Regional Development & EU Funds

Czech Republic

- Ministry of Regional Development

Denmark

- Danish Business Authority

Finland

- South and West Finland (Etelä- ja Länsi-Suomi)

France

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Germany

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Greece

- Management Organisation Unit of Development Programmes S.A.

Poland

- Marshal Office of the Pomorskie Region

Portugal

- Agency for Development and Cohesion (ADC)

Spain

- País Vasco (Basque Country), Provincial Council of Bizkaia, Department of Economy and Finance

Slovakia

- Central Coordination Body, Government Office of the Slovak Republic

Slovenia

- Government Office for Development and European Cohesion Policy

United Kingdom

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

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

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COUNTRY/PROGRAMME ABBREVIATIONS

Country	Abbreviation
Austria	AT
Belgium	BE
Belgium (Vlaanderen)	Vla
Croatia	HR
Czech Republic	CZ
Czech Republic (Integrated Regional Operational Programme)	CZ IROP
Denmark	DK
Finland	FI
France	FR
Germany	DE
Germany (Nordrhein-Westfalen)	NRW
Greece	GR
Poland (Pomorskie)	Pom
Portugal	PT
Slovakia	SK
Slovenia	SI
Spain	ES
Spain (País Vasco (Bizkaia))	Biz
United Kingdom	UK
United Kingdom (England)	Eng
United Kingdom (Scotland)	Sco
United Kingdom (Wales)	Wal

EXECUTIVE SUMMARY

- **Programming has reached its final stages and the priority for programme managers across Member States has moved firmly to the launch and implementation of the new round of 2014-20 OPs.** Nevertheless, progress in the preparation, approval and launch of programmes varies significantly across Member States. This is due to several factors: political changes; the introduction of new policy initiatives; administrative reorganisation or budgetary adjustments; and the impact of EU-wide factors, notably the refugee crisis.
- **All IQ-Net OPs have been adopted by the Commission and all programmes have launched their first calls for project applications.**
- **Work among all IQ-Net programme managers on the construction of systems to generate, assess and select operations for the new programmes has intensified.** This includes 'demand side' efforts to boost the capacity of project applicants alongside work on the 'supply side' to improve the efficiency and transparency of implementation systems.
- **Project demand so far been rated as either high or satisfactory** by programme authorities. However, there is some variation across Priority Axes. This is associated with challenges common at the beginning of financial perspectives and incorporating new priorities, measures or instruments. Related to this are ongoing efforts to strengthen the results focus in programmes.
- **Work on key programme management arrangements has continued** over the past six months, including:
 - **Designation of management and control systems.** Designation has been complex, particularly dealing with the multiplicity of EU documents and deciding the role of Intermediate Bodies.
 - **Establishment of systems for monitoring** in response to the 2014-20 regulatory framework, including making provisions to ensure compliance with e-Cohesion requirements,
 - **Elaboration of Evaluation Plans**, including the pursuit of different approaches to programme coverage, setting the balance between common requirements and context specific themes; and deciding on appropriate methodological approaches to assess effectiveness and impact.
 - **The strengthening of communication frameworks**, including more integration between funds and programmes.
- **The work of programme managers has also focused on the incorporation of specific instruments** into the process of programme launch and implementation. This work has included developing Financial Instruments (FI) and building the territorial dimension into programmes.
- **IQ-Net partners (and other Member State authorities) are mostly at the stages of designing or setting up FI.** Progress with ex ante assessments is variable and a wide range of assessment approaches is being pursued.

- **In terms of implementation of FIs in 2014-20, several basic approaches can be identified:** consolidating/building on 2007-13 experience; making major investments in FIs; reducing engagement with co-financed FIs; and, focusing on SME support.
- **IQ-Net partners have continued work on building the territorial dimension into the launch and implementation of programmes.** This is occurring either through mainstream implementation approaches (separate programmes or priority axes dedicated to the territorial dimension) or new implementation approaches: Integrated Territorial Investments (ITI), Community-led Local Development (CLLD); and Integrated approach to sustainable urban development (ISUD).
 - **ITI is supporting integrated development of various types of functional areas** at the appropriate territorial scale e.g. at the level of neighbourhoods, cities, city-regions, metropolitan areas, rural areas etc.
 - **The use of CLLD is more limited and there are specific implementation challenges:** dealing with complexity caused by the demarcation of Funds, territories, and/or organisational responsibilities and issues of capacity.
 - **Approaches to incorporating ISUD vary according to historical precedent, urban challenges and need for concentration.** ISUD tends to be mostly implemented through ERDF, there is 50-50 split in programming ISUD through ITI or Priority axis, Member States tend to target large urban centres and the thematic objectives covered by urban measures varies among programmes.
 - Several IQ-Net partners have indicated **challenges in the implementation of ISUD.** There are difficulties caused by the regulatory requirement that local authorities responsible for ISUD must be defined as intermediate bodies and there are concerns in relation to the scale of funding allocations and impact of territorial approaches.
- Over the past six months, **the focus for the 2007-13 programmes has continued to be on accelerating payment levels and preparing for programme closure.**
 - **2007-13 payment rates in IQ-Net countries and programmes have increased over the last six month period.** In almost all instances, the increase has been above the average rate reported for EU28.
 - Nevertheless, there are concerns in some IQ-Net programmes related to **payment interruptions, the level of payments and decommitment.**
- **IQ-Net programme authorities are progressing with preparations for closure.**
 - **Various procedures are in place to ensure progress:** establishing dedicated teams, regular meetings of the MA/CA/AA; day-to-day monitoring of projects and the overall situation; meetings between the MA and each main intermediate body.
 - However, **levels of experience in closure vary and substantial administrative challenges are involved,** notably allocating administrative resources between closure of 2007-13 OPs and launch of 2014-20 OPs.

PROGRESS OF THE 2014-20 PROGRAMMES

During the past six months, the programming process has reached its final stages and **the priority for programme managers across Member States has moved on to the launch and implementation of the new round of 2014-20 OPs**. All of the Partnership Agreements for the 2014-20 European Structural and Investment (ESI) Funds were adopted by the first half of 2015 and the vast majority of Operational Programmes (OPs) have now been finalised and adopted by the Commission.

Nevertheless, progress in the preparation, approval and launch of programmes varies significantly across Member States. This is due to several factors: political changes; the introduction of new policy initiatives; administrative reorganisation or budgetary adjustments; and the impact of EU-wide factors, notably the refugee crisis.

In some IQ-Net countries, **recent elections have led to a change in government, prompting organisational restructuring or strategic review**. This has had a 'knock on' effect on preparations for the implementation of ESIF programmes through the reallocation of management and implementation tasks, delays in decision-making, deceleration in programming while new political incumbents become familiar with the European funding system.

- In Denmark, a change in government following elections in the summer led to the restructuring of ministries and the reallocation of tasks, including some related to ERDF implementation. Moreover, the current government is perceived to have a strong position on regional development, reflected in plans to relocate 3,900 government jobs outside of Copenhagen.
- In Finland, the formation of a new coalition government has been accompanied by a strategic programme focussed on five priorities which are implemented through 26 key projects and various reforms. Regions are encouraged to support these key projects and much of the effort at the moment is spent on understanding and building the key projects. The new Government is also more SME-oriented and the support of businesses may be reflected in the OP.
- Recent elections in Poland have led to the formation of a new government but the impact of this change is as yet uncertain.
- In Croatia, November elections could lead to the formation of a new government, but at this stage it is still early to have final results.

Some IQ-Net countries have had to take into account **changes in domestic policy, administrative or budgetary settings** during the launch of programmes.

- In France, major institutional changes are expected to be implemented at the beginning of 2016. These entail the redrawing of regional boundaries and the transfer of responsibilities between different levels of subnational authorities, including the decentralisation of ERDF management. The accompanying organisational change and staff flux, alongside regional elections in December 2015 are likely to have an impact on programme implementation.

- In England, the domestic governance context within which ESI Funds are being implemented has become more complex. While programme management has essentially been centralised within the MA, Local Enterprise Partnerships (LEPs) are being awarded limited Intermediate Body (IB) status. Alongside this, devolution of domestic budget streams to some English city-regions/combined authorities (Devolution Deals) means that these city-regions are also being awarded limited IB status.
- The Flanders Government has introduced a new spatial planning policy that focuses on integrated territorial development based on coordination between different layers of Government and links to European Cohesion policy. Moreover, at the beginning of 2016 there will be merger between the enterprise agency in which the managing authority is housed, and the Innovation - Science and Technology agency. This creates further opportunities for coordination and cooperation.
- In Wales, the new 'Wellbeing of Future Generations (Wales) Act 2015' obliges all public authorities to identify how their activities contribute to seven well-being goals. The new Act applies therefore to the MA, who must explain how the ESIF programmes contribute to these goals. In practice, this will involve mapping the ESIF programme indicators on to the high level indicators which are being developed for the Act.
- The impact of the forthcoming UK Government spending review is not yet known, but there is likely to be a negative impact on domestic public sector budgets. There is concern among programme managers that there may be an impact on match funding. There may be a need to reallocate funds, but there is concern that there is now little flexibility within programmes to shift funding, as priorities and interventions are so closely linked to targets.

Finally, it is worth noting the potential **impact of the refugee crisis on ESIF management and implementation, especially ESF funding**.

- In Finland and Germany, there are discussions over whether and how EU programmes, especially ESF funding for social inclusion, could be used to support the refugees.

1. OPERATIONAL PROGRAMMES



Submission and approval of OPs

Substantial progress has been made with the finalisation and approval of OPs over the past six months, although there have been significant delays in a number of cases. The vast majority of Operational Programmes have now been finalised and adopted by the Commission.



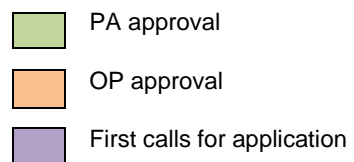
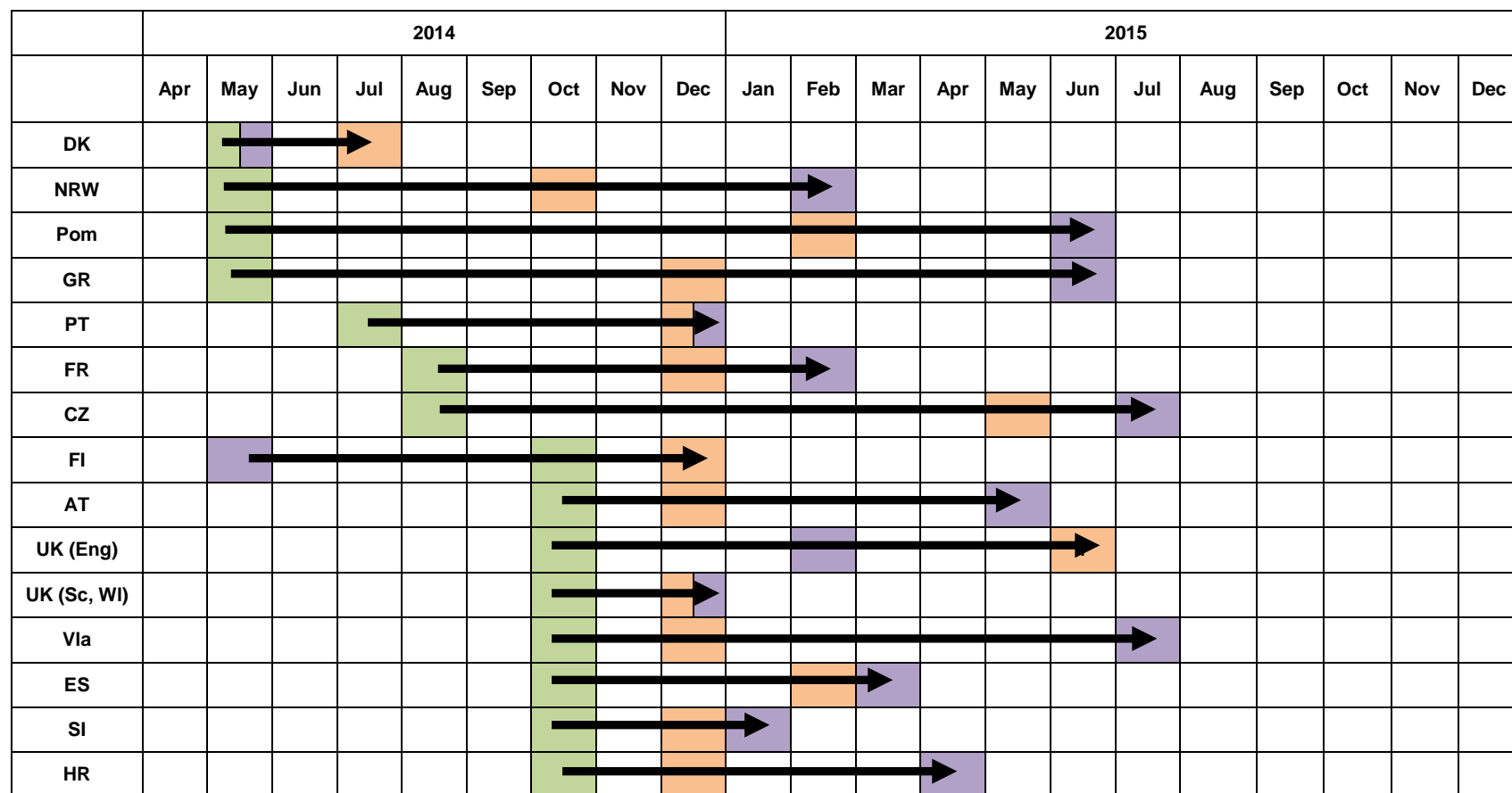
Progress of the IQ-Net OPs

1.1 Programme launch

As of November 2015, **all IQ-Net OPs had been adopted by the Commission and all programmes had launched their first calls for project applications**. Some programmes are more advanced than others in the process of implementation (see Figure 1).

