

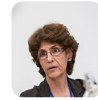
inet bulletin

Improving the management of Structural Funds programmes



Workshop 1

Launching the 2014-20 programme period



Making the new programmes relevant and effective

Welcome to the 18th issue of the IQ-Net Bulletin



As we move through the last quarter of 2014, the three years of policy negotiation and programming are coming to a head in many Member States. At the time of writing in late October, the majority of Partnership Agreements have been approved but only six Operational Programmes

have been adopted (Denmark, Latvia, 3 German OPs). 96 percent of all REGIO-led OPs have been submitted but are still being negotiated.

The Commission is negotiating on the basis that quality should not be sacrificed for speed, in the words of former Commissioner Johannes Hahn. For many it has been a lengthy and complex process. The key issues in the negotiations relate to thematic concentration, indicator definition and results-orientation, and ex ante conditionalities (e.g. smart specialisation strategies). While in some countries, programmes have been launched, unresolved issues have led to delays in other cases. At the same time, programme managers are often coping with a dual workload given the demands associated with the closure of the 2007-13 programmes.

Against this background the IQ-Net Network has recently discussed two topics that are high on the agenda of programme managers and are expected to remain important throughout the 2014-20 programme period: project generation and selection and results-orientation requirements (see p.3); and EU Cohesion policy and youth (un)employment (see p.6).

The newly introduced **results-orientation concept and its application during project generation and selection** were the foci of the IQ-Net Conference in East Jutland (Denmark). Managing authorities are adapting project appraisal and selection procedures to increase the focus on results and make them more selective. But there remain questions over the definition of results-orientation and how the concept works in a Cohesion policy context. Fundamentally, there is a tension between the emphasis on strategic programme performance, which may be achieved through more innovative or complex projects, and the need to provide evidence of programme achievements, potentially resulting in safer, smaller projects. Managing authorities underline the need for flexibility and early involvement of

beneficiaries, including the discussion of targets. They are cautious regarding the use of sanctions, while compliance remains a key issue. At the Conference, Alida Staicu from DG REGIO provided insights into the particularities of programme negotiation and practical examples identified during the dialogue with Member States. Despite Commission pressure during the negotiations, it remains to be seen in how far this new approach will translate into a change of practice on the ground.

Thinking on how to **tackle youth (un)employment in the context of Cohesion policy** started in the 2007-13 programme period and has intensified in the preparations for 2014-20. IQ-Net research highlights the need for a pragmatic response, especially where there are gaps in the educational and training infrastructure, and to ensure supportive and complementary policy frameworks that promote demand for young workers as well as supply of young people with a mix of qualifications. According to programme managers, it is crucial to develop a variety of complementary approaches, e.g. combining SME aid with support schemes. There are, however, concerns that greater thematic concentration may make it more difficult to support broader forms of youth employment or social inclusion measures. These and other issues were examined at an IQ-Net Conference in Stirlingshire (Scotland) supported by a Commission intervention by Teresa Regio (DG EMPL) and practical examples by partners from Finland, Vlaanderen and Wales.

This Bulletin provides a flavour of the research papers prepared for the IQ-Net meetings, as well as the partner discussions. It also provides an example of one of the interesting case studies of the results-orientation approach taken from Wales (see pp.4/5); others from Czech Republic, Denmark, Nordrhein-Westfalen, Śląskie, Vlaanderen and Wallonie are available on the IQ-Net website. In addition, this Bulletin includes references to studies carried out under the leadership of IQ-Net Partners, and academic resources for further reading (see p.7).

Launched in 1996, the IQ-Net network is currently in its sixth phase, which will run until mid-2017. It facilitates exchange of experience among partners from 12 Member States. Further details are available via the IQ-Net website (www.eprc.strath.ac.uk/iqnet/). As ever, feedback on all the issues in this Bulletin is most welcome.

