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Focusing on preparing the new programmes - state of play with 2014-20 and 2007-13 programmes

IQ-Net Review Paper 33(1)

Heidi Vironen, Rona Michie and Kaisa Granqvist

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European Policies Research Centre
School of Government & Public Policy
University of Strathclyde
40 George Street
Glasgow G1 1QE
United Kingdom

Tel: +44 (0) 141 548 3672
Fax: +44 (0) 141 548 4898

Email: eprc@strath.ac.uk

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- Stefan Kah (Austria, Germany, Slovenia)
- Dr Arno Van der Zwet (Belgium)
- Dr Marie Feřtrová (Czech Republic)
- Prof Henrik Halkier (Denmark)
- Heidi Vironen (Finland)
- Frederike Gross (France)
- Victoria Chorafa (Greece)
- Dr Martin Ferry (Poland)
- Dr Carlos Mendez (Portugal, Spain)
- Rona Michie (United Kingdom)

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

Austria

- State Government of Niederösterreich (Lower Austria), Economic and Tourism Department
- State Government of Steiermark (Styria), Department for Economy, Tourism and Sport

Belgium

- Enterprise Flanders Agency

Czech Republic

- Ministry of Regional Development

Denmark

- Danish Business Authority

Finland

- Alliance of Länsi-Suomi (Western Finland) and the Ministry of Employment and the Economy

France

- Délégation interministérielle à l'aménagement du territoire et à l'attractivité régionale (DATAR, Interministerial Delegation of Territorial Development and Regional Attractiveness)

Germany

- Nordrhein-Westfalen (North Rhine-Westphalia), Ministry for Business, Energy, Industry, SMEs and the Craft Sector, EU Affairs Unit
- Sachsen-Anhalt (Saxony-Anhalt), Ministry of Finance

Greece

- Management Organisation Unit of Development Programmes S.A.

Poland

- Śląskie Voivodeship (Marshal's Office of Silesia)

Portugal

- Financial Institute for Regional Development (IFDR)

Spain

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

Slovenia

- Ministry of Economic Development and Technology, EU Cohesion Policy Directorate

United Kingdom

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

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Disclaimer

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

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FOCUSING ON PREPARING THE NEW PROGRAMMES -

STATE OF PLAY WITH 2014-20 AND 2007-13 PROGRAMMES

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COUNTRY/ PROGRAMME ABBREVIATIONS

Country	Abbreviation
Austria	AT
Austria (Niederösterreich)	Nö
Austria (Steiermark)	St
Belgium	BE
Belgium (Vlaanderen)	Vla
Czech Republic	CZ
Czech Republic (Integrated Regional Operational Programme)	CZ IROP
Denmark	DK
Finland	FI
France	FR
Germany	DE
Germany (Sachsen-Anhalt)	SA
Germany (Nordrhein-Westfalen)	NRW
Greece	GR
Poland	PL
Poland (Śląskie)	Sla
Portugal	PT
Slovenia	SI
Spain	ES
Spain (País Vasco (Bizkaia))	PV
United Kingdom	UK
United Kingdom (England)	Eng
United Kingdom (Scotland)	Sco
United Kingdom (Wales)	Wal

EXECUTIVE SUMMARY

After two years of intense negotiations, first within the European Council and then with the European Parliament, the agreement reached with the Parliament on 20 November provides certainty on the regulatory framework for Cohesion policy in the 2014-20 programme period. Programming has of course been underway for a year or more, as Member States, national and regional authorities have been developing their new Partnership Agreements (PAs) and Operational Programmes (OPs), while engaging in informal dialogue with the European Commission. Progress with the drafting of Partnership Agreements is generally on schedule and the aim is to submit formally the majority of PAs towards the end of 2013.

Although programming has progressed in parallel with the development of the PA, formal negotiations are not due to start until after the PA has been approved by the Commission. Nonetheless, successive drafts have already been shared with the Commission and informal meetings taken place. Most partners are expecting OP approval by the end of 2013 or early 2014, well in line with the Commission's approximate deadline of May 2014.

Decisions on the distribution of funding to regions or programmes have still to be taken in most partner countries. The delayed EU-level agreement on the budget with the European Parliament has in many cases hindered the start of internal negotiations on the distribution of funds to programmes and regions, or on allocations to spending priorities. Nevertheless, programme authorities have made calculations on the possible allocation of funds between programmes and regions and in some cases indicative figures have been proposed internally (Austria, Czech Republic, France, Germany, Slovenia) or publicly (Finland, Poland, United Kingdom).

In many IQ-Net programmes, funding will need to be strongly concentrated following ring-fencing requirements. This applies especially to more-developed and transition regions, where up to 80 percent of ERDF funding will need to be concentrated on the TOs 1 (RTDI), 3 (competitiveness of SMEs) and 4 (low-carbon economy). There will generally be shifts in spending towards all three objectives, in particular to TO4 (low-carbon economy). The thematic concentration requirements do not pose major challenges to programme implementation structures.

Although most partners have no plans to create new Intermediate Bodies or to attract new beneficiaries in response to the thematic re-orientation, changes in management and implementation structures are due to be introduced as part of broader striving towards efficiency and to reflect past experience. In recent months, developments have taken place in terms of: changes to the number (Niederösterreich) and responsibilities of Intermediate Bodies (Finland), introduction of decentralised Structural Funds management (France) or a centralised agency to rationalise and concentrate resources (Portugal) or a change of national Government (Czech Republic). While these developments can be important in terms of increasing efficiencies, they can also bring uncertainly over future implementation structures.

The most significant changes in programme architecture – including both a reduction in the number of OPs and the introduction of multi-fund programmes – is planned in Austria, the Czech Republic, Finland and Slovenia. The introduction of multi-fund programmes (in Czech Republic, Finland, France, Greece, Poland, Portugal, Slovenia) has been reasoned on grounds of taking a more

integrated approach to Cohesion policy management and implementation. However, while some have experience of a multi-fund approach from earlier programme periods (2000-06), others are embracing it for the first time. Changes to programme management structures can further complicate the adoption of a multi-fund approach.

With respect to the Commission's proposals for the use of new instruments of Community-Led Local Development (CLLD), and Integrated Territorial Investments (ITIs), planning is at mixed stages in the partner programmes. Where CLLD is to be implemented, the intention is to do this by expanding the existing LEADER approach beyond use with EAFRD to include ESF (Sachsen-Anhalt) or both ERDF and ESF (Czech Republic, Greece, Portugal). Most partners have decided to implement ITIs. The ITIs are primarily used to combine different priority axes within one programme (rather than several programmes) and bundle funding from ERDF and ESF (rather than from several funds). Partners are also generally planning to use ITIs for the implementation of integrated actions for sustainable urban development, but where this is not the case, implementation will be carried out through a separate priority axis (Austria, Denmark, France, Greece, Nordrhein-Westfalen, Sachsen-Anhalt, Spain).

The focus for 2007-13 programmes over the last six months has been on achieving and maintaining full levels of commitment, which may involve the recycling of funding, and accelerating payment levels. The rate of absorption across EU27 has increased by nearly eight percentage points to 59.4 percent over the last six months, although marked differences between Member States and Funds remain. However, across EU27, the pace of spending (as measured by payments) remains around six percentage points behind the same point in 2000-06. However, as the Commission cannot currently make payments on most budget lines, this underestimates programme progress somewhat.

Looking back over the last six years and assessing which themes have progressed well in terms of spending and physical performance, IQ-Net partners reported that, in general, large, previously identified, mature projects and those run by experienced beneficiaries spent fastest, while simple, easy to implement infrastructure-type projects or those with a clear high demand progressed best against targets. On the other hand, smaller projects and those facing complex State aid or procurement issues, as well as those run by less experienced beneficiaries, performed slowest.

Many IQ-Net partners are progressing closure preparations with the preparation of domestic closure guidance (Finland, Poland, Slovenia, France, Greece) and setting internal closure deadlines (Denmark, Finland, France, Slovenia, Vlaanderen). Both Commission and domestic training has taken place, and other means of information dissemination have been developed. Closure preparations are perceived as making heavy demands on staff time, especially given the parallel preparations for 2014-20, so a number of programmes have (or intend to) reallocate or appoint staff specifically for closure (Czech Republic, France, Scotland, Wales, Vlaanderen).

On the basis of the information available in October and November 2013, the aim of this paper is two-fold:

- To provide a review of the preparation, content and delivery implications of the PAs and OPs for 2014-20;
- To provide an update on the financial and physical progress of the 2007-13 OPs and the preparations for programme closure.

PREPARATION OF THE 2014-20 PROGRAMMES

After two years of intense negotiations, first within the European Council and then with the European Parliament, the agreement reached with the Parliament on 20 November 2013 provides certainty on the regulatory framework for Cohesion policy in the 2014-20 programme period.[1] Programming has of course been underway for a year or more, as Member States, national and regional authorities have been developing their new Partnership Agreements (PAs) and Operational Programmes (OPs), while engaging in informal dialogue with the European Commission. The following sections provide a review of the preparation, content and delivery implications of the PAs and OPs for 2014-20.

1. DIALOGUE WITH THE COMMISSION

All partners have held informal dialogue with the Commission with respect to the development of the Partnership Agreements (PAs) and in many instances also on Operational Programmes (OPs). Over the past months, the themes under discussion and their associated issues and problems have focused on: **strategic coherence and programming; management and implementation;** the **territorial dimension; themes and priorities; performance management;** and, **effectiveness** (see Table 1).

