

inet bulletin

Improving the management of Structural Funds programmes

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Welcome to the 15th issue of the IQ-Net Bulletin



As negotiations get underway to determine the post-2013 Cohesion policy, policy-makers have a wealth of evidence on which to base their judgements on the future of Structural and Cohesion Funds. More evaluation and analysis have been conducted in recent years than ever before, focusing not just on the lessons of the 2000-06 period but also on how well the policy is working in the current period. From the Barca Report to the debates in the High-Level Group, the options for reform have been opened up to sobering critique and an unprecedented level of consultation with Member States and other stakeholders.

While there is broad consensus on the principles for reform, notably a more results-oriented policy with less bureaucratic administration, there is less agreement on how these goals should be achieved. As the IQ-Net Brussels Conference on the reform debate illustrated (see page 5), there are divergent views on issues like thematic concentration, results-based contracts, the use of conditionalities and incentives, and the simplification of implementation rules and procedures, especially with respect to financial management and control.

Achieving alignment of Structural Funds programmes with Europe 2020 has considerable potential, but – as the IQ-Net Prague Conference noted – it will be a major challenge (see page 6). Preparations for the next period will need to build up programme-level capacity to manage new types of interventions and projects, and indicator definition will not be straightforward. Greater coherence between EU funds is also a desirable

objective, and there was a broad welcome for a common strategic framework at the IQ-Net Wales Conference, subject to the caveat of needing an ‘appropriate balance’ between meaningful top-down objectives and programme-level flexibility to adapt to local circumstances (see page 7). There are contrasting views on the relative benefits of mono-fund and multi-fund programmes.

A further issue that has been vexing programme managers is State aid compliance, where rules are seen as complex and burdensome. Some interesting examples of good compliance practice were presented at the IQ-Net Steiermark Conference, and some desirable changes were highlighted – such as a threshold regarding the impact of aid on competition and trade (see page 3). Last but not least, the future evolution of the policy needs to take note of how operational experience with the partnership principle has evolved and, in particular, the constraints on effective involvement of non-governmental partners. As the IQ-Net Åre Conference (Sweden) revealed, many NGOs do not consider that they have much influence on many stages of programme delivery (see page 4).

Finally, some brief reflections on an IQ-Net landmark. In June 2011, IQ-Net held its 30th Conference, in Wales, marking the launch of a fifth phase of the Network that will run until the end of 2013. From small beginnings in 1996, IQ-Net now facilitates exchange of experience among national and regional managing authorities from 16 Member States, which collectively are responsible for implementing some 36 percent of Structural Funds in the EU27. Over the past 15 years, IQ-Net has produced almost 60 papers reviewing the progress of programmes and assessing many aspects of management and implementation.

This Bulletin provides a flavour of recent IQ-Net reports and debates, as well as other information on the Network. Further details are available via the IQ-Net website (see back page). As ever, feedback on all the issues in this Bulletin is most welcome.

Professor John Bachtler

IQ-Net delegates take the Formula 1 Challenge



Delegates attending the Swansea IQ-Net meeting had the opportunity to see a demonstration by the winning ‘F1 in Schools Challenge’ team. The challenge aims to encourage the interest of secondary school pupils in Science, Technology, Engineering and Mathematics (STEM), through the design and manufacture of CO₂ powered model racing cars using CAD/CAM skills. The Engineering Education Council Scheme Wales used ESF funding to set up manufacturing and test centres where F1 cars can be manufactured and tested on a race track and wind tunnel by secondary schools pupils in the Convergence areas of Wales.

More information can be found here -
www.stemcymru.org.uk/en/getinvolved/f1challenge/default.php

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EU Cohesion policy and State aid compliance (Steiermark, Austria)

IQ-Net partners discussed the topic of State aids compliance in EU Cohesion policy programmes at a meeting in Steiermark (Austria), hosted by the Styrian Government. There is a great deal of ambiguity and tension in the relationship between EU Cohesion policy and Competition policy, and, at times, conflict. The EPRC report presented at the Steiermark meeting examined conceptual and practical difficulties with reconciling the two policies, including relevant issues for Structural Funds managing authorities and compliance. The main conclusions of the paper are summarised below.