- Some countries (e.g. NRW, Denmark and Finland) organised first calls for applications during 2014. This was the case where OPs had been approved, where the eligibility of spending was certain, where measures were being extended from the 2007-13 period and where substantial preparatory work had already been undertaken.
- Programmes in other Member States, such as PT, SCO, WL, organised their first calls at the end of 2014, often in tandem with the adoption and official launch of OPs.
- The remaining OPs started to launch project calls in the course of 2015. In some cases, later implementation was the result of late approval of OPs (e.g. CZ) or domestic political or organisational change (Vla, HR - although first calls for EAFRD were at the end of 2014).

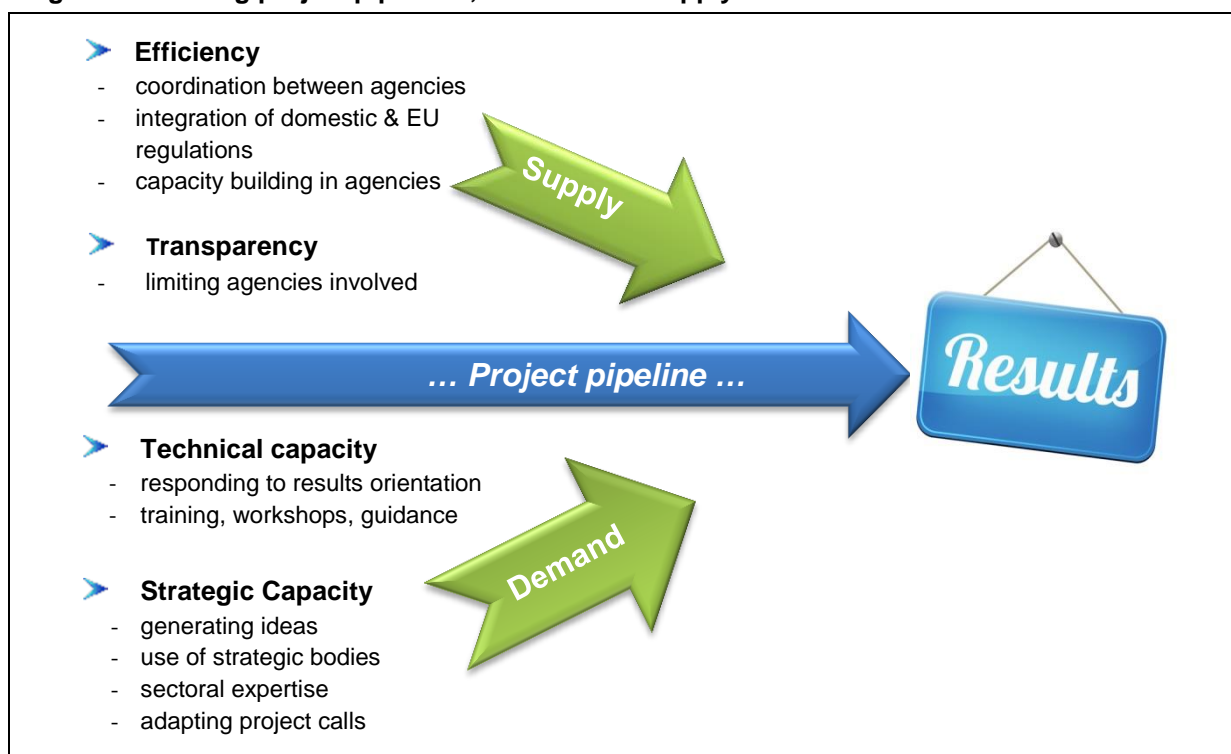
Figure 1: OP negotiation and implementation in IQ-Net countries, 2014-15



1.2 Project generation and selection

As programmes have been approved and launched, **the work among IQ-Net programme managers on the construction of systems to generate, assess and select operations for the new programmes has intensified**. The amount of work currently being done by programme managers on the establishment of project generation and selection systems depends on a variety of factors: previous experience of Cohesion policy management and implementation, the scale of funding or the multiplicity of procedures applied in programmes, the extent to which ESIF systems are interlinked with domestic procurement systems. Actions include ‘demand side’ efforts to boost the capacity of project applicants alongside work on the ‘supply side’ to improve the efficiency and transparency of implementation systems (see Figure 2).

Figure 2: Building project pipelines, demand and supply side measures.



1.2.1 Demand side actions

The emphasis on initiatives to boost project generation capacity among potential beneficiaries varies according to specific circumstances.

In some cases, there is a **strong base of existing experience and capacity among potential beneficiaries** that has facilitated the launch of project calls without extensive capacity-building.

- In Bizkaia, for instance, no difficulties are anticipated that would require measures to improve the project pipeline. Interventions and projects selected are relatively mature and based on pre-existing departmental policies.
- In Finland, the continuation of some measures from the previous financial perspective meant that there was sufficient existing capacity to launch project calls at an early stage

- In Slovenia, there are a number of projects in the pipeline that were originally supposed to be supported by the 2007-13 programmes.

However, elsewhere efforts are underway to address **constraints in capacity among potential beneficiaries as they develop project applications**. These efforts include the organisation by the programme authorities of dedicated information and training events, workshops, the publication of handbooks and guidelines, and online resources, the use of external expertise etc. (e.g. Portugal's capacity programme for local authorities). In part, this is being driven by awareness of the demands placed on beneficiaries as part of the ESIF 'results orientation' in the current financial perspective.

In some cases, the **focus is on specific technical issues**.

- In Denmark, for example, it is now obligatory that representatives from projects granted support take part in a course held by a project accountant from the managing authority. In the previous period, this was an offer which was paid for by the project funds. It is now financed by managing authority funds and as a point of departure is obligatory in order to strengthen accounting and reduce errors.
- In Vlaanderen, additional support for beneficiaries has been made available to raise awareness of state aid rules and the limitations they impose. This has required additional capacity building activities among MA staff by inviting internal (from the enterprise agency) and external experts as well as Commission experts. Support to beneficiaries in the implications of state aid has also been provided in Pomorskie.

Such actions are also necessary where **significant changes are being introduced to the programme implementation approach** that require strategic capacity on the part of beneficiaries.

- In Scotland, for instance, there has been a shift from inviting applications for traditional ERDF or ESF projects to a two-stage process. The first stage involves approval of Strategic Interventions, which are 'framework plans' that ring-fence funds for a specific group of activities. As such, these can be difficult to describe in an application form. As there is a smaller number of lead partners, the MA has been working with them 'one-on-one' quite intensively looking at application drafts.
- In England, the MA has allocated a significant share of the funding available from the OP Technical Assistance priority to Local Enterprise Partnerships (LEPs) which are new actors in the ESIF implementation system, to help them implement their ESIF Strategies.

Initiatives to strengthen the strategic capacity of beneficiaries are also associated with the **introduction of specific instruments in ESIF programmes**, notably Integrated Territorial Investments (ITI), smart specialisation strategies and Financial Instruments (FIs).

- In Aquitaine, Integrated Sustainable Urban Development strategies have been selected through a call for interests, for which the Region followed up on application progresses and provided assistance funded by TA.
- In Pomorskie, there have been important meetings of the MA with applicant organisations based on Functional Urban Areas (FUA) and negotiations have taken place to reach formal

agreements concerning ITIs and Integrated Territorial Agreements. The MA has also been active in involving applicant organisations in the development of the region's smart specialisation strategy.

Cutting across these initiatives is the issue of the **timing and structuring of project calls**. Multi-phase calls can increase the capacity to generate and prepare good applications in order to facilitate the work of appraisal and selection bodies; it also minimises the chances of projects being turned down at the expense of the applicant. On the other hand, programme managers, for instance in Denmark, have noted that there can be tensions between creating sufficient time and space for the generation of strategic, quality projects and the pressures of meeting absorption targets under n÷2/3.

- In South Finland, there is a two-phased approach to help beneficiary project ideas. The first phase invites project ideas, while in the second phase successful ideas will be submitted as formal project applications. All applicants receive brief feedback on their project ideas during the first phase.
- In Croatia, the project pipeline involves a four-stage process. MA develops an annual Programme Complement type document which sets out advance notice of what they want to support. In the second stage, these annual plans are discussed with the MCs which have representatives of relevant beneficiary organisations. The MA will publish summaries of the MC discussions. In the third phase, a draft call is published to provide advance notice to beneficiaries, giving them scope to highlight possible problems and allowing them to start preparations. Finally in last phase there is publication of calls.
- In NRW, the MA is taking a structured approach to the announcement of (especially competitive) calls i.e. they are announcing one new competitive call each month. Compared to the previous period this process is more structured and gives applicants time to plan the application process.
- Similarly, Portugal has introduced a new approach of publishing an annual calendar of forthcoming calls is supported by a robust information system, which makes the process more transparent and predictable and potentially faster.

1.2.2 Supply side actions

Initiatives to strengthen the capacity of programme authorities for project generation can also be identified.

In several instances, these efforts have involved **strengthening or clarifying the role of internal units or external actors** dedicated to supporting beneficiaries.

- In NRW, a specific agency (*Leitmarktagentur*) has been appointed to provide advice to project applicants under all the competitive calls for 'leading markets' (similar to clusters). This agency was already responsible for these tasks for some interventions in 2007-13.

- In England, the MA's local Growth Development Teams (GDTs) provide guidance and feedback to potential applicants on their bids for funding, although they do not provide support in the application process.
- In Croatia, a network of regional coordinators (Regional Development Agencies) has been established to provide guidance to potential applicants on their bids for funding, although the development of projects is usually done by consultants with the costs reimbursed from successful project bids.
- In some countries, specialist consultancy companies provide targeted services during project development. This is particularly apparent in EU12 Member States.

Improving efficiency has also involved moves to **strengthen coordination between the bodies involved in project generation**.

- In Vlaanderen, Contact Points are responsible for engaging with beneficiaries and answering any specific questions with regards to the quality and result-orientation of the projects. Their role is evolving as they will receive more central direction from the MA in order to avoid future audit issues. The MA also wants to increase project follow up by contact points as they do not have the capacity centrally.
- In Denmark, applications are first approved by the growth fora and then by the Danish Business Authority. A collaborative initiative has been launched between the two in order to limit the circulation of applications between the two and reduce the time spent on case management.

Project databases in MAs are also being designed to facilitate the generation of strategic projects, often by creating thematic categories based on ESIF or domestic framework documents (see Box 1).

Box 1: Projekty 2020 database in Pomorskie

Pomorskie has created the PROJEKTY 2020 pipeline that is designed to develop the maximum number of projects of strategic quality, pushing particularly for an integrated territorial approach. The need to matching functional urban areas to Commission regulations and technical requirements for project development meant that a more integrated project pipeline was needed. The project database is divided into six thematic areas, based on the objectives of Pomorskie's Regional Development Strategy (RPS). Beneficiaries identify where there projects fit into the strategic framework:

1. Economic development (RPS Port Creativity)
2. Tourist and cultural attractions (RPS Pomorskie Travel)
3. Professional and social activity (RPS Active Pomorskie)
4. Health (RPS Health for Pomorskie)
5. Transport (RPS Mobile Pomorskie)
6. Energy and Environment (RPS eco-efficient Pomorskie).

Source: Baza Projekty 2020 - <http://pomorskiewunii.pomorskie.eu/-/baza-projekty-2020>

Finally, the **coordination of EU and domestic regulations** is crucial in improving the efficiency and transparency of project generation.

- In NRW, there have been steps to simplify administrative procedures significantly, via a Land law which introduces all EU requirements into the domestic context, so that ERDF co-financed projects will only have to meet EU rules (e.g. in relation to monitoring and control), rather than both EU and domestic rules.

On the other hand, in some Member States, **specific regulations have been drawn up by national governments, making additional provisions for the implementation for programmes**. This provides guidance, supports national-level coordination and may help with the structuring of programme implementation mechanisms. However, it may also introduce further restrictions, sometimes in cases where the Commission has explicitly tried to adopt a more simplified approach.

- In the Czech Republic, the launch of some support areas may be delayed due to additional requirements posed by national authorities. For instance, for the area of education it is necessary to prepare so called local and regional action plans for development of education.
- In Pomorskie, central government issued guidance for organising calls for proposal and assessing beneficiaries, building on Commission requirements.

1.3 Project generation: initial indications

Information on project generation and selection is limited, given the early stage of programme implementation. However, initial indications concerning project uptake and quality are emerging.

Project demand so far has been rated as either high or satisfactory by programme authorities.

- **Demand has been particularly high during the first calls for proposals** (e.g. FI, PT), particularly where demand for funding had built up towards the end of the previous financial perspective (e.g. NRW). In some cases, funding limitations in the 2014-20 financial perspective and stricter criteria mean the expectation is that demand will be higher than the available funding (e.g. Vla, FI).
- Within this, programme managers have noted **variation across Priority Axes**. This sometimes concerns as yet comparatively low levels of applications under the 'newly' introduced priorities of such improving energy and resource efficiency in SMEs under the ERDF (e.g. DK, NRW). These are new fields, potentially with different applicants and the need to develop appropriate measures and indicators and it is anticipated that momentum will build. Demand may also be lower than expected in some Priorities due to budget cuts among applicant organisations in some sectors and problems obtaining match funding.

It is **difficult to assess the quality of projects** at this early stage when programme authorities are for the most part assessing the first rounds of applications.

- There are **challenges common at the beginning of financial perspectives**, particularly where applicants become familiar with new programmes, priorities and instruments (e.g. DK).

- However, some programme managers have noted a **general improvement in quality**, for instance as the result of new application procedures that facilitate closer support or where the limited funding available drives efforts to improve quality as only the best proposals can be selected for funding (e.g. FI).

Related to this are ongoing **efforts to strengthen the results focus** in programmes and ensure that applications take into consideration the logic of intervention and their contribution to programme objectives. The results orientation remains a key priority and programme managers have been active in giving advice and guidance and in agreeing on indicators/targets in project award decisions so that applicants know the achievements that are expected and commit to them from the outset. Nevertheless, it is difficult to assess whether this is fully internalised by beneficiaries.

