

UNIVERSITY OF
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The New Structural Fund Regulations: Preparing for the new Programmes

IQ-Net Thematic Paper 5(1)

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***IQ-Net
Improving the Quality of Structural Fund
Programming through Exchange of
Experience***

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Preface

IQ-Net: Networking to improve the quality of Objective 2 programmes

Launched in early 1996 and managed by the *European Policies Research Centre* (EPRC) at the University of Strathclyde in Glasgow, the network *IQ-Net* facilitates exchange of experience in the development, implementation and evaluation of Objective 2 programmes. Funded by a consortium of 13 Objective 2 areas and the European Commission (DG XVI), the network meets twice a year to examine issues of practical relevance to programme-makers and share examples of good, innovative and distinctive practice from across the EU. The sixth and most recent meeting was held in Semmering, hosted by the Lower Austrian government. Meetings provide the opportunity to discuss the results of a structured programme of applied research and debate, steered by the network's partner regions.

- Steiermark and Niederösterreich, Austria
- Nordjylland, Denmark
- Päijät-Häme and South Karelia, Finland
- Aquitaine, France
- Nordrhein Westfalen and Saarland, Germany
- Ångermanlandskusten and Fyrstad, Sweden
- Industrial South Wales and Western Scotland, UK

Previous meetings have been held in Glasgow, in association with Strathclyde European Partnership (February 1996), in Cardiff, hosted by the Welsh Office and Welsh Development Agency (September 1996), in Gelsenkirchen, Nordrhein Westfalen, hosted by the Land Government of Nordrhein Westfalen (April 1997), in Fyrstad, hosted by the Fyrstad Objective 2 secretariat, and in Bordeaux, hosted by the Aquitaine SGAR and Regional Council.

IQ-Net Thematic Papers

This document contains the fifth series of thematic papers, produced by EPRC in spring 1998 as part of *IQ-Net*'s applied research programme and presented at the Semmering conference:

- 5.1: The new Structural Fund Regulations – preparing for the new Programmes
- 5.2: Wish you were here? Tourism and the Structural Funds
- 5.3: Objective 2 Programming in Austria: Lower Austria and Styria

Previous papers in the series have been on the following themes:

Series 1: Cardiff	Series 2: Nordrhein Westfalen
1.1: Managing the Structural Funds, Institutionalising Good Practice	2.1: Interim Evaluation
1.2: RTD/Innovation Policies in Objective 2 Programmes	2.2: Synergy between the ERDF and ESF
1.3: Generating Good Projects	2.3: The Environment in Objective 2
1.4: Monitoring and Evaluation	2.4: The Nordrhein Westfalen Objective 2 Programme

Series 3: Fyrstad	Series 4: Aquitaine
3.1: The Evolution of Objective 2 Programmes	4.1: The new Structural Fund Regulations – Current Debates
3.2: Integrating Equal Opportunities into Objective 2 Programmes	4.2: Employment and the Structural Funds – Making a Good Job of making Jobs

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|---|--|
| 3.3: Meso-Level Partnerships and Structural Fund Implementation | 4.3: Thinking Strategically – RTD and Objective 2 Programmes |
| 3.4: Objective 2 Programming in Fyrstad, Sweden | 4.4: Objective 2 Programming in Aquitaine, France |

Focusing on topics selected by the network's partner regions, each paper places issues in their international context, raises questions for debate and highlights distinctive and innovative practices. For the convenience of readers, executive summaries are included in French, German and English.

Papers are first drafted on the basis of field research (encompassing interviews with Objective 2 programme managers and partners at regional, Member State and Commission levels) and substantial desk research. They are then modified to reflect the discussions of the *IQ-Net* meeting and the comments of network sponsors. The papers are distributed to a wide group of people nominated by the sponsors. The EPRC welcomes comment and feedback on them.

Readers are reminded that the content of the papers does not necessarily represent the official position of either the partner regions or the Commission, and that errors of fact or interpretation are the responsibility of the authors alone.

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Further Information

Additional copies of papers and further information on *IQ-Net* can be obtained from John Bachtler and Sandra Taylor, managers of the network, at EPRC. The papers are also summarised in the '*IQ-Net Bulletin*', a newsletter co-financed by DG XVI and available from EPRC. Information about Objective 2 and *IQ-Net* is also available on the *IQ-Net* website at <http://www.eprc.strath.ac.uk/iquet/>.

New Structural Fund Programming: Laying the Foundations

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Executive Summaries

*The new Structural Fund Regulations –
preparing for the new Programmes*

*Les nouveaux Règlements des Fonds structurels –
Préparer les nouveaux Programmes*

*Die neuen Strukturfondsvorschriften –
Vorbereitung für die neuen Programme*

1. THE NEW STRUCTURAL FUND REGULATIONS – PREPARING FOR THE NEW PROGRAMMES

1.1 Introduction

Following publication of the draft Structural Fund regulations in March 1998, many of the key strategic decisions were postponed pending the outcome of the German elections. Since then, the budgetary debate has resumed, highlighting the continued polarisation of views between ‘net payers’ and the cohesion countries over the future size and scope of the Community budget. The Vienna European Council on 11-12 December 1998 made little progress in reconciling differences and its conclusions made clear that considerable further work was needed to reach agreement. To achieve the final adoption of the Agenda 2000 package before the European Parliament elections in June 1999, political agreement has to be reached by the Brussels Council meeting on 24-25 March 1999, under the German Presidency. This means that the negotiations of Structural Fund reform have now entered their final phase.

In the meantime, in the absence of political agreement on the ‘big issues’ of Agenda 2000, Member State authorities and Commission services have been progressing technical aspects of reform. Substantial progress has already been made by the Structural Actions Working Group in Brussels during the UK and Austrian Presidencies, on the draft regulation Articles on administration. Commission services have also prepared draft versions of their strategic priorities for the 2000-2006 period. In addition, the Commission’s area designation proposals have enabled technical work on indicators and criteria to continue, with assessments of potential national and regional impacts.

As the final phase of reform approaches, regions and localities have extended their activities from lobbying the Commission for eligibility to internal debates about the allocation of Structural Fund eligible areas. In addition, since late 1998, implementation issues and management arrangements have begun to receive attention, as regions consider the programming requirements of the new regulations. The main article summarises some of the preparations programming authorities and their partnerships have been making, highlighting a diversity of regional practice.

1.2 Issues shaping Programme Level Preparations

Over the past year, the preparations required for the next programming period have increasingly preoccupied Objective 2 programming authorities and their partnerships. Several important issues are highlighted in the paper.

First, awareness of the programming implications of the regulations is very variable among Objective 2 areas, preventing some from progressing their preparations. While there is no certainty at this stage about eligibility or the final content of the regulations, some programmes are being briefed more constantly and fully than others by their Member State authorities and EC desk officers. In some cases, programmes have received conflicting messages from national administrations and Commission services, further fuelling uncertainty. While the broad outlines of the information requirements in the regulations are evident, there has been considerable uncertainty about:

- the balance of information needed for the regional development plan and programme supplement, and the anticipated ‘fit’ of the two components;
- the guidance on horizontal priorities; and
- the interpretation of the quantification and *ex ante* appraisal provisions.

Objective 2 areas are concerned that these matters should be clarified speedily and in detail – to allow programme preparations to begin, and, over the coming year, to avoid unexpected requests for information and associated delays in approving the new programmes.

Second, notwithstanding the uncertainties, most Objective 2 areas have begun active planning for the new generation of programmes. In some areas, regional analyses have been launched, updating the SWOT or the regional profile. In others, working groups have been convened to begin determining strategic priorities. Objective 2 areas are investing in more evaluation than previously to guide the strategic direction and programming arrangements of the new SPDs. Several have launched thematic studies on strategic or organisational issues and most are either undertaking combined evaluations (comprising pre *ex post* evaluations of the 1994-96 period and interim evaluations of the 1997-99 programmes) or drawing on the lessons of previous evaluations. Studies have also been initiated at Member State level, and at EC-level to support programme development. Examples of the latter include a DG XVI pilot programme on sustainable development and a study on gender mainstreaming in the French, German and UK programmes.

Plans for managing programme development show that methods will often be different to previous rounds. Recurrent themes are ensuring wider consultation than before and seeking more tangible and active partner involvement. In Aquitaine, an open-ended process is underway in which strong partnership involvement will be used to derive new or improved policy orientations. The partners are helping to drive this trend, having become more closely involved and committed, and realising the significance of programme preparation for integrating their own priorities. Likewise in South Karelia, strategy development for business, rural and cross-border themes is being undertaken in partnership, through meetings and seminars. The best of the ideas generated will be assembled into a draft programme.

Third, while enhancements are being prepared, it appears likely that there will be strong continuity in the Objective 2 strategies which emerge – especially in the older Member States. For the ‘new’ Member States, the current phase represents the first opportunity for a reflective approach to establishing programme priorities, with a redefinition of strategic focus being considered in several cases. Most regions appear confident about continuing to promote the Commission’s horizontal priorities. Despite some concerns about policy overload, many have been developing increasingly mature approaches to the environment, equal opportunities, RTDI and job creation, and intend to build on past experience.

Some strategic reorientation will arise as a result of external developments, for example where parallel reviews of national regional development policies and strategies are in progress. This also provides opportunities for synergies between different development instruments and for a much more intensive,

extensive and participatory strategy development processes than might otherwise have emerged. In France, strong coherence will be sought between new *Contrats de Plan État Région* and future Structural Fund programmes. In Ångermanlandskusten, 'regional growth agreements' are being prepared which will integrate the actions of various regional actors in economic development. The government anticipates that appropriate initiatives highlighted here will be co-financed by the Structural Funds. The same is true in Denmark for the Nordjylland County Council regional development programme.

Fourth, effective programme management and efficient project delivery will be key challenges for programme managers, secretariats and partnerships in the coming programming period. The new regulations place great emphasis on systemic improvements to arrangements for programme delivery in terms of management information systems and the indicators they encompass. In almost every case, managing a wider partnership will also create new demands.

Views vary as to the management implications of merging Objectives 2 and 5b. Whereas the merger heralds a simplified approach to economic development for some (given the proximity and interrelationships between many current 2 and 5b areas), for others it may be more problematic, involving a meeting of different 'programming cultures'. In the UK, the 5b programmes are likely to have more difficulty adapting to the new Objective 2. These programmes have been subject to less modernisation and professionalisation than Objective 2, partnership is less developed, and there is a smaller and less active business community, fewer rural agencies and less experience of networking. The opposite view is held in France, where the Objective 5b programmes are in some cases better equipped, with longer experience of programming, more cohesive partnerships and more experience of tailoring policies to localities.

The key future challenges for many regions are regarded as operational. In most countries, continued processes of simplification and rationalisation of programming arrangements are underway, leading to fewer measures, greater sectoral focus, better co-ordination in managing and delivering programmes and increased partner involvement (especially of local actors). Across the EU, Objective 2 programmes have progressively been developing more integrated strategies, focusing more on softer measures and building in criteria to promote sustainable development and ensure equal opportunities. These trends have complicated the process of project delivery, requiring more intensive work with end-beneficiaries to ensure awareness and understanding of programme aims, priorities and award criteria and to bring forward the best quality projects. Under some 'soft' measures in the RTDI and business development fields, it has sometimes been difficult to generate sufficient applications, at least in the early stages of a programme. In the new programming period, this trend will intensify – with additional pressure from the new financial management regulations to commit funds timeously.

In a number of regions, concentration is being sought in the projects invited during future programming periods – with larger, or more clearly inter-connected projects, seeking explicit synergies. In Finland, programmes will

be shaped to accommodate fewer, but larger, co-operative projects – including multi-regional ones. In turn, a *lead project* approach has been proposed in Nordrhein Westfalen, which should allow greater focus if it goes ahead. This will concentrate resources into large, integrated project ideas (comprising multiple potential projects). It will also lead to a concentration in terms of sectors.

1.3 Conclusion

While work continues to prepare for new programming, the message from discussions with national and regional authorities in several Member States is that regions should plan for a delayed start to the new programmes. On the one hand, political agreement on the *Agenda 2000* package has a long way to go; the March 1999 deadline to complete negotiations is regarded as extremely ambitious. On the other hand, even if this deadline is met, expectations of preparing, negotiating and approving programmes within nine months are unrealistic. During the negotiations, Member States are pressing for the balance of time allocated to Member States (for plan preparation) and the Commission (for programme approval) to be realigned to give more time for regions to prepare their plans. This will compress further the limited time for Commission assessment and approval of plans; even with decisions taken at a strategic priority level, a meaningful assessment of programme objectives, indicators and targets is likely to take more time than will be available during 1999.

2. LES NOUVEAUX RÈGLEMENTS DES FONDS STRUCTURELS – PRÉPARER LES NOUVEAUX PROGRAMMES

2.1 Introduction

Bien que les propositions pour les nouveaux règlements des Fonds structurels aient été publiées en mars 1998, les décisions importantes furent reportées dans l'attente des résultats des élections allemandes. Depuis, les discussions budgétaires ont repris. Elles ont révélé une divergence d'opinions sur la taille et l'étendue du budget communautaire entre les États Membres qui sont des 'payeurs nets' et les États Membres qui bénéficient du fonds de cohésion. Ces différences d'opinion n'ont pu être réconciliées au Conseil Européen de Vienne des 11 et 12 décembre 1998 et il est clair, au vu de ses conclusions, qu'il reste encore beaucoup de travail à faire pour arriver à un accord. Pour pouvoir adopter le paquet de l'Agenda 2000 avant les élections du Parlement Européen en juin 1999, un accord politique doit être conclu au Conseil Européen des 24 et 25 mars 1999 sous la présidence allemande. Cela signifie que les négociations pour la réforme des Fonds structurels sont entrées dans leur phase finale.

En attendant, et en l'absence d'un accord politique sur les points essentiels de l'Agenda 2000, les autorités des États Membres et les services de la Commission ont avancé sur les aspects techniques de la réforme. Sous les présidences britannique et autrichienne, des progrès significatifs ont été réalisés sur les propositions d'articles relatives à l'administration des programmes. Les services de la Commission ont également préparés des propositions pour les priorités stratégiques pour la période 2000-2006. De plus, les propositions de la Commission pour la désignation des zones éligibles ont permis de continuer le travail technique sur les indicateurs et les critères mais également d'évaluer l'impact éventuel de ces derniers au niveau national et régional.

À l'approche de la phase finale de la réforme, les régions et les collectivités locales ont étendues leurs activités: du lobbying de la Commission afin d'être éligible aux Fonds structurels elles sont passées à l'organisation de débats internes sur l'allocation des zones éligibles aux Fonds structurels. Depuis la fin 1998, elles portent également leur attention sur les questions de mise en oeuvre et sur les modalités d'administration des programmes car elles s'intéressent aux nouvelles exigences de la programmation contenues dans les propositions de règlements. La version intégrale de cet article résume comment certaines autorités chargées de la programmation et les partenariats se préparent. Il met en lumière la diversité des pratiques régionales.

2.2 Questions influençant la Préparation des Programmes

Au cours de l'année passée, les autorités responsable de la programmation de l'Objectif 2 et leurs partenariats se sont, de manière croissante, préoccupés des préparations nécessaires en vue de la nouvelle période de programmation. Plusieurs questions importantes sont soulignées ici.