Table 1: Dialogue with the Commission

Themes	Country/partner	Issues/problems?	How addressed?
Strategic coherence & programming	Czech Republic Slovenia Greece Austria Denmark Wales	• Weak development strategy (CZ); • Too broad objectives (CZ, SI); • Unclear priorities (GR); • Unclear how measures derive from analysis (AT); • Intervention logic (GR, Wal); • Lack of linkages to a macro region strategy (DK).	+ Clarification of text (GR, DK) with better linkages to EU & national strategies (CZ). Merging of objectives and better justification of OP's targeting (IROP in CZ). – Dialogue ongoing on strategic content of PA (AT).
Management & implementation	Slovenia Czech Republic France Steiermark	• Implementation structures (SI, CZ); • Decentralised OP management and implementation (FR, St); • Too many intermediate bodies (SI).	+ Compromise regarding regional implementation structures (St). – Dialogue ongoing (FR, CZ); draft OP waiting for COM feedback (SI).
Territorial dimension	Slovenia Vlaanderen Denmark Spain	• Lack of clarity on the ITI approach (SI) or criteria for its approval (Vla); • COM requirement for (urban or ITI) priority to contribute to two TOs whilst preference is for one (DK, ES).	+ Urban priority to contribute to TO 1 (RTDI) and TO 4 (low carbon) (DK). – Dialogue ongoing (Vla).
Themes & priorities	Sachsen-Anhalt Poland Finland Portugal	• Thematic concentration (SA); • Funding allocations between national and regional level (PL); • COM's exclusion of TO 2 (ICT) means that measures need to be shifted under other TOs (SA); • COM's objection for accessibility being a priority or specific transport investment (East and North FI, PT).	+ Broadband measures included under TO 3 (SMEs) (SA). Accessibility part of priority supporting competitiveness of SMEs (East and North FI). – Dialogue ongoing (PL, PT).
Performance management	Austria Niederösterreich Poland Spain	• Result-orientation (Nö); • Ex-ante conditionalities (PL, ES), particularly the documentation regarding their fulfilment, especially on S3 specialisation (AT).	– Dialogue ongoing (AT, Nö, ES).
Effectiveness	Greece	• Evidence of institutional capacities of management and control bodies; • Evidence of structural reforms of public administration.	+ Changes to documents, dialogue ongoing (GR).

[1] The Multiannual Financial Framework 2014-20 was adopted on 19 November 2013; the European Parliament formally adopted the Common Provision Regulation for all European Structural and Investment Funds (ESIF) and the European Social Fund regulation on 20 November 2013.

2. STRATEGIC PROGRAMMING

2.1 State of play with the Partnership Agreements

What does the Commission expect?

Prior to the official submission of the PAs, Member States have taken advantage of the opportunity to conduct an informal dialogue with the Commission. As part of this, the Commission has analysed draft PAs and sent informal observations (in many instances, also on OPs). Half of the Member States are expected to submit the PAs as soon as the legislative package has entered into force.[2]

Figure 1: Regulatory timeline for the approval of the Partnership Agreement (PA)

General regulation adopted

Max 4 months

PA submitted to the Commission

Max 3 months

Observations by Commission

Max 1 month

PA approval

Source: Adapted from a presentation of the European Commission

How have the partners progressed?

Submission of the PAs is generally on schedule in the IQ-Net partner countries, although some delays have been experienced. The process has been slowed down due to delays with the development of the SEAs and local-level strategies, but also due to delays on the Commission's side (late publication of the Commission's draft templates and delayed approval of draft regulations). A further complicating factor has been the need to provide an integrated PA covering all regions, which can be difficult in order to respect the balance of the chapters (UK), but also highly problematic where the regions have far reaching competencies and diverge in policy areas related to the themes in the PA (Belgium).

Table 2: Timeline for the submission of the Partnership Agreements

First draft of the PA to the Commission						
Jun 2013	*Jul 2013*	*Aug 2013*	*Sep 2013*	*Oct 2013*	*Nov 2013*	*Dec 2013*
Austria, Finland, Portugal	Czech Republic, Denmark, France, Slovenia	Germany, Greece	Poland, Spain	Belgium		UK

Final submission of the PA to the Commission	
End of 2013	*Start of 2014*
Belgium, Denmark, France, Finland, Germany, Greece	Czech Republic

[2] *'Delivering on Cohesion Policy Reform with Quality and Speed'*, Speech by Johannes Hahn, European Commission, 26 November 2013

2.2 Financial allocations and criteria

Decisions on the distribution of funding to regions or programmes are still to be made in most partner countries. The delayed EU-level agreement on the budget with the European Parliament (which was agreed on 20 November 2013) has in many cases hindered the start of internal negotiations on the distribution of funds. Nevertheless, programme authorities have made calculations on the possible allocation of funds between programmes and regions, and in some cases indicative figures have been proposed internally (Austria, Czech Republic, Germany, France, Slovenia) or publicly (Finland, Poland, United Kingdom).

How do the partners allocate funding?

Partners are planning to use different criteria for the breakdown of funding between programmes / regions, including:

- Current programme allocations;
- Change in funding;
- Regional category;
- GDP per capita;
- Absorption capacity;
- Ability to use funding by particular programmes;
- Parameters of Europe 2020 (thematic concentration and other rules);
- Population;
- Allocation of resources between the investment priorities;
- Horizontally-implemented projects;
- Integrated character of the interventions.

There are specific approaches for allocating funding to different categories of region:

- **Allocation of funds to the less developed region programmes.** In Poland, the allocation of funds among the regional programmes of the 15 ‘less developed regions’ will be based on a strict application of the ‘Berlin formula’ (see Box 1).

Box 1: Allocation of funds among the Less-Developed Region programmes in Poland

The calculations are based on statistical data on population, GDP per capita in PPS and the number of unemployed at NUTS 2 level (using Eurostat data for the period 2007-09). A further allocation to the regions is based on a total of 8 percent of Structural Funds for territorial interventions. This includes approximately 4.5 percent for the implementation of integrated territorial investments (ITIs) which focus on activities in the functional areas around regional cities. These functional areas were identified in Poland’s National Spatial Development Concept 2030 (KPZK 2030) and the allocation of funding is based on the number of population in each area. The other 3.5 percent relates to remaining ‘areas of strategic intervention’ identified in the KPZK and is used to balance the overall use of the ‘Berlin formula’. These funds are allocated on the basis of consultations between regions and the Ministry of Regional Development according to assessments of regional needs and potentials.

- **Transfer of funding between the regional categories.** In Greece, the authorities are using the option of transferring funding between the regional categories, which allows this to be done in *duly justified circumstances…up to 3 percent of the total appropriation for a category*

of regions to other categories.[3] Following this, three percent of the total resources allocated to the less developed regions and three percent of the funds allocated to the more developed regions will be transferred to the transition regions. This is based on the fact that all the transition regions in Greece are currently experiencing such a high GDP reduction that they share the same characteristics and indicators with the less developed regions (e.g. unemployment rates). The proposed transfer of resources will allow the transition regions to formulate OPs with sufficient budgets and enable them to have better conditions for growth.

What are the outcomes?

A common goal informing the plans has been to ensure an equitable distribution of funding across regions that minimises abrupt changes relative to the previous period. This has been the approach followed in Finland and in the UK. As a result, in Finland, the share of funding between the two regional plans (i.e. South and West Finland Plan and East and North Finland Plan) in percentage terms remains approximately same as in 2007-13. In the UK, the indicative breakdown of future Structural Funds between constituent parts of the UK was announced by the Government in March 2013. The Commission's formula would have resulted in the Devolved Administrations (DA) losing a substantial amount of funding compared to the current period. To avoid this, a decision was made to reallocate funding so that each DA would be subject only to an equal percentage cut of around 5 percent in funding compared to 2007-13 levels (see Box 2).

Box 2: Breakdown of funding to the Devolved Administrations and at local level in the UK

In June 2013, breakdowns within the DAs and at local level in England were announced:

- England: The announcement stated that the element retained by government for central programmes had been 'dramatically reduced' from around 50 percent to under 5 percent so that maximum funds would go to local areas. Each of the 39 Local Enterprise (LEP) areas has been given an allocation, made up of funds from ERDF and ESF. The (nine) Transition Region allocations (and the fact that Cornwall is an LDR) within England have also been factors helping to pre-determine local allocations.
- Gibraltar's current allocation will be frozen at €9 million and will be taken from the England allocation for MDRs (Gibraltar is counted in this category).
- Scotland: The announcement stated that the Highlands and Islands (Transition Region) would be allocated €172 million (leaving €623 million for Lowlands and Uplands Scotland, an MDR). The Highlands and Islands allocation will be ring-fenced within the region.
- Wales: West Wales (an LDR) €1,783 million and East Wales (MDR) €361 million.

In England, the LEP allocations are indicative. LEP proposals must make a case for spending that amount. There will be a mid-term review in 2017, and money can be removed if the LEPs are not spending. The plan is to devolve around 90 percent of ERDF and ESF to the LEPs; the amount held back might contribute to national schemes / financial instruments. The challenges in breaking down the allocations between the LEPs include the fact that the LEP map and the NUTS 2 map on which the ERDF area designation criteria are based differ, and some LEPs cross Transition Areas and More Developed Regions.

[3] CPR Regulation, Consolidated Text, 24 July 2013, Article 85.