- Although the results-focus has been underlined, in some cases it is **taking time for implementing bodies and applicants to understand obligations** (e.g. FI). Building a strong results orientation into projects is often an iterative process, the forms continue to be very complex and the case management process is often prolonged (e.g. DK).
- Moreover, there are difficulties in **incorporating the results orientation in specific project types or specific beneficiaries**. This is notably the case with smaller operations where detailing their contribution to broader programme objectives can be challenging (e.g. Vla). In NRW, *Land* authorities are providing advice to applicants on how to ensure that their applications address requirements relating to results-focus. In general, businesses and universities only need limited support with this but other types of applicant (e.g. local authorities and other local bodies) are less experienced with this approach.

2. PROGRAMME MANAGEMENT

Work by programme authorities on other key programme management arrangements has continued over the past six months, including the establishment of management and control structures, monitoring systems, evaluation plans and communication activities.

2.1 Implementation structures

Designation of management and control systems has been a major focus of activity for IQ-Net partners over recent months and activity is continuing. Managing authorities recognise the importance of defining and documenting roles and structures but some are finding that **the designation process is complex and time-consuming**, comparable to the process of designing and negotiating the OP itself (e.g. NRW).

- Challenges stem from the **multiplicity of EU documents** (regulations, delegated acts, guidelines etc.) which programme authorities must analyse and coordinate. Moreover, these documents are not always coherent with one another, and managing authorities have sometimes had to develop their own interpretations of specific aspects.

In several cases, the **role of Intermediate Bodies** (IBs) has been prominent in this process (e.g. NRW, Eng, CZ).

- On the one hand, in the previous financial perspective **IBs have been able to help managing authorities to overcome administrative pressures and to address barriers to access**, providing an interface between the strategic national and regional programming levels and the local organisations that generate specific project or investment proposals, reflecting local needs.
- On the other hand, there has been some **concern that the establishment of numerous IBs can create capacity issues**, complicate programme implementation, increase the scope for fragmentation and duplication of administration and complicate lines of accountability. A specific issue relates to the ERDF regulations concerning integrated actions for sustainable urban development (Article 7 of the ERDF regulation) and the delegation to urban authorities of tasks relating, at least, to the selection of operations is obligatory, see Section 3.2.2).

The process of allocating and designating implementation responsibilities has been complicated further in Member States where **processes of reform are creating fluid administrative contexts**.

- Following the decentralisation of ERDF management in France, transfer of personnel is being organised. Situations in regions differ: where transfers are fast, State local offices face challenges regarding 2007-13 closure. Where staff transfers are slow, the regions have limited resources to start implementing the programmes.

2.2 Monitoring and compliance with e-Cohesion

IQ-Net partners are continuing to put in place systems for monitoring in response to the 2014-20 regulatory framework, including making provisions to ensure compliance with e-Cohesion requirements that by the end of 2015 reporting on progress, declaration of expenditure and exchange of information related to management, verifications and audits should be fulfilled via electronic exchange.

There is **variation in the extent of changes introduced to monitoring systems used in the 2007-13 period**. Some IQ-Net partners have been introducing relatively minor changes (e.g. AT, SI, Vla, Wal) while others have introduced more substantial amendments to existing systems (e.g. DK, FI, Pom, PT, ES, HR), or launched new monitoring systems altogether (FR, GR, Eng, Sco and CZ).

A summary of the different approaches to the 2014-20 monitoring systems is provided in Table 1.

Table 1: 2014-20 monitoring systems

No change except for the adjustments necessary to fulfil new regulatory requirements	Improvement on previous systems	New monitoring systems or major overhauls of previous ones
Austria (ATMOS) Belgium (Vla) Slovenia Wales	Denmark Finland Poland (Pom) Portugal Slovakia Spain Croatia	Czech Republic France Germany (NRW) Greece England Scotland

Source: Polverari L (2015) 'The monitoring and evaluation of the 2014-20 Cohesion policy programmes' *IQ-Net Review Paper 36(2)*, European Policies Research Centre, University of Strathclyde, Glasgow.

The changes being introduced have different aims and emphases.

All authorities are working to **ensure compliance with e-Cohesion**, although progress towards the European Commission's envisaged deadline of the end of 2015 varies.

- In Wales, the monitoring system was **compliant before the period started** and it met e-cohesion requirements. However, the system did need to be amended to ensure the correct information was being collected, including for EAFRD.
- In other cases, provisions for ensuring **compliance with e-Cohesion are being introduced in phases**, with some implementation processes yet to be fully embedded in the monitoring system (particularly those processes that occur later on in the project cycle) (e.g. CZ). Nevertheless, in several countries implementation is expected to be completed by the end of the year (e.g. AT, DK). In Vlaanderen, some elements have already been finalised (e.g. project submission and call system), others are yet to be implemented (e.g. expenses claim system) and are expected to be finalised by the end of 2015.
- **There are difficulties to be faced in complying with Commission requirements for e-Cohesion.** Despite the fact that e-Cohesion aims to reduce the administrative workload, the new functions and demands for careful documentation have, at times, resulted in increased administrative workload and there have been delays. In NRW, work remains to be done on e-cohesion, and it is unlikely that the OP will meet the end of 2015 deadline. In England, the MA is experiencing significant delays in the implementation of the e-claims system for managing the programme and does not anticipate full implementation until the beginning of next year. Croatian authorities are not sure that they will be able to comply with all deadlines. They predict that work on this will be completed in 2016.

In some countries, meeting the Commission's e-Cohesion requirements are part of **systematic, comprehensive reforms of monitoring systems** (see Box 2).

Box 2: EURA 2014 monitoring system in Finland

In Finland, improvements introduced to the Cohesion policy monitoring system (now renamed EURA 2014) relate to a number of perceived needs. First, better links between Cohesion policy and domestic business aids monitoring systems were developed (TUKI2014), to avoid duplication of effort and the risk of inaccuracies/mismatches. Second, e-Cohesion was embraced fully, to make the monitoring system an integrated platform for all communication and documentation exchange between applicants/beneficiaries and the MA. Third, the monitoring platform was utilised in order to reduce error rates and improve the efficiency of implementing bodies in managing applications. Key initiatives introduced include:

Full electronic provision – EURA 2014 is implemented electronically. All data-processing (application and other forms) is done electronically.

No separate monitoring forms – Monitoring information is provided together with the payment application. Hence, there are no longer separate monitoring forms, and this reduces the risks of delays or inaccuracies.

No mid-term reporting for projects – Mid-term reporting is no longer required. Instead, description of implementation progress is provided as part of the periodic monitoring information.

Provision of key information in English – The name of the project and a summary are also provided in English, subsequently published through the Structural Funds information services for wider, international dissemination.

EURA 2014 enables the delivery and processing of project applications, payment applications, monitoring forms and final reports as well as the receipt and preparation of project decisions. All applications, except ERDF business aids and ERDF applications addressed to Tekes (the Finnish Funding Agency for Innovation), are submitted to EURA 2014.

It should be noted that not all the elements are yet functional and applicants and IBs are increasingly referring back to the Ministry of Employment and the Economy (MA) for help, which is viewed to be time consuming for all concerned parties.

A related aim in several IQ-Net countries is the **integration of monitoring arrangements**, this can involve:

- The **development of a single system for all OPs or all ESI Funds** (e.g. Czech Republic). A fundamental challenge here is drawing together all funds (ERDF, ESF, CF as well as EFF and EAFRD) and the related regulations (thematic objectives, performance framework, categories of regions etc.) without creating a complex and unwieldy system for programme administrators.
- The **integration of monitoring systems for ESIF and domestic funds**. For instance, in Slovenia, there have been three parallel systems in the past (covering the managing authority, the certifying authority and the domestic national accounting system). These are still separate, but they are becoming increasingly interlinked. However, they cannot be fully merged, as beneficiaries enter data into the ESIF section, but cannot have access to the domestic platform.
- The **establishment of fully integrated electronic platforms for data transfer across actors and levels of implementation** (e.g. France, Poland). This is a particular aim in countries where ESIF resource allocation has become more regionalised and where there is a desire to strengthen coordination and overview in a complex programming context. In both cases, the benefits offered by a single platform in terms of coordination and overview are balanced by the difficulties of implementing a common system in different programme contexts.

2.3 Evaluation

2.3.1 *Finalising evaluation plans*

Over the past six months, work on the elaboration of Evaluation Plans (EPs) has advanced considerably, in line with Commission requirements that they be submitted to monitoring committees no later than one year after the adoption of the programme. Some IQ-Net partners have already had EPs approved either for individual OPs (NRW), groups of OPs (e.g. Wales), or EPs associated with national Partnership Agreements (e.g. Portugal, Czech Republic). Others are in the process of submitting EPs to the committees.

Progress in drafting the OPs has varied, related to:

The **need to focus more on the strategic drafting or launch of the programmes**. In some cases, the preparation of evaluation plans had to wait until the typology of actions to be co-funded in OPs was clearer (e.g. in Greece) or to the delayed approval of OPs

Taking into account input from the European Commission. The Commission has played an active role in the drafting of EPs, through guidance and feedback. Although several IQ-Net partners have found Commission guidance helpful (particularly where experience in developing such plans is limited), in other cases it has been judged restrictive.

- The German *Länder* all cooperated to reject certain aspects of Commission guidelines on the evaluation plan, arguing that they went beyond what was required in the regulations.
- Responding to Commission services' process of appraisal of the EP drafts has also taken time. In Denmark, the Evaluation Plan is expected to be approved in November. A previous version of the EP was preliminarily approved at a monitoring committee meeting in June 2015, but the Commission had some comments that have now been incorporated. The Commission requested a clearer elaboration for which evaluations counterfactual approaches and for which theory-based approaches will be used.

Responding to **additional guidance and input from national authorities**. In some IQ-Net countries (France, Poland and Slovakia), national coordinating authorities have provided additional guidance and input.

- In Pomorskie, the Draft Evaluation Plan will be subject to the opinion of the National Evaluation Unit (in the Ministry of Infrastructure and Development), which should be given the document 60 days prior to approval by the Monitoring Committee.

2.3.2 Scope of EPs

The Evaluation Plans have **different approaches to programme coverage**, largely reflecting the institutional settings of a country or strategic or operational choices (e.g. to allow exploiting economies of scale or the achievement of whole-country overviews etc.). Evaluation plans can cover:¹

- **a single programme**, whether single-fund (e.g. in **NRW, Eng** and in the French regions) or pluri-fund (as in **POM, SI and HR**, where the EP will cover the multi-Fund OPs for 2014-20, which involve ERDF, ESF and the Cohesion Fund);
- **a single Fund across an entire country** – as in **AT**, where there will be two national EPs, one for ERDF, managed and coordinated by ÖROK, and one for the ESF, under the responsibility of the Federal Ministry of Labour, Social Affairs and Consumer Protection;

¹ See Polverari L (2015) 'The monitoring and evaluation of the 2014-20 Cohesion policy programmes', *IQ-Net Review Paper 36(2)*, European Policies Research Centre, University of Strathclyde, Glasgow.

- **more than one programme within a region** – e.g. in **Wal**, where a single EP will cover five ESI Funds programmes (two ERDF OPs and two ESF OPs, as well as the rural development plan) (EAFRD);
- **a single, national EP for all ESI Funds** – as in **PT**, where there will be a single national EP for ERDF, ESF, EAFRD and EMFF co-funded programmes, or a **single, national EP for ERDF and ESF**, as in **DK**;
- an **EP for the whole Partnership Agreement, plus individual EPs for the OPs** – as in **CZ** and **SK**.

However, within this EPs commonly emphasise some key characteristics:

A basic feature of the EPs is **flexibility**, within the Commission requirements of evaluating each objective at least once. This is being pursued through:

- **Regular updating, refreshing of EPs.** For instance, planning for evaluations will be updated yearly through the Annual Evaluation Plan. In Wales, detailed two-yearly evaluation plans will be developed during the programme period that build on the initial EP. Portugal will carry out one or more reviews if justified.
- **Making provision for ad hoc evaluations** in order to be able to adapt the EP according to the needs that arise during the programme implementation phase. In Pomorskie, 20 percent of the total evaluation budget is reserved for ad-hoc evaluations (mainly on-going) that couldn't be projected at the early stage of OP implementation.

Coordination is another fundamental principle in the EPs:

- In some IQ-Net countries (e.g. FR, PL, PT, SK, CZ) **national coordinating authorities are playing an important overview role** in the drafting and implementation of EPs in order to coordinate OP evaluations.
- Major evaluations covered in EPs are **coordinated with the reporting requirements** (i.e. strategic reports on progress in 2017 and 2019). For instance, in the Czech Republic evaluation activities will be extremely concentrated in the two periods: first from the middle of 2016 to the middle of 2017 (mainly process related evaluations, but also impact related), and second from the middle of 2018 to the middle of 2019 (mainly impact related)
- Many EPs also set out plans to **coordinate evaluation activities across OPs**. Even where evaluation responsibilities are largely devolved to the programme level, and EPs cover single regional programmes, synergy and cooperation across more than one programme may be foreseen. In France, for example, the EP of Aquitaine anticipates collaboration with other regions to realise evaluations dealing with impacts on common themes, in order to share costs and improve the comprehensiveness and quality of the evaluations.

- The possibility to carry out **joint evaluations for the activities supported by various ESI Funds** is also planned (PT) or being contemplated in some cases (e.g. FI). In Pomorskie, the regional OP is jointly funded by ERDF and ESF and there are plans to cover both funds in an evaluation of Priority 8 revitalisation. Nevertheless, there are challenges in combining funds in a single evaluation.

2.3.3 Content of EPs

The content of EPs reflects the **balance between common requirements and specific themes** and issues.