Tout d'abord, les zones d'Objectif 2 connaissent plus ou moins bien les conséquences qu'auront les nouveaux règlements sur la programmation. Cela en empêche certaines de faire des progrès en la matière. Bien qu'il n'y ait, à ce stade, aucune certitude quant à l'éligibilité ou au contenu définitif des règlements, certains responsables de programme sont tenus au courant de manière plus régulière et plus approfondie que d'autres par leurs autorités nationales et les rapporteurs de la Commission. Dans certains cas, les responsables de programme ont reçus des informations contradictoires de la part de leurs administrations nationales et des services de la Commission. Ceci alimente leurs incertitudes. Les grandes lignes de ce qui sera exigé dans les règlements sont connues mais il reste néanmoins beaucoup d'incertitudes à propos:

- du niveau d'informations à fournir dans les plans de développement régional et ensuite au moment de compléter le programme. Il existe aussi des incertitudes sur les modalités de passage de l'un à l'autre;
- des notes de la Commission sur les priorités horizontales; et
- de l'interprétation des dispositions relatives à l'évaluation quantitative et à l'évaluation *ex-ante*.

Les zones d'Objectif 2 souhaitent que ces questions soient clarifiées le plus rapidement possible et le soient de manière détaillée afin de permettre à la préparation des programmes de commencer. Cela éviterait aussi qu'au cours de l'année à venir, des informations supplémentaires soient demandées, ce qui entraînerait des délais dans l'adoption des programmes.

Deuxièmement, malgré les incertitudes, la plupart des zones d'Objectif 2 ont commencé à travailler sur la prochaine génération de programmes. Dans certaines zones, des études régionales ont été lancées dans le but de mettre à jour l'analyse des Forces, Faiblesses, Opportunités et Risques ou le profil régional. Dans d'autres, des groupes de travail ont été établis pour déterminer les priorités d'action. Les zones d'Objectif 2 investissent plus qu'auparavant dans des études d'évaluation afin de guider les choix politiques dans les programmes et les modalités de programmation des nouveaux DOCUP. Plusieurs zones ont lancé des études thématiques sur des questions stratégiques ou d'organisation. Soit les zones entreprennent des évaluations mixtes (qui comprennent des sortes d'évaluations *ex-post* pour la période 1994-96 et des évaluations intermédiaires pour les programmes 1997-99), soit elles tirent les leçons des évaluations précédentes. Des études ont aussi été initiées au niveau des États Membres et au niveau européen afin de contribuer au développement des programmes. Parmi ces dernières figurent un programme pilote de la DG XVI sur le développement durable et une étude sur l'intégration de la dimension de genre dans les programmes français, allemands et britanniques.

Il semblerait que l'administration du développement des programmes se fassent selon des méthodes différentes de celles utilisées au cours des cycles précédents. La récurrence des thèmes permet une consultation plus large et la recherche d'une participation des partenaires plus active et tangible qu'auparavant. En Aquitaine, un processus est mis en place par lequel une participation accrue du partenariat sera utilisée afin d'obtenir de nouvelles ou

de meilleures orientations politiques. Les partenaires contribuent au développement de cette pratique car ils sont devenus plus étroitement impliqués. Ils ont réalisé qu'il était important de participer à la préparation des programmes pour l'intégration de leurs propres priorités dans le programme. De même dans la région finlandaise de Karélie du sud, le développement stratégique de thèmes tels que les entreprises ou des thèmes ruraux ou inter-régionaux sont entrepris en partenariat à travers des réunions et des séminaires. Les meilleures idées seront prises en compte dans la proposition de programme.

Troisièmement, bien que des améliorations soient préparées, il semblerait qu'il y ait une forte continuité dans les stratégies d'Objectif 2 qui émergent - en particulier dans les États Membres traditionnels. Pour les "nouveaux" États Membres, la phase actuelle représente la première occasion de réfléchir à l'approche à prendre. Dans plusieurs cas, ils en profitent pour changer l'accent pris dans leurs stratégies. La plupart des régions semblent déterminées à poursuivre les priorités horizontales de la Commission. La plupart des régions ont développé des approches muries sur l'environnement, l'égalité des chances, la recherche et le développement technologique, l'innovation et la création d'emplois. Elles ont maintenant l'intention de bénéficier de leurs expériences passées.

Des changements d'orientations stratégiques apparaîtront à cause de facteurs externes, par exemple lorsque la révision des politiques nationales de développement régional et la révision des stratégies surviennent au même moment. Ceci peut permettre l'apparition de synergies entre les divers instruments et permet de définir un processus de développement des programmes plus intensif, plus vaste et impliquant une plus grande participation des partenaires. En France, une cohérence accrue entre les nouveaux Contrats de Plan État-Région et les nouveaux programmes des Fonds structurels sera recherchée. Dans la région d'Ångermanlandskusten, des "accords pour le développement régional" sont en cours de préparation et intégreront les interventions de plusieurs acteurs régionaux pour le développement économique. Le gouvernement anticipe que certaines de ces initiatives pourront être cofinancées par les Fonds structurels. Ceci est aussi vrai au Danemark pour la région du Jylland Nord où le conseil a adopté un programme de développement régional.

Quatrièmement, une administration efficace des programmes et un système efficient de mise en oeuvre des projets seront les défis clés pour les responsables de programmes, les secrétariats et les partenariats dans la période de programmation à venir. Les nouveaux règlements mettent l'accent sur une amélioration systématique des modalités de mise en oeuvre notamment en ce qui concerne les systèmes de gestion de l'information et leurs indicateurs. Dans tous les cas, administrer un partenariat plus vaste créera aussi de nouvelles demandes.

Les opinions varient sur les conséquences de la fusion des Objectifs 2 et 5b pour l'administration des programmes. Pour certains, cette fusion annonce une approche simplifiée du développement économique (étant donnée la proximité et les relations entre les zones d'Objectif 2 et d'Objectif 5b actuelles); pour d'autres elle pose plus de problèmes car elle implique la rencontre de "cultures

différentes de la programmation". Au Royaume Uni, il sera difficile d'adapter les programmes d'Objectif 5b à l'environnement du nouvel Objectif 2. Ces programmes n'ont pas fait l'objet de la même modernisation ni de la même professionnalisation que ceux de l'Objectif 2. Leurs partenariats sont moins développés. La communauté industrielle et commerciale est plus restreinte et moins active et il y a moins d'organisations rurales et moins d'expérience de travail en réseau. La France a une opinion différente car les programmes d'Objectif 5b sont dans certains cas mieux équipés. Ils ont parfois une plus longue expérience de la programmation, des partenariats plus cohésifs et plus d'expérience en terme d'adaptation des politiques au défi du terrain.

Pour beaucoup de régions, les défis clés à venir sont opératoires. Dans la plupart des États Membres, un processus de simplification et de rationalisation des modalités de programmation est en place. Cela résulte en un nombre réduit de mesures, en une meilleure coordination de l'administration et de la mise en oeuvre des programmes et en la participation accrue des partenaires (en particulier les acteurs locaux). A travers l'Union Européenne, des stratégies de plus en plus intégrées ont été développées dans les programmes d'Objectif 2, mettant l'accent sur des mesures plus souples et développant des critères pour promouvoir un développement durable et assurer l'égalité des chances. Ces tendances ont compliqué le système de mise en oeuvre des projets. Elles demandent un travail plus intensif avec les derniers bénéficiaires afin d'assurer qu'ils soient informés et comprennent les buts du programme, les priorités et les critères retenus pour l'éligibilité. Sous certaines mesures de la recherche, du développement technologique et de l'innovation mais également du développement des entreprises, il a parfois été difficile de générer suffisamment de demande de subventions au moins au début du programme. Dans la nouvelle période de programmation, cette tendance va s'intensifier - avec des contraintes supplémentaires dues aux nouvelles règles sur l'administration financière, d'engager les fonds dans le laps de temps requis.

Dans un certain nombre de régions, il est recherché une concentration des projets soumis dans les périodes de programmation à venir - avec des projets plus importants ou étant plus étroitement liés entre eux et qui recherchent les mêmes synergies. En Finlande, les programmes seront définis de telle manière à accommoder moins, mais de plus importants, projets coopératifs y compris des projets multirégionaux. De même, une approche de 'projets leader' a été proposée en Westphalie du Nord ce qui devrait permettre une plus grande focalisation si elle est acceptée. Cela permettra de concentrer les ressources sur des idées de projets plus larges et plus intégrés (y compris éventuellement des projets à multiples facettes). Cela débouchera également sur une concentration des secteurs concernés.

2.3 Conclusion

Alors que le travail de préparation pour la nouvelle période de programmation continue, le message qui ressort des entretiens avec les autorités nationales et régionales dans plusieurs États Membres est que les régions devraient prévoir un retard dans la date de mise en oeuvre des programmes. D'un côté, nous ne sommes pas encore à la veille d'un accord politique sur le paquet Agenda 2000; la date butoir de mars 1999 pour terminer les négociations est considérée comme extrêmement ambitieuse. D'un autre côté, même si la date limite est

respectée, il n'est pas réaliste d'espérer que les préparations et les négociations des programmes ainsi que les décisions sur leurs adoptions seront prises dans les neuf mois. Pendant les négociations, les États Membres font pression pour obtenir que le partage entre le temps imparti aux États Membres (pour la préparation des plans) et à la Commission (pour l'adoption des programmes) soit revu afin de donner plus de temps aux régions pour préparer leurs plans. Cela réduira encore le temps déjà limité dont dispose la Commission pour évaluer et adopter les plans; même avec des décisions prises au niveau des priorités stratégiques, une évaluation sérieuse des objectifs, des indicateurs et des buts des programmes est à même d'être plus longue que les délais disponibles en 1999.

3. DIE NEUEN STRUKTURFONDSVORSCHRIFTEN – VORBEREITUNG FÜR DIE NEUEN PROGRAMME

3.1 Einführung

Nach Veröffentlichung des Entwurfs der Strukturfondsvorschriften im März 1998 wurden viele der entscheidenden strategischen Entscheidungen im Hinblick auf die deutschen Wahlen und ihre Ergebnisse verschoben. Seither ist die Etatdebatte wieder aufgegriffen worden, wobei auch weiterhin die gegensätzlichen Standpunkte von "Nettozahlern" und Kohäsionsländern über die zukünftige Größe und den Umfang des Etats der Gemeinschaft deutlich werden. Die Wiener Europaratsitzung vom 11. bis 12. Dezember 1998 erzielte wenig Fortschritte, was eine Versöhnung der Unterschiede anbelangt, und die Abschlußreden zeigten, daß noch viel getan werden muß, bevor eine Einigung erzielt werden kann. Um die endgültige Annahme des Agenda 2000 Pakets vor den Wahlen zum Europäischen Parlament im Juni 1999 zu gewährleisten, muß auf der Brüsseler Ratssitzung am 24.-25. März 1999 unter deutschem Vorsitz eine politische Einigung erreicht werden. Dies bedeutet, daß die Verhandlungen über die Strukturfondsreform nun in ihre Abschlußphase getreten sind.

In der Zwischenzeit haben die Behörden der Mitgliedstaaten und Kommissionsdienste in Ermangelung einer politischen Einigung über die 'großen Fragen' der Agenda 2000 technische Aspekte der Reform vorangetrieben. Durch die Arbeitsgruppe für Strukturelle Aktionen in Brüssel während der britischen und österreichischen Präsidentschaft wurden bereits wesentliche Fortschritte bezüglich der im Vorschriftsentwurf enthaltenen Artikel ÜBER Verwaltung erzielt. Die Dienste der Kommission bereiteten auch Entwurfsversionen ihrer strategischen Prioritäten für die Periode 2000-2006 vor. Außerdem ermöglichten die Vorschläge der Kommission zur Gebietsabgrenzung die Fortsetzung der technischen Arbeit über Indikatoren und Kriterien mit Bewertungen potentieller nationaler und regionaler Auswirkungen.

Während die Abschlußphase der Reform näher rückt, dehnen Regionen und Gemeinden ihre Aktivitäten beim Lobbying der Kommission aus. Nachdem es bisher um die Zulassung zu internen Debatten über die Zuweisung zulässiger Strukturfondsgebiete ging, stehen seit Ende 1998 auch Umsetzungsfragen und Managementregelungen im Vordergrund, während die Regionen sich mit den Programmfordernissen der neuen Vorschriften beschäftigen. Der Hauptartikel faßt einige der Vorbereitungen der Programmbehörden und ihrer Partnerschaften zusammen, wobei sich recht unterschiedliche regionale Praktiken zeigen.

3.2 Themen zur Vorbereitung der Programmstufen

Im Laufe des letzten Jahres haben die Vorbereitungen, die für die nächste Programmperiode erforderlich sind, in zunehmendem Maße die Ziel 2 Programmbehörden und ihre Partnerschaften beschäftigt. In der Arbeit werden mehrere wichtige Fragen beleuchtet.

Erstens ist man sich in Ziel 2 Gebieten in recht unterschiedlichem Maße der Programm-implikationen der Vorschriften bewußt, wobei manche sich mit ihren Vorbereitungen wenig beeilen. Während man sich in dieser Phase weder über die Zulassung noch den endgültigen Gehalt der Vorschriften sicher ist, werden einige Programme regelmäßiger und intensiver als andere von den Behörden ihrer Mitgliedstaaten und von Schreibtischbeamten der Europäischen Kommission auf dem laufenden gehalten. In einigen Fällen kommen widersprüchliche Anweisungen von nationalen Verwaltungen und Kommissionsdiensten, was die Ungewißheit noch verstärkt. Während die allgemeinen Informationsanforderungen in den Vorschriften offensichtlich sind, besteht erhebliche Ungewißheit über:

- die Verteilung von Informationen für den regionalen Wirtschaftsförderungsplan und das Zusatzprogramm und wie die beiden Komponenten 'zusammenpassen';
- Richtlinien über horizontale Prioritäten; und
- die Interpretation der Quantifizierung und *Ex Ante* Bewertungsvorschriften.

Ziel 2 Gebiete wollen diese Fragen schnell und detailliert geklärt haben - damit mit den Programmvorbereitungen begonnen werden kann, und im kommenden Jahr unerwartete Informationswünsche und damit verbunden Verzögerungen der Billigung der neuen Programme vermieden werden können.

Zweitens haben trotz der Ungewißheit die meisten Ziel 2 Gebiete aktiv mit der Planung der neuen Generation von Programmen begonnen. In einigen Gebieten wurde mit regionalen Analysen begonnen, die 'SWOT' (regionale Analyse der Stärken, Schwächen, Gelegenheiten und Gefahren) oder das regionale Profil aktualisieren. In anderen wurden Arbeitsgruppen versammelt, um mit der Bestimmung strategischer Prioritäten zu beginnen. Ziel 2 Gebiete investieren mehr als zuvor in Evaluierungen, um die strategische Richtung und Programmvereinbarungen der neuen EPPD zu leiten. Mehrere haben mit thematischen Studien über strategische und organisatorische Fragen begonnen, und die meisten unternehmen entweder kombinierte Evaluierungen (die aus Evaluierungen vor der *Ex post* Periode 1994-96 sowie Interimevaluierungen der 1997-99 Programme bestehen) oder stützen sich auf Erkenntnisse früherer Evaluierungen. Zur Unterstützung der Programmentwicklungen wurden Studien auch auf der Ebene der Mitgliedstaaten initiiert, sowie auf EG-Ebene. Beispiele für die letztere sind ein Versuchsprogramm der GDXVI über nachhaltige Entwicklung und eine Studie über die systematische Berücksichtigung der unterschiedlichen Bedingungen für Frauen und Männer in den französischen, deutschen und britischen Programmen.