State aids and Cohesion policy: key trends

- State aid principles - drafted over half a century ago - are difficult to apply in an economic and social context that has evolved over time. As a result, State aid rules can be ill-suited to the assessment of many Structural Funds activities. Also, there is no precise definition of State aid, and EC activity has centred on defining the circumstances in which aid is compatible. This means that measures which may not involve aid at all may be subject to lower expenditure limits than necessary.
- There is now greater awareness of compliance issues, and that involvement in economic activity is the central criterion for identifying aid (rather than associating State aid only with direct support to business). Knowing that there is potential for State aid to be present in almost any co-financed project results in anxiety about compliance for policy-makers, and considerable resources are needed to keep up with a frequently changing field.
- Risk is not equally shared. Ultimate risk is borne by the beneficiary, rather than the granter of aid.
- Compliance with State aid rules does not always fit well with Cohesion policy objectives – particularly in R&D&I policy and financial engineering. Additional restrictions can make finding good projects even more difficult, or can result in projects being set aside because of the delays in notification and uncertainty about approval.
- Because of the audit process built into Cohesion policy, compliance with State aid rules may be more likely under co-financed projects than purely domestic ones.

The full report, written by Fiona Wishlade and Rona Michie (June 2009), can be downloaded here: <http://www.eprc.strath.ac.uk/iqnet/24-2.pdf>

Partner feedback: the workshop discussions

In several workshop rounds, participants discussed the role of State aids in their programmes, the key problems, how they manage the compliance process, and the changes they would like to see. A synthesis of the discussions is provided below.

What are the key problems? Where 'classic' financial incentive schemes are not key components of the programme, definitional issues often arise; projects have to be reframed or notified on a case-by-case basis, e.g. in funding public services, social projects, cultural projects and transport infrastructure. The notion of 'economic activity' has widened, and new areas have become problematic. Difficulties have been experienced where activities that used to be carried out by the public sector have been liberalised, especially if the activities are revenue-generating. Substantive problems were reported with the feasibility of tracking de minimis recipients, with financial engineering instruments, and with R&D&I.

How is compliance being managed? Levels of compliance are perceived to be improving, and the intensive audit burden has led to greater caution. The importance of good communication with national State aid experts and informal contacts within the Commission was stressed. The de minimis regulation is widely used to achieve compliance, but there were mixed views about the usefulness of databases to track recipients. The rules are seen as very complex and burdensome for beneficiaries.

What changes are needed? Improvements could include: a threshold regarding the impact of aid on competition and trade; better coordination between State aid rules and Structural Funds Regulations; better, more centralised, consistent and comprehensive information; and a simpler system that provides more certainty.

A study tour visited several Structural Funds co-funded projects in the Steiermark region's food cluster, including the Zotter chocolate factory and the Auersbach Impulse Centre.



Partnership dynamics in Cohesion policy (Åre, Sweden)

Partnership is a defining feature of Cohesion policy, and has been one of the fundamental principles underpinning it since the landmark reforms of 1988. The implementation of the partnership principle was the key topic discussed at the IQ-Net meeting in Åre (Sweden). The meeting was hosted by Tillväxtverket, the Swedish Agency for Economic and Regional Growth.

A report was prepared by EPRC with a focus on the changes in the approach to partnership in 2007-13. It discussed challenges and opportunities stemming from the new thematic and geographic scope of Operational Programmes and reviewed approaches taken to partnership at different stages of programme implementation.

Partnership & the Structural Funds

The aim of the report was to investigate how the partnership principle is being implemented across the EU, with a specific focus on the role of non-governmental partners (SENGOs, i.e. socio-economic partners and other non-governmental bodies, such as third sector organisations, universities and R&D&I institutions).

The report found that programme managers largely perceive the involvement of SENGOS in Structural Funds programmes as successful. However, some fundamental constraints remain with respect to their participation. These relate to: the varying degree to which managing authorities consider partnership as strategic for programme implementation; lack of agreement over the ideal level of partner involvement at different stages; the complexity of programme implementation procedures, their timetable and technical requirements; difficulties dealing with large numbers of partners; the different ways in which monitoring committees are organised; and political or administrative instability.

Despite widespread consensus on the importance of partnership for the success (and effectiveness) of programmes, SENGOS' involvement tends to have been limited mostly to the programme design stage, and, while valuing their inclusion at this stage, many partners do not feel that their contributions have had any marked effect on policy. Also, SENGOS are seldom involved in assessing programme achievements. It could therefore be argued that the accountability role of partnership is underdeveloped. During the current programme period, the Commission's role in programmes also seems to have been sidelined somewhat, as their role in monitoring committee meetings is now only 'advisory'.