By contrast, the EU requirement for assessing territorial needs has led to considerable variations of outcomes across the regions in France. An initial decision on regional ERDF envelopes was accepted by the regional councils in France in September 2013. Since there are considerable variations in outcomes between different types of territories, the result seems to be received as a sub-optimal compromise. Changes in allocations are mostly due to EU criteria to assess territorial needs, notably in terms of population density (especially for territories cumulating problems of unemployment, school drop-out rates and people on benefits). On the one hand, this has led to an increase of the envelope of the Ile-de-France region by 17 percent. On the other hand, other relatively prosperous regions are set to lose out (e.g. Alsace, Bretagne and Midi-Pyrénées) with a reduction of around 10 percent of their envelope. The transition regions were less successful than expected with six out of ten seeing their envelopes reduced (Limousin, Auvergne, Franche-Comté, Poitou-Charentes, Corse, Auvergne).[4] At the time of writing, the final decision was still outstanding.

Further decentralisation of spending is planned in Poland. In Poland, there will be an overall increase in the share of total ERDF and ESF funds managed regionally from 37.3 percent to approximately 59.3 percent. The ERDF contribution for the regional operational programmes in total ERDF allocation will be a minimum of 55 percent (up from 49.7 percent), while in the case of the ESF, this share will be about 75 percent of the total allocation for the fund. The division of funds among regions will be based on an algorithm as well as the amounts specified in the negotiations of territorial contracts between national government and the regions. Thus, the following shares are proposed:

- ESF: 75 percent of the funds will be allocated to ROPs with the rest dedicated to envelopes (Priority axes) in national programmes;

- ERDF: about 60 percent of the funds will be allocated to ROPs with the rest dedicated to envelopes (Priority axes) in national programmes.

What is challenging in the allocation process?

- The consideration of EU criteria (France);
- The status of transition regions (Denmark, France);
- The treatment of former Phasing out/in regions (Germany);
- The role of peripheral regions (Denmark);
- The consideration of multi-regional programmes (France);
- The breaking down of allocations between LEPs (England);
- The ability to detect absorption capacity and to pre-finance projects (Czech Republic);
- The optimum and most effective “regionalisation” of the new NSRF 2014-20 (Greece).

[4] Herbet M (2013) *Fonds européens : l’élan politique de la décentralisation laisse la place aux doutes*, Localtis, 13.09.2013.

2.3 State of play with programming

What does the Commission expect?

Operational Programmes (OP) are expected to be approved by May 2014.

Figure 2: Regulatory timeline for country-specific programmes

Partnership Agreement (PA) submitted to the Commission

Max 3 months

All OPs submitted to the Commission

Max 3 months

Observations by Commission

Max 3 months

OP approval

Source: Adapted from a presentation of the European Commission

How have the partners progressed?

Although programming has generally progressed in parallel with the development of the PA and other regional strategies, formal negotiations with the Commission are not due to start until after the PA has been approved by the Commission. Nonetheless, successive drafts have already been shared with the Commission and informal meetings taken place. Most partners are expecting OP to be submitted to the Commission by the end of 2013 (see Table 3) or early 2014. It is expected that most OPs will be approved by the approximate deadline of May 2014 set by the Commission.

Ex-ante evaluation, strategy development, intervention logic and the definition of indicators and targets are ongoing or finalised in majority of partner programmes. Consultations with partners or the public are in many instances also ongoing. In some instances, each programme version has been subject to public consultation (Poland) or consultation of relevant stakeholders has been taking place in a regular discussion forum (Steiermark).

Delays in OP programming have arisen as a result of:

- delayed approval of the financial framework (Sachsen-Anhalt), which has had a knock-on effect on sections such as indicators and targets (Czech Republic) or the performance reserve and its associated indicators and ex-ante evaluation (Finland);
- unclear OP architecture (Greece), particularly in terms of how to include different thematic objectives into the Priorities (Sachsen-Anhalt);
- delays concerning the financial allocations to thematic objectives and to specific OPs (Greece); and
- delays finalising regional innovation strategies and Smart Specialisation Strategies to be incorporated to the OPs (Greece, France).

Challenges are also expected in those partner programmes where management and implementation responsibilities are set to change for the new period. In Austria, the ERDF OP is relatively well advanced (in comparison to the ESF and EAFRD OPs), but the main issue to resolve are the challenges arising from the new joint OP at the national level, which will have regionalised implementation. In Steiermark, one of the main challenges will be that the *Land*'s main intermediate body for R&D infrastructure, the Department of Science and Health, will not be involved in implementing Structural Funds in the future period. Hence, the implementation of funding under the ring-fenced thematic objective 1 is expected to be challenging. Similarly, in France, challenges are expected in those regions which were not in charge of global grants in 2007-13 and are taking on management responsibilities in the new period.

Table 3: Progress with OP programming

Country /partner	Ex-ante evaluation	Strategy development	Intervention logic	Indicators & targets	Consultation partners/public	Submit to COM
Austria: Nö	Ongoing	Finalised/ ongoing (depending on *Land*)	Finalised	Indicators: finalised Targets: ongoing	Finalised	Feb/Mar 2014
Austria: St	Ongoing	Finalised/ ongoing (depending on *Land*)	Finalised	Indicators: finalised Targets: ongoing	Ongoing	Feb/Mar 2014
Belgium: Vla	Ongoing	Finalised	Finalised	Ongoing	Ongoing	Dec 2013
Czech Republic	Ongoing	Finalised	Finalised	Ongoing	Ongoing (partners) To be done (public)	Dec 2013 (draft); March 2013 (final)
Denmark	Ongoing	Finalised	Finalised	Ongoing	Finalised	Dec 2013
Finland	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Dec 2013
France	Ongoing	-	Ongoing	Ongoing	To be done	Not known
Germany: NRW	Ongoing	Finalised	Finalised	Indicators: Finalised Targets: Ongoing	Ongoing	Not known
Germany: SA	Ongoing	Ongoing	-	-	Ongoing	Mar 2014
Greece (regional OPs)	Ongoing	Ongoing	To be done	To be done	To be done	Not known
Poland	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	End 2013
Portugal	Ongoing	Ongoing	Ongoing	Ongoing	Done	Not known
Slovenia	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Dec 2013
Spain: PV	Ongoing	Ongoing	Ongoing	Ongoing	To be done	Not known
UK: England	Ongoing	Ongoing	Ongoing	Ongoing	To be done	Early 2014
UK: Scotland	Ongoing	Ongoing	Ongoing	Ongoing	Finalised	When UK PA completed
UK: Wales	Ongoing	Ongoing	Ongoing	Ongoing	Finalised	When UK PA completed

2.4 Changes to programme architecture

There are elements of both **continuity and change in the programme architecture for 2014-20** across IQ-Net countries and regions in terms of programme rationalisation (the number of programmes and associated balance between national and regional programmes) and integration (the use of mono-fund or multi-fund OPs) (see Table 4).[5]

Table 4: Continuity and change in the programme architecture (ERDF, ESF, CF)

<table>
<tr><th colspan="2"></th><th colspan="2">Rationalisation</th></tr>
<tr><th colspan="2"></th><th>Broadly unchanged number of OPs</th><th>Significant change in number of OPs</th></tr>
<tr><th rowspan="2">Integration</th><th>Maintaining Mono-Fund OPs</th><td>Denmark, Germany, Italy, Spain (País Vasco), Vlaanderen, Sweden, Wales</td><td>Austria, England, Scotland</td></tr>
<tr><th>Introducing Multi-Fund OPs</th><td>Bulgaria, France, Poland, Portugal</td><td>Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Slovenia, Greece</td></tr>
</table>

Source: Adapted from Mendez, C, Kah, S and Bachtler J (2013) Preparing for 2014-20: Programming, Concentration and Performance, IQ-Net Thematic Paper 32(2), European Policies Research Centre, Glasgow.

As set out in Table 4 above, four groups of countries/regions can be identified in terms of continuity or change. The most significant changes in programme architecture – including both a reduction in the number of OPs and the introduction of multi-fund programmes – is planned in the Czech Republic, Finland and Slovenia. Changes to the associated balance between national and regional programmes – including an increase in the number of regional OPs in relation to the national OPs – is planned in Greece. This contrasts with the more limited change in Denmark, Germany, Spain, Vlaanderen and Wales, where the number of programmes will remain largely unchanged and mono-fund programmes will be continued. In the final two groups, there are changes in one of the two dimensions of programme architecture, either a significant reduction in the number of programmes (England, Scotland) or the use of multi-fund programmes (France, Poland and Portugal).[6]

The **introduction of multi-fund programmes,** responding to the new voluntary provisions in the draft Regulations (Czech Republic, Finland, France, Greece, Poland, Portugal, Slovenia) has the rationale of taking a more integrated approach to Cohesion policy management and implementation. The multi-fund OP is viewed to lead to clearer division of work and allow a better focusing of funding, particularly where funding levels have reduced. However, while some have experience from multi-fund approach from earlier programme periods (2000-06), such as the Czech Republic and Finland, others are embracing it for the first time (Poland). In Poland, where the ROPs will be joint-funded by ERDF/ESF in 2014-20 period, the Śląskie region recognises this as an important opportunity, but has no experience in preparing and implementing a multi-fund ROP and the task will be challenging (see

[5] Mendez, C, Kah, S and Bachtler J (2013) Preparing for 2014-20: Programming, Concentration and Performance, IQ-Net Thematic Paper 32(2) European Policies Research Centre, Glasgow.

[6] Mendez, C, Kah, S and Bachtler J (2013) *Op cit*.