Professor John Bachtler
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EPRC research on administrative capacity

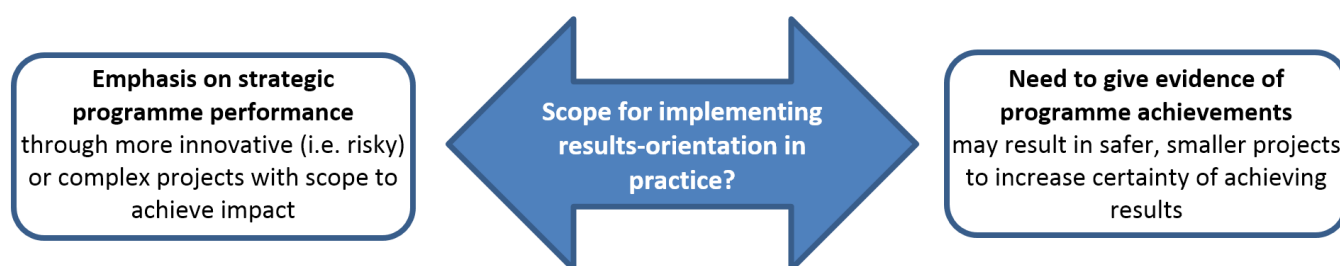


Administrative capacity-building and EU Cohesion policy is the topic of a three-year study being led by EPRC together with colleagues at Strathclyde and Warsaw universities. Funded with an EIB University Research Scholarship, the research is investigating differences in administrative capacity for implementing Cohesion policy across the EU, and strategies for building sustainable capacity. EPRC is also collaborating with T33 in the context of the Italian EU Presidency and the EUPAN (an informal network of the Directors General responsible for Public Administration in the Member States of the EU, the European Commission and observer countries). The team are assisting the Italian Department for Public Administration with the development of a thematic paper and guidelines on institutional and administrative capacity.

Project generation and selection in Cohesion policy and the results-orientation requirements for 2014-20

The introduction of results-orientation has been one of the novelties of the 2014-20 programme period. But although project selection is supposed to be at the heart of programme implementation, guidance on how to ensure that projects contribute to results-orientation is scarce. Exchanges on this topic took place among IQ-Net partners at the 36th IQ-Net meeting in East Jutland, Denmark. While managing authorities foresee that the importance of results-orientation will increase, there remain questions over how to apply the concept in practice:

- **A complex environment for implementing results-orientation:** Although there may be benefits in terms of greater transparency and simplification, there are overriding concerns over absorption and compliance when selecting projects (notably State aid and public procurement rules). The domestic context can add to the complexity, especially where legal frameworks are inconsistent/ in flux or where responsibilities and coordination arrangements are unclear. The scope to generate high-potential projects also depends on the wider economic, fiscal and policy environment. More fundamentally, a change in political and administrative culture is needed in some countries in order to translate results-orientation into practice.
- **Approaching results-orientation at project level:** The definition of results-orientation is not straightforward – what is intended to be changed, what is the timeframe, what is the role of learning? How does results-orientation work in a Cohesion policy context, which is characterised by a strong focus on accountability and control? The need to measure and give evidence of performance over the short term (i.e. the programme period) may prevent programme authorities from funding projects with the potential to initiate real change, especially risky and more complex interventions. There are also wider concerns about the practicability of the performance framework, notably the requirement to prove a causal relationship between Cohesion policy support and change at programme level.



Across the board, programme managers are adapting appraisal and selection procedures to increase the focus on results and make them more selective. There is a widespread view that more strategic and integrated interventions will promote the focus on results. Beneficiaries will see expectations increase with a greater focus on anticipated achievements from the application stage. They will be required to provide greater detail, to define causal chains and to deal with more complex indicators. There are also plans to make greater use of sanctions based on payment by results, by withdrawing funds or deselecting operations if initial commitments are not met. Finally, cost considerations receive greater attention to improve understanding of project deliverables.

Workshop discussions: feedback from the IQ-Net partners

- **Flexibility is important:** There is no one-size-fits-all approach to results-orientation and there are important differences between small and large, multi-fund programmes. It is crucial to keep implementation models stable, but there is a need for flexibility when it comes to defining/adjusting expected results.
- **Beneficiaries need to be involved from the start:** Bottom-up association to strategy development helps increase awareness of programme objectives. Good monitoring and regular contact are crucial during project implementation.
- **The contribution to targets needs to be discussed at the outset:** It needs to be decided what should be included in funding contracts (only output or also result indicators). It is important to assess beneficiary capacity to deliver, with the option to divide larger projects into stages with separate targets.
- **The use of sanctions is not practical:** They are difficult to justify due to the influence of other factors. They may have a deterring effect, especially in the case of innovative projects, and enforcement is complex and delicate. However, accountability can be expected from beneficiaries in terms of the learning process, e.g. in case of failed projects.
- **How to deal with compliance:** This remains a key issue and financial simplification is essential – flat rates can be a suitable solution but their application can be challenging (especially with regards to unit costs).