Pläne für die Leitung der Programmentwicklung zeigen, daß die Methoden sich oft von früheren Runden unterscheiden. Häufige Themen sind die Gewährleistung mehr ausgedehnter Unternehmensberatung als zuvor und das Engagement mehr erreichbarer und aktiver Partner. In Aquitaine wird durch starkes Partnerschaftsengagement versucht, neue oder verbesserte maßnahmepolitische Orientierung zu finden. Die Partner tragen zur Förderung des Trends bei, da sie enger beteiligt und engagiert sind und die Bedeutung der

Programm Vorbereitung für die Integration ihrer eigenen Prioritäten erkennen. Ebenso wird in Südkarelia die Strategieentwicklung für geschäftliche, ländliche und grenzüberschreitende Themen durch Tagungen und Seminare in Partnerschaft unternommen. Die besten dabei erzeugten Ideen werden zu einem Programmentwurf zusammengestellt.

Drittens werden zwar Verbesserungen vorbereitet, doch werden die entstehenden Ziel 2 Strategien höchstwahrscheinlich eine starke Kontinuität beweisen - besonders in den alten Mitgliedstaaten. Für die 'neuen Mitgliedstaaten' ist die derzeitige Phase die erste Gelegenheit für einen reflektiven Ansatz zur Festsetzung von Programmprioritäten, wobei in mehreren Fällen eine Neudefinition des strategischen Kern ins Auge gefaßt wird. Die meisten Regionen scheinen sicher zu sein, daß sie auch weiterhin die horizontalen Prioritäten der Kommission vertreten. Trotz gewisser Befürchtungen bezüglich einer Überbelastung der Maßnahmen haben viele Regionen vermehrt durchdachte Ideen im Hinblick auf Umwelt, Chancengleichheit, FTEI und Arbeitsplatzschaffung entwickelt und beabsichtigen, auf vergangenen Erfahrungen aufzubauen.

Aufgrund externer Entwicklungen wird sich eine gewisse strategische Neuorientierung ergeben, z.B. wo parallele Revisionen nationaler regionaler Wirtschaftsförderungsmaßnahmen und -strategien im Gange sind. Dies bietet auch Gelegenheit für Synergien zwischen verschiedenen Förderinstrumenten und für eine viel intensivere, extensivere und mehr mitbestimmende Strategieentwicklung als sich sonst vielleicht ergeben hätte. In Frankreich wird starke Kohärenz zwischen neuen *Contrats de Plan État Région* und zukünftigen Strukturfondsprogrammen angestrebt. In *Ångermanlandskusten* werden regionale Wachstumsabkommen vorbereitet, die die Operationen verschiedener regionaler Akteure der Wirtschaftsförderung integrieren werden. Die Regierung erwartet, daß geeignete Initiativen, die hier beleuchtet werden, von den Strukturfonds mitfinanziert werden.

Viertens werden effektives Programm-Management und effektive Projektpräsentation in der kommenden Programmperiode wichtige Herausforderungen für Programm-Manager, Sekretariate und Partnerschaften sein. Die neuen Vorschriften legen großen Wert auf systematische Verbesserungen der Arrangements für Programmpräsentation bezüglich der Managementinformationssysteme und der Indikatoren, die sie umfassen. Fast in jedem Falle wird das Management einer größeren Partnerschaft ebenfalls neue Anforderungen schaffen.

Es bestehen unterschiedliche Ansichten bezüglich der Managementimplikationen bei der Zusammenlegung von Ziel 2 und 5b. Während sie für einige Länder einen vereinfachten Ansatz zur Wirtschaftsförderung bringt (angesichts der Nähe und Beziehungen vieler derzeitiger Ziel 2 und 5b Gebiete) ist es für andere eventuell problematischer, wenn verschiedene 'Programmkulturen' zusammentreffen. Im Vereinigten Königreich haben die 5b Programme wahrscheinlich mehr Schwierigkeiten, sich dem neuen Ziel 2 anzupassen. Diese Programme erfuhren weniger Modernisierung und professionelle Leitung als Ziel 2, die Partnerschaft ist weniger entwickelt und es gibt eine kleinere weniger aktive Geschäftsgemeinde, weniger ländliche Agenturen und weniger Erfahrung mit

Verbindungsnetzen. Das Gegenteil gilt für Frankreich, wo die Ziel 5b Programme in einigen Fällen besser ausgerüstet sind, durch größere Erfahrung mit Programmen, kohäsiveren Partnerschaften und mehr Erfahrung bei der Zuschneidung von Maßnahmen auf Lokalitäten.

Die wichtigsten zukünftigen Herausforderungen für viele Regionen gelten als operationsbedingt. In den meisten Ländern sind auch weiterhin Prozesse zur Vereinfachung und Rationalisierung der Programmierpläne im Gange, die zu weniger Maßnahmen, stärkerer sektoraler Ausrichtung, besserer Koordination beim Management und der Präsentation der Programme und verstärktem Engagement der Partner (insbesondere lokaler Akteure) führen. Überall in der EU entwickeln Ziel 2 Programme immer mehr integrierte Strategien, durch Konzentration auf 'weichere' Maßnahmen und die Aufnahme von Kriterien zur Förderung nachhaltiger Entwicklung und Gewährleistung von Chancengleichheit. Diese Trends haben den Prozeß der Projektpräsentation erschwert, da sie intensivere Arbeit mit den letztlichen Nutznießern erfordern, um ein Bewußtsein und Verständnis für die Ziele, Prioritäten und Vergabekriterien zu gewährleisten und die qualitativ besten Projekte hervorzubringen. Bei einigen der weichen Maßnahmen in den Bereichen FTEI und Unternehmensförderung ist es manchmal schwierig, zumindest in der Anfangsphase eines Programms genügend Anträge zu schaffen. In der neuen Programmperiode wird sich dieser Trend intensivieren - mit zusätzlichem Druck durch die neuen Finanzmanagementvorschriften bezüglich rechtzeitiger Mittelverpflichtung.

In einer Reihe von Regionen wird bei den Projekten, die während zukünftiger Programmperioden eingeladen werden, auf Konzentration geachtet - mit größeren oder eindeutiger untereinander verbundenen Projekten, die explizite Synergien anstreben. In Finnland werden Programme entsprechend geformt, um weniger aber größeren kooperativen Projekten Rechnung zu tragen - einschließlich multiregionalen. In Nordrhein-Westfalen wiederum wurde ein *Leitprojekt* vorgeschlagen, das, falls es Erfolg hat, eine stärkere Ausrichtung ermöglichen sollte. Dies wird Ressourcen auf große integrierte Projektideen konzentrieren (die mehrfache potentielle Projekte umfassen). Es wird auch zu einer Konzentration in bezug auf Sektoren führen.

3.3 Schlußfolgerung

Während die Arbeit zur Vorbereitung neuer Programme weiter läuft, geht aus Diskussionen mit nationalen und regionalen Behörden in mehreren Mitgliedstaaten hervor, daß die Regionen sich auf einen verzögerten Start der neuen Programme vorbereiten sollten. Einerseits ist eine politische Einigung über das *Agenda 2000* Paket noch weit entfernt; März 1999 wird als Termin für den Abschluß der Verhandlungen für extrem optimistisch gehalten; andererseits sind, selbst wenn dieser Termin eingehalten wird, die Erwartungen für die Vorbereitung, Aushandlung und Billigung der Programme in neun Monaten unrealistisch. Während der Verhandlungen drängen die Mitgliedstaaten darauf, daß die den Mitgliedstaaten (zur Programmvorbereitung) bzw. der Kommission (zur Programmbilligung) zugewiesene Restzeit neu angepaßt wird, um den Regionen mehr Zeit zur Vorbereitung ihrer Pläne zu geben. Dies wird die begrenzte Zeit für die Bewertung und Billigung der Pläne durch die Kommission noch weiter

beschränken; selbst wenn Entscheidungen mit strategischer Priorität getroffen werden, wird eine sinnvolle Bewertung der Programmziele, -indikatoren und -ausrichtung wohl mehr Zeit in Anspruch nehmen als während 1999 noch verfügbar ist.

Thematic Paper

*The new Structural Fund Regulations –
preparing for the new Programmes*

The new Structural Fund Regulations - Preparing for the new Programmes

1. INTRODUCTION

With only 12 months to go before the new programming period begins, the negotiation of Structural Funds reform is entering its final phase. Following the publication of the new regulations in March 1998, many of the key strategic decisions, relating to budgetary allocations or spatial coverage, were postponed pending the outcome of the German elections. In recent weeks, the budgetary debate has resumed, highlighting the continued polarisation of views between 'net payers', such as Germany and the Netherlands, and the cohesion countries over the future size and scope of the Community budget (as well as the specific budgetary issue of the British rebate).

The Vienna European Council on 11 and 12 December 1998 made little progress in reconciling differences but concluded that political agreement on the *Agenda 2000* package should be achieved at a Council meeting in Brussels on 24-25 March 1999, under the German Presidency, in order to achieve its final adoption before the European Parliament elections in June 1999. Despite identifying the "key elements for a final settlement" and the emergence of "a measure of common ground", the Vienna Council conclusions made clear that considerable further work will be necessary to reach agreement (see Box 1.1).

Of course, decisions on *Agenda 2000* have to be seen in the context of the wider strategy for European integration being discussed by Member States, including the development of a European employment pact, the launch of the euro and proposals for reinforcing economic policy co-ordination mechanisms (including in the field of tax policy), the reform of Commission institutions, and – particularly – enlargement of the Union. Accession negotiations are underway with the so-called 'first wave' countries – Poland, Hungary, Czech Republic, Slovenia, Estonia and Cyprus. However, it has been suggested that this 'first wave' could be widened to include other countries. The General Affairs Council noted that "although progress in the adoption of the *acquis* varies considerably between countries and between sectors, the difference between those with whom negotiations have begun and the other countries has generally narrowed... The Council noted the particular progress made by Latvia and Lithuania and the new situation in Slovakia...[and].. the progress being made by Bulgaria and the reform efforts being made by Romania." On the other hand, negotiations with the Czech Republic and Slovenia have not been going as well as expected. These uncertainties, combined with the budgetary difficulties and the fact that various Member States (notably France) and EU institutions are pressing for a complete restructuring of the Commission in association with enlargement, suggest that widening of the EU is likely to take place later rather than sooner in the next budgetary period.

In the absence of political agreement on the 'big issues' in *Agenda 2000*, Member State authorities and Commission services have been concentrating on the technical aspects of reform. The Commission's detailed proposals for

area designation, for example, have enabled technical work on the indicators and criteria to continue with assessments of potential national and regional impacts. Also, during the UK and Austrian Presidencies, the Structural Actions Working Group in Brussels has made substantial progress on the Articles in the draft regulations relating to administration. The Commission services have also prepared draft versions of their strategic priorities for the 2000-2006 period, released as a Working paper of the Commission in February 1999¹ for consultation. In many administrative areas, there is now substantial agreement, but some Member States (Spain in particular) have resisted a piecemeal approach to agreeing the new regulations; the Vienna conclusions noted that *Agenda 2000* is “a package on which agreement can only be reached as a whole” including not just the Structural Funds but also the Common Agricultural Policy and the future financial perspective of the EU.

Against this background, the following paper assesses the current outlook for Objective 2 areas as they prepare for the next programming period. It examines the various proposals for change contained in the new regulations and the current status of debate. Where relevant it also notes how individual Member States and regions are already making preparations for the new programmes. The paper begins by reviewing the issue of area designation and then the proposals for partnership, programming, monitoring and evaluation. The final section identifies conclusions emerging from the paper.

**BOX 1.1: VIENNA EUROPEAN COUNCIL – PRESIDENCY CONCLUSIONS -
AGENDA 2000**

The twin objectives of Agenda 2000 are to equip the Union with more effective policies and to set an appropriate financial framework within which to develop them. Achieving these objectives involves confronting a number of important political choices about the future direction of such policies and necessary reforms as the Union prepares to make a success of its future enlargement. This must be done in a spirit of solidarity, while ensuring similar budgetary rigour at the level of the Union as applied at national level.

Work, on the basis of the Commission’s proposals, the own resources report and contributions made by Member States, has resulted in substantial progress being made since the Cardiff European Council. This work is reflected in the Council report and the debate in the European Council. The Commission’s proposals and the report from the Council constitute a good basis for further work. The key elements for a final settlement have now been identified. In a number of areas, a measure of common ground has emerged. Work has also pinpointed those policy areas where a common understanding will have to be found as part of the process of narrowing down the parameters of the negotiation in moving towards a final overall agreement.

The negotiations have now moved into the final phase. The European Council:

- reiterates its firm commitment to reach overall agreement on Agenda 2000 at the European Council in Brussels on 24-25 March 1999;
- regards Agenda 2000 as a package on which agreement can only be reached as a whole;
- calls for a careful examination of all the elements and positions which have emerged from the discussion in view of reaching an overall agreement; and

¹ CEC (1999) *The Structural Funds and their Co-ordination with the Cohesion Fund: Draft Guidance for Programmes in the period 2000-06* tabled by Mrs Wulf-Mathies in agreement with Mr Flynn, Mr Fischler and Ms Bonino, Working Paper of the Commission.

- invites all Member State to make their full contribution to achieving a fair, balanced and acceptable outcome based on solidarity and budgetary rigour.

The European Council welcomes the readiness of the European Parliament and the Council to ensure a thorough consideration of the legislative texts in time to achieve their final adoption before the next European Parliamentary elections in June.

2. AREA DESIGNATION

The spatial coverage of Objective 2 areas after 1999 is influenced by three processes: the methodologies for area designation in the new Structural Funds regulations to ensure more concentration in the application of EU regional policy; the proposals for coherence of national and EC assisted areas; and the eligibility criteria used by Member States for designating Objective 2 areas within countries. The following sections outline the parameters for designation, the projected impact of the designation criteria and the discussion of indicators within Member States.²

2.1 Designation Parameters

The new regulations propose greater concentration in the spatial coverage of the Structural Funds with a reduction in the eligible area from 51 percent of the Community population to 35-40 percent. The new Objective 2 will cover areas undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries, with a proposed ceiling of 18 percent of the Community population. Within this limit, the Commission propose a population ceiling for Objective 2 for each Member State on the basis of a number of factors:

- the population in NUTS III areas which meet the eligibility criteria for designation as industrial or rural areas;
- the seriousness of the structural problems at the national level, as compared with other Member States, assessed on the basis of total and long term unemployment outside the Objective 1 regions; and
- a maximum reduction of one-third of the population covered by the current Objective 2/5b area (including former Objective 1 areas meeting the Objective 2 criteria).

The regulations propose that, in each Member State, at least half of the Objective 2 coverage should comprise industrial and rural areas. Across the Community, the Commission foresees a breakdown of the 18 percent figure between assisted area types as being: industrial areas, 10 percent; rural areas, 5 percent; urban areas, 2 percent; and fisheries areas, 1 percent. In the course of the negotiations, Member States have been pressing for maximum flexibility in the designation of assisted areas, and it is likely that the breakdown between

² The discussion of parameters and impacts is drawn from research undertaken by Fiona Wishlade of EPRC and published as Bachtler J and Wishlade F (1998) *Negotiating the New Structural Fund Regulations: Concentration, Simplification and Efficiency*, EPRC Report to Regional Research Group.

the four strands will be calculated on an EU-wide basis with the figures seen as indicative only at the Member State level.

The second set of parameters for Objective 2 designation is the proposal for coherence, ie. that the Structural Fund areas should be coterminous with (or a subset of) national assisted areas. A further complication is that, in parallel with the proposals to reform the Structural Funds, the Commission has reviewed its approach to national regional aid policies, a review which culminated in the adoption and publication of the new *Guidelines on National Regional Aid*. Applicable like the Structural Funds to the 2000-2006 period, the Guidelines require the redrawing of national regional aid maps over the coming year.