The full report, written by Laura Polverari and Rona Michie (December 2009), can be downloaded here: <http://www.eprc.strath.ac.uk/iqnet/25-2.pdf>

Partner feedback: the workshop discussions

During workshops, IQ-Net partners discussed the potential for involving SENGOS in their programmes and the pre-conditions for successful involvement. These are:

- The willingness of SENGOS to engage: proactive partners are essential.
- An adequate level of SENGOS' capacities and capabilities, i.e. manpower, time and skills.
- The ability of programme authorities to harness SENGOS' knowledge: programme authorities should be able to take SENGOS' inputs and build these into the programmes.
- The right size of fora/discussion groups (the monitoring committee is often too big) and the availability of informal discussion fora in addition to the monitoring committee.
- Trust: both between the SENGOS and the managing authority, and amongst SENGOS.
- Time: SENGOS are not paid to participate in programme-related activities and not all have dedicated resources for this.
- Learning: To enable SENGOS to learn from each other and programme authorities to learn from SENGOS (and vice-versa), it is essential that the SENGOS' involvement is ongoing right from the beginning of the programming activities.

IQ-Net partners gave examples of methods that could be used to support SENGOS involvement, including capacity building initiatives, and methods to formalise the role of partners, such as national agreements (as in Sweden), or building SENGOS into the terms of references for certain initiatives (as in Poland).

Following the meeting, a study tour demonstrated how European funding is being used to support the region's tourism industry, with a visit to the ice stadium of Östersund.



Reflections on the Cohesion policy reform debate (Brussels, Belgium)

The reform of Cohesion policy was the focus of the IQ-Net meeting held in Brussels, hosted by the Land of Sachsen-Anhalt and Enterprise Flanders. The EPRC background paper assessed how recent proposals for reforming EU Cohesion policy are viewed by managing authorities and implementing bodies, examining whether the intended changes are regarded as beneficial in principle, the implications of operationalising them, where they might encounter problems and what alternatives could be considered.



<i>Strategic objectives & priorities</i>	<p>Broad agreement with the principles of Europe 2020 and for Cohesion policy to be aligned, but criticism of the lack of reference to cohesion issues and concern at the consequences of an overly thematic approach for programming Structural and Cohesion Funds.</p> <p>Support for proposed priorities, but insistence on flexibility for strategies to be adapted to national/ regional needs and institutional arrangements. Menu approach most popular: common priorities adopted at EU level but interpreted by Member States and regions.</p>
<i>Territorial cooperation/ territorial cohesion</i>	<p>Considerable merit in more integrated approach for addressing distinctive needs/ challenges of particular territories; scope for place-based approach to programming and allocation of resources. Option of intervention at different spatial scales, but strong insistence on Member States/ regions determining appropriate scale of intervention. Scepticism about expanding territorial cooperation objective unless implementation problems are addressed.</p>
<i>Performance & results</i>	<p>Scepticism about use of EU-determined conditionalities and incentives (methodological factors, unpredictable and possibly perverse consequences, likelihood of political objections). More scope in exploring how individual countries/regions could be encouraged to improve performance in programme-specific ways, and in using more qualitative methods for assessing performance through peer review, benchmarking, exchanges of best practice and evaluation.</p>
<i>Monitoring</i>	<p>Problematic in many cases (unrealistic targets, variable data quality, data processing issues, limited exploitation of results). Acceptance that core indicators and target-setting may need to be obligatory, but doubts about aggregation at EU level. Question whether preferable to have good-quality monitoring systems that meet individual needs - rather than allowing comparability - and to entrust analysis of results and impacts to evaluation.</p>
<i>Evaluation</i>	<p>Requirements not to be imposed uniformly; approach should be needs-based and flexible, focusing on areas where there is scope for improvement in individual countries and regions.</p>
<i>Strategic reporting</i>	<p>Should concentrate more on strategic issues and added value – issues requiring action by Member States. Commission services to demonstrate how reports can be used effectively as a basis for peer review; Council to demonstrate political interest in a high-level debate.</p>
<i>Simplification</i>	<p>Agreement on need to simplify implementation rules and procedures but no clear consensus on the how: support for differentiation of requirements by Member State, but opposition to moving away from uniformly applied rules; differences over whether decommitment should apply at national level, and over suggestion to base EU reimbursement on declaration of payments by Member States, rather than expenditure. Broader agreement on extending use of 'system assurance' (underlying current single audit model). Support for introduction of proportionality of administrative requirements for different types of intervention and for harmonisation of eligibility rules across EU funding instruments. Need for clear rules (e.g. for financial engineering instruments).</p>

At the Brussels meeting, interventions were made by Dr Dirk Ahner, Director-General of DG Regio, and Professor Danuta Hübner, chair of the European Parliament's REGI Committee.