The briefing paper, written by Frederike Gross and Laura Polverari (May 2014), can be downloaded here:
<http://tinyurl.com/mczud6l>

Case study: The Operation Logic Table in Wales

An important component of results-orientation in the 2014-20 programmes in Wales has been to extend the intervention logic approach down to project level. Results-orientation is understood as demonstrating that interventions are achieving what is set out in the programme, a logical progression between the thematic objectives to the actions that projects are implementing, and being able to measure what is being achieved. Applicants need to complete an 'Operation Logic Table' in line with the OP intervention logic.

In 2014-20, Wales will benefit from €2,144 million, divided between West Wales and the Valleys, a Less Developed Region (€1,783 million) and East Wales, a More Developed Region (€361 million). There will be four OPs, two (ERDF and ESF) in West Wales and two (ERDF and ESF) in East Wales.

NEW: 2-stage-process: Operation Logic Table and Business Plan

- The Operation Logic Table replicates the former Expression of Interest, but is not a formal part of the process.
- The number of project selection criteria has been reduced and streamlined; they will be applied in a staged process.
- What were called projects in 2007-13 will now be called 'operations' in line with EC regulatory terminology.
- 'Operations' can have multiple projects within them, e.g. a regeneration operation composed of a renewal scheme project which is procured, a landscaping scheme project and an aid scheme project. Projects will each have single beneficiaries/activities.
- There will be one logic table for ERDF applications and one for ESF.

Stage 1: Operation Logic Table

'Structured conversation' between applicant and development officers at pre-planning stage to

1) prove logical link between specific objectives and final outcomes

Specify how objectives will be achieved and potential contribution towards programme indicators

Purpose: Gauge whether the proposed operation has clear objectives and a clear understanding of how they would be achieved

2) prove logical link between targeted sector/groups and particular barriers faced and/or opportunities present for those groups

Specify actions to be undertaken to overcome barriers/realise opportunities; and how the operation would align and add value to the demand drivers under Wales' Economic Prioritisation Framework (EPF)

Purpose: Gauge whether the proposed operation understands the need and target groups/sector for the proposed operation and how it would align effectively with the demand drivers and existing provision under the EPF

Proposal is
viable

Proposal is not
viable

Informal application process

Formal application process

Stage 2: Business Plan

Core selection criteria (3), each with specific evidence requirements:

- 1) Strategic fit
- 2) Delivery arrangements
- 3) Financial aspects and compliance

**Positive
assessment**

**Negative
assessment**

Additional key selection criteria (6), each with specific evidence requirements

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**Example of further criterion 'Indicators and Outcomes'. Criteria rating based on:
Detailed narrative of the expected outputs, results and impacts, including**

- analysis of predicted longer-term benefits;
- short and medium term outputs and results and associated targets;
- details of the activities that will be undertaken to achieve these.

A clear logical flow should be demonstrated between the planned activities, the short and medium-term indicator achievement and the long-term benefits. Details of the identified post responsible for delivery and monitoring of each identified indicator must be provided.

An attached delivery profile must include achievement of all key activities, indicators and outcomes in a set of realistically timetabled milestones over the duration of the operation. A monitoring and evaluation plan must also be included.

As in 2007-13, the scoring framework will be based on high, medium, low and minimal rankings; consistent use of criteria ratings will be ensured.

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✓Project approval

Guidance documents

Applying for EU Funding – Part 1: The Pre-Planning Stage: First Contact with WEFO and Completing the Operation Logic Table <http://wales.gov.uk/docs/wefo/publications/140325applyingforfundingpart1en.pdf>
Proposed Application Process for 2014-2020 Programmes: Draft Q&A for WEFO Beneficiaries <http://wales.gov.uk/docs/wefo/publications/applyingforfundingguidance/140117qandaapplyingforfundsden.pdf>
Initial guidance document: the 2014-2020 appraisal process <http://wales.gov.uk/docs/wefo/publications/140117appraisalprocessguidanceen.pdf>

Other case studies on interesting approaches to results-orientation were prepared for the Czech Republic, Denmark, Nordrhein-Westfalen, Śląskie, Vlaanderen and Wallonie and are available at http://www.eprc.strath.ac.uk/iquet/Research_Posters.php