Currently, outside of Ireland, Portugal and Greece there are significant differences in the population coverage of the two sets of areas in several Member States. Among the Objective 2 countries, only in Belgium and Denmark are the Structural Fund areas all eligible for national regional policy. In Germany, Spain, France, Italy, Austria, Luxembourg, Sweden and the UK, between 5 and 10 percent of the national population is covered by Structural Fund areas but *not* by national regional policy assisted areas. The differences are higher still in the Netherlands (10.4 percent) and Finland (12.4 percent). Bringing the two sets of areas into line would require considerable redefinition of the assisted areas, a task that is likely to be difficult. Most Member States use a wider range of designation criteria than the EC for their national regional policies, using different indicators and more sophisticated designation methodologies. The objectives and priorities of the two policy areas frequently differ, and most Member States are opposed to Structural Fund and national assisted areas having to be coterminous. This appears to be recognised by the Commission, with current discussion focusing on achieving coherence within a 'target band' of divergence between the two sets of maps; proposals for the maximum permissible difference appear to range from 3 to 10 percent.

2.2 Impact of Area Designation on Objective 2

Assessing the impact of the area designation proposals is complex given the different criteria that can be used at EU and national levels for designating Objective 2 areas, the possibility of interpreting the criteria differently and inadequacies in EU-wide data.

The starting point is to consider the coverage of Objective 1 after 1999. Although the major part of the Objective 1 area will retain eligibility, some areas would be excluded if the GDP per capita criterion were to be applied rigidly eg. Cantabria (Spain), Flevoland (Netherlands), Hainaut (Belgium), Nord-pas de Calais (France) and Abruzzi (Italy). On the other hand, relative economic decline will lead to some new areas qualifying eg. South Yorkshire (UK – currently Objective 2) and Itä-Suomi (Finland – currently Objective 6) as well as south-west England and west Wales, following the recent reclassification of NUTS II areas in the UK. The regulations also propose that the areas eligible for Objective 6 should be absorbed into the new Objective 1 area. Lastly, despite the intention to apply the Objective 1 criterion strictly, it is possible that there still will be some 'special cases' eg. Northern Ireland.

The implications of the Objective 1 designation process for Objective 2 are twofold. First, some of the areas losing Objective 1 status will qualify for Objective 2, taking up part of the overall population share allocated to Objective 2 (at EU and national levels). For example, almost half of the population of Ireland would qualify for the new Objective 2; some of the de-designated Objective 1 areas in Spain would also be eligible under the new Objective 2. Second, a small number of current Objective 2/5b areas (primarily in the UK) are likely to qualify for Objective 1 status, effectively ‘freeing up’ parts of the potential Objective 2 allocation for other areas.

A second factor playing a critical part in the designation of the new Objective 2 is the existence of the ‘safety net’, whose effect can be readily calculated. Aggregating the current Objective 2 and 5b population coverage, one-third of the combined total yields a minimum population coverage for the new Objective 2 of 16.9 percent of the EU population (see Table 2.1, column 4). The safety net ensures that in Austria, the Netherlands, Luxembourg and the UK, around one-quarter of the national population will continue to qualify for Structural Funds’ eligibility under the new Objective 2. Without it, EPRC calculations suggest that some countries (eg. the Netherlands) would have difficulty in retaining any eligible areas under the new Objective 2 industrial or rural area criteria. Indeed, the safety net makes a significant difference to the eligible area for all of the current Objective 2/5b countries with the exception of France and Finland.

Table 2.1: Current Objective 2/5b coverage and projected new Objective 2 coverage

	Current Obj.2 & Obj.5b			Projected new Obj.2	
	Obj. 2 pop (%)	Obj. 5b pop (%)	Total pop (%)	Minimum Obj.2 (%)	Projected Obj.2 (%)
Austria	8.2	28.9	37.1	24.7	24.7
Belgium	14.0	4.5	18.5	12.3	12.3
Denmark	8.8	7.0	15.8	10.5	10.5
Finland	15.5	21.5	37.0	24.7	59.9
France	25.9	17.3	43.2	28.8	40.6
Germany	8.8	9.6	18.4	12.3	12.3
Greece	0.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	0.0	46.1
Italy	10.8	8.4	19.2	12.8	12.8
Luxembourg	34.2	7.4	41.6	27.7	27.7
Netherlands	17.3	5.4	22.7	15.1	24.7
Portugal	0.0	0.0	0.0	0.0	4.6
Spain	20.3	4.4	24.7	16.5	30.2
Sweden	11.0	8.6	19.6	13.1	17.0
UK	31.0	4.9	35.9	23.9	23.9
EU 15	16.4	8.8		16.9	21.5

Source: EPRC calculations.

The calculations also suggest that the target of restricting overall Objective 2 coverage to 18 percent of the EU population after 1999 will be difficult to achieve. With a *minimum* coverage of 16.9 percent of the EU population as a

result of the safety net, the minimum designated area is only 1.1 percent (c. four million persons) less than the Commission's suggested maximum of 18 percent for future Objective 2 coverage.

Finally, notwithstanding the considerable data problems involved, EPRC calculations have attempted to analyse the effect of the industrial and rural criteria on the future Objective 2 coverage of each Member State (see Table 2.1, column 5). The figures have to be treated with caution – the total for Finland, for example, includes some areas currently designated as Objective 6 which will be absorbed into the new Objective 1 – but it emphasises the probability of the 18 percent limit on Objective 2 coverage being breached, especially as the calculations do not include the effect of the urban and fisheries area criteria.

2.3 Member State Designation

A further aspect of the designation process is the role of Member States in determining eligible Objective 2 areas. Under the new regulations, the Commission would set population ceilings for each Member State and identify priority regions at Community level. Within these ceilings, it is proposed that Member States will submit lists of areas meeting the criteria. The Commission and each Member State would then together draw up a list of eligible regions for each country.

Over the past six months, Member States have been engaged in work to define appropriate indicators and collate relevant data. In the smaller countries – Denmark, Finland, Sweden, Austria – this appears to have been undertaken hitherto almost exclusively at national level, with a view to formulating proposals for internal discussion in the first quarter of 1999. In *Austria*, for example, the Austrian Spatial Planning Conference (*ÖROK*) has been collecting a mix of official and unofficial data in three categories: indicators specified in the regulations; indicators required for deciding internal allocations; and indicators required for fine-tuning areas below the NUTS II level. A preliminary listing for NUTS III regions has been compiled with a likely list of designated areas in each *Land* (state).

In the larger countries – France, UK, Germany – a more consultative process is underway. In *France*, the regional offices of the state (the *Préfectures*) have been asked to produce two zoning proposals for early 1999 – the first assuming the current level of coverage and the second a reduction of 20 percent in the population ceiling. The process is being guided by a methodological note from DATAR and is to involve consultations with the *départements*, regional councils and chambers of commerce (though not the lowest tier of local self-government). The final zoning choices will reward the presence of strong local partnerships; areas which have established specific multi-sectoral partnerships to define and promote joint aims will be given preferential treatment in the zoning exercise. These include the new multi-sectoral associations known as *pays* (in rural areas) and *agglomérations* (in urban areas), which bring together regional councils, local authorities and other regional/local actors.

In the *United Kingdom*, regions and local areas were asked to indicate their priorities for defining Objective 2 eligibility in July 1998. The conclusions of

this exercise revealed that areas that may require assistance vary considerably, necessitating flexibility in the Structural Funds criteria to encompass a variety of circumstances. Main priorities for the eligibility criteria are fourfold:

- level and type of employment: long-term (non)employment rates, sectoral spread of employment, and seasonal, part-time and short-term employment;
- degree of social cohesion: indices of local conditions based on crime rates, housing conditions, car ownership and mortality rates, and levels of income support and incapacity benefit;
- geographical issues: out-migration, population density and accessibility; and
- measures of prosperity: regional and sub-regional GDP, earnings, and household income.

Based on these results, the UK is emphasising the need for flexibility in designating Objective 2 areas, using a menu-style approach to the use of indicators.

While the eligibility debate continues, some authorities at national and regional level are concerned that the continuing uncertainty surrounding eligibility will lead to an excessively compressed programme development process. Two broad approaches are being taken to getting around this block. The first involves the national level ‘best guessing’ provisional zoning maps on the basis of the current likely EC criteria and the primary Member State indicators. An initial listing of NUTS III regions in Austria has already been mentioned. Second, some programmes, in the absence of better information, are assuming for now that the status quo will continue – except where this is clearly not the case. In Niederösterreich, current strategic discussions are based on the existing assisted areas, on the assumption that transition plans will be required for these regions regardless of the final designation outcome. Elsewhere, the status quo assumption is being driven by political imperatives: it is politically difficult in some cases to acknowledge the possibility of dedesignation and the need for exit strategies.

3. PARTNERSHIP

Apart from area designation, activity at EU, Member State and regional levels has been concerned with the proposals for simplification and decentralisation contained in the new regulations, particularly in interpreting their implications for the new programming period. The following sections examine these issues in turn, beginning with the proposals for partnership.

Partnerships have become steadily more inclusive over time. During the early period of programming (1989-92), programmes were characterised by the exclusion of groups (local authorities, social partners, community groups, voluntary bodies etc). Although partner inclusion still varies, there is an increasing commitment to the value of partnership and most regions have set up workable systems. The new regulations now propose to build on this by introducing “a clearer division of tasks and responsibilities in a broader and

deeper partnership". Specifically, the regulations seek to prescribe the participation of regional and local authorities, environmental authorities and economic and social partners, including non-governmental organisations, and equal opportunities organisations. Further, the specific responsibilities of the various partners at all stages of the operation of the Funds - plan preparation, programme implementation, project selection, monitoring etc - are to be clarified.

The emphasis on the role of the partnerships has been broadly welcomed by Member States, but with reservations concerning the prescriptive nature of the proposals and advocacy of the need to recognise differing national institutional contexts. Consequently, the wording of the regulations has been amended in several areas to accommodate national/regional practice; the distinction between voting and non-voting members is also likely to be removed. This latter issue has been accepted without comment where differentiated partnerships already exist (eg. in regions such as Fyrstad, where the main co-financing partners, including the municipalities, already play a larger role than lesser partners such as banks and trades unions). By contrast, in France, decision-making under two-tier partnerships is seen as damaging: decisions have hitherto been made by consensus, and replacing this system with voting could engender resentment and encourage political manoeuvring.

The main reservation in extending partnerships, as noted in earlier *IQ-Net* papers³, is the potential conflict between partnership and efficiency, which the Commission themselves acknowledge: "where the number of partners is relatively limited, the partnerships are more cohesive and easier to manage, while wider partnerships, although more representative, were often more difficult to co-ordinate"⁴. Larger committees risk becoming vast fora where conducting business would be more difficult. As Aquitaine regional council argues, however, narrow partnerships may have been appropriate in the past when few organisations were actively involved in Structural Fund programmes, but this has now changed. The current proposals could help to narrow the gap between the main partners and many other interested - and often locally-oriented - parties with limited formal status but a contribution to make, including business and environmental associations, women's groups and trades unions. The difficulty will be to find new solutions to manage the involvement of different types of partner effectively. Among the ideas put forward has been to involve a wide partnership at the programme formulation stage, but to use a narrower group to deliver programmes.

The Monitoring Committees (MC) are the key formal structure for channelling partnership involvement. In future, a Monitoring Committee is proposed for each Community Support Framework or Single Programming Document and each Operational Programme, to be chaired by a representative of the new designated managing authority. All types of partners are to be represented on the Monitoring Committees, with balanced participation of men and women, and with a proposed distinction being made between financing and non-

³ Taylor, S and Downes, R (1997) *Meso-Level Partnerships and Structural Fund Implementation*, *IQ-Net Thematic Paper 3(3)*, EPRC, Glasgow.

⁴ CEC (1997) *The Structural Funds in 1996: 8th Annual Report*, Commission of the European Communities, Office for Official Publications of the European Communities, Luxembourg.

financing partners (the latter having advisory roles). The Commission would be among those participating in an advisory capacity.

Early reactions to the proposed changes to the MC vary according to the form and influence these committees currently have. The implications of reform to the MC are greatest in Germany, where there would in future be one MC per regional programme, rather than the single national MC which has existed to date for all nine Objective 2 programmes (although supported by unofficial preparatory committees in each of the larger programmes). Running smaller MCs for individual *Länder* rather than a national committee dominated by *Land* Ministries would enable more partners to be more actively involved, including the social partners.

Several issues have been raised regarding the potential membership of the MC, the first being that its potential size may be a barrier to effective working. The second issue regards the gender composition of committees. Feedback suggests that the imposition of 'gender quotas' is likely to simply raise hostility to equal opportunities in programming and inspire apparent rather than real compliance. An approach which is more likely to raise gender awareness is requesting active monitoring of the gender balance of the MC and an explanation of imbalances. On committees themselves, gender-aware decision-making does not derive directly from the gender of those making the decisions but rather from their awareness and understanding of the issues. The UK view is that equal opportunities ought to have a broader scope than just gender issues, encompassing also the opportunities of the disabled and ethnic minorities. Taking account of these orientations in programme management arrangements may also be an issue here.

The third issue raising comment is the more 'hands-off' role of the Commission on MCs, which has generally been welcomed – although there is some discussion about the influence which desk officers would wield in practice. It has been recognised that the change could alter the focus of the MC structure, enabling it to take on a more reflective management and steering role – deriving positions during meetings on the basis of discussion, rather than presenting common, pre-formulated positions to the EC. It would also be empowered to take its own decisions rather than deferring them to the EC, for example on virement within priorities.

Further thought is required into the desired roles of the Monitoring Committee if full advantage is to be gained from the modified structures. Among the proposals to date is the suggestion of a two-stage MC – combining a meeting to explore strategic and developmental questions and a technical meeting at which steering and management decisions would be taken, possibly with the former involving a wider group of partners. In Nordrhein Westfalen, the proposed solution is for the regional MC to take strategic decisions, leaving technical issues to the annual meetings with the EC.

4. PROGRAMME PREPARATION

4.1 Regulatory requirements

Under the regulations, *integrated strategic programming* is to be achieved by preparing and implementing a single Structural Fund integrated programme per region (principally at the NUTS II regional level) containing measures promoted under all the Structural Funds. Objective 2 should always be implemented in the form of an SPD bringing together all the Funds.

The Commission proposes that Community-level decisions will centre on quantified strategic targets, priorities and funding allocation, measure descriptions and implementation arrangements. For this to take place, the regulations are explicit about the range and detail of the information required in programme documentation (see Table 4.1), including a new programme supplement.

These requirements significantly increase the scale and scope of programme documentation beyond what was required in earlier programming periods. For example, in previous programming periods, the requirement for a prior appraisal of impact was loosely observed or even ignored by some Member States. In the proposed regulations, the prior appraisal requirement has been expanded to incorporate many parts of the (formerly external) *ex ante* evaluation - analysis of strengths and weaknesses, consistency of the strategy and aims, impact of the strategy, verification of implementation arrangements - as well as introducing new evaluation of the situation and impact with respect to the environment and equal opportunities. There is also the question of the anticipated phasing of approval of the OP/SPD and the supplementary programme information, with an anticipated three-month time difference which may increase the potential for delayed launch of the new programmes.