Box 3). In Greece, there is also an intention to use multi-fund OPs. At the OP level, the multi-fund approach (ERDF and ESF) will be used in the regional OPs and some of the national (sectoral) OPs. The Cohesion Fund interventions will be included in a national OP along with ERDF interventions. The CLLD approach at the regional level (regional OPs) will also be multi-fund.

Box 3: Approach to multi-fund programmes in the Śląskie region

In the Śląskie region in Poland, the opportunities for the multi-fund approach is apparent, particularly in priorities such as social inclusion and combating poverty, education, skills and lifelong learning and the Integrated Territorial Investments (ITI). Nevertheless, Śląskie has no experience in preparing and implementing a multi-fund ROP and the task will be challenging. Currently, the region plans to maintain separate ERDF and ESF units with responsibilities for the management of specific priorities in the new ROP. Both units have considerable experience in managing interventions under these headings. However, important decisions have still to be made on the allocation of managing authority responsibilities, on how the units will coordinate actions in terms of monitoring, evaluation, integrated territorial investments (ITI), cooperation with implementing bodies, financial instruments etc. Various ideas are currently being discussed include:

- The creation of an overarching MA above the ERDF and ESF units;
- The creation of thematic or horizontal working groups for areas of joint interest (e.g. on the use of ITI to combine ERDF and ESF in revitalisation projects).

Changes to programme management structures can further complicate the adoption of the multi-fund approach (France). Changes in management and implementation structures are due to be introduced as part of broader striving towards efficiency and to reflect past experience. In recent months, developments have taken place in terms of: changes to the number (Niederösterreich) and responsibilities of Intermediate Bodies (Finland), creation of decentralised Structural Funds management (France) or a centralised agency to rationalise and concentrate resources (Portugal) or a change of a national Government (Czech Republic). While these developments can be important in terms of increasing efficiencies, they can also bring uncertainly to the future implementation structures (information on future management and implementation structures in IQ-Net programmes is provided in Annex II).

2.5 Strategic content

In many IQ-Net programmes, funding will need to be strongly concentrated following ring-fencing requirements. This applies especially to more-developed and transition regions, where up to 80 percent of ERDF funding will need to be concentrated on the TOs 1 (RTDI), 3 (competitiveness of SMEs) and 4 (low-carbon economy) (see Figure 3). In many cases, **this will not entail any major shift in thematic priorities**, as the 2007-13 programmes, especially under the RCE Objective, are already strongly focused on these themes. Nonetheless, **there will be shifts in spending towards all three objectives, in particular to TO 4 (low-carbon economy)**.[7]

The thematic concentration requirements do not pose major challenges to programme implementation structures. Even with the increased importance attached to low carbon economy (TO 4), most partners have no plans at this stage to create new Intermediate Bodies or to attract new beneficiaries. Interest is expected to be high (Vlaanderen), and many view that new areas of

[7] Mendez, C, Kah, S and Bachtler J (2013) *ibid*.

intervention should be covered by existing bodies (Steiermark, Niederösterreich). Changes in implementation structures are rather introduced as part of broader strives towards efficiency to reflect past experience in terms of reduced number of Intermediate Bodies etc. Nonetheless, new beneficiaries (Spain, Wales) as well as different implementing bodies are to be introduced in some programmes, particularly if the low carbon theme is to be given a major focus (Spain).

Figure 3: Financial weight given to the 11 Thematic Objectives in the partner programmes

Thematic Objectives	0-10%	11-20%	21-30%	31-40%	41-50%	50+%
1. RTDI	PT PL: Sla	CZ		DE: NRW, SA AT: St	DK	AT: Nö FI
3. SMEs	PL: Sla CZ: IROP	AT: Nö DE: NRW	PT, DE	FI DK DE: SA AT: St		
4. Low-carbon economy	CZ: IROP, ERDF, CF PT	AT: Nö, St DK PL: Sla	FI, DE: SA, NRW			
10. Education, skills & lifelong learning	CZ: IROP, ESF, ERDF PL: Sla DE	PT		DK (ESF) FI (ESF)	DE: SA (ESF)	
8. Employment & labour mobility	PT CZ: ESF, ERDF, IROP	PL: Sla	DE: SA	DK	FI	
9. Social inclusion & combating poverty	PT DE CZ: ESF, ERDF	FI, DK CZ: IROP PL: Śla	DE: SA			
7. Sustainable transport & network infrastructures	CZ: ERDF PT DE	PL: Sla CZ: CF	CZ: IROP			
6. Environment & resource efficiency	CZ: IROP, CF, ERDF PT, DE: SA PL: Śla					
5. Climate change adaptation, risk prevention & management	PT DE: SA CZ: IROP, CF PL: Śla					
2. ICT	CZ: IROP, ERDF PL: Śla DE PT					
11. Institutional capacity & public administration	CZ: IROP, ERDF, ESF PT					

Note: data not available for France, Greece, Slovenia, Spain, Vlaanderen, or the United Kingdom.

2.6 Territorial instruments

What does the Commission propose?

In its proposals, the Commission advocates an integrated approach to territorial development and encourages the use of new instruments: Community-Led Local Development (CLLD), replacing the LEADER approach, and Integrated Territorial Investments (ITIs). Also, Integrated Sustainable Urban Development is supported by encouraging the development of integrated investment strategies and ring-fencing a minimum of five percent of ERDF resources.

CLLD in the partner programmes

The **Community-Led Local Development (CLLD)** concept will be introduced for all ESI Funds, remaining a mandatory part of the Rural Development Programmes (EAFRD) and a possible option under ERDF, ESF and the EMFF. In line with the LEADER approach, currently used in rural development programmes, Local Actions Groups (LAGs) will be responsible for the implementation of local development strategies.[8]

- Amongst the IQ-Net partners, **CLLD is to be expanded beyond use with EAFRD in Austria (only in the *Land* of Tirol), Czech Republic, Portugal, Sachsen-Anhalt**, **and in Greece.** The intention is to do this by expanding the existing LEADER approach for ESF (Sachsen-Anhalt) or for both ERDF and ESF (Czech Republic, Greece, Portugal), although in many instances the main focus remains on EAFRD and EMFF. In Sachsen-Anhalt, support will be targeted at employment and educational projects and initiatives, and network structures at the local level and linking them to LEADER projects. In Portugal, the aim is to support diversification, social innovation and address social exclusion (notably TOs 3, 8 and 9). The approach for CLLD implementation in Greece is discussed in Box 4.

Box 4: Approach for the implementation of CLLD in Greece

In Greece, the use of CLLDs is proposed for the following three categories of territorial types:

- Sub-regional, or inter-regional areas predominantly rural with specific characteristics and challenges;
- Urban areas with specific characteristics and challenges;
- Areas where the connection between the urban centre and peripheral rural areas is particularly important or problematic.

The main implementation parameters are as follows:

- A reduction of the minimum population threshold of 10,000 inhabitants will be necessary due to the special island character of Greece and also due to the nature of other geographically disadvantaged areas facing serious economic and social problems where the CLLDs can be implemented.
- The intention is to combine all or some of the ESI Funds in implementing the CLLD plans. The financial weight of each Fund will depend on the content and thematic objectives / priorities of each plan.
- The Local Action Group will be the basic actor in the processes of local strategy planning, submission of the proposal, management and implementation of the CLLD plan. The evaluation committees of the CLLD plans will involve representatives from all the participating ESI Funds with knowledge and experience of the strategy and thematic objectives/priorities.

ERDF qualifies as the lead Fund, depending on its financial weight in the plan and on the nature of the plan. However, if a CLLD plan mostly concerns ESF actions or requires extensive EAFRD contribution, then the respective Fund will adopt the role of a lead Fund.

[8] European Commission (2012*) Factsheet Community-led Local Development*, March 2012. Available at: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/community_en.pdf (accessed 14 November 2013).

- **Remaining partners are either undecided or will not expand CLLD beyond EAFRD.** For instance, in Slovenia, CLLD may be used for a small part of ERDF, but this has not been decided. It is planned that the regions focus on comprehensive projects with regional relevance and of national importance, with no fragmented local projects. In Finland, CLLD has not officially been adopted for the future period, but regions are encouraged to use CLLD approach in urban areas, particularly in those areas where there are no EAFRD or EMFF supported CLLDs. This is voluntary for the regions, but it is encouraged so that small-scale actors can take part in urban development. In Scotland, CLLD could be used for social inclusion projects, while in Wales discussions are ongoing whether it would fit with the emerging regional approach.

Table 5: Adoption of CLLD in ERDF and/or ESF

Yes	Undecided	No
Austria (*Land* Tirol only)	England	Denmark
Czech Republic	France	Finland
Greece	Scotland	Nordrhein-Westfalen
Portugal	Slovenia	Śląskie
Sachsen-Anhalt	Spain	Vlaanderen
	Wales	

ITIs in the partner programmes

Integrated Territorial Investments (ITIs) are new instruments. They must be based on an integrated territorial strategy and can cover any sub-national territory as well as multiple categories of regions. ITIs bundle ERDF, ESF and Cohesion funding from several priority axes of one or more OPs, although it is not compulsory to combine all Funds in each ITI. Nevertheless, it is encouraged that ITIs combine ERDF and ESF as the integrated approach requires that soft investments be linked to the investment in physical infrastructure. This is particularly relevant in the case of sustainable urban development.[9]

- **Most IQ-Net partners plan to implement ITIs** (see Table 6). The ITIs will primarily be used to combine different priority axes within one programme (rather than several programmes) and bundle funding from ERDF and ESF (rather than from several funds). In Greece, ESF is viewed to be the most appropriate fund for urban areas, especially in the More Developed and Transition regions. However, the intention is to combine all three funds (ERDF, ESF and CF), with the financial weight depending on the content and the thematic objectives and without excluding the other Funds in cases where ITIs and CLLDs are combined.