The full report, written by John Bachtler and Carlos Mendez (May 2010), can be downloaded here: <http://www.eprc.strath.ac.uk/iqnet/26-2.pdf>

Cohesion policy, the Lisbon Agenda and Europe 2020 (Prague, Czech Republic)

The 2006 reform of Cohesion policy explicitly aligned its governance architecture with the EU's growth and jobs strategy, the Lisbon agenda. The Lisbon agenda has now been superseded by a new Europe 2020 strategy for smart, sustainable and inclusive growth. As Cohesion policy is the single most important European financial instrument for delivering the Lisbon (and Europe 2020) objectives over the 2007-13 period, it is important to assess its role in the successes and failures of the Lisbon strategy. The EPRC report presented at the IQ-Net meeting in Prague, hosted by the Czech Ministry for Regional Development and the City of Prague, identified the challenges faced by programme managers in managing and implementing Lisbon-related priorities and interventions, and explored the different strategies and mechanisms used to facilitate progress.

The full report, written by Carlos Mendez, Stefan Kah and John Bachtler (December 2010), is available here: <http://www.eprc.strath.ac.uk/iqnet/27-2.pdf>

Workshop discussions - experience and lessons for Europe 2020

Strengths and weaknesses of the Lisbon approach to Cohesion policy programmes:

- The new approach to **more strategic targeting** of Cohesion policy has been found to be largely positive, creating a need for managing authorities to focus on key themes and concentrate available funds. However, the focus is still on financial absorption rather than physical progress.
- **Earmarking** is seen as a useful tool in principle during the programming stage, narrowing down the number of spending areas. Yet it often remains a quantitative exercise. Many perceived it as being too flexible, not least due to an insufficiently clear definition of categories. For some, it has merely been a formal exercise, since the Lisbon objectives are already tied in with their national strategies.
- The 2009 **Strategic Reports** were universally seen as problematic. The timing was considered to be unfortunate - 2009 was too soon to see concrete results, mainly due to the late start of many programmes, and the effects of the financial and economic crisis. Data for the year 2009 could only be partly integrated. Bringing strategic reporting into line with programme-level annual reports would facilitate data collection and processing. Some also mentioned that strategic reporting should be more reflective and critical, and the widespread approach of auto-reporting did not enable this. Others thought that this would constitute another layer of evaluation and hence should be avoided.

Lessons for EU2020

Current Period

Limited scope for change in the current period: most of the funding has already been committed; actors involved in implementing the programmes need stability; changes only needed where significant amounts of funding are unspent; Lisbon-orientation of programmes means that there is no need to re-align them with Europe 2020 (strategies show many similarities).

Aim to increase the use of financial engineering, however, experience with these instruments is in some cases low. Funds such as JEREMIE are difficult to communicate to potential beneficiaries, and several programmes do not have enough funding available to make their use reasonable. More Commission guidance would be appreciated, especially in the case of ESF.

Need for simplification remains a widespread concern, but experience shows that, in spite of many efforts, the degree of complexity of Cohesion policy has not been significantly reduced. Cohesion policy needs to be more user-friendly, especially with regard to beneficiaries.

Post-2013 period

Top-down approach by the Commission should be avoided: preparations for programme management should focus on capacity and simplification; programme-level capacity needs to be built up now, ideally with the help of Technical Assistance funding; the level of detail in reporting requirements could be reduced and audit rationalised, e.g. by contracts of confidence.

Proposals to introduce a European-level performance reserve have been viewed critically, since the definition of criteria for the measurement of performance is unclear.

Indicators should be more focused and responsive both to programme objectives and project characteristics, while additional standardised core indicators would also be helpful.

New rules should be made available in good time and be consistent across Funds as far as possible.



On the study tour, partners visited the EU-funded centre for experimental research of circulatory diseases and organ replacement (CEVKOON) at the Institute of Experimental and Clinical Medicine, and the Dolní Počernice district of Prague, where Structural Funds resources have been used to restore the historical centre and castle grounds.

Interactions between EU Funds: Coordination and competition (Swansea, UK)

Some of the key issues in discussions over the future of Cohesion policy in 2014+ relate to questions of coordination. On the one hand, EU Cohesion policy is implemented through three different EU Funds which need to be coordinated with each other. On the other hand, it interacts with other EU budgetary instruments, as well as national/ regional policies, and these relationships also need to be managed. This topic was discussed by IQ-Net partners at the meeting in Swansea, UK, hosted by the Welsh European Funding Office (WEFO).

The EU Budget Review and the Fifth Cohesion Report, which set out draft proposals on the future of the EU budget, include elements that relate to the coordination of EU Funds, notably: the idea of introducing new forms of strategic coordination, including an EU-level Common strategic framework, plus a development and investment partnership contract between the Commission and each Member State, and attempts to find ways of harmonising or aligning implementation rules across EU funding streams.