EU Cohesion policy and youth (un)employment



What is the role of Cohesion policy in combating youth unemployment? Related issues were discussed by IQ-Net partners from 13 countries when they met for the 35th IQ-Net conference in Stirlingshire, Scotland, in December 2013. Cohesion policy has been an important component of the EU response to youth unemployment since 2007. This focus has been increasing in preparation of the 2014-20 period due to the deterioration in youth unemployment rates in a number of Member States, notably through the introduction of the EU Youth Employment Initiative (YEI). Looking back at the experiences made in the 2007-13 period, IQ-Net partners have encountered challenges to the design and implementation of youth employment interventions. When programming for 2014-20 it is therefore important to ensure the following:

A needs-based, pragmatic response

- sound analysis and diagnosis of the causes of youth unemployment, and the effects of policy interventions;
- targeted solutions, taking account of needs of different target groups and, where appropriate, demands of business and other employers (e.g. via consultation with end-users of services, tracking of young people through education / training in order to facilitate early intervention);
- realistic ambitions of what EU programmes can achieve in the setting of objectives and targets, especially where there are gaps in the educational and training infrastructure.

Supportive and complementary policy frameworks

- policy frameworks that facilitate robust demand for young workers and promote supply of young people with a mix of qualifications, broader skills and work experience;
- complementarity between EU and domestic policies to maximise added value and avoid duplication;
- effective coordination across levels of government and agencies / organisations (including between ERDF and ESF);
- supportive regulatory frameworks and administrative procedures, notably simple and streamlined requirements for beneficiaries and investment in administrative capacity.

Workshop discussions: feedback from the IQ-Net partners

- **Improving ERDF-ESF complementarity in youth (un)employment interventions:** Complementary approaches have been effective, combining SME aid with direct support to young people. This can be done by building in youth employment conditionalities to investment aid. Awareness raising among firms is key to enhance the demand side. It is also important to guarantee a sufficient duration of employment for young people to prevent their return to unemployment. ITIs are seen as a potential means to combine ERDF and ESF support, especially in deprived urban areas with high levels of youth unemployment and/or NEETs.
- **Good practice methods in youth employment projects:** A varied range of interventions are needed to account for the variety of young persons' goals, circumstances and skill levels, e.g. through thematic youth workshops, initiatives to reduce early school leaving rates and the provision of parallel/alternative learning environments. Short-term or modular training/ education courses are well suited to respond to labour market needs, but course content must be regularly updated.
- **2014-20 programme design issues relating to youth (un)employment:** There are concerns that greater thematic concentration may make it more difficult to support broader forms of youth employment or social inclusion measures. Also, administrative burden and compliance issues can lead to lower engagement by potential beneficiaries. It is necessary to keep eligibility requirements broad to ensure that those most in need of support are not excluded. In terms of results-measurement, regulatory requirements for monitoring are not appropriate to capture individuals' long-term progression. Common output indicators can be too broad and short term; they may not be ambitious enough in order to satisfy Performance Framework conditions.

IQ-Net delegates learn about the Falkirk Approach to employability and visit the Prince's Trust youth charity



IQ-Net partners with young people helped by the Prince's Trust

At the Stirlingshire IQ-Net meeting, representatives of Falkirk Council introduced programme managers to their all-Council approach to support school leavers and unemployed young people. Falkirk Council takes on a key role as an employer, purchaser, developer and service provider. As part of this, SME support is provided by Business Gateway Plus co-funded by ERDF, in coordination with targeted youth employment schemes co-funded by ESF (e.g. contribution to wage costs, work-based training).

Delegates also gained practical insights into the work of one of Britain's main youth charities, the Prince's Trust. Organised by the Trust's Edinburgh Centre, they heard a series of inspiring personal stories by young people helped by the Trust as well as presentations by mentors and employers. There was also a keynote Q&A session with the Scottish Government Minister for Youth Employment, Angela Constance MSP. For more information on the Trust's work, which is part-funded by ESF, visit: <http://tinyurl.com/qfp5sq>

The briefing paper, written by Sara Davies and Stephen Miller (December 2013), can be downloaded here: <http://tinyurl.com/ko96les>

Interesting studies and evaluations commissioned by IQ-Net Partners

Evaluation of objectives, instruments and effects of Structural Funds in Denmark (2013)