- The core of the evaluation activities will consist of the **compulsory evaluations foreseen by the 2014-20 CPR**, i.e. at least one for each Priority Axis and evaluations on the YEI in conjunction with the ESF.
- Beyond this, the focus of evaluation activities will vary considerably across IQ-Net partners, reflecting **context specific issues**. The planned evaluation of support to peripheral areas in Denmark has been decided because all growth fora are required to develop strategies for initiatives that will benefit rural areas.
- As noted in previous IQ-Net research, the content of planned evaluation is **balanced between thematic and programme-wide approaches**, with increasing emphasis on the latter.
- New Commission rules in the 2014-20 perspective include a **change in emphasis in evaluation activities from implementation evaluation to impact evaluation**. The focus is increasingly on measuring and explaining the effects of interventions, distinguishing outcomes from other factors, clarifying whether costs are justified, and strengthening accountability. Generally, EPs reflect a balance between evaluations of implementation and impact. In a majority of IQ-Net partners, implementation evaluation will dominate the agenda, at least during the first half of the programme period and in impact evaluation in the second half (e.g. CZ, FR, PT, SK, ES and others). Some IQ-Net partners, on the other hand, will adopt staggered (NRW) or flexible approaches (Wal), or concentrate evaluation activity in the later part of the programming cycle.

As an example, Table 2 sets out the planned evaluations in the Nordrhein-Westfalen OP.

Table 2: NRW Evaluation Plan 2014-20

Evaluation	Focus/scope	Main evaluation questions	Timetable
Title / topic	Measure, Priority, sector, thematic?	Process-related, impact-related	May 2016-January 2017
Contribution of innovation support to the development of NRW's 'leading markets' (<i>Leitmärkte</i>)	Priority axis 1: Strengthening research, technological development and innovation	Impact-related	2017-18
Contribution of start-up support to start-up development in NRW	Priority axis 2: Increasing the competitiveness of SMEs	Impact-related	2017-18
Contribution of tourism support to	Priority axis 2: Increasing the	Impact-related	2018-19

increasing SME competitiveness	competitiveness of SMEs		
Contribution of competitive calls on climate protection to the reduction of greenhouse gas emissions	Priority axis 3: Support for efforts to reduce CO2 emissions	Impact-related	2018-19
Gearing EU Funds to the strengthening of social inclusion goals in the context of sustainable urban and urban-area development	Priority axis 4: Sustainable urban and urban-area development/ social inclusion	Implementation-related	2018-20
Contribution of the new organisation of the competitive call procedures to the simplification of OP implementation	Priority axis 5: Technical assistance	Procedure-related	2016-17
Implementation of the communication strategy	Priority axis 5: Technical assistance	Impact-related	2016-23
Business investment following advisory and developmental measures and networking activities	Various priority axes	Impact-related	2019-20
Ongoing evaluation	All priority axes		

Source: NRW Evaluation Plan 2014-20.

2.3.4 Methodologies

The focus on impact is understood and this shift is considered to represent a move forward compared to the past programme period where financial absorption, partly linked to the economic crisis, dominated the agenda. The expectation is that the new requirements will result in many cases in more and better reporting and evaluation, and in an improved understanding of the achievements of Cohesion policy in the regions and Members States, and its impact upon target groups.

Nevertheless, all IQ-Net partners are aware that evaluations of the impact of ESIF interventions face a series of **methodological obstacles**:

Data availability, reliability and comparability. A fundamental question is whether there is sufficient evidence even to address impact. Taking the example of business support, the question of whether instruments are effective or not is challenging. Effective monitoring systems are needed to collect data on (i) policy expenditure, (ii) outputs, (iii) (where evaluations aim to use control groups of non-aided firms) broader groups of comparator firms, and (iv) consistent historical time-series of regional socio-economic indicators.

- For instance, Pomorskie has participated in a pilot counterfactual evaluation of the effectiveness of business support carried out by the Central Statistical Office and the National Evaluation Unit in Poland. This is addressing challenges in creating control groups, accessing data and in meeting the costs of this type of evaluation.
- Counterfactual evaluations will be carried out in Scotland but challenges are foreseen in finding data that measure impact and fit the Commission's results-based focus.

Timing. Policy outcomes – and thus data on outcomes – take time e.g. spending needs to occur, to generate outcomes in the short and longer term, and data needs to be collected, before impacts can be evaluated. The time needed may not, however, fit with the policy-making cycle (e.g. in the context of Cohesion policy programme periods) or the political-electoral cycle.

Causality. In order to assess impact, evaluations need to provide reasonable evidence to believe that any changes in outcomes (e.g. business growth, job creation) are caused by the policy intervention,

rather than external influences (e.g. the broader economic climate, other policy changes...). This implies the need to construct causal chains. This is challenging, particularly where the smaller amounts of ESIF investment are involved.

- In NRW and Austria, the scope for impact evaluation is limited, given the small scale of the OP relative to the overall economy.
- Counterfactual approaches are deemed inappropriate for Vlaanderen due to the small size of the programme. Theory-based evaluation is deemed more appropriate.
- The Danish Structural Funds, including co-financing, represents only a very small proportion of the national GDP (approximately 0.02 per cent.). The macroeconomic models ADAM and DREAM will be used for impact evaluation but the modelling of the socio-economic effects of Structural Fund interventions will be interpreted cautiously.

Table 3 outlines methods used for evaluating the impact of regional policy support, including: experimental, theory-based, participatory (e.g. the planned use of focus groups and workshops, surveys of beneficiaries in NRW) and case-based approaches (e.g. of individual interventions, strategic priorities etc. in Scotland). Each approach aims to investigate causality and evaluate impact in different ways; each produces different types of data; and each has advantages and disadvantages. It should be noted that the examples in the table are only initial indications of planned methodological approaches in Member States. Moreover, as ESIF involves a range interventions and instruments, evaluations are shifting to multi-method approaches, combining counterfactual analyses with case studies, theory-based evaluations etc. Overall, it appears that preference is being given to theory-based impact evaluations, as these may be more feasible than counterfactual studies in terms of data availability, the scale of operations and capacity issues.

Table 3: Methodological approaches for evaluating the impact of business support instruments

Design approaches	Basis for the causal inference	Type of information produced	Challenges	Examples of planned use
Experimental	Counterfactuals; the co-presence of cause and effects.	Quantitative estimate of impact by identifying 'policy off' position.	Finding a robust control group requires comprehensive, good quality data	DK, SCO, PT, WAL, CZ
Theory-based	Identification/ confirmation of causal chains	Explains why an instrument does (not) work.	Risks simplifying reality; may exclude issues that cannot be expressed in theories; challenge to keep pace with new theory models.	DK, FR, GR, NRW, PL, PT WAL, CZ
Participatory	Validation by participants that their actions and experienced effects are 'caused' by programme.	Provides qualitative data on the impact of complex instruments	Relies on commitment of stakeholders, capacity of evaluators. Potential for conflicting views.	NRW, AT, PT
Case-based	Comparison across and within cases of combinations of causal factors.	Focuses on understanding of context-specific variables that explain causality.	Limited scope to test external validity and generalise findings.	CZ

Source: EPRC.

2.3.5 Evaluation capacity

Several IQ-Net have highlighted **limitations in administrative capacity that constrain impact evaluation**. These are partly institutional problems linked to the context in which policy is conceived and implemented, including lack of resources and experience. Effective evaluations rely on the administrative capacity, especially the ability of policy-makers to understand the scope and potential bias of different evaluation methods, to write appropriate terms of reference, and to be wary of over-ambitious claims about policy impact.

A contingent problem, linked to financial austerity, is the **lack of appropriate financial and human resources** to carry out impact evaluation to the scale and breadth that would be necessary to inform policy decisions.

- For instance, in Greece there is a limited national evaluation tradition and currently most MAs are reluctant to commission counterfactual studies.
- In the Czech Republic and in Croatia, impact evaluations will be done predominantly externally due to low administrative capacity of MAs evaluation units. Moreover, the types of impact evaluation planned by particular MAs are influenced by the nature of the Czech and Croatian evaluation market where competition for evaluation contracts tends to be based on pricing rather than methodological innovation or rigour.

Plans and initiatives in Wales are informative in terms of the weight being given to different types of impact evaluation. According to the MA Evaluation Plan, an impact evaluation will be undertaken for every programme priority, to be met through a mix of counterfactual and theory-based evaluations at both project/scheme and programme level. Increased weight will be given to counterfactual evaluation in the mandatory project-level evaluations. The MA's research, monitoring and evaluation team will provide advice and guidance to project sponsors and scheme managers on their evaluations. This will include project evaluation guidance and training sessions to the MA's project development officers and project sponsors. For some large or innovative projects with very little capacity, it may be necessary for the MA's team to manage the project evaluation. These plans and initiatives are based on a range of administrative and data resources (see Box 3).

Box 3: Administrative support for evaluation in Wales**Administrative resources for evaluation**

- At full complement, the research, monitoring and evaluation team within the MA will have eighteen members of staff with a mix of social research, monitoring and administrative expertise, spread over two locations. The team covers ERDF, ESF and the Rural Development Programme (EAFRD).
- A further four Senior Research Officers will be funded via Technical Assistance and work in the Welsh Government's Knowledge and Analytical Services department to take forward project level evaluation of Welsh Government Structural Funds (i.e. ERDF and ESF) projects.
- A new Monitoring and Evaluation Advisory Group will be set up to oversee the work of the RME team, consisting of members from the MAs and from stakeholder organisations.
- All programme-level evaluations will be funded by Technical Assistance. For the Structural Funds (i.e. ERDF and ESF), the RME Team estimates that the total budget will be £3.5 million. The estimated total budget for the EAFRD is £4.26 million.

Potential new data sources

- The MA hopes that the launch in the UK of the Administrative Data Research Centre (ADRC) will provide an opportunity to improve the linking of data sets for evaluation purposes. The ADRC is funded by the UK Economic and Social Research Council (ESRC).
- The MA may be able to use this to link their ESF data with UK Department for Work and Pensions data (MA for ESF in England), helping them find out if people are now in employment following an ESF project.

Source: WEFO Monitoring and Evaluation Strategy (September 2015).

2.4 Communication systems

Communication activities are ongoing, particularly among IQ-Net partners who have launched OPs in the course of the year and have either had communication strategies adopted over the past six months (e.g. Greece, Slovenia, Czech Republic and Croatia) or are in the process of submitting them for approval (Portugal). As noted in the previous IQ-Net review paper, some broad insights on future communication activities can be drawn from the strategies being developed and launched.

Integrating communication activities. As with other aspects of programme management and implementation, there are indications that forthcoming communication plans will reflect efforts to achieve a more integrated or 'joined up' approach.

- In some cases, this has involved some centralisation of communication responsibilities (e.g. Vla). In England, during the 2007-13 period, the MA's had localised Growth Development Teams that used different ways to publicise their programmes and there was varied success. With a national ERDF programme for 2014-20 in England, the MA has centralised publicity of the programme and the dissemination of guidance to applicants on the Department for Communities and Local Government (DCLG) website. Local Enterprise Partnerships involved in projects can use TA to support localised publicity for the availability of ERDF in the area and what it can support.
- Integration can also refer to the **coordination of publicity for different ESI Funds** (e.g. Portugal). However, it should be noted that an alternative approach is to achieve more focus

on clarity by differentiating between ESF and ERDF activities (rather than the generic 'Structural Funds') in publicity information (e.g. DK).

Balancing activities directed at the general public with project animation. In drafting communication plans, authorities are conscious that different audiences are being targeted via different means. This includes social and other electronic media to make communication more interactive and accessible to different groups. Thus, finding the optimal balance between general publicity events that strengthen the visibility of ESIF activities among the public and more targeted events on specific themes for potential applicants is key. The Communication Strategy of the MA in Scotland, which will be revised annually, illustrates the range of activities that can be included (see Box 4).

Box 4: Scotland's Communication Strategy 2014-20

In Scotland, the Communications Strategy and the publicity requirements will be revised annually. Actions planned for the next 12 months include:

Developing key messages for ESIF to support clarity and consistency of messaging across MA and lead partner communication channels, and to strengthen partnership communications activity;

Maintaining the MA website to provide a reliable online information source for use by the MA, lead partners and other interested parties;

Proactively maintaining MA social media channels to promote the programmes, and working with lead partners to coordinate and share relevant information through social media;

Supporting lead partners in fulfilling their obligations set out in the publicity requirements;

Setting up a communications network for the MA and lead partners to share information and learning, and to support and promote communications best practice;

Proactively identifying events and opportunities to widely promote the ESIF 2014-20 programmes;

Participating in EU-level communications networks to support continuous improvement in communications activity about the programmes in Scotland;

Effectively monitoring and evaluating MA communications activity to support continuous improvement.

Source: Scottish Government Communications Strategy -European Structural and Investment Funds 2014-2020 Programmes) <http://www.gov.scot/Resource/0048/00488129.pdf>

This issue is related to the **opportunities and challenges offered to communication activities by the results orientation** in the 2014-20 period.

On the one hand, there are **benefits to the increased emphasis on projects working more strategically in line with the results orientation**. Demonstrating the links between specific short-term actions and the broader achievements of OPs potentially creates more immediate, tangible information and narratives for communication activities.

- In Finland, one approach for communication in the west of Finland has been the launch of a so-called project result card (*tuloskortti*) where projects are encouraged to provide info on their implemented projects. It is intended to be used as a strategic communication tool to illustrate and share the results of the projects, the possible solutions and lessons, as well as good practices.

On the other hand, it is **important to avoid a formalistic or mechanistic approach in communicating ESIF results**. The ‘human factor’ must be maintained in the discourse on European funds.

- Research on communication activities in Pomorskie has highlighted the need to maintain a strong narrative alongside the focus on performance and results, numbers and effects.