Table 4.1: Specified information requirements for Development Plans and SPDs

<p>Objective 2 Development Plans</p> <ol style="list-style-type: none"> 1. Quantified description of the current situation with regard to disparities, gaps and development potential 2. Description of financial resources deployed <ol style="list-style-type: none"> 2.1 Planned use of each of Fund, EIB and other financial instruments 2.2 Summary of national public, private and EC resources for each priority (<i>Objective 1 only</i>) 2.3 Expected requirement for technical assistance 3. Main results of operations undertaken in the previous programming period 4. Description of an appropriate strategy and the development priorities 5. Results of ex ante evaluation <ol style="list-style-type: none"> 5.1 Analysis of strengths, weaknesses & potential of Member State, region, sector 5.2 Assessment of consistency of the strategy and selected aims 5.3 Assessment of expected impact of planned priorities for action, including quantification of targets 5.4 Analysis of competitiveness and innovation esp. SMEs, employment, enviro., equal opportunities <ol style="list-style-type: none"> 5.4.1 evaluation of environmental situation 5.4.2 evaluation of arrangements to integrate environmental dimension and comply with EU rules 5.4.3 description of starting situation, short/mid-term objectives, financial resources and previous results 5.4.4 evaluation of expected environmental impact of the strategy on the environmental situation 5.4.5 evaluation of the situation in terms of equality between men and women 5.4.6 evaluation of impact of the strategy, esp. on women/men, education/ vocational training, etc 5.5 Verification of quality of implementing/monitoring arrangements and consistency with EU priorities 5.6 Consideration of lessons learned from the evaluations of earlier programming periods 6. Consistency with Commission guidelines on Community priorities 7. Results of consultation with partners on preparation of development plan 8. Provisions for involvement of partners in implementation 9. Outline of operational programmes
<p>Objective 2 SPDs</p> <p>A. Main programme document</p> <ol style="list-style-type: none"> 1. Specific operational priorities and consistency 2. Quantification of targets of the priorities 3. Evaluation of impact 4. Description of measures to implement the priorities 5. Financing plan for each priority and year <ol style="list-style-type: none"> 5.1 Planned use of each Fund, EIB and other financial instruments 5.2 Total amount of eligible national public and private funding relating to the contribution of each Fund 5.3 Funding planned for the regions receiving transitional support 6. Implementation arrangements <ol style="list-style-type: none"> 6.1 designation of single managing authority 6.2 description of operational programme management arrangements 6.3 description of monitoring and evaluation systems 6.4 definition of EC-compatible computer systems for management, monitoring and evaluation 6.5 definition of rules on mobilisation and circulation of funding to ensure transparency of flows 6.6 specification of measures for checking on the operational programme (including roles of the parties) 6.7 definition of roles and responsibilities of partners in monitoring and evaluating the programme
<p>B. Programme supplement</p> <ol style="list-style-type: none"> 1. Measures for implementing the priorities in the operational programmes 2. Ex ante evaluation (<i>see 5 under Development Plans above</i>) 3. Monitoring indicators 4. Definition of types of final beneficiary of measures 5. Selection criteria and methods for evaluating viability 5. Financing plan for each measure <ol style="list-style-type: none"> 5.1 Planned use of each Fund, EIB and other financial instruments 5.2 Total amount of eligible national public and private funding relating to the contribution of each Fund 5.3 Funding planned for the regions receiving transitional support 6. Publicity arrangements

4.2 Preparing the new Programmes

Notwithstanding the uncertainties surrounding eligibility, funding and policy orientations, most national and regional authorities have started preliminary, practical preparations for the new round. These are inevitably provisional, to the extent that they can be characterised as ‘preparing to prepare’. Also, the picture across the EU varies greatly; some regions are waiting for eligibility to be determined or for national guidance to be provided, while others are making their own preparations.

Most national authorities are beginning to provide advice for regional programme managers and secretariats, through a mix of consultation meetings and written guidance on the implications of the new regulations. In general, it is being left to the regions to develop their own programme priorities.

The most structured consultation procedures are evident in Austria and France - two countries where there are well-established mechanisms for national-regional consultation and planning in economic development matters. In Austria, the Spatial Planning Conference (ÖROK) organises regular meetings of the Regional Development Committee, which includes a wide range of federal, state (*Land*) and other bodies, to review the evolving negotiations on the Structural Funds and to disseminate information. In France, consultation is being implemented through a series of six-monthly, national meetings on the reform, which involve representatives of the regions and *départements*, mayors and unions. The Swedish Ministry of Industry and Trade is also undertaking wide consultation to inform its preparations for the new programming period. Here, the regulations are to be circulated to a variety of local representatives involved in Structural Fund programmes for comment and feedback. Recipients will include the CABs, County Councils, Associations of Swedish Municipalities, Decision Groups, Monitoring Committees.

The extent of involvement of the national level in providing guidance for programme development broadly reflects the degree of decentralisation of programming responsibilities. In Finland, where there is presently a national Objective 2 programme, the Ministry of Interior is providing a strong lead, issuing a detailed timetable and initial guidance on national priority strategic directions. This structure also reflects the Finnish process of programme development, in which ideas will be generated at the single programming area level, integrated into strategies for alliances of programming areas (two each for Objectives 1 and 2), then merged into a single national SPD for each Objective.

In France, where Structural Fund management is characterised as ‘statist’, the national level is also playing a strong role, with DATAR supplying guidance to clarify Commission regulations and indicate national preferred policy orientations. It is still too early to issue specific advice about Structural Fund programming itself. Instead, DATAR is active in supporting the earlier preparatory phases, primarily zoning, as described above, and co-ordinating the drafting of the new *Contrats de Plan État-Région*, whose policies are being designed to be coherent with the new Structural Fund programmes when they are drafted.

In addition to issuing guidance, some Member States have established structures to serve better the common information needs of the regional level. In Denmark, the regional policy office of the Danish Agency for Trade and Industry (DATI) and in Silkeborg has established four internal working groups to undertake developmental work and provide clarification, including one examining administrative questions, and another programming issues. Programming issues include questions relating to direct subsidies to individual firms (SMEs and others) and 'soft' forms of support (collective 'framework measures' and knowledge projects).

The steer from national level is perhaps least strong in Germany, due to its federal structure. The Federal Ministry has never had a role in designing programmes (except Objective 3 which is carried out at national level), Structural Fund regional policy being the sole task of the regions. The Federal Government has influenced the design of Objective 1 programmes in East Germany through its role in the *Gemeinschaftsaufgabe* (GA), but has not had a similar influence on all Objective 2 programmes.

4.3 Regional Preparations

There has been little specific thinking to date at the regional level about the required form and content of the new programming documents. However, the broad idea that much less detailed programmes would be prepared for the Commission, containing information only to priority level, has generally been welcomed. Among the perceived advantages are increased flexibility and speed, with changes within priorities being approved by programme actors. Nonetheless, two concerns have been raised. The first is that the Commission may still request further information about programme content; if the appropriateness of programme targets and indicators is to be meaningfully assessed, this would appear to be unavoidable. Second, there has been some concern that the separation of the basic programme from the supplementary information might lead to disparities in the programming approach. What could emerge is the top-down development of the basic programme and the bottom-up development of supplementary information, which may not always clearly fit together.

At the programme level, efforts have been concentrated on the *process* of developing programmes. Methods will be different to previous rounds in some cases. A recurrent theme is ensuring wider consultation than in past rounds and seeking more tangible and active partner involvement. An example is Aquitaine, where rather than setting out policies in advance, an open-ended process is underway, in which strong partnership involvement will be used to derive policy orientations. The partners themselves are helping to drive this trend. They are more closely involved in the processes now than in the past, more committed to them, and realise the significance of programme preparation for integrating their own priorities. Likewise in South Karelia, work to develop strategies on business, rural and cross-border themes is being undertaken in partnership, through a series of parallel meetings and seminars, the best of the ideas generated by different initiatives will then be extracted and assembled into a draft programme. In generating ideas in South Karelia and elsewhere in Finland, local elected politicians will be more closely involved than in the past. They felt they were involved too late in the last two

rounds of programming to influence programme direction. Austria is also proposing very consultative approaches to programme development, these being co-ordinated in both Steiermark and Niederösterreich by external consultants, in close collaboration with programme actors.

5. STRATEGIC DIRECTION

5.1 Strategic Orientation of Programmes

As set out above, little detailed work has yet been done at the regional level on the specific structure or final content of programme documentation for the next round. However, some work is beginning to identify new strategic orientations. Those with the greatest certainty about their future eligibility have been able to start this planning process with the most confidence. In some cases, a strong degree of continuity is predicted between current and future policy orientations. In others, more profound debates are underway to identify new or stronger strategic foci.

Strategic direction will be shaped by four factors: the priorities specified by the Commission (and interpreted by the national level); the implications of merging industrial and rural areas in the new Objective 2 programmes; the lessons of current and previous programming periods; and the outcome of specific strategic enquiries, including those being undertaken in selected Member States in the context of parallel strategic development planning exercises.

5.1.1 *The influence of the Commission's guidance on strategic orientations*

The regulations do not prescribe the strategic direction of programmes. However, they make provision for the Commission to draw up guidance for each Objective specifying Community priorities to be taken into account when programmes are drawn up and negotiated. Following Member State objections that these guidelines could introduce new criteria (beyond those in the regulations) and impose unnecessary constraints in programming, inhibiting regional partnerships from pursuing their own priorities, the status of the guidance for the Objective programmes has been reduced to 'indicative guidelines'. These will be broad, restricted to agreed Community policies, for information only, and finalised only after consultation with Member States. A Working Paper has been issued for consultation, and is shortly to be finalised⁵ (See Box 1.2). In parallel, and to support the technical aspects of programme development and delivery, the EC is also planning to issue a *Vade Mecum*, setting out requirements for the plans and supplements, financial management, *ex ante* evaluation and the annual reports. It will also provide a classification system for fields of intervention. *Brochures* will also be produced to disseminate best practice in particularly challenging areas – such as mainstreaming equal opportunities and better exploiting the potential of the information society.

⁵ CEC (1999) op cit.

BOX 5.1: DRAFT GUIDANCE FOR PROGRAMMES IN THE PERIOD 2000-06

A single set of 'indicative guidelines' for the 'Objective' Structural Fund programmes has been released by the Commission for consultation with Member States. Building on the main themes promoted during the current programming period, and re-affirming the continuing need to integrate concepts of sustainable development and to implement gender mainstreaming, the guidelines are structured around three strategic priorities:

- **regional competitiveness**, focus issues here being raising *buisness competitiveness* directly as a means to create employment, and *improving the business environment* to create the conditions for regional competitiveness (for example through further exploiting the potential of the information society, and modernising the productive base through research, technological development and innovation).
- **employment and social cohesion**, which addresses first how Objective 3 can best be mobilised across the whole EU territory to support the European Employment Strategy, promoting adaptability, employability, entrepreneurship and equal opportunities and combatting exclusion, and second the scope for additional human resource actions within Objective 2 programmes.
- **the development of urban and rural areas**, taking into account the European Spatial Development Perspective, and the need to promote balanced development across the territory.

Expectations before the guidelines were published – confirmed once these were made public - were that the likely orientations would build on existing themes, and so not be problematic. The key elements are issues to which programmes have already developed increasingly effective responses: job creation for instance has already become the primary objective of most programmes, and is being strengthened through increasingly refined approaches to policy design, project appraisal, monitoring and evaluation. The environment and equal opportunities pose a greater challenge, in that, while these themes become established parts of an expected programming agenda, taking them forward into mature approaches to sustainable development and gender mainstreaming will require new thinking.

Feedback from the Member States and programmes suggests that, across the horizontal themes, most Member States and their constituent programmes are planning either to maintain current approaches or to build on progress to date. Some regions, including those in Denmark and Sweden, do not intend to take the environment and equal opportunities further, considering that they already receive sufficient emphasis, particularly because these have long been mainstays of domestic politics and policy. Equally in Austria, the response to equal opportunities and environment will continue to comprise compliance with national standards. Nonetheless, other Member States are more reflective in their responses. In Nordrhein-Westfalen (NRW), while considerable progress has been made for both equal opportunities and the environment, it is recognised that further refinements are needed. Under the environment, ways are needed to bring more job creating projects forward, and to encourage projects under the environmental technologies heading. Considerable progress has been made under equal opportunities, to the point that NRW is frequently cited as a best practice example. However, again, programme actors are conscious that the existing strategy could be more

efficient. For example, the link between agencies and business start-ups by women is not as strong as it could be.

5.1.2 Implications of the new Objective 2 (merging 2 and 5b)

Initial views vary on the implications of merging the current Objectives 2 and 5b. Early opinion in both France and Finland has been that the implications will be limited, simply consolidating these programmes into single, more regionally coherent ones which will be more flexible and easier to prepare. There will still be a need to target some different actions at rural and urban areas (possibly through geographic sub-programmes), but at the same time, there will be only one financial framework to manage. Since programmes are already often run by the same teams and involve the same partnerships, consolidation represents a real opportunity for simplification. It also promises to remove the artificial operational rupture affecting projects spanning both Objective 2 and 5b areas.

Equally in Sweden, some advantages are seen in the merger. There are strong similarities between many Objective 2 and 5b areas, both of which often comprise urban settlements and rural hinterlands. This view is not shared by Fyrstad, where programme managers are concerned about the lack of coherence of a future eligible area which might comprise the Objective 2 zone and its neighbouring Objective 5b areas, Dalsland and Bohusland (which would give an eligible area called Fyrbohdal). There is some automotive manufacturing in Dalsland, but otherwise, the 5b areas are largely rural. This could make programming more complex. Similar caution is evident in Denmark, where it is felt that having to cater for rural development and urban de-industrialisation under the same programmes may make statistical indicators more complex, and hence perhaps ultimately create a process of area designation that is more overtly political in nature.

Austria, in turn, is concerned about the impact the merger will have on the rural dimension. The combination of new Objective 2 regions, transition regions from the current system and rural support outside the designated regions would create a hugely complicated picture. There are also fears that the rural-urban balance could be uneven, with industrial and urban selection criteria being favoured and the rural development component coming short. This problem might be less critical in the Austrian context, however, because of the nature of regional problems and the relatively small coverage of current Objective 2 areas in comparison to 5b ones. The boundaries between the two areas are also relatively close in many Austrian regions. Concerns about how 5b programming will fare are heightened by the lack of capacity in the Ministry of Agriculture to take part in the new Objective 2 planning process. Involvement in the negotiations of the rural development regulations and the Austrian Presidency have made further calls on limited resources.

The new Objective 2 programmes will involve a meeting of different programming cultures, and opinions vary as to which culture will prevail. In the UK, there seems to be agreement at national and regional level that the 5b programmes will have the most difficulty adapting to the new Objective 2. These programmes have been subject to less modernisation and professionalisation than Objective 2, partnership is less developed, there are

fewer businesses, fewer rural agencies and less experience of networking. In addition, Objective 5b programmes designated in 1994 have had implementation problems and are clearly still suffering from inexperience. It is interesting to note that the opposite view is held in France, where the 5b programmes are (in some cases) considered to be better equipped for the new Objective 2. In Aquitaine, for example, 5b areas may have the advantage when the new programmes start, given their longer experience of Structural Fund programming, their stronger 'ownership' of programmes, their greater efficiency in mobilising partners and their more extensive experience of tailoring policies to localities (something the Commission is likely to favour).