[9] European Commission *Factsheet Integrated Territorial Investment, Cohesion Policy 2014-2020.* Available at: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/iti_en.pdf (accessed 14 November 2013).

Table 6: Adoption of ITIs

Country/partner	ITI	ITI to implement integrated actions for urban development
Czech Republic	Yes	Yes
Finland	Yes	Yes
France	Yes	Yes (in some regions only)
Greece	Yes	Yes
Portugal	Yes	Yes
Poland: Śląskie	Yes	Yes
Slovenia	Yes	Yes
Spain	Yes	No
Belgium: Vlaanderen	Yes	No
UK: England	Undecided	No
UK: Scotland	Undecided	No
Austria	No	-
Denmark	No	-
Germany: Nordrhein-Westfalen	No	-
Germany: Sachsen-Anhalt	No	-
UK: Wales	No	-

- **Partners are generally planning to use ITIs for the implementation of the integrated actions for sustainable urban development.** For instance, in Finland, ITI will be a network of six urban areas 'open and sustainable cities'. Other themes covered by the ITIs include: low carbon theme (Portugal, Spain), social cohesion (Portugal), plant closures and reconversion of economy (North Limburg in Vlaanderen). Further ITIs may be set up in the regions in the course of the programme period (Finland). However, in Vlaanderen where there is regional support for ITIs to be introduced in Vlaamse Ruit (Gent, Antwerpen Brussel Leuven) focused on spatial development and urban development as well as in West Vlaanderen, there are concerns in relation to their efficiency. The dispersion of funds in small pockets is feared to lessen the impact of the programme as a whole, not least because the limited budget.

- **Where ITIs are not used to implement integrated actions for urban development, this will be done through a separate priority axis (Austria, Denmark, France, Greece, Nordrhein-Westfalen, Sachsen-Anhalt, Spain) at least in the case of some regions.** For instance, in France, ITI will be used in some regions, but most regions will implement actions relating to urban development via a separate priority.

- **The remaining partners are either undecided (England, Scotland) or will not adopt ITIs (Austria, Denmark, Nordrhein-Westfalen, Sachsen-Anhalt, Wales).** For instance, in Scotland, discussions are ongoing regarding the potential for using ITI-type structures in the Highlands and Islands, which has a ring-fenced allocation within the OPs, and in South West Scotland, which qualifies for the Youth Employment Initiative. In contrast, in Wales, it is viewed that similar outcomes can be achieved without engaging in ITI approaches.

PROGRESS OF THE 2007-13 PROGRAMMES

The focus for 2007-13 programmes over the last six months has been on **achieving and maintaining full levels of commitment, accelerating payment levels and preparing for programme closure**. In the Czech Republic, France, Slovenia and Portugal, this is taking place against a background of major **institutional change**. Other major developments among partner programmes have included:

- the ongoing impact of **audits and payment interruptions** in Steiermark and England;
- substantial **OP revisions** in Greece, involving the transfer of €570 million (€415 million ERDF, €80 million CF and €75 million ESF) between OPs due to the impact of the financial crisis on absorption (affecting subsidised companies and FEIs in particular). Funds have also been reallocated within OPs to improve absorption rates, and projects have been transferred from one programme to another to improve absorption of the total budget of certain OPs and of the NSRF at closure;
- ongoing fallout of **the economic crisis has continued to impact on public finances** across all areas of public expenditure in Portugal and Spain (although País Vasco has been less affected by the economic crisis than most other Spanish regions);
- negotiation have been started with the Commission to obtain an **exception from the n+2 rule** for the 2013 allocations in the Czech Republic.

1. FINANCIAL AND PHYSICAL PROGRESS

1.1 Financial progress in the EU27

The rate of financial absorption of Cohesion policy programmes has again increased significantly in the EU27 over the last six months, and the rate has accelerated on the previous period, and every six month period dating back to 2010.

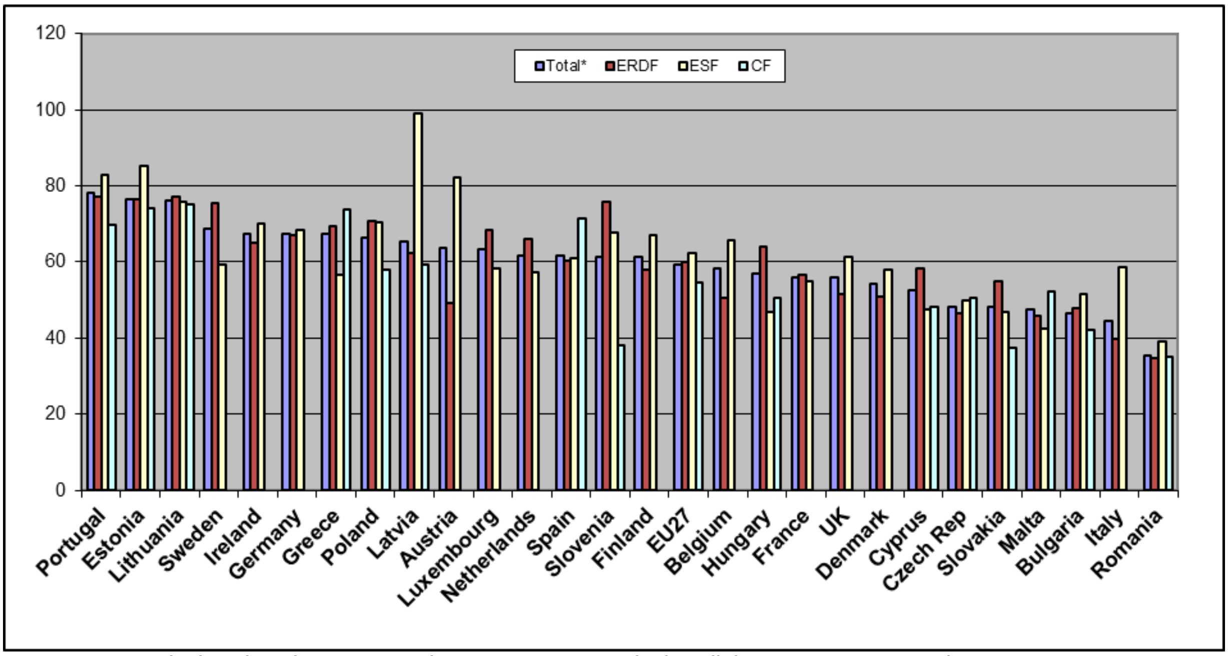
	@ six month period since 2010	May-Oct 2012	Nov-April 2013	May-Nov 2013
EU27 average (%)		44.1	51.4	59.4
Increase (%)	c.5%	6.7	7.3	7.8

Source: EPRC calculations from Commission data. Note that the Commission's data does not yet include Croatia.

Figure 4 shows there are marked differences in the rate of absorption between Member States and Funds:

- **Highest overall payments** continue to be found in Portugal (78 percent), Estonia (76.6 percent) and Lithuania (76.3 percent).
- The **lowest rates** were reported for Bulgaria (46.5 percent), Italy (44.4 percent) and Romania (35.5 percent).
- Payments are still **most advanced for ESF** (62.3 percent), followed by ERDF (60 percent). Payments for the Cohesion Fund are lower at 54.7 percent.

Figure 4: Structural Funds payments in 2007-13 (29 October 2013)



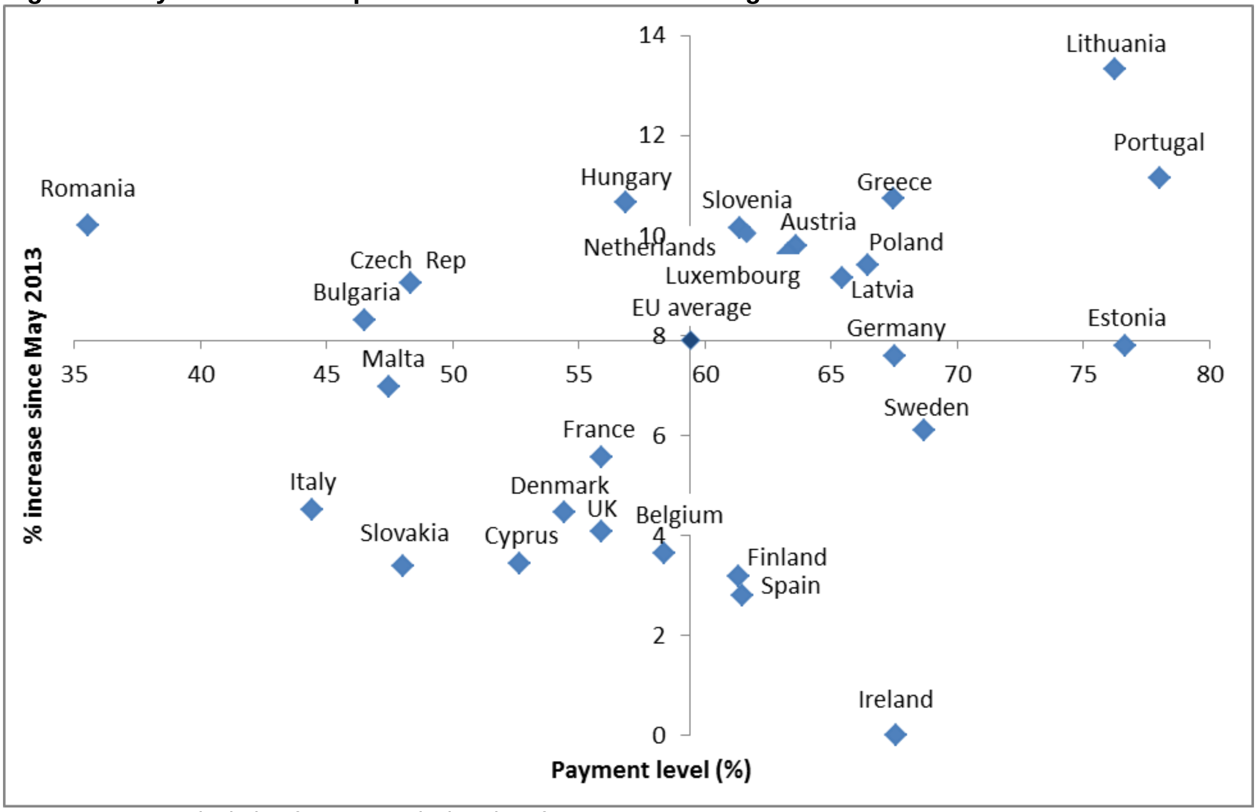
Source: Commission data from 29 October 2013 on Commission disbursements to Member States.
Note: EU27 excludes EU cross-border cooperation and Interregional cooperation programmes.