3. INCORPORATING SPECIFIC INSTRUMENTS IN OPS

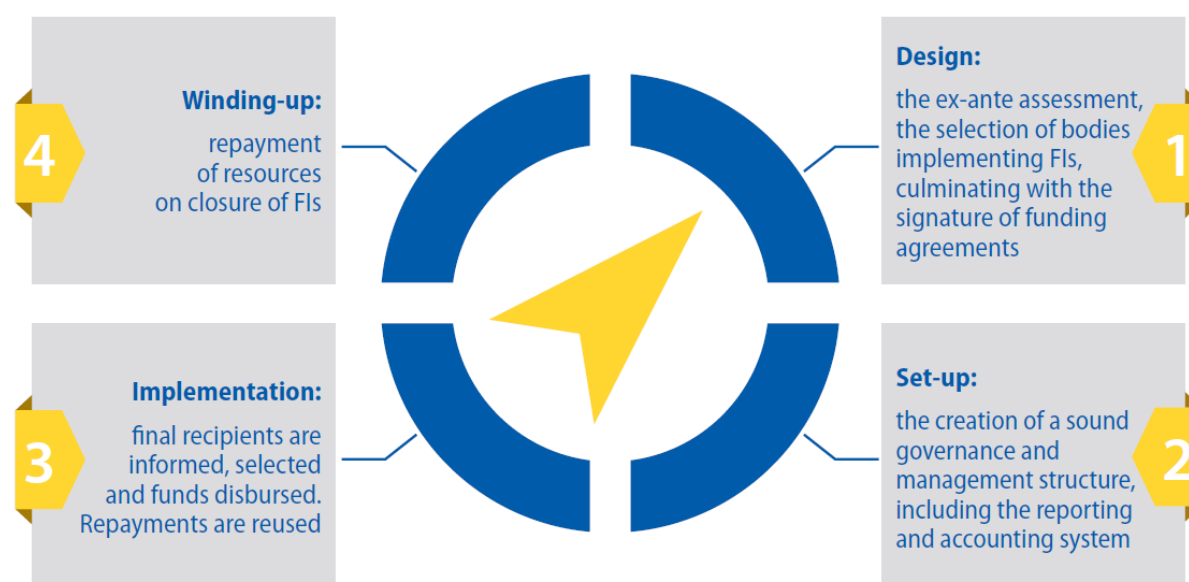
Over the past six months, the work of programme managers has also focused on the incorporation of specific instruments into the process of programme launch and implementation. This work has included developing Financial Instruments and building the territorial dimension into programmes.

3.1 Incorporating Financial Instruments

3.1.1 State of play

The first two elements of the FI ‘lifecycle’, design and set-up of the instruments (see Figure 3), took longer than many MAs anticipated in 2007-13, with two years being typical. In this programme period, FI launch has again been somewhat delayed, due to the ongoing ex ante assessment process, lack of resources to devote to FI implementation/resources being needed for closure of 2007-13 programmes, and remaining uncertainty over aspects of FI implementation such as procurement.

Figure 3: Stages in the FI ‘lifecycle’



Source: fi-compass factsheet on developing an action plan.²

² <https://fi-compass.eu/sites/default/files/publications/ESIF-factsheet-developing-action-plan.pdf>

IQ-Net partners (and other Member States) are mostly in stages 1 and 2 of the FI 'lifecycle', and so far there is only one example of an FI already up and running (Bretagne (FR)). The issue has become less urgent since the extension of the deadline for declaration of expenditure for FIs to 31 March 2017 in the 2007-13 closure guidelines. This means that if 2007-13 FIs still have funds available, they can keep spending through 2016.³

3.1.2 Ex ante assessments

A wide range of approaches have been taken to the ex ante assessment process – these have variously been carried out at Member State level (e.g. Slovakia), regional level (French and Polish regions, German *Länder*), covering one OP (as in the separate ex ante assessments completed so far for four OPs in the Czech Republic and Croatia) or several OPs, one Fund (e.g. ERDF in Scotland) or all Funds (ERDF, ESF and EAFRD in Wales), and just part of an OP (SME finance in London) or all.

Progress with the ex ante assessment process is also variable. Studies may have been carried out on a staggered basis. In Wales, the studies have been carried out in several stages over a two year period. In Nordrhein-Westfalen, ex ante assessments for an Urban Development Fund, a District Heating Fund, and a Combined Heat and Power Fund had been carried out by early 2015, while an ex ante assessment has just been launched for SME support). Ex ante assessments have also been carried out in parallel for different thematic areas (e.g. urban development and access to finance in Lithuania). In Portugal, ex ante evaluation of financial Instruments for direct business support have been concluded and others are being finalised (e.g. for social innovation, social entrepreneurship, micro-entrepreneurship and self-employment, and for loans to higher education students; for energy efficiency, water and waste management; and for regeneration).

A notable trend is MAs adopting a **'wait and see' approach** to the expanded use of FIs in 2014-20, planning to launch some FIs early in the period (e.g. for SME support) but intending to revisit the ex ante assessment at a mid-way point in the period. The aim is to see whether conditions have changed or if there is an opportunity to launch a fund in a new thematic area (e.g. Wales). This cautious approach may be due to: as yet unproven demand or lack of suitable projects in a new thematic area; lack of confidence in or capacity for implementing FIs; concern about the still complex regulatory framework, or about the risk inherent in unresolved interpretations of the regulations, especially in an increasingly stringent audit climate; or experience with slow absorption in 2007-13.

An **'open mind'** is also being kept by many Member States to participation in EU-level FIs such as the SME Initiative, although so far only Bulgaria, Spain and Malta have formally joined. There is some concern that such initiatives may compete with national FIs, and that control is removed from the Member State.

³ Annex to the Commission Decision amending Decision C(2013) 1573 on the approval of the guidelines on the closure of operational programmes adopted for assistance from the European Regional Development Fund, the European Social Fund and the Cohesion Fund (2007-2013) Brussels, 30.4.2015 C(2015) 2771 final.
http://ec.europa.eu/regional_policy/sources/docoffic/official/guidelines/closure_2007_2013/annexe_guidelines_closure_20072013_en.pdf

3.1.3 *Planned use of FIs under OPs*

In terms of implementation of FIs in 2014-20, several main approaches can be identified:

- **Consolidating/building on 2007-13 experience:** adapting structures or implementation arrangements to streamline delivery or to adapt to changing market conditions (e.g. proposing some combining of previously separate instruments such as under the Andalucía JESSICA and the Andalucía JEREMIE, or discontinuation of the specific FIs due to changing market conditions (e.g. the renovation loan programme in Estonia will not be renewed as the economic situation has changed).
- **Major investment in FIs:** some Member States (e.g. France, Hungary, Poland, Portugal the UK) expect to have quite a large increase in the number of FIs or resources devoted to them. Portugal anticipates a four-fold increase in FIs to TO3 in 2014-20 (to around €1.5 billion). A number of MAs are already planning to widen their approach to address new Thematic Objectives, and use new Funds, for example PACA region in France (EAFRD and energy efficiency).
- **Reduced engagement with co-financed FIs:** in Austria, only one of two regional equity funds will be continued and plans for co-financed national equity fund were halted at the end of 2014; a national Fund of Funds will go ahead but using domestic funds only. In Finland, co-financing of national FIs (through Finnvera) will not be continued in 2014-20.
- **Most MA experience in 2007-13 related to co-financing FIs under the ERDF,** and out of over 800 specific funds, only 45 were set up under ESF OPs in seven Member States. Most of these focused on micro- or social enterprises, and support was restricted to enterprise support.
- **Early indications are that more Member States plan to use FIs under ESF in 2014-20,** committing larger sums (but there is no concrete evidence of this yet).
- **SME support remains the dominant theme** of FIs but there is also some focus on the low carbon agenda and to a lesser extent sustainable transport and ICT. Information on future plans for FIs under EAFRD and EMFF is also scarce.

Although the implementation of FIs among IQ-Net partners is at an early stage, there are indicative plans that provide some insights into potential activities (see Table 4, and Annex for full table with broader selection of Member States).

Table 4: Early plans for FIs in 2014-20, IQ-Net Member States and regions

	Indicative plans
AT	Only one co-financed FI, implemented at regional (<i>Land</i>) level. Oberösterreich will continue the OÖ HightechFonds. Burgenland will not continue using ERDF funding for its FI as there is no need due to its revolving character, also Burgenland's funding to be reduced by 60% due to move from Convergence/Phasing out to Transition status.
VLA	Flanders is not planning to implement FIs under ERDF (as in 2007-13).
HR	No decision on use of FIs but envisaged under Competitiveness and Cohesion OP (SMEs, energy, sustainable urban development and RDI). Probably not in RTDI. Under Efficient Human Resources OP FIs should be used in the fields of business competitiveness, employment and social enterprise. Have identified potential intermediaries and discussions with COM underway on selection procedures as COM guidance is unclear.
CZ	7/10 MAs plan to implement FIs, four ex ante assessments so far complete. Planned allocation of €2.4 billion (10% of ESI Fund allocations). Major budget increase expected under the OP for Enterprise and Innovation for Competitiveness. Integrated Regional OP continues with similar approach as in the past, OP Prague-Growth Pole of the Czech Republic might exploit experience from the OP Enterprise as the themes are very similar (risk capital for innovation, research and development). OP Environment intends to introduce financial tool combining grant and loans (for waste industry, power engineering, local heating emissions), FIs under ESF also being considered.
DK	Use of FIs is an option within two of the priority axes of the new ERDF OP and one of the axes of the ESF OP. Ex-ante assessment recommended different options: national FI or a two-tier structure with one unit for East and one for West Denmark, as well as a multi-tier approach, with regions cooperating with the national Growth Fund. Decision expected in spring of 2016 following consultations. Some concern that FIs would need to prove additionality to national Growth Fund. Current agreement that if implemented, FIs will be nationwide, i.e. although an FI may be based in the south Jutland region it will be open for companies nationwide. Growth Fora of the mid- and south Jutland regions would like to allocate DKK 50 million each for FIs. Other regions are not currently interested in FIs.
FI	National FIs (i.e. loans and interest rebates by Finnvera) will not be continued. Regional OPs had been 'obliged' to a certain extent to invest in the funds of Finnvera. This funding was effectively seen as 'lost' to the regions, as Finnvera was not transparent about how it was spent or results (citing commercial confidentiality). Criticism of high administration costs of FIs. It is not clear whether there will be any co-financed regional FIs (local venture capital) such as the Northern Start-up Fund II which operated in Oulu in 2007-13, as funding for any follow-on FI in Oulu will be sought from domestic sources only. Additional OP funding may be available for FIs from 2017 due to discontinuation of national Innovative Cities (INKA) programme, for which 10% of OP funding had been earmarked.
FR	Eight ex ante assessments completed, six more should be completed in the course of November. Several other regions should be ready later on in the period as tenders have been recently published. Around 5% of ERDF will be allocated through FIs, increased from 2% in 2007-13. Most concern TOs 1, 3, 4 and 6. No FI is yet ready to run, except a co-investment FI in Bretagne. The choice of as to which FIs to implement is expected after the regional elections in December 2015.
Greece	Three ex ante assessments have been carried out but they are being reformulated and it is uncertain whether they will be used as they are or not. The assessments cover one theme each: JESSICA, energy issues and entrepreneurship but they are considered outdated since they were conducted before the events of 2015 and it is likely that they will be wholly revised or replaced by a single ex ante assessment. In the meantime, there is no decision on the budget yet.
NRW	NRW will proceed with new Urban Development Fund. Also considering Combined Heat and Power FI, temporarily blocked due to changes in domestic law which may lead to possible changes in the market. Thus may need to revise the plans and/or the ex-ante assessment for the

	Indicative plans
	FI. Ex ante assessment for SME support has recently been launched.
Pom	Ex ante assessment process completed in two phases and is currently being updated. Pomorskie planning to commit €141 million on FIs in ROP (c.11% ERDF) on an expanded range of FIs, including support for SMEs, revitalisation, energy (renewable energy investments/sources, energy efficiency) and medium-sized enterprises.
PT	Ex ante assessments for business support and urban regeneration FIs concluded, while the social domain and energy and resource efficiency FI ex-antes were due by end of October 2015. Implementation of FIs not started, but two regulations approving equity and guarantee FIs approved in October 2015, concerning FIs to be set up under the national OP COMPETE 2020 and five regional OPs.
SK	Ex ante assessment covered ERDF, CF and ESF. Funding allocated to FIs represents 3% of OP allocations in each OP (Integrated Infrastructure, Quality of Environment, Integrated Regional OP, Research & Innovation, Human Resources). Five funds planned (Infrastructure Fund, Waste Management and Energy Production Fund, Energy Efficiency Fund, SME Fund, Social Economy Fund).
SI	FIs mainly planned in the area of SME support (as in 2007-13), but increasing the focus on SMEs in rural areas. FIs will also be used for renewable energy. The ex ante assessment will be completed by the end of 2015. A substantial increase of funding to FIs is expected (between €40-50 million a year instead of €15-20 million a year in 2007-13).
BIZ	FIs are not being used by Bizkaia. More widely, Spain is participating in the EU-level SME initiative. The impact of regional-level contributions to the EU SME initiative is yet to be determined.
Scot	New 'Fund of Funds' to receive €40m ERDF in Scotland. In England, the MA currently anticipates around €882 million ERDF (24% of the total programme allocation) to be allocated to FIs, and a call for proposals was to be launched in October.
Eng	Framework ex ante across England organised by EIB. Concentrating first on SME support FIs. Still at early stage. The MA is committed to using a range of FIs during the 2014-20 England ERDF programme, and expects the budget to be higher than in 2007-13. The MA currently anticipates around €882 million ERDF (24% of the total programme allocation), to be allocated to FIs. A programme of communication activities to raise awareness around the country was launched in July, with the first calls for proposals to be launched in October. London devoting large proportion of OP resources to FIs (JESSICA and SME finance).
Wales	Wales proposing pan-Wales equity, debt and co-investment funds covering two (ERDF) OPs and two objectives in each OP, which they hope to launch through Finance Wales in early 2016.