5.1.3 *Generating insights from current policies and programmes*

A further preparatory activity for new programming has been the identification of lessons and insights from current programming. In Austria and Sweden, interim evaluations of the current 1995-99 programmes have already been undertaken, which will feed into the reprogramming process. Elsewhere, interim evaluations of the 1997-99 programmes are underway to serve this purpose, supplementing the findings of studies on the 1994-96 programmes. Where studies are being undertaken, they generally combine a *pre-ex post* examination of the impacts achieved by the 1994-96 programmes and an interim evaluation of the 1997-99 programmes. Both are expected to provide useful insights.

In addition to the interim evaluations, some programmes have also commissioned *thematic* studies to feed into programme reform. In *Niederösterreich* a range of inputs are being or have been prepared, notably: a tourism concept; the Regional Innovation Strategy and related follow-on work; and external studies on the impact of EU enlargement on *Niederösterreich* firms. In *Fyrstad*, a SWOT analysis has been commissioned to kick-start the future planning process. Completed in August 1998, the study identified current trends in the regional economy and their underlying causes.

Studies have also been undertaken at EC-level to support programme development more generally, including a cross-national study into knowledge projects commissioned by the EC, in which *Nordjylland* is participating, a DG XVI pilot programme on integrating the principles of sustainable development into Structural Fund programming and a study on mainstreaming equal opportunities into French, German and UK programmes.

Finally, selected studies are being undertaken at Member State level. Thematic studies include a French Ministry of Employment initiative examining how the ESF has supported RTDI development under Objective 2, and a Swedish evaluation by NUTEK into levels of networking among businesses supported by Objective 2 programmes.

5.1.4 *Parallel strategic economic development planning*

The most ubiquitous form of 'parallel' economic development planning is under Objective 3. For ESF spending, the national employment plans elaborated by every Member State will guide the form and content of future Objective 3 programmes and the human resource dimension of Objective 2 programmes. Structural Fund programme preparation is, in some cases, also

running in parallel with the preparation of other economic development programmes, leading to the potential for synergies to be achieved between different development instruments, and to much more intensive, extensive and participatory strategy development processes than might otherwise have emerged.

In *Ångermanlandskusten*, 'regional growth agreements' are being prepared which will integrate the actions of various regional actors in economic development. The government anticipates that initiatives highlighted in these agreements will be co-financed by the Structural Funds where appropriate. The same is true in Denmark for the *Nordjylland* County Council regional development programme, which is in preparation for the entire region (the county of *Nordjylland*) at the moment through a process of consultation with social partners and local districts, and should be approved in the Summer of 1999.

In *Päijät-Häme*, while working within clear Ministry of Interior guidance on broad strategic directions, the Structural Fund authorities will be strengthening any future programme's strategic direction by focusing on the region's new Centre of Expertise status in Design, Quality and Ecology (which will be in place between 1999 and 2006). This bid was funded through the Objective 2 programme and is linked to the region's RITTS strategy.

In the French regions, strong coherence is being sought between the new *Contrats de Plan État-Région* and the new Structural Fund programmes. The *Contrats de Plan* are five-year frameworks for joint public expenditure planning drawn up between the state and the regional councils. The intensive strategic debate which will inform the new *contrats* should help to hone the new Structural Fund programmes. The *Contrat de Plan* exercise has been started with a circular from the DATAR to the *Préfectures*, asking them to elaborate a draft strategic approach before beginning negotiations with the Regional Councils. In parallel, the regional councils are preparing their own positions, informed by partnership-based processes of strategic reflection. In Aquitaine, to ensure a stronger partnership involvement – and thus 'ownership' – a participatory forum has been set up to structure discussion, including nine sectoral and transversal working groups, each bringing together elected members, officers and representatives of the local level: agriculture, industry, rural planning, tourism and culture, education, infrastructure, territorial planning, vocational training, economic activities and employment. The working groups were formed in October and will begin work in January. Each of them is being supplied with information from which to work, and will be able to commission supplementary studies if required. Among their tasks will be to consider how *Aquitaine* can best take advantage of the new Structural Fund opportunities, relative to its current situation and needs.

5.2 Policy Orientations

While early programmes had little or no strategic coherence or direction – generally being viewed simply as mechanisms for accessing EU funding, strategies have become more complex and sophisticated. There has been a progressive shift away from physical infrastructure to business development, RTDI and community development, with increasing emphasis also on 'soft'

measures under these headings. Sectoral or thematic targeting is becoming more common, with tailoring of measures to specific types of firms or beneficiary. Strategies are increasingly incorporating a multi-level approach, focusing more on sub-regions and localities through area priorities and action plans. The innovative content and coherence of programmes is also growing.

In many regions, the product of the above processes is likely to be broad continuity in overall policy orientations, but with adjustments in response to the merger with 5b, Commission (and national) policy orientations and regional diagnostic exercises. Among the programmes where the greatest policy changes or reorientations might happen are many of those where parallel strategic planning or economic development exercises are underway, as described above (eg. in Ångermanlandskusten, the French regions and Päijät-Häme). An actual narrowing of areas of intervention is unlikely in most cases – although greater focus and selectivity are emerging as themes for programme implementation. In terms of the balance within programmes, it is believed that this should relate more directly to need than in the past. As such, the setting of minimum allocations of ESF would be opposed where this was not linked to a clear strategic rationale.

Continuity is likely in the broad policy orientations of *Nordjylland* and *South Karelia*, where administrative structures are instead the focus of reform efforts, programme content being seen as appropriate and still relevant.⁶

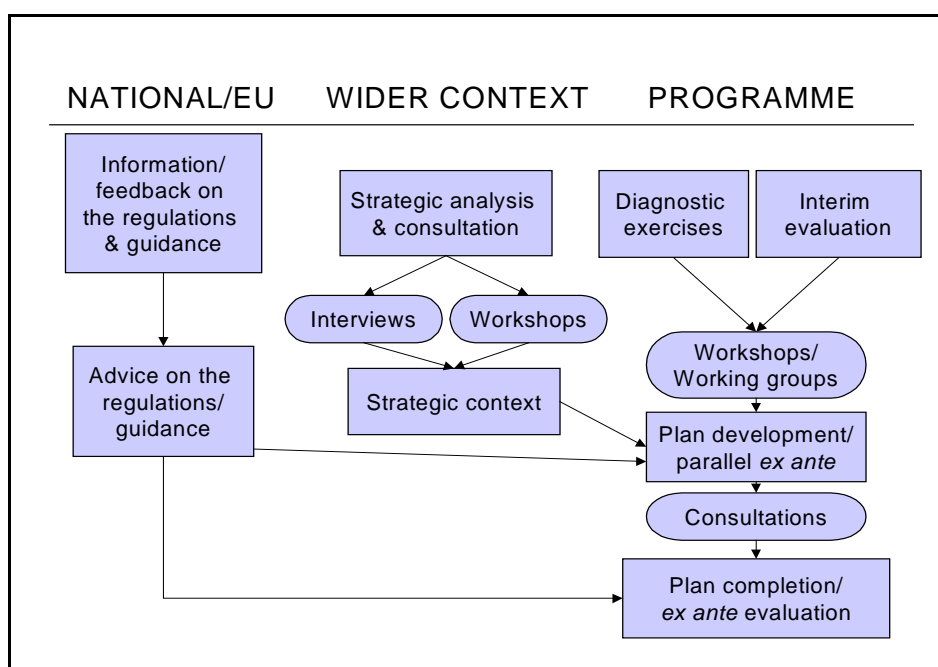
In *Saarland*, while programme reformulation is awaiting the completion of the interim evaluation report, due next April, the intention is to base the main orientations on the guidelines provided by the Commission. In general, the programme direction will be similar to that already followed, concentrating on: job creation (including for ex-miners), equal opportunities, indigenous development of the region, environmental protection, tourism, cross-border activities and technology transfer. Specific regional aims will be decided following consultation responses from project implementers and partners. NRW is also confident about its likely future orientations. Its interim evaluation is expected to confirm anticipated policy directions, including a reduction in infrastructure projects in favour of further soft investment.

The UK regions are also likely to follow similar policy lines to those included to date, in part reflecting the ongoing distribution of resources and roles among the established economic development community. Policies will be organised around an agreed broad strategic orientation summarised as seeking ‘sustainable non-inflationary economic growth; social cohesion through access to employment for all and a high quality of life; and enhancement and

⁶ The main issue that currently sets DATI and the regional actors in *Nordjylland* apart is the role of the two main types of policy instruments: collective framework measures and direct subsidies to individual firms. As demonstrated elsewhere, central government policy has consistently given priority to the former over the latter since the 1980s, and although investment subsidies are still included in the current Objective 2 programme, their role has gradually been reduced. Programme administrators in *Nordjylland* claim that direct subsidies can still play an important role, especially in peripheral parts of the region where firms are less dynamic and have difficulties in taking advantage of framework measures, something which often requires more skills and efforts on the part of management. Although political decisions about the degree to which central government priorities on policy instruments should be pursued remain to be taken, it would be surprising if the pressure to downgrade direct subsidies to individual firms were not maintained.

maintenance of the environmental capital on which life depends'. In Scotland, prior to the confirmation of eligible areas, a broad process of open strategic debate has been initiated to identify 'Drivers of Change'. The aim of this initiative (illustrated as activities in the 'Wider Context' in Table 5.1) is to ensure closer future co-ordination between economic trends and the policies and priorities of future Structural Fund programmes. The objectives are: to be consultative, to initiate contextual discussions which could inform SPD Plan Teams and to stimulate strategic debate between Structural Fund partners and secure agreement about how to proceed. The focus has been on trends, the connections between issues and on new and changing priorities for 2000-2006. Not being driven by work on area eligibility, the Regulations, project eligibility, budget allocations or development priorities, the initiative has been able to engage in discussions which could lead to new and more effective orientations.

Table 5.1: Parallel strategic exercises shaping Structural Fund programme orientations



In *Steiermark*, there is some certainty about the main foci of the new programme, but not the details. Three main 'blocs' will form the core: economic investment support (including new firm formation, the attraction of inward investment, and modernisation of existing firms), tourism and RTDI. Other important themes include telecommunications and networks and clusters, but it is not yet clear whether these would comprise part of one of the above blocs, or form a fourth element. The blocs were chosen partly on the basis of the experience of the last programme and wider economic development directions in *Steiermark*. In terms of the rural dimension, the current measures being followed under the Objective 5b programme are likely to be simply carried over into the new Objective 2 programme.

In *Fyrstad*, there is broad agreement that the current priorities and most of the instruments contained in the current programme are appropriate and should be

continued in future. An evaluation of the Fyrstad ‘framework programmes’⁷, for example, pointed to a continuing need for them. However, in other ways the content of the programme will be adjusted, including placing greater emphasis on developing linkages between the local university and local SMEs⁸, and on tourism (including business tourism and the leisure and entertainment sectors). Insufficient account may have been taken to date of the implications of extending this eligible area, as some believe will happen, to cover adjacent 5b areas.

At the same time as the strategic content of programmes is being debated, so are the instruments contained in SPDs for policy delivery. Simplification and/or concentration are recurring themes in the policy development debate, and are manifested in several ways.

First, as in the Austrian programmes, this will take the form of further rationalisation in terms of eligible schemes, to enable greater concentration of funding agencies and instruments. The outcome will be fewer but broader *Richtlinien* (guidelines), which should better enable more innovative projects to come forward, by allowing a relatively wide variety of actions to be supported. In Niederösterreich, there is an intention to limit the number of *Richtlinien* included in the new Objective 2 programme to a maximum of ten (federal and *Land*). There is also some interest in taking some of the SPD implementation forward on the basis of individual award decisions (*Einzelentscheidungen/Einzelmaßnahmen*) because it is not always possible to identify current *Richtlinien* which accurately fit the strategic goals of the programme. In what could be seen as an opposite trend in Sweden, more national regional policy instruments will be included in future SPDs, but here for increased simplicity and ease of absorbing available resources. They will then fall more in line with programmes elsewhere. Sweden is already negotiating with the EC to include its Regional Development Grants in the new programme.

Second, concentration is being sought in the projects invited – with larger, or more clearly inter-connected projects, seeking explicit synergies. In Finland, programmes will be shaped to accommodate fewer but larger, co-operative projects in the next round – including multi-regional ones. In turn, a *lead project* approach has been proposed in Nordrhein Westfalen, which should allow greater focus if it goes ahead. This will concentrate resources in areas which have proposed, and had approved, large, integrated project ideas (comprising multiple potential projects). It will also lead to a concentration in terms of sectors.

In Austria, a parallel debate has been underway on the potential of ‘framework projects’ comprising integrated groups of projects, although on a smaller scale than the English package examples⁹. There is still on-going discussion about how such framework projects could operate eg. through global grants or as

⁷ For further details of the rationale and functioning of the Fyrstad Framework Programmes, see: Taylor, S and Downes, R (1997) op cit.

⁸ Brown, R (1998) *Maximising the Economic and Technological Impact of large Companies: a Study of AutoNova, Saab Automobile and Volvo Aero Corporation in the Fyrstad Economy*, EPRC Report to the Fyrstad Objective 2 programming authority, University of Strathclyde, Glasgow.

⁹ Taylor, S and Downes, R (1997), op. cit.

separate measures. They pose certain difficulties in the Austrian context because of the complexities involved in working with separate Richtlinien and funding agencies. Equally, where cross regional projects were involved, obtaining political backing from the regional conferences would be difficult.

Third, streamlining extends to the structure of programmes. In Nordrhein Westfalen, the programme will combine measures, giving greater simplicity and flexibility, although without narrowing the breadth of eligible actions. For example, the tourism measures 2.5 (*support for tourism marketing*) and 3.4 (*tourism infrastructure*) are likely to be combined as tourism projects often involve elements of both measures.

Fourth, simplification is being sought through improved co-ordination between Structural Fund programmes and other economic development frameworks. This is evident in the parallel strategic exercises already discussed above. The co-ordination may well extend into the technical detail of parallel programmes. For example, many of the selection criteria Päijät-Häme will use in its next programme will relate to the priorities of the Centre for Expertise programme.

Greater concentration and simplification in programmes will not necessarily resolve all the problems which have been experienced in programmes to date. For example, it seems unlikely in some countries (eg. Austria and Germany) that improved Fund integration will be achieved. It is more likely that the ERDF, ESF and EAGGF parts will effectively function as three separate entities under one programme. There will probably be some attempt to write an introductory framework covering all the areas, but full integration is likely to be extremely difficult. This was problematic between only two Funds in this programming period and will be much exacerbated with three. The separate institutional systems at EU and at national level continue to make fund integration difficult, although possible harmonisation of the financial implementation requirements of the three Funds may mitigate this somewhat.

Lastly, and on a more technical note, programmes will be expected to develop more comprehensive sets of quantified output and impact targets to accompany their policy choices, employment indicators remaining key. Exploiting both data on previous results and Commission guidance and methodologies should help to improve the quality and consistency of quantified targets. Among the challenges will be to ensure quantification in the programming supplement which is consistent with what is in the main programming document, with indicative figures at the very least.

6. PROGRAMME MANAGEMENT AND DELIVERY

6.1 Management and Implementation Arrangements

As noted above, under the proposed regulations, the Commission will step back to take a more 'strategic' role, focusing on establishing the EU-wide priorities for development plans and approving the goals and priorities in each programming document. Member States will be solely responsible for the detailed content of programmes (operational measures, quantification of targets), the management of programmes (designation of final beneficiaries,

project selection criteria) and monitoring, evaluation and control. Each Member State will appoint a single managing authority with responsibility for programme preparation and management (see Table 6.1).