In preparation of the 2014-20 programme period, this evaluation assesses projects implemented in 2007-13 in terms of their objectives, instruments and effects by drawing on project-level studies. According to the study, it is not always straightforward to identify the goal of a project, and that project impact is mostly assessed without considering the cost of the intervention. It concludes with recommendations regarding the type of instrument to be prioritised in 2014-20. <http://tinyurl.com/o5t8op7> (Danish with English summary)

Preliminary analysis of integrated territorial approaches in France (2013)

This study was commissioned in order to help with preparing the 2014-20 programmes with regards to an integrated approach to the use of Cohesion policy. It analyses similar approaches implemented in France in 2007-13 via a number of case studies, draws out the main features of the new tools (ITI and CLLD) and examines the expectations of stakeholders on the ground. It also formulates proposals and recommendations for the implementation of ITI and CLLD in 2014-20. <http://tinyurl.com/lpc9ymw> (French)

Horizon 2020 scoping study to inform decision-makers in Wales (2014)

The Welsh European Funding Office (WEFO) set up a Horizon 2020 Unit in January 2013. The Horizon 2020 Scoping Study was designed to inform WEFO's decisions on how best to support Welsh organisations to maximise their uptake of the opportunities provided through Horizon 2020; to identify specific support needs of Welsh organisations; and to provide options for the structure and role of the Horizon 2020 Unit and its work with partners in Wales, the UK and the EU. <http://tinyurl.com/lo43rya> (English)

For further reading...

EU Cohesion policy and European integration: the dynamics of EU budget and regional policy reform (2013)



Drawing on a decade of EPRC research on the EU budget and Cohesion policy reform, John Bachtler, Carlos Mendez and Fiona Wishlade have published a new book on "EU Cohesion Policy and European Integration: The Dynamics of EU Budget and Regional Policy Reform". The book provides a comprehensive and theoretically-informed analysis of how Cohesion policy has evolved over time. Based on extensive, EU-wide research over a ten-year period, the book provides new insights into both the process and outcomes of EU policy reform. The book presents original research in an accessible format for anyone interested in EU policies and policy processes. Further details are available here: <http://tinyurl.com/knwym26>

An assessment of multi-level governance in Cohesion policy 2007-13 (2014)



This study for the European Parliament, produced together with Metis GmbH, provides an in-depth analysis of multi-level governance in Cohesion policy in 2007-13. It examines the evolution of the concept and previous practices of implementing it across the EU, including a comparative analysis of partnership-working in nine programme case studies across the various stages of the policy cycle. The study identifies the advantages and disadvantages of partnership-working and formulates strategic and operational recommendations in the context of the preparation of the 2014-20 programme period. It can be downloaded from the website of the European Parliament: <http://tinyurl.com/l7bq6ul>

Balance of competences cohesion review for the English Department for Business, Innovation & Skills (2014)



EPRC has conducted a literature review of EU Cohesion policy as part of the UK Government's 'Balance of Competences Review'. Launched in 2012, the Review is "an audit of what the EU does and how it affects the UK". The review of EU Cohesion policy was launched by the UK Department of Business, Innovation & Skills with a consultation in Autumn 2013 and completed in July 2014. As a contribution to the review, EPRC was commissioned to assess the evidence on EU Cohesion policy concerning whether and to what extent policy objectives have been met, and whether the Funds delivered value for money. The study also considered EU infrastructure spend, specifically Trans-European Networks. The full research paper is available here: <http://tinyurl.com/odjylko>

Issue 2/14 of EStIF journal now available



The latest edition of the European Structural and Investment Funds Journal (EStIF) includes a series of articles discussing the challenges of the new 2014-20 programme period, for instance on

- the European Parliament's Role in the Interinstitutional Negotiations for the Legislative Package 2014-20 (Miguel Tell Cremades);
- New Challenges for Structural Funds: The New Territorial Capital Approach (Nicola Francesco Dotti and Rocco Bubbico);
- Structural Programme Loans: Blending ESI Funds with EIB Loans (Eugenia Kazamaki Ottersten and Maria K. Sioliou); and
- Unification and Simplification of ESI Funds Management (Daina Belicka).

To order the latest issue or to become a subscriber: <http://tinyurl.com/o9sfefh>

What is IQ-Net?

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policy-makers and
practitioners at
regional, national
and Commission
level



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authorities

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plenaries, small group
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