3.1.4 Implementation approaches

As stated above, plans are still at an early stage and discussions are currently underway about implementation options. As in 2007-13, different options are being considered:

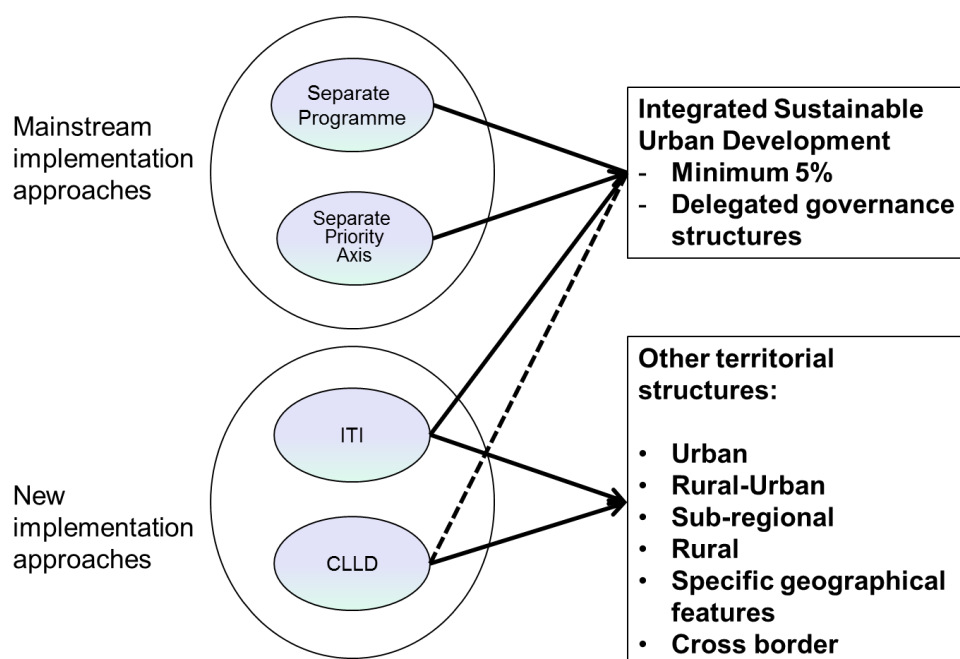
- In Portugal, the Financial Institution for Development (*Instituição Financeira de Desenvolvimento* - IFD) was set up in 2014 and entrusted with management of business support FIs. It will manage holding funds or specialised funds, with co-investment from private investors, with the objective to address market failures hampering SMEs' access to debt, equity and quasi-equity funding. Two further institutions are being set up to manage FIs in specific thematic areas. The Financial Instrument for Urban Rehabilitation and Regeneration,

Instrumento Financeiro para a Reabilitação e Revitalização Urbanas - IFRRU 2020 was established in July 2015 and entrusted specifically with management of urban regeneration FIs. Portugal Social Innovation (PIS) is being set up for management of FIs for social innovation and social entrepreneurship.

- In France a variety of approaches have been suggested in the regional ex ante assessments, including some use of the national public bank BPI (Bretagne, Franche-Comte, Lorraine), also public procurement for private fund managers (Bretagne, PACA), and use of the EIF (Basse Normandie) as well as direct management (Basse Normandie).
- In Nordrhein-Westfalen, continued entrustment to the *Landesbank* NRWBank for an urban development FI and combined heat and power fund.
- In Scotland (UK) a new Holding Fund has been launched, management of which has been entrusted to Scottish Government.
- In two Member States, national solutions will replace previous EIF holding fund management. In Slovakia, the government has set up a fund of funds (Slovak Investment Holding) to be managed by a fund manager (SZRB Asset Management), both of which are Slovak entities established under the Slovak Promotional Bank, which is wholly owned by the state (Ministry of Finance in practice). Financial intermediaries will then be procured. In Bulgaria, a national fund of funds is also being established as a management structure to centrally govern all FIs, under the supervision of Minister of Finance.
- In Denmark, private fund managers will be selected through a public procurement process.

3.2 Incorporating the territorial dimension

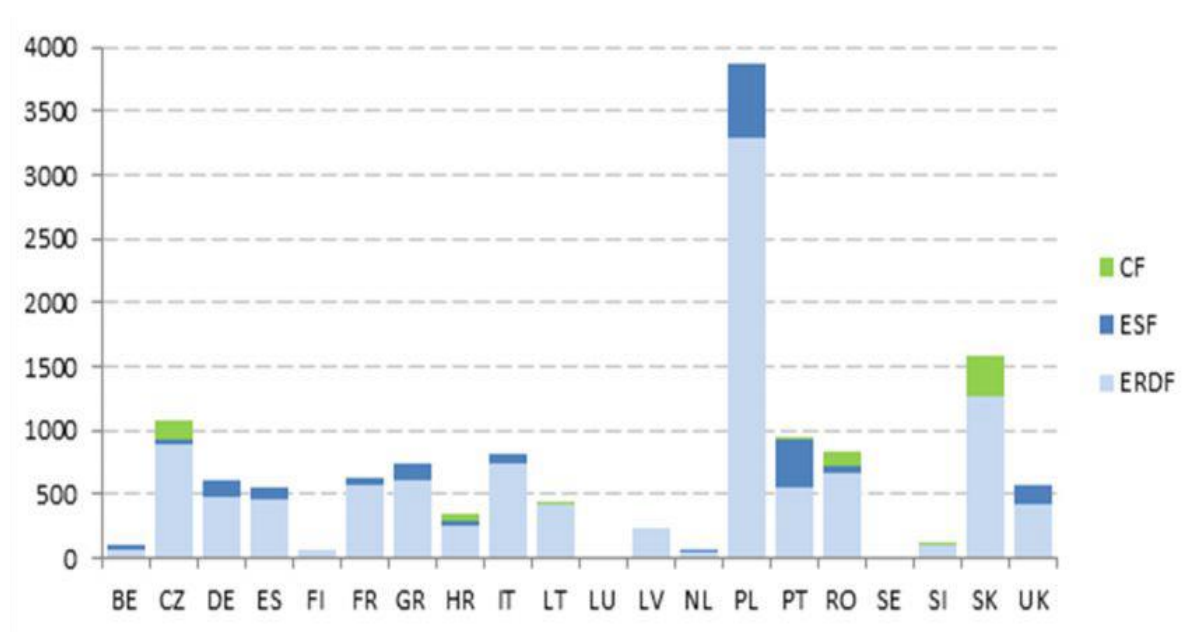
Following sometimes protracted negotiations with the Commission, over the past six months, IQ-Net partners have continued work on building the territorial dimension into the launch and implementation of programmes. Integrated territorial approaches in ESIF can target different types of territories through different tools: mainstream implementation approaches (separate programmes or priority axes dedicated to the territorial dimension or new implementation approaches (Integrated Territorial Investments (ITI), bundling funds from several priority axes of one or more programmes; Community-led Local Development (CLLD); and Integrated approach to sustainable urban development (ISUD, obligatory minimum 5 % of ERDF) (see Figure 4). Different combinations of these instruments are being applied in Member States.

Figure 4: Mechanisms for implementing territorial approaches in Cohesion policy

Source: Van der Zwet A, Miller S and Gross F (2014) 'A First Stock Take: Integrated Territorial Approaches in Cohesion Policy 2014-20'. *IQ-Net Thematic Paper 35(2)*, European Policies Research Centre, University of Strathclyde, Glasgow.

3.2.1 ITI

The use of ITI is optional, with the exception of sustainable urban development (5% of ERDF national allocation – see Section 3.2.2), and its uptake varies across Member States (see Figure 5).

Figure 5: Relative financial allocation to ITI from Cohesion policy, February 2015

Source: European Commission (2015) *Effectiveness and Added Value of Cohesion Policy, Non-paper assessing the implementation of the reform in the programming for cohesion policy 2014-2020*

According to Commission figures from June this year, overall, 20 MS are using ITI covering a total of 100 OPs and with a total allocation of €13.8 billion (€12 billion of this coming from ERDF). ITI is supporting integrated development of various types of functional areas at the appropriate territorial scale e.g. at the level of neighbourhoods, cities, city-regions, metropolitan areas, rural areas etc.:

- City-regional ITIs in which a metropolitan area is consolidated through being treated as a single ITI. Some of the proposed Polish ITIs follow this approach.
- Focus on deprived neighbourhoods: ITIs offer the potential not only to address problems of deprivation but also to focus investment on opportunity areas from which local people can benefit. In NRW, Article 7 project applications will be on the theme of 'Strong urban districts – strong people'. The focus is on relatively small urban districts or quarters with a concentration of economic, social, demographic, built environment and ecological problems, and specifically on preventative approaches which are grounded in local authorities' urban or rural action strategies.
- Urban rural ITIs. As well as being used in a city region context, the ITI can be used to strengthen urban rural linkages within a functional urban area. In Sweden, the Gothenburg ITI will work with the city of Gothenburg and neighbouring authorities;
- Cross border ITIs are likely to be rare because of the difficulties of operating in different Member States.

3.2.2 ISUD

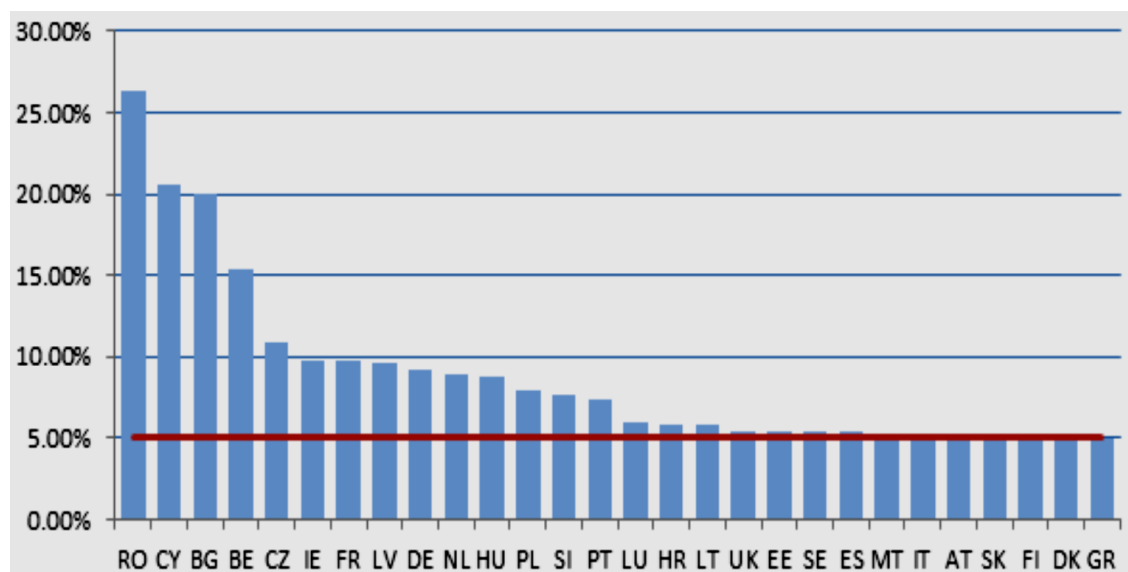
Approaches vary to incorporating the requirement under ERDF Art 7 that five percent of ESI Funds be allocated to ISUD. According to Commission figures, approximately €15 billion ERDF (ca. 8 percent of total ERDF) but there is substantial variation between MS in the use of ISUD as a share of ERDF (see Figure 6). Whilst around half of countries have not allocated significantly more funds to the dedicated urban priority than the required five percent of ERDF, there are cases of countries allocating considerably more because of factors such as:⁴

- historical precedent - where there was already a strong urban dimension in 2007-13 programmes;
- urban challenges – where the region/country has large urban centres with specific needs; and
- need for concentration – especially in smaller OPs where funding has to be concentrated to achieve sufficient impact.

ISUD tends to be mostly implemented through ERDF, but in some cases Member States also make use of a multi-Fund priority axis (e.g. Portugal or some *Länder* in Germany).

⁴ van der Zwet A and Bachtler J (2015) *Support for Regional Operational Programme 2014-2020: Guide for Sustainable Urban Development*, Report to the World Bank, European Policies Research Centre, University of Strathclyde, Glasgow

Figure 6: Financial allocation to ISUD (Article 7 ERDF) as a percentage of national ERDF resources



Source: Berkowitz P (2015) *A more effective and efficient policy? Assessing the implementation of the reform of Cohesion policy*, Paper to 2nd Joint EU Cohesion policy Conference, Riga, 2 -4 February 2015.

There is approximately a **50-50 split in programming ISUD through ITI or Priority axis**, with different approaches often being taken within Member States.

- France has decided to allocate a minimum of around 10 percent of its ERDF-ESF funds to ISUD projects. 16 out of 27 Regions have decided to address urban issues through ITI, whereas the other 10 will implement a multi-thematic urban priority. This is consistent with France's experience in integrated territorial approach, especially in urban policies.

Geographically, **Member States tend to target large urban centres** through ISUD.

- For example, in Flanders (Belgium) the urban development priority axis involves the two largest cities – Antwerp and Ghent.

However, in other Member States a **combination of major and smaller urban centres** are eligible under ISUD priority axes.

- For example, in Denmark all municipalities with cities of more than 30,000 inhabitants are eligible to apply for projects under the ISUD priority axis.
- Similarly, in Spain, calls will be open to all municipalities, although it is expected that those with populations below the 50,000 threshold will be required to submit their projects to municipal associations.

The number of **thematic objectives (TO) that are covered by urban measures varies among programmes**. In order to ensure an integrated approach, ISUD priority axes must include a minimum of two TOs. Furthermore, all urban development measures need to be linked to existing strategies. Within this, there is a strong concentration on certain priorities:

- Supporting energy efficiency (e.g. PL, FR)
- Promoting low-carbon strategies for all types of territories, in particular for urban areas (e.g. PT, FR)
- Taking action to improve the urban environment, (e.g. PT, NRW, Vla, PL)
- Social inclusion, integration (e.g. NRW, Vla, PL, FR)

Several IQ-Net partners have indicated **challenges in the implementation of ISUD**:

First, there are **difficulties caused by the regulatory requirement** that local authorities responsible for ISUD must be defined as intermediate bodies, and that there must be a contractual arrangement between the managing authority and each local authority for this purpose.