Table 6.1: Specific regulatory responsibilities of the proposed managing authority

Programming <ul style="list-style-type: none"> ➤ Preparation of financing plan for assistance ➤ Preparation of programming supplement ➤ Responsibility for entire implementation process and ‘quality of implementation’ ➤ Responsibility for sound financial management ➤ Implementation of adaptative actions or corrective measures arising from annual review and inspection ➤ Organisation of publicity
Management and monitoring systems <ul style="list-style-type: none"> ➤ Organisation of management systems for financial and statistical information ➤ Organisation of computer systems for management, monitoring and evaluation ➤ Assessment of accounting systems of other implementation bodies ➤ Ensuring compliance with other EC policies eg. award of public contracts ➤ Organisation of internal control systems
Reporting and evaluation <ul style="list-style-type: none"> ➤ Preparation and submission of payment applications ➤ Preparation and submission of annual implementation reports ➤ Annual review meetings with the Commission ➤ Organisation of mid-term evaluation (with the Commission)

The commitment to decentralisation is considered - by some at least - to be a chimera. Although the Commission is proposing to withdraw from detailed operational management, the proposed regulations would strengthen its influence. Throughout the programming process, it would have considerable leverage on programming, encompassing: the specification of Community priorities to be included in programmes; the approval of regional development plans; the annual implementation reports; meetings with managing authorities (and the enforcement of adjustments, by withholding payment if necessary); the mid-term evaluations, and their use for the allocation of the performance reserve (see next section). In justification, the Commission argues that decentralisation of implementation requires a strengthening of mechanisms to ensure accountability. The danger, recognised by programme actors, appears to be that decentralisation will in reality be limited, while Commission monitoring and control increase. Responding to the Commission could mean that the managing authorities may be both tightly constrained and burdened with extensive, specific responsibilities.

At the programme level, given the ongoing uncertainties of the new regulations, most proposed changes to management systems at this stage are the product of ongoing, internal processes of learning rather than responses to the new regulatory environment. In terms of their intentions, Member States

can be split into two broad groups: those for whom the status quo is likely to be maintained; and those proposing more fundamental change. Among the 'reformers' are two of the new Member States, Austria and Finland, for whom this is the first clear opportunity since accession to make major adjustments following a stock-take of the programme management arrangements established in 1995.

6.2 Programme Arrangements - the Managing Authority

The idea of a single managing authority at programme level would not necessarily be very different from what prevails in many Objective 2 programming areas today, and is broadly welcomed for its simplicity. An implication of the proposal is the need for clarity in future relationships between the organisations involved and the definition and division of tasks. To assist in planning, further information is needed on several issues, notably whether the 'control' function of the Commission will increase, making the job of managing authorities more onerous, and what the financial arrangements would be for the managing authorities, including whether these would be the direct recipient of Funds or whether the Funds would still flow through the national level in the first instance.

The lack of explicit debate about managing authorities in Sweden and Germany appears to indicate their maintenance of the current organisational systems. Where there *is* debate about the identity of the future managing authority, this often has its roots in the possible need to adapt to a map of new eligible areas and to new programme structures (eg. one or many programmes for a given Objective), which could mean that an authority at a higher or lower tier of government would fulfil the role more effectively.

The debate about which organisation will be the future single managing authority is most open in Austria. The choice will have to be suitably qualified in terms of political and administrative know-how, as well as its management and strategic planning competencies, and will need to wield a degree of power. If programming takes place at NUTS II level, then the Austrian managing authority would naturally be located at *Land* level. A degree of uniformity would be necessary across the *Länder* in the identification of suitable organisations for the task. Two possible options exist: a centralised approach where one organisation would take on the entire role; or a decentralised approach which would operate in a similar fashion to the current situation with a co-ordination organisation and a range of other involved actors. There is no clear ideal choice at this stage. One view is that the managing authority's task is really one for a co-ordinating agency which is not involved in the implementation process – such as the EU Department in the *Land* government in the case of Steiermark. Further debates in Austria include whether to base the managing authority outside the public sector. A private sector solution, through organisations such as EcoPlus, could be beneficial, but this would have to be accepted both politically and by the chosen agent. The Austrian context poses further complications in that the considerable responsibilities of the managing authority may be difficult to reconcile constitutionally within a federal system – particularly in areas where there is no formal constitutional allocation of responsibilities.

Likewise in France, while the sole managing authority is very likely to remain the regional office of the State (the *Préfectures*, operating through the European offices of their secretariats or SGARs), there has been some debate about the potential for the regional councils to play a wider role. In spite of the draft regulations stipulating a *single* management authority, some councils, including *Aquitaine*, have pushed for a form of joint responsibility in Structural Fund programming – but in terms of greater formal status in decision-making rather than joint responsibility for high level administrative functions (eg payments and monitoring functions), which would involve duplication and inefficiency. The motivation for regional councils is greater recognition of their considerable contribution to successful programming. They are major co-financers and many already participate very fully, including by representing the common voice of local councils for some issues. Some feel that as relatively new institutions, they are now sufficiently mature to take up new roles, including the co-management of the Funds. This debate was fairly open before the 1998 regional elections, but change has become increasingly unlikely since then, for two main reasons. First, the State is modernising and the national level wants to see what difference this could make before looking to more radical solutions; second, there are political tensions between the national and some regional governments which make the state unlikely to relinquish responsibilities. Final outcomes could depend on whose influence prevails in the final decision-making process at national level, the Ministry of Interior having centralist tendencies and DATAR decentralist.

6.3 Programme Delivery

In many cases, the 1994-99 programming period has brought constant refinement to programme management, and programmes are likely to capitalise on this progress in the next round. At the same time, most Member States are discussing some form of reform. Among the recurrent themes at the national and regional levels are decentralisation or re-balancing of responsibilities (Sweden, NRW, Finland), and improved inter-agency co-ordination (Austria).

A trend towards decentralising programming responsibilities is observable in several programmes. Sweden is devolving powers from national to programme level, while in Nordrhein Westfalen, both national-regional decentralisation and intra-regional decentralisation are desired. It is not clear what the Swedish proposals will involve in detail, but decentralisation is being undertaken in the context of the new Regional Policy Act which is currently being debated by Parliament in connection with 'regional growth agreements' and which involves greater regional devolution of power. In Nordrhein Westfalen, the new programme-level Monitoring Committees would in themselves mark a process of decentralisation to the programme level. In turn, decentralisation within the region could result from proposals under which *Land* ministries would play a less dominant role in favour of regional agencies (which may in consequence need further skills development to ensure high quality). This would help to address some past weaknesses which stemmed from the dominance of the *Land* ministries, notably some sectoral dominance eg. of technology policy; missed opportunities for certain project types due to limited co-operation (eg. projects involving environment and technology); and limited

integration between the ERDF and ESF (although improved Fund integration may in reality be a longer-term ambition). Ideally, some measures would be left to ministries and others would be devolved to the regional level, conditional on the development of appropriate competencies.

In Finland, the number of actors involved is being rationalised and their degree of influence rebalanced. Currently, it is felt that too many Ministries are involved in co-funding and decision-making and have too much influence both over their own resources and over the Structural Funds. The Ministry of Interior is fleshing out two options for regional-level solutions, both of which present some limitations. The first is to retain the current system, but to have a strengthened Regional Management Committee (RMC), empowered to decide on the use of Structural Funding, so that national authorities were only deciding on their own co-financing. This option is favoured by the South Karelia Regional Council, which would also favour greater political representation at the RMC. The option is felt to bring decision-making closer to the beneficiaries. A 'Working Committee' would submit proposals to the RMC, and this would then decide eligibility. The central ministry would then release the funds (rather than the regional offices of national ministries). This solution would also provide flexibility to move budget allocations between ministries. This is possible in theory at the moment, but proves politically impossible once funds have been processed into ministry budgets. The alternative broad proposal is for Regional Management Committees to decide on Structural Funding, but for the Employment and Economic Development Centres (the integrated offices for the regional arms of national ministries) to have a stronger role in financial management and monitoring.

Austria is fundamentally taking stock of how effective programme delivery has been. Among the key weaknesses has been the lack of co-ordination between Structural Fund activities. The *Länder* were given the co-ordination role in the current programming period and this has not functioned optimally, in part because of their lack of experience of formal co-ordination. In theory, they were supposed to co-ordinate the federal measures included in their programmes, at least in the monitoring and annual reports, but this was rarely undertaken. One proposal to improve co-ordination is to have fewer players involved in the implementation of the Structural Funds. The Federal Chancellery will recommend this, but do not have the powers to impose it. It is also uncertain at present how much political pressure will be exerted for Ministerial involvement etc. The elections scheduled for next year may make the issue more politically charged.

In Austria, the opportunity is also being taken to critically assess the role of a range of individual actors in Structural Fund programming, and to make appropriate adjustments. For example, the *Steiermark regional management offices* will be maintained in future, but not be as directly linked to Structural Fund activities. Information dissemination about EU programmes will still play a part in their work, but, in future, this could become less important, in favour of networking regional players (important for transparency, and joint and integrated projects, and seen as one of the major successes of the regional management in the current period), the search for project leaders (*Projekttträger*), and assistance in the start-up of projects and their accompaniment (*Begleitung*) to a certain stage of development.

In Scotland and Wales, the role of Programme Executives is being debated. Some appraisals of the Welsh Executive have been critical. In practical terms, the management fee of two percent of project grants has been seen as high, while project approval has not been as fast as hoped. In political terms, the change of government has brought a more negative attitude towards agencies while the new Welsh Assembly is bringing pressure to recentralise functions to the Welsh Office. The Western Scotland Executive seems more secure, although constitutional developments may also have an impact here, as the Scottish Office seeks to recentralise some power and capacity. In parallel, in England, the establishment of a national network of Regional Development Agencies during 1999 is likely to lead to changes in Structural Fund management arrangements, with a lesser role for the Government Offices.

Project decision-making is a further area in which reforms are being discussed. In some cases, changes are planned to the special advisory committees which feed into project selection. Denmark's specialist advisory committees which assess applications will be maintained, but work will be undertaken to make their contribution more effective, including by briefing their members better on selection criteria and overall development strategies. In Finland, the number of Advisory Groups is being reduced in both partner programmes. It was felt that they involved too many meetings, and that to get an impartial judgement it could sometimes be more effective to mobilise external experts, especially when, in small regions, many of those on Advisory Groups are also submitting projects. If the size of the Regional Management Committees is reduced in future, however, there may be a need to reinstate some of the Groups.

Reforms are also being proposed to project appraisal and selection systems in some cases. Both *Aquitaine* and *Nordjylland* recognise that if less resources are available, and the flow of applications continues, there may be a need to refine their selection methods. UK-style transparent scoring systems are not a preferred option in Denmark as they are considered inflexible, but are being considered by Aquitaine.

6.4 Financial Management

The Commission proposes *simpler and more exacting financial management arrangements*. Among several administrative changes to the commitment and payment system in the next programme period, the first annual commitment will be made as soon as the assistance package is approved; subsequent annual commitments will be made at the start of each new programme year. Decommitting will take place automatically after two years where payment applications have not been made. Payments will start with a lump-sum advance from the Commission of c. ten percent of the total planned contribution when the programme is adopted, with reimbursement staggered throughout the year. Payments will be subject to compliance with the programming arrangements discussed above: adequate information presented in the programme supplement; submission of the annual implementation report and mid-term evaluation report; compliance with Commission priorities; and the implementation of actions and corrective measures requested by the Commission.

Most regional partners appear to welcome the Commission's financial proposals. Simplification would stem from several changes. The first is a reduction in the number of calls for funds made during the life of a programme, perhaps by almost half. The benefits of this, however, could be counteracted by more information being required for each claim to be allowed, or by conditions having to be met before instalments are paid. The second positive feature is the simplification of Community Initiative management stemming from their Fund-specific relationship, although there is concern that eligible actions may be constrained as a result. The proposal that funds unspent after two years would be lost does not appear to cause concern to most. Whereas projects are unlikely not to have been completed over this timescale in the view of many programme managers, some believe the decommitment procedures could be complicated and cause regions to lose money.

Independently of the Structural Fund reform, some improvements are being made to financial management through changes to national systems. In Finland, some simplification has already been undertaken, reducing the number of budget lines in programmes from nearly a hundred to about 30, and further progress will be sought. The fact that the Ministries work by budget year is a further complicating factor to be addressed. It means that programme managers annually have to specify in advance the amount of national co-financing they require. The Ministry of Interior and the regions would like to only have to set estimates of funding required. Increased transparency is also being aimed for: the Structural Fund allocation for regions is likely in future to go first to the central ministries, but only be 'held' by them rather than processed into their budgets. A strong impetus to improve financial management in Finland is the introduction of multi-regional projects and their likely complex management.

Further changes made at national level include the cessation of annuality for the ESF in the UK. Instead, the same commitments and payments procedures will apply to all the Funds. Finally, in Sweden, it is likely that responsibility for financial management will be devolved to the regional level in future (project payments and financial monitoring). This was one of the recommendations of the interim evaluations of the 1995-99 programmes. Reform has not been universal. In France, for example, there has been less activity in financial reform in spite of some ongoing difficulties. The prevailing national view is that funding circuits are unlikely to change in the short term, either in the context of the French state's or the Structural Funds' reform. The system of disbursements works reasonably well, and satisfies formal financial requirements. However, pressure may be exerted from the regional level to consider more decentralised solutions, including the direct transfer of funds from the EC to the regional offices of the state, with the national level being kept informed and sent copies of the documentation.

7. MONITORING

In return for decentralising the implementation of Structural Fund management, the new regulations propose strengthening the monitoring

requirements to verify compliance with strategic programming requirements and proper use of assistance in several ways:

- an annual implementation report, containing information on the progress, results and impact of assistance, will be drawn up by the managing authority, and submitted to the Commission;
- data collection and indicators have been defined, ie. financial and physical indicators are to be broken down by sex and according to EC nomenclature; quantified targets are to be set for measures and priorities; and progress in physical, impact and financial indicators is to be reported;
- annual monitoring meetings between the Commission and the managing authority will be arranged to examine the results achieved and make recommendations for improving management quality; and
- annual control meetings between the Commission and the Member States' inspection authorities will take place to evaluate the results of controls and identify any measures required to rectify shortcomings.

7.1 The Annual Implementation Reports

The information required from the annual implementation reports is explicit (see Table 7.1) encompassing a regional socio-economic analysis, assessment of progress and reports on financial and physical indicators, and a detailed review of implementation arrangements. In many respects, these requirements comprise the tasks undertaken hitherto as part of the interim (mid-term) evaluations, thereby effectively making the annual implementation reports annual 'mini-evaluations'. From an evaluation perspective this is not necessarily negative: comparative assessment of the last round of interim evaluations revealed that the value of mid-term review (as a programming tool) could be significantly improved if the monitoring systems were capable of tracking physical/financial indicators, leaving the mid-term evaluations to concentrate on thematic issues or specific programming problems¹⁰. However, this approach depends on relatively sophisticated monitoring and evaluation structures and systems; while these exist in some Member States (or in some regions within Member States) they are not universal, and the 'learning curve' of programming means that it is unrealistic to expect all regions/programmes to fulfil the proposed requirements for monitoring. In addition, the view of many regions is that the annual implementation reports should only be an extension of the annual reports already produced, with effective responses involving the completion of some additional tasks and changes to the detail of monitoring practices. There is some resistance to the mini-evaluation idea mentioned above. It would be preferred instead to use the annual report to 'update' the Commission and partnership on important changes pertinent to the direction of the programme. There is a perceived danger of over-evaluation.