The pace of spending remains slower than in 2000-06; overall payments are around six percentage points behind the same point in the previous period, although this gap has narrowed over the last six months.[10] It should be borne in mind that the Commission data does not reflect accurately the rate of progress in Member States.[11] Significant increases in the payment rate have taken place in Lithuania (13 percentage points) and Portugal (11 percentage points) (Figure 5). Slower progress over this period has been made in Belgium, Cyprus, Finland, Slovakia and Spain, who all report increases of between 3-4 percentage points.

[10] Davies S and Gross T (2007) The End of the Formal Programming Period for 2000-2006 – Review of Programme Developments: Summer-Autumn 2006. *IQ-Net Thematic Paper No 19(1)*, European Policies Research Centre, Glasgow.

[11] As there is a systematic delay between expenditure occurring on the ground, being declared to the Commission and then disbursed, the Commission data do not accurately reflect the current state of progress in the Member States, and underestimate programme progress. In addition, the Commission currently cannot make payments on most budget lines, so this time lag is longer than usual.

Figure 5: Payment rate and pace relative to the EU27 average



Source: EPRC calculation from Commission data from 14 May 2013.

1.2 Financial progress in IQ-Net programmes

Partner programmes are all at or nearing full commitment, indeed some are planning overcommitment so that there are projects waiting in the pipeline in case there is a need to recycle funds. At the same point in the 2000-06 period, most IQ-Net programmes had similarly committed all or close to 100 percent of funds. Payment levels for most programmes were reported to be between 70 and 90 percent of total financial allocations.[12] In 2007-13, the rate of payments for IQ-Net partner programmes seems lower than at this point in 2000-06, echoing the EU27 average position.

Table 7: Payment rates in IQ-Net programmes

Partner	Payments ERDF (%)	Payments ESF (%)
Austria: Nö	47	N/A
Austria: St	43	N/A
Belgium: Vla	61	N/A
Czech Republic	38 (Integrated OP) 57 (national average)	N/A
Denmark	59	47
Finland: Länsi-Suomi	62 (Länsi-Suomi) 66 (national average)	N/A
France	62	60
Germany: NRW	52	N/A
Germany : SA	68	51
Greece	65 (national/sectoral OPs) 59 (regional OPs)	49 (national OPs)
Poland: Śląskie	62 Śląskie ROP 58 (national average all OPs) 64 (average all ROPs)	N/A
Portugal	63 (NSRF average) 65 (ERDF) 59 (Thematic OP average) 66 (Regional (mainland) OPs average) 73 (Regional (autonomous islands) OPs average)	N/A
Slovenia	70	60
Spain: PV	78 (Bizkaia, end 2012) 58 (national average)	N/A
UK: England	53	N/A
UK: Scotland	65 (average across programmes)	N/A
UK: Wales	52	60

Source: EPRC from fieldwork. Dates for payments figures range between the end of August and early November 2013. Note that Slovenia also has a Cohesion Fund/ERDF OP where the payment rate is currently 30 percent.

The national average can hide a wide variation in rates between programmes, for example, in France, payment rates for ERDF OPs range from 83.5 percent (Auvergne) to 46.7 percent (Corse) and for

[12] Davies S and Gross T (2007) *ibid.*

ESF OPs from 80.3 percent (Languedoc-Roussillon) to 40.9 percent (Haute Normandie), while in Portugal, the regional (mainland) OPs range from 69 percent (Centre) to 51 percent (Algarve).

Experience with financial progress in IQ-Net programmes

Partners were asked to look back over the last six years and specify which programme priorities had been 'easiest' in terms of spending. Several reported even progress across programme priorities. For the remainder, the type of project and the project beneficiary attracted under particular themes seemed to be the main determinant of speed of financial progress.

Fast financial progress: Large, known, mature projects/experienced beneficiaries

Faster spending themes/projects have included:

- **Large infrastructure-type projects** in housing, health, education, transport, spatial planning and regeneration, for example: projects improving the environment of problematic housing estates which combined relatively easy building projects with a high absorption capacity (CZ IROP); roads, education and health facilities, urban rehabilitation (PT); interventions that were known from previous periods (GR); and transport infrastructure projects with a high project value and simple project accounting (SI).
- **Projects run by public bodies/ universities and not involving public procurement**. Sometimes these are the large infrastructure-type projects above. Public bodies may have better capacity/ more experience for complex administration procedures (Nö); and universities can be found to understand well research and development/ innovation priorities (Sco).
- **Direct investment aid for large firms or SMEs**, which is in high demand in some programme areas and is seen as easy to implement (Eng, GR), particularly in Nö where large firms will be excluded in the forthcoming period, so have shown a high interest in using the current funding, or where large amounts have been put into FEIs (FR).
- Projects involving **flat-rates for indirect costs** (FI).

Slow financial progress: Small complex projects/ inexperienced beneficiaries/contractual, procurement & State aid issues

Slower spending themes/projects have included those where:

- Projects were **small, complicated, difficult to appraise and monitor** (e.g. entrepreneurship in VL and Information society/ Innovation and entrepreneurship themes in SI); where there were State aid, major project or public procurement rules to negotiate (publicity and competitive tendering for projects in FR, broadband in Scotland); where there were contractual issues; projects which were slow to mature (infrastructure, tourism, digital).

- **Large projects**: as in some of the projects funded by the Territorial Development OP in Portugal, which require Commission approval and involve complex decision-making procedures.
- **Beneficiaries were inexperienced** with regard to preparing applications (e.g. Community Heat and Power projects submitted by housing associations in Sco); reluctant to get involved in complex bureaucratic procedures or uncertain financial contracts (e.g. some research institutions in Nö are questioning whether the limited amount of available funding is worth the effort) or in the CZ IOP, state organizations lack project management expertise and experience high levels of staff fluctuation).
- **External circumstances** such as the economic crisis had a major impact on demand (FEIs in GR, ESF interventions in SI, tourism in Nö, business support under the NOP Competitiveness and ROPs or the ability of firms to complete approved projects in PT, adverse public opinion (location of environmental infrastructure in GR), delays due to licensing or contracting issues (for example bottlenecks that have emerged with the concession contracts for TEN-T motorway projects in GR); licensing delays/ delayed response by the Commission for the EU contribution rate for energy infrastructure and renewable energy projects in GR, the domestic labour market being too buoyant and affecting support for start-ups in SA.

More broadly, **payment interruptions** have been experienced recently in a number of programmes (AT, CZ, Eng, FR, Sco, SI, St) (see Annex I), meaning that the programme is unable to progress with payment claims, and, in Steiermark, the managing authority can no longer provide pre-funding.

1.3 Experience with physical progress in IQ-Net programmes

Partners were also asked to look back over the last six years and specify which programme priorities had performed best in terms of physical progress. Again, several reported even progress across programme priorities, and many reported that the themes and types of projects which demonstrate speedy financial progress are the same as those which have been quick to show physical results.

Few anomalies between financial and physical performance were highlighted; those that did arise tended to have been caused to unrealistic target setting, either due to lack of experience with a particular type of project, slow inputting of physical indicators into the IT system, or changes in the wider economy (particularly relevant in the case of demand for some financial instruments).

Fast physical progress: High demand/ easy to implement/ simple infrastructure

Themes experiencing **faster physical progress have** included:

- where there has been **high demand from beneficiaries** (Innovation and Knowledge in DK, direct investment aid for SMEs in GR Attiki ROP, business support in FR, rural broadband projects in Eng).
- where **projects have been easy to implement** (urban development in GR Attiki ROP) and beneficiaries have been experienced with the priority theme (research, development and innovation in Sco).

- where there is a **pipeline of mature projects** (roads in GR Attiki ROP) or interventions known from the previous period (education and health in GR Attiki ROP),) or selected early in this period (PV Bizkaia).
- **simple infrastructure projects** which experienced no legal problems (culture and education in SI).