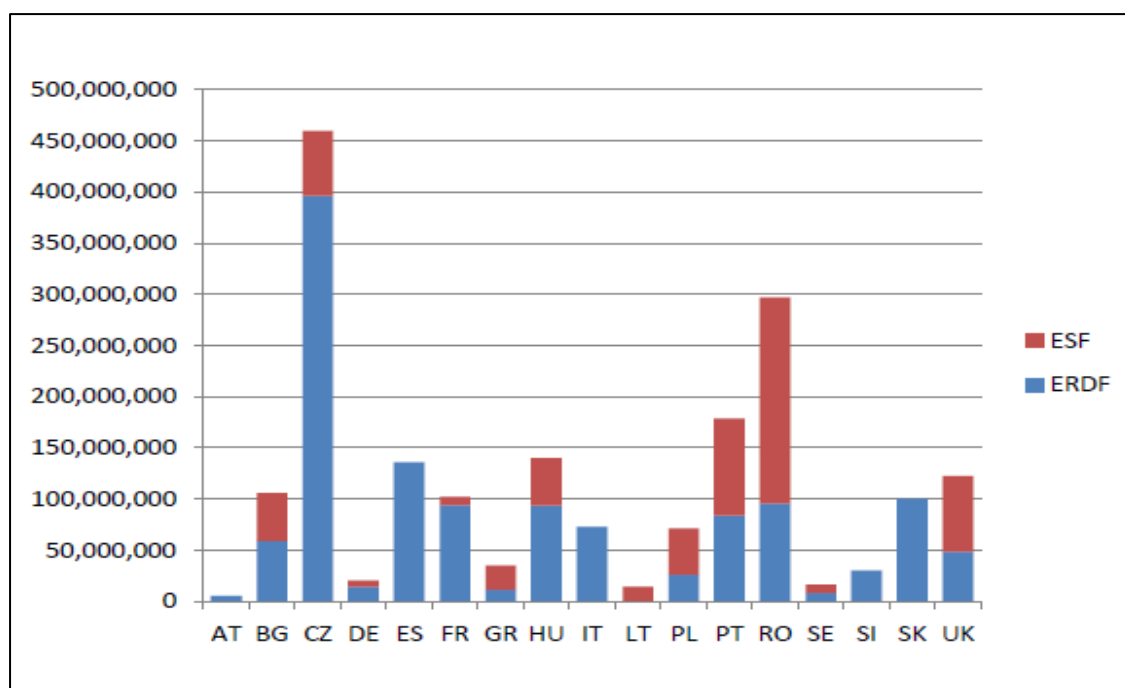
- In some Member State contexts (e.g. DE, NRW, UK) this has created problems in allocating IB tasks and in determining the legal status of bodies and contractual arrangements. Moreover, in some cases the establishment of new IBs runs contrary to efforts to streamline the ESIF implementation system.
- Related to this are concerns about institutional and administrative capacity, particularly as responsibilities for implementation are delegated to local bodies which often have limited expertise or resources to implement projects. Member States have generally opted for a 'shared management' model whereby national/regional authorities deal with the financial management, monitoring and coordination, and local authorities have a role in project appraisal and selection to varying degrees.

There are concerns in relation to the **scale of funding allocations and impact of territorial approaches**. In most Member States, the level of funding allocated to ITI (and territorial approaches more broadly) is quite limited, raising questions about their potential impact.

- In Vlaanderen for instance, the cities already have an extensive strategic agenda which is very complex. It is considered a challenge to integrate this with the European dimension. As the funding allocations are quite limited there are concerns about proportionality.

3.2.3 CLLD

It is foreseen that 17 Member states will incorporate CLLD with a total allocation €2 billion (ERDF 67%, ESF 33%) (see Figure 7)

Figure 7: Indicative use of CLLD, 2014-20 (€)

Source: Judit Torokne Rozsa (2015) 'Community-led Local Development (CLLD)' *Conference on CLLD implementation Permanent Representation of the Czech Republic to the EU*, 23 June 2015.

CLLD strategies can be multisectoral and may concern any thematic objective, within the limits of the relevant ERDF OP and the ERDF Regulation. However, there is a **predominant focus on promoting social inclusion, combating poverty and any discrimination** (9d under ERDF and (vi) under ESF) is predominant.

The use of CLLD is more limited than ISUD and there is **reluctance on the part of some Member States/programme authorities to invest**. Implementing CLLD is optional for ERDF and ESF, (though compulsory for the EAFRD) and other instruments are available. There are specific challenges in implementing CLLD, some of which are being experienced by IQ-Net partners:

- In several cases, the **demarcation of Funds, territories, organisational responsibilities under CLLD is creating complexity**. For instance, in Greece the multi-fund requirement is deterring the MAs from exploiting CLLD fully because of the difficulties this is expected to cause for management. It is expected that only half the number of Greek Regions will carry out CLLDs. Many regions will implement separate CLLDs using a single fund using ESF resources in the urban areas and EAFRD in the rural areas. In Croatia, CLLD will be implemented through EAFRD (3% of the total allocation - €67.5 million). In Slovakia, there will be around 30 CLLD groups under the responsibility of the Ministry of Agriculture and Rural Development. However, ITIs are under the responsibility of the Ministry of Transport, Construction and Regional Development and this creates coordination issues.
- **Lack of capacity to set up LAGs**, for example in deprived neighbourhoods, is also an issue in some contexts. As can be seen from Figure 7, the Czech Republic plans substantial use of

CLLD and this is requiring significant administrative capacity, particularly in developing the strategies of Local Action Groups (LAGs). The MA has started to build up the necessary administrative capacity as it expects significant pressures and demands at the moment when all LAGs submit their project applications. The process of appraisal will be done internally to ensure homogenous approach to the assessment.

PROGRESS OF THE 2007-13 PROGRAMMES

Over the past six months, the focus for the 2007-13 programmes has continued to be on **accelerating payment levels** and **preparing for programme closure**.

4. FINANCIAL PROGRESS IN THE EU28

After a period of rapid growth in the first half of 2015, the **rate of financial absorption of Cohesion policy programmes has dropped** in the EU28 over the past six months (see 5).

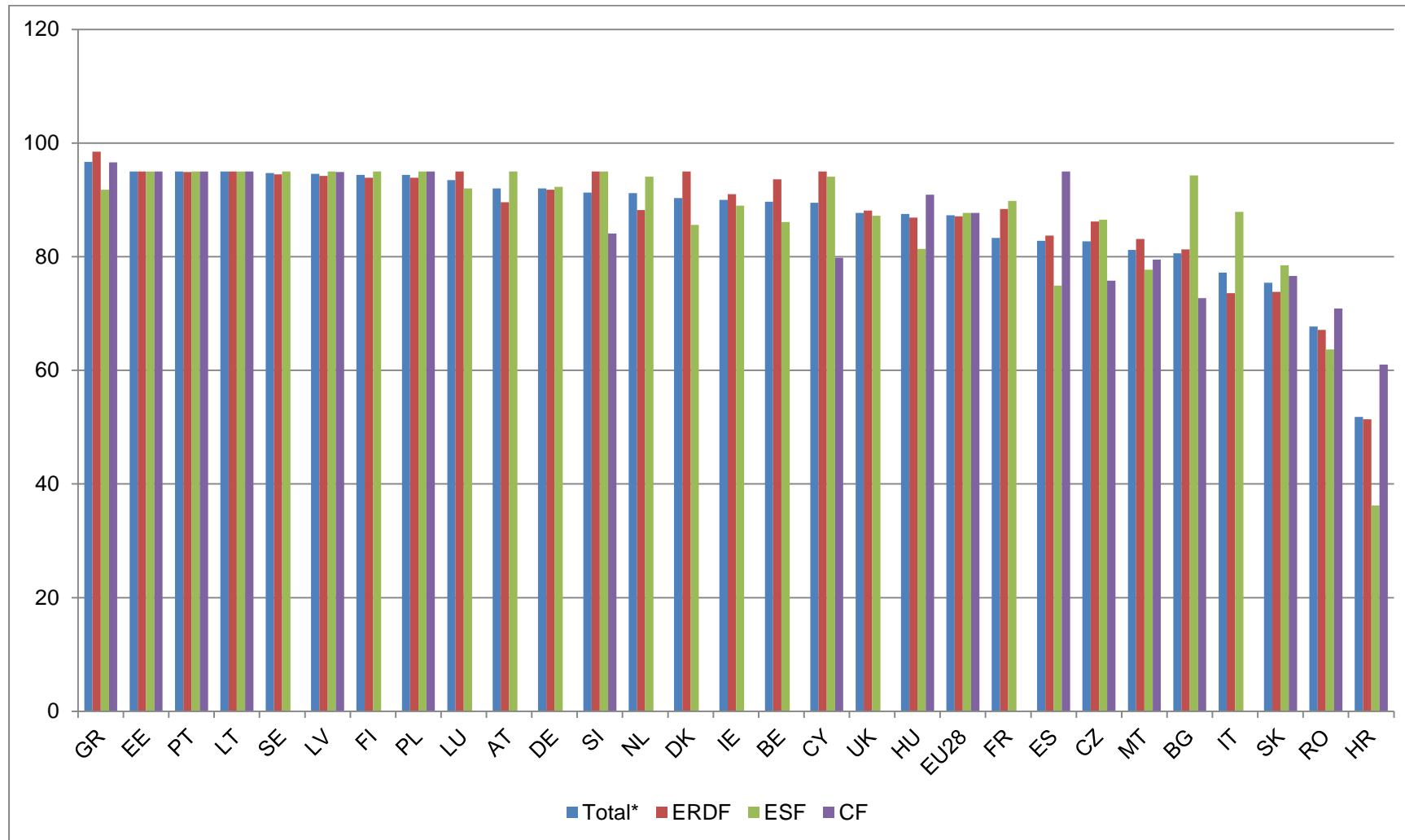
Table 5: Average payment rate and increase

	May-Oct 2013	Nov-May 2014	May-Oct 2014	Oct-May 2015	May-Oct 2015
EU28 average (%)	59.4	68.2 (EU28)	73.2 (EU28)	81.9 (EU28)	87.3 (EU28)
Increase (%)	7.8	8.8	5.0	8.9	5.4

Source: EPRC calculations from Commission data. Note that data for 2014 and 2015 include Croatia.

Figure 8 shows that there continue to be marked differences in the rate of absorption between Member States and Funds:

- **The highest overall payment rates** of 95 percent or over are found in Greece (96.7 percent), followed by Portugal (96 percent), Estonia and Lithuania (both 95 percent). Several Member States have surpassed the 90 percent payment rate; Sweden, Latvia, Finland, Poland, Ireland, Slovenia, Denmark, Austria, the Netherlands, Luxembourg and Germany.
- **The lowest overall payment rates** were reported for Croatia (58.1 percent), Romania (67.7 percent) and Slovakia (75.4 percent) (positions unchanged from the previous six-month period). **At EU28 level, the average payment rate across funds has converged** over the past year. The rate for ESF and CF is the same (87.7 percent) with ERDF slightly less (87.3 percent).
- A **substantial increase in overall payment rates**, over 10 percent, has been recorded in two countries (SK, CZ).

Figure 8: Structural Funds payments in 2007-13 (13 Nov 2015)

Source: Commission data from 13 November 2015 on Commission disbursements to Member States.

5. FINANCIAL PROGRESS IN IQ-NET PROGRAMMES

Payment rates in IQ-Net countries and programmes have increased over the last six month period (see Table 6). Almost in all instances, the increase has been above the average rate reported for EU28 (five percent).

Table 6: Financial progress in IQ-Net programmes

IQ-Net country/region	Programme	Payments (%)*	Spring 2015
Austria	ERDF OPs, national average		80.4
Belgium: Vlaanderen	ERDF OP	87	81.5
Czech Republic	National average	85.6	73.4
	Integrated OP	68.6	62.1
Denmark	ERDF OP	92	84.7
	ESF OP	89.3	80.2
Finland: Länsi-Suomi and Etelä-Suomi	ERDF OPs, national average	99	91.0
	Länsi-Suomi ERDF OP	94.4	86.3
	Etelä-Suomi ERDF OP	101.9	94.6
France	National average	70.8	65.9
Germany: Nordrhein-Westfalen	ERDF OP	N/A	N/A
Greece	National average	93.43	83.5
Poland (Pomorskie)	National average	90	N/A
	Pomorskie ERDF ROP	90.3	N/A
Portugal	National average	96	90.0
	National thematic OPs	N/A	91
	Regional OPs (mainland)	N/A	84
	Regional OPs (islands)	N/A	97
Slovenia	National average	93.1	84.8
	ERDF OP	98	90.4
	ESF OP	95.9	93.1
	Cohesion Fund OP	86.1	72.7
Spain: Bizkaia	ERDF	90%	87.5
Spain: País Vasco	ERDF	N/A	N/A
UK: England	National average ERDF	84	N/A
UK: Scotland	National average	N/A	N/A
UK: Wales	National average	84	80.0

Source: ERPC fieldwork. **Notes:** (*) Dates for payment figures range from May 2015 to November 2015.

Concerns in IQ-Net programmes continue to relate to **payment interruptions**, the **level of payments** and **decommitment**:

- The **payment interruptions** previously reported in England (East Midlands) have been lifted. In Scotland, three out of four OPs have been suspended, based on the 2014 Annual Control Report (ACR), which contained error rates above the acceptable level. The main issues identified were: paperwork missing or not prepared; procurement issues; projects not doing

what was originally intended. Many of these issues had been significantly improved but not before the ACR had been submitted to the Commission. The MA is working to address the issues and has taken on extra staff. The MA's internal audit body is currently undertaking visits for the 2015 ACR and the Commission suspension is unlikely to be lifted until the results of these visits are seen. In Slovakia, payments have been completely suspended for the ROP and OP Education, and partially for 3 three other programmes. However, there have been 3 meetings with the Commission's 'Task Force on Better Implementation', with tailor-made action teams supporting national and regional administrations to use the remaining investments from the 2007-13 programming period effectively.⁵ The Task Force analyse the key factors responsible for delays in implementation, and formulate detailed and comprehensive Action Plans for each programme at risk. In Slovakia, there are Action Plans in place for 7 of the 11 OPs. Slovenia has also had meetings with the Task Force and payments have accelerated considerably. In Greece, special provisions are in place to ensure performance: early release of EU payments usually disbursed at programme closure and complete removal of the need for national co-financing, which means a 100 per cent EU co-financing rate for 2007-13. This is expected to provide additional liquidity of €500 million. In Vlaanderen, the programme is in a pre-suspension state, depending on the assessment of the Audit Authority. The assessment has been delayed and this is causing significant delays and pressures on resources.