At a more specific level, the new obligation to demonstrate additionality on an annual basis is also causing some concern. This is more demanding than the current situation, and may pose problems not only because it is a further

¹⁰ Bachtler J and Michie R (1997) The Interim Evaluation of EU Regional Development Programmes: Experiences from Objective 2 Regions, *Regional Studies*, 31(9) 849-858.

obligation, but because the tools and methodologies are lacking which would enable regions to fulfil the task simply.

Table 7.1: Specific requirements of annual implementation reports

1. Review of regional socio-economic trends
2. Review of consistency with other national, regional or sectoral policies
3. Review of consistency with Objective 2 reference framework
4. Review of progress in implementation priorities, measures and operations
4.1 progress in achieving specific targets
4.2 quantification of physical indicators (results, impact)
5. Review of financial flows
6. Implementation arrangements
6.1 monitoring and supervision of operations
6.2 use of technical assistance
6.3 information collation and evaluation systems
6.4 reliability of management systems
6.5 actions taken in response to requests for adjustments or corrective measures
6.6 publicity arrangements
7. Compliance with other Community policies
8. Progress and financing of major projects

7.2 Annual Monitoring and Annual Control Meetings

It is still unclear how the annual control and monitoring meetings with Commission services would operate in practice, what adjustments could be requested at them by the Commission and how these requests would be enforced. In support of increased subsidiarity, the UK is arguing that the Commission should not be able to impose changes at its annual monitoring meeting without the approval of the full Monitoring Committee.

7.3 Improved Monitoring Systems

Considerable attention is being given at both national and regional levels to how monitoring systems and practices can be improved in the next round. In part, this is in recognition of the contribution increasingly flexible and powerful monitoring systems have already made to programme effectiveness. The new regulations, however, contain a stronger impetus – notably the need to minimise the workload associated with increased reporting requirements, and the need to be able to demonstrate effective performance to access the proposed performance reserve fund (PRF). Softened compromise proposals are emerging for PRF following united Member State pressure, including utilising a smaller reserve (c. 4 percent rather than the originally proposed 10 percent) and allocating it in consultation with Member States. It will nonetheless have implications for programme reporting. Individual programmes will need to improve their ability to track programme progress, while Member States will be seeking improved comparability between the reports generated.

While most accept that monitoring systems will have to adapt, some are waiting to have a definite picture of the implications before making the relevant adjustments (eg Sweden). Others are already taking action. In Steiermark, *baseline data* is being improved through the development of a new database of economic indicators, partly funded by Objective 2 technical assistance measures. At the same time, programme indicators will also be honed in Steiermark through a planned *ex ante* study. The current monitoring and evaluation indicators have meant additional work for funding agencies, and, given that the data cannot always be used for their own work, there has often been resistance to this process. Indicators will be sought which do not involve too much additional work for companies, are not too complex for funding agencies and which insofar as possible fit in with wider monitoring frameworks. NRW has faced similar difficulties in the past in trying to create a data collection system which fulfils the requirements of different units in the EC and the various regional partners. There may be different deadlines to meet and different principles, all of which make a system covering all areas a complex task.

Elsewhere, the way in which monitoring is undertaken is being improved. Computerised monitoring systems have become increasingly widespread over the current programming period, and will continue to be a fundamental tool. In some Member States, investments made in the current programming period will be exploited for the next. Following long teething problems, the Finnish monitoring system is now considered to be working well and will form the basis for monitoring in the new period. In France, however, building on progress made in individual regions during the current rounds, a single national monitoring system is under development (see Box). In Denmark, there are more modest plans to adjust application forms and project monitoring procedures to ensure the necessary monitoring information is available.

**BOX 7.1: INTEGRATED MONITORING OF ECONOMIC DEVELOPMENT IN FRANCE
– THE PRESAGE SYSTEM**

In a project entitled '*Programme Régional et Européen Suivi-Analyse Gestion Evaluation*' (PRESAGE), the French national Objective 2 technical assistance programme is being used to develop a standard, integrated computerised management information system for improved monitoring of all major economic development programmes across France. The system, which draws on and refines experience in several regions, including Aquitaine, will make it easier for national ministries to monitor activities at the regional level – tracking Structural Fund programmes in parallel with state schemes and the state/regional government *Contrats de Plan*. It will also enable conformity with the stronger monitoring requirements of the new Structural Fund programmes – including making programmes more comparable.

PRESAGE consists of a single database with multiple access, which will be updated at the regional level, and will then channel information up to the national level. At the regional level, the system and its access arrangements will be customised to the needs of individual *Préfectures*. In the most collaborative regions, a wide range of organisations could access the database directly to input or extract information.

Projects will be recorded on the database at the moment of 'instruction' - when they first enter the appraisal system - and be tracked through to completion. For analysis of single programmes, it will be possible to aggregate project data to measure and programme level. In addition, to facilitate inter-programme comparisons, projects of the same type will be allocated standard codes.

To meet the varying needs of its users, the system operates on a system of cascading tiers, able to show data for groups of programmes, single programmes, measures, sub-measures and individual projects, in increasing levels of detail.

The system has also been designed to support practical programme delivery. For example, it will be possible to use it to generate letters for applicants and implementers, to show where paper files are kept, to keep a trail of communications, and to generate statistical and graphic summaries for reports on programme progress.

Gradually, the new instrument will be piloted, then a definitive version will be installed in all regions by 2000, superseding the diversity of systems currently in place.

8. EVALUATION

In line with the proposals to strengthen monitoring arrangements, evaluation is also reinforced. Three forms of control are proposed:

- to strengthen the integration of evaluation, by incorporating the *ex ante* exercise and results of previous evaluation studies in the preparation of development plans, by ensuring greater quantification of targets, and by implementing adjustments arising from the mid-term evaluations;
- to enhance financial management and control systems by incorporating special provisions in the programme documentation relating to the management and monitoring systems (guaranteed by the Member States) and information supplied, complemented by regular checks and meetings with the managing authorities, and a requirement for effective financial corrections to be made; and
- to create a 'performance reserve' which will be awarded to well-performing programmes, judged on the basis of indicators measured in the mid-term evaluations.

These proposals have been among the most contentious regulatory changes being discussed. As noted earlier, Member States agree in principle with the goal of improving efficiency but consider that the Commission's suggested performance reserve scheme is methodologically flawed, that the amount reserved is too high, and that the exercise of the scheme would give the Commission too much influence over programmes. They are also concerned at the Commission's role in the financial control and are seeking clarification how the verification of additionality would proceed in practice.

The proposed performance reserve would be operating across countries, systems and types of policy approach. It is arguable that comparability of programme performance is possible within countries and systems but not across borders, for several reasons. First, EU regional development programmes are very different in approach and content between Member States. EPRC research on Objective 2 regions¹¹ has shown significant similarities between programmes and strategies within countries, but a relative lack of comparability across borders; national cultures, policy approaches and

¹¹ Bachtler J, Taylor S and Kearney C (1996) *Extended Synthesis of Agreed SPDs in Objective 2 Areas*, EPRC Report to European Commission (DGXVI), University of Strathclyde, Glasgow.

institutional systems have a major influence on programmes. Second, individual Member States have made differing degrees of progress towards monitoring and enhancing the performance of programmes. Some countries readily admit that they have no tradition of performance assessment and evaluation, as has long been the case in, say, the UK or Germany; the evaluation obligations of the Structural Funds have made significant progress in promoting the application of monitoring and evaluation but there are big variations between countries. Third, as noted in the previous section, the efficient implementation of the Structural Funds is a difficult process in many Member States and has involved a significant ‘learning curve’. Some countries and regions now have over ten years’ experience of implementing the Funds efficiently; for others it is still new.

The PRF has been an issue of such contention that it has to an extent diverted attention from addressing other aspects of the evaluation proposals in detail, including arrangements for the *ex ante* evaluation. Responsibility for undertaking *ex ante* evaluations for the next programming period will fall to Member States (at either national or programme level), and they will be expected to undertake them in parallel with programme development. A practical and immediate evaluation issue of concern to some regions is how to finance the *ex ante* evaluation and strategic programming exercises feeding into the next programmes. The Commission state that this should be done from the current programmes but that is problematic given that eligible areas may be different and that different actors may be involved. One proposal is that these components could be financed retrospectively from the next programming period. A further issue is that while the objective of raising the quality of programmes in advance of EC scrutiny is laudable, such a process of self-evaluation cannot be independent, presents serious co-ordination and timing difficulties (including its impact on the length of the development process) and may be a relatively cumbersome way to promote ‘total quality’ responses. In addition, every programme (or Member State, as appropriate), would address the task differently, presenting potential problems for the EC who may nonetheless have to commission their own *ex ante* studies – potentially delaying programme approval by months.

A second issue raising questions is how the interim evaluations would be affected by using them to verify additionality and to allocate the performance reserve fund (PRF). This is a quite different orientation than the current interim evaluation exercises, which, being commissioned by programmes for programmes, provided a mechanism for internal learning. The clear implications for how the studies would be commissioned, carried out and then used mean that the evaluations risk becoming an instrument for external scrutiny rather than internal reflection. Linking the *mid-term* evaluation with the performance reserve fund could also distort its results.

Interim evaluation could become a more useful exercise – by scheduling it later in the implementation cycle when more useful information can be generated on the effectiveness of programme implementation. However, the complexities involved in the PRF exercise are unlikely to allow for this postponement. A further specific proposal is for more sensitive, holistic evaluation methods to be developed so that programmes placing more emphasis on soft interventions, which tend to bring longer-term benefits, can

be assessed favourably compared with programmes with a stronger capital investment orientation. Under the PRF, a limited number of criteria would have to be used to judge programmes, and this would mean that a mono-dimensional view might be taken of the benefits accruing from Structural Fund interventions.

9. CONCLUSION

As the final phase of the reform approaches, regions and localities have been moving on from lobbying the Commission for eligibility to the internal debate about the allocation of Objective 2 areas and administrative preparations. Towards the latter part of 1998, implementation issues began to get attention as regions considered the programming requirements in the new regulations.

Taking the long view, there appears to be widespread support for the broad thrust of the current reform process. For the first time since the Structural Funds were reformed in 1989, Objective 2 regions will be able to operate a programme over a long time period. The seven-year programme period should allow regions to spend adequate time on the strategic management of programmes as opposed to the compressed operational demands of planning, delivery and reprogramming characteristic of the past decade. As noted several times in this paper, many aspects of programming have matured significantly over the past 3-4 programming periods, and regions now have the opportunity to concentrate on making them work effectively. The anticipated decentralisation of implementation arrangements is generally welcomed, although there are continued reservations over the prescriptive nature of the regulations; striking a compromise between Member States' desire to maximise their autonomy to manage programmes while meeting Commission concerns over adequate management, monitoring, control and evaluation systems will not be easy.

In the interim, the main concerns of Objective 2 regions are the preparations that need to be made for the next programming period. The review of regional activity undertaken for this paper at EU national and regional levels highlights several important issues.

First, awareness of the programming implications of the regulations is very variable among Objective 2 regions. There is no certainty at this stage about eligibility or the final shape and content of the regulations, and there are contrasts between Member States in the information and guidance being provided by national authorities and EC desk officers. Indeed, in some cases regions are receiving conflicting messages from national government administrations and Commission services. Although the broad outlines of the information requirements in the regulations are evident, there is considerable uncertainty about:

- the balance of information needed for the regional development plan and programme supplement, and, in particular, the anticipated 'fit' of the two components together as an integrated concept;
- the guidance on horizontal priorities; and
- the interpretation of the quantification and *ex ante* appraisal provisions.

There is particular concern among Objective 2 regions that these matters should be clarified speedily and in detail – to allow programme preparations to begin, and, over the coming year, to avoid unexpected requests for information and associated delays in approving the new programmes.

Second, notwithstanding the uncertainties, most Objective 2 regions appear to have begun some active planning for the new generation of programmes – although in certain regions it has been characterised as little more than ‘preparing to prepare’. In some cases preparations have begun with regional analyses (eg. SWOT analysis or an updating of the statistical base); in other cases, working groups have been convened to begin determining strategic priorities. More so than in previous programming periods, Objective 2 regions are investing in evaluation research to guide the strategic direction and programming arrangements of the new SPDs. Several regions have launched thematic studies (on specific strategic or organisational issues) or combined evaluation studies – *ex post* studies of the 1994-96 period and interim evaluations of the 1997-99 programme – in time for the detailed programme planning process in spring 1999.

Third, there appears to be a strong degree of continuity in the strategies being discussed by Objective 2 regions. The future strategic direction is generally clear, especially in older Member States; for the ‘new’ Member States, the current phase represents the first opportunity for a reflective approach to establishing programme priorities, with a redefinition of strategic focus being considered in several cases. Most regions appear to be reasonably confident about continuing to promote the Commission’s horizontal priorities. Despite some concerns about policy overload, many regions have been developing increasingly mature approaches to the environment, equal opportunities, RTDI and job creation, and many appear to be confident in their ability to build productively on past experience.

Some strategic reorientation is being imposed by external developments. In both France and Sweden, parallel reviews of national regional development policies and strategies in progress. In the French case, a new round of State-region planning contracts (*Contrats de Plan État-Région*) is underway with the ambition of drafting policies and plans that are coherent with the new Structural Fund programmes. A similar policy approach has been adopted in Sweden where national regional policy now incorporates so-called ‘regional growth agreements’ intended to promote partnership-based regional development strategies along Structural Fund lines.

Fourth, the key challenges for programme managers, secretariats and partnerships in the coming programming period will be *effective programme management* and *efficient programme delivery*. The new regulations place great emphasis on systemic improvements to programme management arrangements in terms of management information systems and the indicators they encompass. In almost every case, managing a wider partnership will also create new demands.

The implications of merging Objectives 2 and 5b vary. Whereas for some regions the merger is a logical approach to economic development (given the proximity and interrelationships between current eligible areas), for others

coherence may be problematic and involve a meeting of different 'programme cultures'.

The key future challenges for many regions are regarded as operational: how to make integrated strategies work, how to implement soft measures effectively, how to generate increased demand for such measures. In most countries, there is a continued process of simplification and rationalisation of programming arrangements – fewer measures, greater sectoral focus (in some cases), better co-ordination between organisations in managing and delivering programmes, and increased involvement of partners (especially local actors). Across the EU, Objective 2 programmes have progressively been developing integrated strategies, focusing more on softer measures and building in criteria to promote sustainable development and equal opportunities. These trends have significantly complicated the process of project delivery, requiring more intensive work with end-beneficiaries to ensure awareness and understanding of programme aims, priorities and award criteria and to ensure the generation of 'good projects'. Indeed, with some indirect measures under RTDI or business development, it has sometimes been difficult to generate sufficient applications, at least in the early stages of the measures. In the new programming period, this trend will intensify – with additional pressure from the need to commit funds timeously under the financial management regulations.

Finally, the message from discussions with national and regional authorities in several Member States is that regions should be planning for a delayed start to the new programmes. On the one hand, political agreement on the *Agenda 2000* package has a long way to go, with a budgetary debate more polarised than in previous reform negotiations; the deadline of completing the negotiations by March 1999 is regarded as extremely ambitious. On the other hand, even if this deadline is met, previous experience suggests that expectations of the preparation, negotiation and approval of programmes within nine months are unrealistic. During the negotiations, Member States are pressing for the balance of time allocated to Member States (for plan preparation) and the Commission (for programme approval) to be realigned to give more time to regions for preparing their plans. This will compress further the limited time for Commission assessment and approval of plans; even with decisions taken at a strategic priority level, a meaningful assessment of programme objectives, indicators and targets is likely to take more time than will be available during 1999.