Slow physical progress: Low demand/ lack of mature projects/ beneficiary problems

Themes experiencing **slower physical progress** included:

- themes/ projects which have been **slow to implement and show concrete results** (cultural heritage projects in the CZ IOP, ESF firm related activity in DK, Finnvera's co-funded interest rate subsidies in FI and FEIs in Eng, renewable energy and environmental protection projects in GR Attiki ROP), or where there has been a lack of mature projects (transport infrastructure in GR Attiki ROP).
- themes where there has been **low interest by beneficiaries** (internationalisation in VL, information society in GR Attiki ROP), lack of private sector match funding (urban projects in FR) or **lack of experience among beneficiaries** (community heat and power and broadband in Sco), or where there are many domestic schemes competing (SME support in NRW).
- priorities where there has been **unrealistic target setting** (social inclusion projects in FR) or **lack of appropriate indicators** to demonstrate progress (in SI, the interest of the beneficiaries focused on replacement of asbestos elements of residential buildings and the ROP did not have adequate indicators for this).

What action have partners taken?

Where financial or physical progress has been slow, partners have taken the following remedial actions:

- Transferred funds out of the priority in question
- Revised the OP
- Transferred projects to 2014-20 programmes
- Negotiated with the Commission over the EU contribution rate
- Put in place rescue plans on public procurement and State aids
- Adjusted targets

2. APPROACHES TO CLOSURE

What does the Commission expect?

The Commission adopted final closure guidelines on 20 March 2013[13], specifying a final date for the eligibility of expenditure of 31 December 2015. In principle, this means that public contributions should be paid or be due to be paid by the end of 2015, with a few exceptions (major projects, FEIs).

How are partners proceeding with programme closure?

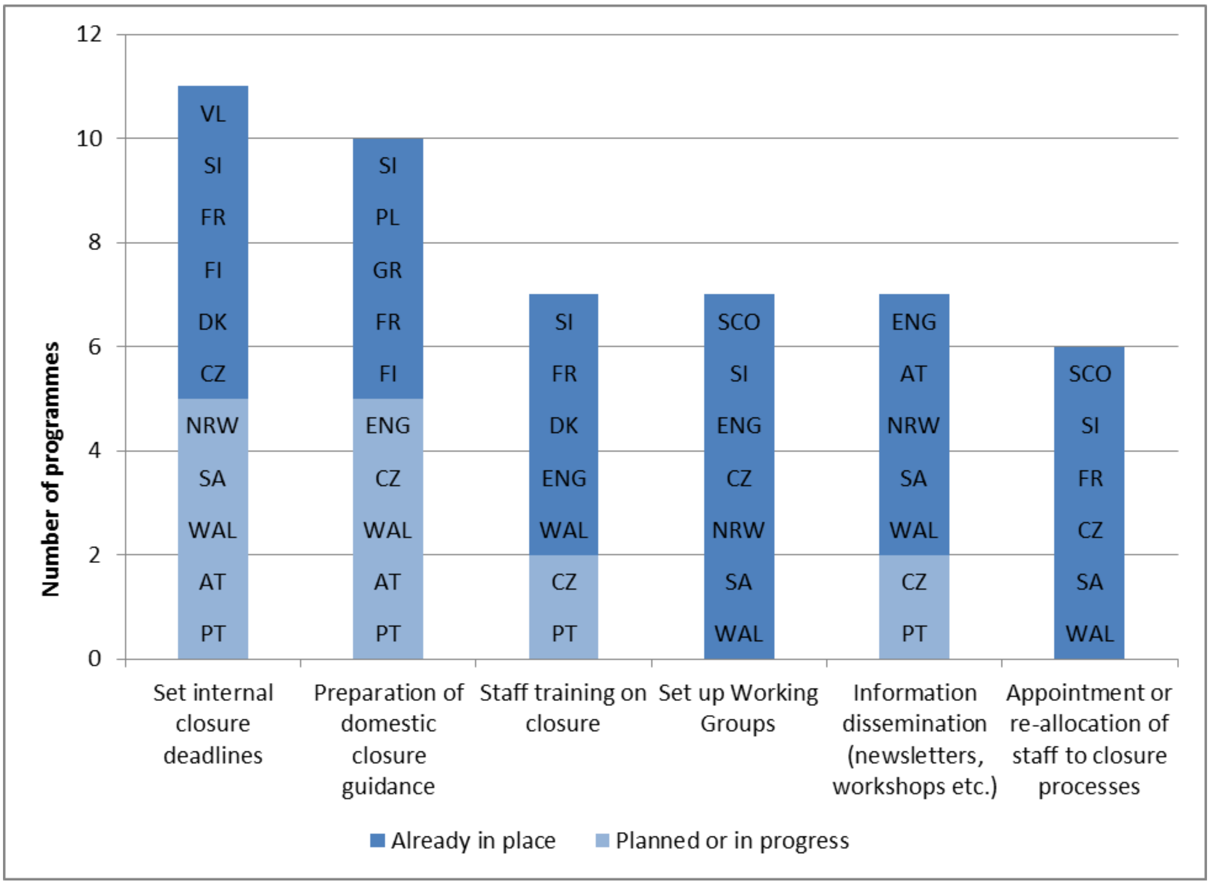
Progress made on programme closure			
Preparations for programme closure have not started	*First guidance issued, but further clarifications on the procedures foreseen*	*Preparations well progressed; domestic guidance/ internal deadlines still to be issued*	*All procedures and guidance in place*
Portugal Spain Steiermark Vlaanderen	Greece Śląskie ROP	Austria Czech Republic England Nordrhein-Westfalen Sachsen-Anhalt Scotland Wales	Denmark Finland France Slovenia

Managing authorities have adopted different strategies to ensure timely and tidy closure, most commonly domestic closure guidelines or internal closure deadlines (Figure 6). The earliest closure guidelines were issued in 2011/12 (Finland, Poland, Slovenia), followed by the guidance issued in the course of 2013 (France, Greece). Commonly, the guidance introduces domestic closure deadlines and advises on specific issues. For example in Greece, the guidance set rules for MAs on how to deal with delayed projects that may remain unfinished by the closure of the OPs and on the overbooking of resources committed to projects, possibly leading to lack of resources to deal with closure. Internal closure deadlines have been set in Denmark, Finland, France, Slovenia and Vlaanderen, with the intention of spending all EU funding prior to the Commission deadline. Denmark aims to close all projects by end of 2014; Finland, Vlaanderen and France (ERDF) by the end of May, June and July 2015 respectively. In Greece, new project approvals are no longer permitted except in exceptional cases (e.g. for n+3 or closure reasons).

Programme staff have benefitted from training on closure from the Commission (France, Denmark) **and domestic sources** (Sachsen-Anhalt, Slovenia, Wales). To formulate guidelines and to facilitate information dissemination, working groups have been set up (Czech Republic, Sachsen-Anhalt, Slovenia, UK) or existing working groups have been used to discuss on closure issues (Austria, Nordrhein-Westfalen). These working groups have brought together the partners involved in closure, mainly audit, certifying and managing authorities, as well as intermediate bodies. Domestic closure seminars (Austria) and internet forums (Wales) have also been used.

13 http://ec.europa.eu/regional_policy/sources/docoffic/official/guidelines/closure_2007_2013/guidelines_closure_20072013_en.pdf (accessed 20 November 2013).

Figure 6: Closure preparations in IQ-Net programmes



Closure preparations are perceived as making heavy demands on staff time, especially given the parallel preparations for the next period. For this reason, staff have been (or will be) reallocated or appointed specifically for closure (Czech Republic, France, Scotland, Vlaanderen, Wales). Nevertheless, many programmes have closure-experienced staff and are approaching closure with confidence (Denmark, Finland) and foresee no outstanding problems (Denmark, Finland, Portugal, Scotland, Spain). A common strategy has been to ensure timely commitment and to work on project closure, to achieve a timely level of **quality assurance/confidence at project level** which will then aggregate to efficient closure at programme level (Finland, Scotland).

What do the partners say is challenging in the closure process?

- Lack of resources to deal with closure and parallel implementation of 2014-20 period (France, Portugal, Śląskie ROP, Slovenia)
- Closure of FEIs (Czech Republic, Portugal, Slovenia)
- Ensuring spend given the consequences of the economic crisis e.g. bankruptcy of companies (Finland, Scotland, Slovenia)
- “Problematic projects” e.g. major projects, failed projects, unfinished projects at the time of closure (Denmark, Niederösterreich, Portugal)
- Interpretation of Commission guidance e.g. generated income and financial instruments, difference between non-working and suspended projects, the level at which EU expenditure needs to be declared (France, Sachsen-Anhalt, Śląskie ROP, Slovenia).