- **There are concerns over the level of payments among some IQ-Net partners.** In Finland, overall performance is good but there is relatively slow progress in payments in the West of Finland OP and in the East of Finland OP. In the former case, there is a proposed change in co-funding arrangements, increasing the EU contribution to 50%. In the latter case, shifts of funding between Priority Axes are considered. In the United Kingdom, the strength of the GBP against the Euro has increased the amount of funding required to be spent and has caused difficulties in the run-up to closure.
- **Decommitment remains an issue** in the Czech Republic, related in part to exchange rate issues. The level of IROP commitments reached 104 percent, however, it is expected that the programme will have to return approx. CZK 2.3 billion (EUR 85.2 million) due to (i) savings in projects, (ii) non-realization of some projects, and (iii) so called 'sleeping' projects (risky projects) where an intensive communication and 'micromanagement' from the MA's side has been applied to ensure proper implementation of the projects.

6. CONCERNS WITH PROGRAMME CLOSURE

IQ-Net programme authorities are progressing with preparations for closure. Various procedures are in place to ensure progress, e.g. establishing dedicated teams, regular meetings of the MA/CA/AA; day-to-day monitoring of projects and the overall situation; meetings between the MA and each main intermediate body.

⁵ The eight countries covered by the Task Force are Bulgaria, Croatia, the Czech Republic, Hungary, Italy, Romania, Slovakia and Slovenia.

Nevertheless, there are **substantial administrative challenges** involved:

- **Allocating administrative resources between closure of 2007-13 OPs and launch of 2014-20 OPs.** It is challenging to coordinate the various inputs by different actors (e.g. IBs). In the West of Finland, there is slight concern with timetable for closure, as same members of staff are dealing with 2007-13 and 2014-20 programme periods. In NRW, additional staff were recruited in advance of 2015 because the MA and IB expected the workload to increase. However, the workload is significantly higher even than had been anticipated and pressure on administrative resources is increased by the European Commission's launch of several studies/evaluations in recent months. At present, the MA is telling the intermediate bodies to focus on the closure of the 2007-13 OP and to leave some aspects of the 2014-20 OP until later.
- In France, ensuring that **sufficient administrative resources are in place to deal with closure is complicated by the general process of administrative reform.** One of the main challenges in the closure process is to keep sufficient human resources in the State administration, despite the transfer of OPs management personnel as a consequence of the transfer of funds management to the Regional Councils.
- **Levels of experience in closure vary.** In the Czech Republic, The IROP MA has at its disposal substantial experience with closure (the director was involved already in the closure of two OPs). On the other hand, some IQ-Net partners are relatively inexperienced in closure. In Croatia and Pomorskie, programme managers are dealing with closure issues directly for the first time and are carefully looking into all aspects of the process.

In Wales, closure is the MA's main priority for the next six months. It has experienced challenges common to several IQ-Net partners: projects coming to an end and staff leaving (especially where there is no planned successor project, or no team still in place), as well as the attention of project sponsors turning to securing 2014-20 funding. The MA has launched several initiatives that have increased confidence over closure processes and increased the rate at which projects are being closed (see Box 5):

Box 5: Closure initiatives in Wales

Identification of network of '**closure champions**' within each of the relevant MA and CA teams to become the main point of communication on closure, to be responsible for disseminating information within teams and to be the expert on the closure process within each team. As the closure manager had been receiving queries from different teams and from different team members within teams, this approach was introduced to help ensure consistent messages were being delivered.

A '**closure week**', held in July 2015, this involved identifying a set of projects which were on the verge of closing, with all involved staff working in a dedicated way only on closure of those projects for that week. The closure week wasn't as successful as hoped (due to timing during the summer holiday period), but the concentrated approach was found to be helpful.

Leading on from the closure week, three '**closure surgeries**' were held in July, August and September 2015. These identified c.60 very overdue projects and invited all relevant internal staff to a surgery session (with c.20 projects being tackled in each session). A whole day was blocked out for each surgery with a ten minute slot allocated for each project, with relevant staff⁶ coming in to discuss problems related to closure (e.g. open issues, issues causing delay, actions to be taken). The aim was to come up with an Action Plan for each project with a realistic timescale and to identify any issues which need addressed, such as lack of resources, difficulties obtaining information from project sponsors and decisions required by the MA's senior management team. This has worked very well and has started internal communication on closure that had previously been lacking.

Initial warning letters have been sent to projects sponsors who do not reply to requests for information, this has also helped speed up the process.

Key messages are disseminated through the MA's newsletter.

7. CONCLUSIONS

Over the past six months, IQ-Net partners have been moving from the finalisation and launch of programmes to the implementation of the OPs themselves. Most programmes have been successfully launched and initial calls for applications organised. Nevertheless, work is ongoing on key programme management arrangements, including provisions for monitoring, evaluation and communication systems. The work of programme managers has also focused on the incorporation of specific instruments into the process of programme launch and implementation, notably developing Financial Instruments and building the territorial dimension. In some cases at least, these are new instruments that make specific demands on administrative capacity among programme managers and stakeholders. At the same time, programme authorities are progressing with preparations for closure of 2007-13 programmes. Various procedures are in place to ensure progress, but levels of experience in closure vary and substantial administrative challenges are involved, notably allocating administrative resources between closure of 2007-13 OPs and launch of 2014-20 OPs.

⁶ Generally involves 4-5 people per project, for example, the Project Development Officer, representatives of the CA, the payments team, the on-the-spot checks team and the AA if there are audit issues.

ANNEX

The table provides an indicative overview of early plans for FI implementation in 2014-20 in selected Member States (where known). The information has been collected through various EPRC research programmes during 2015.

Member State	Indicative plans
Austria	Only one co-financed FI, implemented at regional (<i>Land</i>) level. <i>Oberösterreich</i> will continue the <i>OÖ HightechFonds</i> . Burgenland will not continue using ERDF funding for its FI as there is no need due to its revolving character, also Burgenland's funding to be reduced by 60% due to move from Convergence/Phasing out to Transition status.
Belgium	Flanders is not planning to implement FIs under ERDF (as in 2007-13), Wallonia may use FIs under three priorities in the ERDF OP.
Bulgaria	Large FI portfolio planned. e.g. under the Innovation and Competitiveness OP, FIs are included under all objectives. A national fund of funds is being established as a management structure to centrally govern all FIs, under the supervision of Minister of Finance. The aim is to develop local capacity to manage FIs.
Croatia	No decision on use of FIs but envisaged under Competitiveness and Cohesion OP (SMEs, energy, sustainable urban development and RDI). Probably not in RTDI. Under Efficient Human Resources OP FIs should be used in the fields of business competitiveness, employment and social enterprise. Have identified potential intermediaries and discussions with COM underway on selection procedures as COM guidance is unclear.
Czech Republic	7/10 MAs plan to implement FIs, four ex ante assessments so far complete. Planned allocation of €2.4 billion (10% of ESI Fund allocations). Major budget increase expected under the OP for Enterprise and Innovation for Competitiveness. Integrated Regional OP continues with similar approach as in the past, OP Prague-Growth Pole of the Czech Republic might exploit experience from the OP Enterprise as the themes are very similar (risk capital for innovation, research and development). OP Environment intends to introduce financial tool combining grant and loans (for waste industry, power engineering, local heating emissions), FIs under ESF also being considered.
Denmark	Use of FIs is an option within two of the priority axes of the new ERDF OP and one of the axes of the ESF OP. Ex-ante assessment recommended different options: national FI or a two-tier structure with one unit for East and one for West Denmark, as well as a multi-tier approach, with regions cooperating with the national Growth Fund (<i>Vækstfonden</i>). Decision expected in spring of 2016 following consultations. Some concern that FIs would need to prove additionality to national Growth Fund. Current agreement that if implemented, FIs will be nationwide, i.e. although an FI may be based in the south Jutland region it will be open for companies nationwide. Growth Fora of the mid- and south Jutland regions would like to allocate DKK 50 million each for FIs. Other regions are not currently interested in FIs.
Estonia	€60 million planned for FIs. Renovation loan programme will not be continued in 2014-20; however, MA is prepared to quickly set up the FI again, if market conditions deteriorate.
Finland	National FIs (i.e. loans and interest rebates by Finnvera) will not be continued. Regional OPs had been 'obliged' to a certain extent to invest in the funds of Finnvera. This funding was effectively seen as 'lost' to the regions, as Finnvera was not transparent about how it was spent or results (citing commercial confidentiality). Criticism of high administration costs of FIs. It is not clear whether there will be any co-financed regional FIs (local venture capital) such as the Northern Start-up Fund II which operated in Oulu in 2007-13, as funding for any follow-on FI in Oulu will be sought from domestic sources only. Additional OP funding may be available for FIs from 2017 due to discontinuation of national Innovative Cities (INKA) programme, for which 10% of OP funding had been earmarked.
France	Eight ex ante assessments completed, six more should be completed in the course of November. Several other regions should be ready later on in the period as tenders have been recently published. Around 5% of ERDF will be allocated through FIs, increased from 2% in

Member State	Indicative plans
	2007-13. Most concern TOs 1, 3, 4 and 6. No FI is yet ready to run, except a co-investment FI in Bretagne. The choice of as to which FIs to implement is expected after the regional elections in December 2015.
Germany	Diverse approaches being taken within the German <i>Länder</i> . For example, Nordrhein-Westfalen will proceed with new Urban Development Fund. Also considering Combined Heat and Power FI, temporarily blocked due to changes in domestic law which may lead to possible changes in the market. Thus may need to revise the plans and/or the ex-ante assessment for the FI. Ex ante assessment for SME support has recently been launched.
Greece	Three ex ante assessments have been carried out but they are being reformulated and it is uncertain whether they will be used as they are or not. The assessments cover one theme each: JESSICA, energy issues and entrepreneurship but they are considered outdated since they were conducted before the events of 2015 and it is likely that they will be wholly revised or replaced by a single ex ante assessment. In the meantime, there is no decision on the budget yet.
Hungary	Significant growth in FIs planned, with five times more OPs planning FI use. JEREMIE 2 planned under Economic Development and Innovation OP, with mainly loan and guarantee FIs but also equity. 12 FIs launching 2015, including R&D&I, ICT, SME support. Grant/loan combinations proposed.
Ireland	Under the BMW and S&E OPs, use of FIs is currently neither foreseen nor ruled out. Potential for co-funding of FIs for resource efficiency and sustainable urban development were investigated and rejected in both regions.
Italy	FIs foreseen for all measures. For example, potentially five FIs in Sardinia, including a follow-on JESSICA Fund, a guarantee fund, a micro-credit FI, an equity fund, and a co-investment innovative loans fund.
Latvia	Support for innovative enterprises and energy efficiency envisaged under Growth and Jobs OP.
Lithuania	>€567 million planned for FIs (including business support, energy efficiency and possible public infrastructure). Under ESF, modified Entrepreneurship Promotion Fund planned.
Luxembourg	ERDF MA does not intend to use FIs due to low level of resources and administrative complexity.
Malta	Participating in EU-level SME Initiative. Possible FIs for SME support and energy efficiency/RES depending on results of ex ante assessment.
Netherlands	Open to increased use of FIs in OPs, but only one regional OP (West) contains provisions for use of FIs currently.
Poland	In Poland, increasing use of FIs is planned, although the picture varies across regions. Ex ante assessment process completed in two phases and is currently being updated. Pomorskie planning to commit €141 million on FIs in ROP (c.11% ERDF) on an expanded range of FIs, including support for SMEs, revitalisation, energy (renewable energy investments/sources, energy efficiency) and medium-sized enterprises.
Portugal	Ex ante assessments for business support and urban regeneration FIs concluded, while the social domain and energy and resource efficiency FI ex-antes were due by end of October 2015. Implementation of FIs not started, but two regulations approving equity and guarantee FIs approved in October 2015, concerning FIs to be set up under the national OP COMPETE 2020 and five regional OPs.
Romania	As well as a further JEREMIE, a JESSICA-type FI will also be implemented.
Slovakia	Ex ante assessment covered ERDF, CF and ESF. Funding allocated to FIs represents 3% of OP allocations in each OP (Integrated Infrastructure, Quality of Environment, Integrated

Member State	Indicative plans
	Regional OP, Research & Innovation, Human Resources). Five funds planned (Infrastructure Fund, Waste Management and Energy Production Fund, Energy Efficiency Fund, SME Fund, Social Economy Fund).
Slovenia	FIs mainly planned in the area of SME support (as in 2007-13), but increasing the focus on SMEs in rural areas. FIs will also be used for renewable energy. The ex ante assessment will be completed by the end of 2015. A substantial increase of funding to FIs is expected (between €40-50 million a year instead of €15-20 million a year in 2007-13).
Spain	Participating in EU-level SME initiative. FIs also being strengthened in some regional OPs (e.g. Andalucía, Catalonia), impact of regional-level contributions to EU SME initiative yet to be determined.
Sweden	Consideration being given to introduction of Fund of Funds model with EIF as fund manager.
United Kingdom	<p>New Fund of Funds to receive €40m ERDF in Scotland. In England, the MA currently anticipates around €882 million ERDF (24 percent of the total programme allocation), to be allocated to FIs, and a call for proposals was to be launched in October.</p> <p>Framework ex ante across England organised by EIB. Concentrating first on SME support FIs. Still at early stage. The MA is committed to using a range of FIs during the 2014-20 England ERDF programme, and expects the budget to be higher than in 2007-13. The MA currently anticipates around €882 million ERDF (24% of the total programme allocation), to be allocated to FIs. A programme of communication activities to raise awareness around the country was launched in July, with the first calls for proposals to be launched in October. London devoting large proportion of OP resources to FIs (JESSICA and SME finance).</p> <p>Wales proposing pan-Wales equity, debt and co-investment funds covering two (ERDF) OPs and two objectives in each OP, which they hope to launch through Finance Wales in early 2016.</p> <p>Northern Ireland co-investment scheme up and running.</p>