ANNEX I: PAYMENT INTERRUPTIONS

MS	Partner/OP	When	Reason given	Action taken	Issue resolved?
AT	St/ national	2012-13	In 2012, the national Austrian Audit Authority carried out sample checks of projects implemented in 2011. The checks resulted in a too high error rate in some cases (e.g. in ST) and payments were suspended. Partly as a consequence of this, the Austrian annual control report was sent to the Commission with a delay, which meant that all Austrian programmes were suspended.	In 2012, an action plan resulted in a flat rate correction.	Yes. Suspension lifted June 2013
AT	St	Ongoing	AF 1 in Priority 1, covering research infrastructure, has been suspended since March 2011. Reasons are issues with potential double-funding of research institutions.	An action plan has been prepared, but due to delays caused by the domestic Audit Authority it is not yet clear when the suspension will be lifted.	No
AT	St/ national	Ongoing	In July 2013, the Commission carried out sample checks of projects in Steiermark, as well as in the two other Austrian ERDF programmes (Tirol and Vorarlberg). These checks identified systemic errors. The value of the two audited projects amounted to €74,000. The issues criticised by the Commission were the same in Tirol and Vorarlberg: project selection criteria in Steiermark and control of the most important Intermediate Body, SFG.	Steiermark is preparing a formal position and meanwhile also the political level is involved in order to resolve the issues.	No
CZ	IOP	January 2013/ ongoing	High error rate in Annual Programme Report.	High priority to implement corrective measures and to provide detail explanations.	No
FR	All ERDF OPs	2012	Report by domestic audit court detected error rate over 2%.	Rescue plans implemented in order to correct errors.	Yes
SI	SI ERDF OP & CF/ERDF OP	Spring 2013	Suspected fraud. Interruption applied only to some measures.	Not known.	Yes. Lifted in September 2013.
UK	England ERDF OPs	May 2013	Interruptions imposed by COM auditors because of perceived weaknesses in financial control (Article 13) procedures, despite domestic Audit Authority saying that an interruption was not justified.	Response sent to COM stating that it had been made a high priority to implement all of the corrective measures in a short timescale and attached a detailed technical response describing how the measures were fulfilled. However, DG Regio auditors raised a number of new issues and requested further information, separate from the original cause of the interruption.	No

ANNEX II: PROGRAMME MANAGEMENT STRUCTURES IN IQ-NET PROGRAMMES 2014-20

The preparations for planning future programme architecture are well progressed, the architecture is still in discussion only in Spain, Portugal and Slovenia. The following tables present the programme management structure for 2014-20 IQ-Net programmes.

AUSTRIA

Programme management	Responsible body	Notes
Central level		
Managing Authority	ÖROK secretariat	Tasked by Federal Chancellery and *Länder*.
Coordination	ÖROK	Tasked by Federal Chancellery and *Länder*. Negotiates with Commission and coordinates drafting of Partnership Agreement.
Intermediate Bodies	At national level: • KPC (Kommunalkredit Public Consulting) • FFG (Austrian Research Promotion Agency) • ERP-Fund • ÖHT (Österreichische Hotel- und Tourismusbank)	Not all are relevant for all *Länder*.
Regional level		
Intermediate Bodies	At *Land*-level: various, e.g. *Land*-owned business agencies such as SFG in Steiermark. In Niederösterreich there will only be one IB, the *Land* Government department WST3.	
Other Bodies	The former MAs remain the main body at *Land*-level as so-called '*Land* body responsible for the programme' (PVL, *Programmverantwortliche Landesstelle*).	

Note: There will be no single management for all ERDF or all ESF programmes, each OP will have its specific managing structure.

BELGIUM: VLAANDEREN

Programme management	Responsible body	Notes
Regional level		
Managing Authority ERDF	Agentschap Ondernemen	-
Managing Authority ESF	ESF-Agentschap Vlaanderen	

CZECH REPUBLIC

Programme management	Responsible body	Notes
	Central level	
Central Coordination	Ministry for Regional Development, National Coordination Authority	Negotiates with Commission and coordinates drafting of Partnership Agreement.
Programme level		
Managing Authority	Ministry for Regional Development, Dep. of MA of IROP	Drafts the programme and will manage it.
Intermediate Body	Centre for Regional Development of the Czech Republic	Its regional branches are intended to be extended.
Applicants/Beneficiaries	Presumably municipalities, self-governing regions, LAGs and others	
Other		
Guarantor of specific objectives	Ministry of Labour and Social Affairs, Ministry of Interior, Ministry of Culture, Ministry of Agriculture, Ministry of Education, Youth and Sports	Expert guaranty of respective specific objective supported from IROP; not part of implementation structure, only advisory role.
Implementation of ITI	Committee of respective agglomeration (6 in case of the Czech Republic)	Defines the strategy and participates on project appraisal.
Implementation of CLLD	Committee of respective LAG	Defines the strategy and participates on project appraisal.
Implementation of IPUD2	Committee of respective municipality with more than 25,000 inhabitants	Defines the strategy and participates on project appraisal.

Source: Draft of Integrated Regional OP.

DENMARK

Programme management*	Responsible body	Notes
	Central level	
Managing Authority	Danish Business Authority (DBA)	-
Other bodies	National committee for Urban Development	Partnership established for Urban priority, includes ministries plus representatives of regions, local authorities and knowledge institutions.
	Regional level	
Other Bodies	Regional Growth Fora	Decides regional strategies within national framework and recommends individual projects for support to DBA.

Note: * Joint approach to ERDF and ESF.

FINLAND

Programme management	Responsible body	Notes
	Central level	
Managing Authority	Ministry of Employment and the Economy	-
Coordination	Ministry of Employment and the Economy	Regional coordination to be decided.
Intermediate Bodies	TEKES*	Only for the theme 'Innovation and knowledge networks'.
	Regional level	
Intermediate Bodies	Regional Councils, ELY-Centres	All other themes.
Other Bodies	Regional Management Committee	-

Note: * Tekes has been an intermediate body in the past, but only for the regional programmes. In the future programme period, it will also act as an intermediate body for the national OP.

FRANCE

Programme management	Responsible body	Notes
	National level	
Coordination	Datar (inter-fund)	Negotiates with Commission and coordinates drafting of Partnership Agreement, involved as observer in negotiations of regional OPs.
Managing Authority	Ministry of Labour (ESF)	65% of ESF envelope
Technical Assistance	Datar (inter-fund)	
	Regional level	
Managing authorities	Regional councils (ERDF, ESF)	35% of ESF envelope
Intermediate Bodies	na	
Other Bodies	na	

GERMANY: NORDRHEIN-WESTFALEN

Programme management	Responsible body	Notes
	Regional level	
Managing Authority	*Land* Ministry for Business, Energy, Industry, SMEs and the Craft Sector	
Intermediate Bodies	Mostly • Units of the sectoral *Land* ministries in NRW and other entities answerable to these ministries	Less Intermediate Bodies than in the current period. For example implementation tasks currently undertaken by the NRW.BANK will be shifted to the managing authority.

GERMANY: SACHSEN-ANHALT

Programme management	Responsible body	Notes
	Regional level	
Managing Authority	Ministry of Finance	
Intermediate Bodies	Mostly • *Land* Government departments • FSIB	90 percent of projects are managed by the *Land* Government administration and the funding body of the *Land*'s investment bank (*Förderservice Investitionsbank*, FSIB).

GREECE

Programme management	Responsible body	Notes
	National level	
Coordination	1) National Coordinating Authority (Ministry of Development and Competitiveness – General Secretariat for Public Investments and NSRF). 2) Central Monitoring Committee for all 2014-20 NSRF OPs under the responsibility of the Ministry of Development and Competitiveness. 3) Two Subcommittees within the Central Monitoring Committee of the 2014-20 NSRF, namely the Subcommittee of Human Resources and the Subcommittee of Rural Development & Fisheries for the coordination of the relevant interventions.	The National Coordinating Authority (NCA) negotiates with Commission and coordinates drafting of Partnership Agreement. The NCA will be responsible for the coordination of all ESI Funds including also the EARDF and the EMFF. Its main duty will be monitoring and ensuring the thematic concentration during implementation at national and OP level, per thematic objective, category of region and investment priority. The Central Monitoring Committee's decisions will be enforceable by the delivery mechanisms of all 2014-20 NSRF OPs.
	Regional level	
Managing authorities	A MA for each OP	Increase in the number of Managing Authorities for the regional OPs (from one to 13).
Intermediate Bodies	To be defined	Less Intermediate Bodies than in the current period.
Other bodies	To be defined	

Note: Joint approach to ERDF and ESF.

POLAND: ŚLĄSKIE ROP

Programme management	Responsible body	Notes
	Regional level	
Managing Authority	Marshal's Office in regional govt.	-
Coordination	National coordination of all ROPs by Ministry of Regional Development. Regional coordination to be decided.	-
Intermediate Bodies	Still to be decided but Silesian Centre for Entrepreneurship and regional labour offices likely to play a role.	-

Note: Joint approach to ERDF & ESF.

UNITED KINGDOM

Programme management	Responsible body	Notes
	UK level	
Coordination	Department for Business, Innovation and Skills	Negotiates with Commission and coordinates drafting of Partnership Agreement.
	Devolved Administration level	
Managing authorities	Department for Communities and Local Government (England ERDF) Department for Work and Pensions (ESF England and Gibraltar) Scottish Government (ERDF/ESF) WEFO (Wales, ERDF & ESF) Department of Enterprise, Trade and Investment (NI) (ERDF) Department for Employment and Learning NI (ESF) EU Programmes Secretariat, Govt of Gibraltar (ERDF)	The role of Member State in NI is carried out by Department of Finance and Personnel (DFP).
Intermediate Bodies	Strategic Delivery Bodies in Scotland (Scottish Enterprise, Highlands and Islands Enterprise, University of the Highlands and Islands)* InvestNI & Northern Ireland Tourist Board Greater London Authority Government of Gibraltar	Not formal IBs, but commissioned to deliver parts of the ERDF and ESF programmes. ERDF ESF ESF Gibraltar
Other Bodies	Strategic Delivery Partners (Scotland) (agencies, local authorities, business representatives, third sector, SG policy areas) Community Planning Partnerships (Scotland)* Local Enterprise Partnerships (England)	Beneficiaries/sponsors, but also playing a more strategic role in programme development and delivery.

Note: * Future role not yet decided.