Views of IQ-Net partners

The views of the IQ-Net partners were sought for the EPRC report prepared for the meeting. Partners voiced a wide range of views on the problems faced in terms of coordination and cooperation, and on the Commission's proposals. A clear majority argued in favour of:

- Introducing shared implementation rules across all EU Funds (including FP7 and the EAFRD);
- Enhancing coordination among European Commission Directorates General; and
- Increasing coordination between Funds during the ex ante strategic planning phase.

There were differences between IQ-Net partners' views on other issues:

- *Mono vs multi-fund programming*: Some support the re-introduction of multi-fund programming in 2014+; others argue that a single EU Fund for Cohesion policy would be better; others are sceptical of the need for any further change.
- *Agriculture and fishery funds*: There are divided views as to whether the EAFRD and EFF (or at least the regional development-oriented components of these Funds) should be reintegrated into Cohesion policy.
- *Coordination between funding streams*: Some argue that there should be stronger coordination between Cohesion policy and other EU budget lines. Others state that, although different EU Funds should remain separate, there should be stronger efforts to harmonise implementation rules.
- *Common strategic framework across all five Funds in 2014+*: Some partners voice support for related EU proposals; others are concerned that this type of shared strategic framework risks leading to a more top-down approach to Cohesion policy.
- *ERDF/ESF cross-financing*: Some partners feel that the option is useful and argue that it should be maintained or extended; others state that cross-financing is too complex and is not well-suited to the domestic institutional context.

The full report, written by Sara Davies (June 2010), is available here: <http://www.eprc.strath.ac.uk/iqnet/28-2.pdf>



During the course of the meeting, IQ-Net partners visited the National Waterfront Museum and the SA1 Waterfront Development in Swansea, both of which have received ERDF funding. Delegates also visited Swansea University, where two projects were presented – the ESF-funded Software Alliance Wales, and the ERDF-funded Institute of Life Sciences.

What is IQ-Net?

IQ-Net is a network which brings together regional and national partners from Structural Funds programmes across the European Union. Its aim is to improve the quality of Structural Funds programme management through exchange of experience. The network involves a structured programme of applied research and debate, centred on bi-annual conferences.

IQ-Net was launched in 1996 and is managed by the European Policies Research Centre (EPRC) in the School of Government and Public Policy at the University of Strathclyde in Glasgow. The partner organisations are mainly regional or national managing authorities or programme Secretariats.

Conferences are hosted by the partners on a rotation basis. Previous IQ-Net Conferences have been hosted in Leoben, Semmering & Schloss Seggau (Austria), Antwerp, Brussels & Grobbendonk (Belgium), Prague (Czech Republic), Aalborg (Denmark), Oulu (Finland), Bordeaux & Strasbourg (France), Dortmund, Gelsenkirchen, Magdeburg & Saarbrücken (Germany), Athens (Greece), Como & Artimino (Italy), Katowice (Poland), Algarve (Portugal), Åre, Fyrstad & Luleå (Sweden) and Cardiff, Glasgow, New Lanark, Newcastle upon Tyne & Swansea (UK).

IQ-Net members currently comprise:

Austria: **Niederösterreich - Lower Austrian Land Government**
Steiermark - Styrian Land Government

Belgium: **Vlaanderen - Enterprise Flanders Agency**

Czech Republic: **Ministry for Regional Development**

Denmark: **Danish Enterprise & Construction Authority**

Finland: **Western Finland Alliance (Länsi-Suomi), in association with the Ministry of Employment & the Economy**

France: **DATAR (Inter-ministerial Delegation for Territorial Development and Regional Attractiveness)**

Germany: **Nordrhein-Westfalen - Ministry for Economy, Energy, Construction, Housing and Transport**
Sachsen-Anhalt - Ministry of Finance

Greece: **Management Organisation Unit of Development Programmes S.A.**

Hungary: **Hungarian Enterprise Development Centre (MAG), in association with the National Development Agency (NDA)**

Italy: **Ministry of Economic Development & Promuovi Italia SpA**

Latvia: **Ministry of Environmental Protection & Regional Development, in association with the State Regional Development Agency**

Poland: **Śląskie Województwo - Marshal's Office of Silesia**

Portugal: **Financial Institute for Regional Development**

Slovenia: **Government Office for Local Self-Government and Regional Policy**

Spain: **País Vasco - Provincial Council of Bizkaia**

Sweden: **Tillväxtverket (Swedish Agency for Economic & Regional Growth)**

UK: **Department for Communities and Local Government (CLG)**
Welsh European Funding Office
The Scottish Government

DG Regio of the European Commission

DG Empl of the European Commission

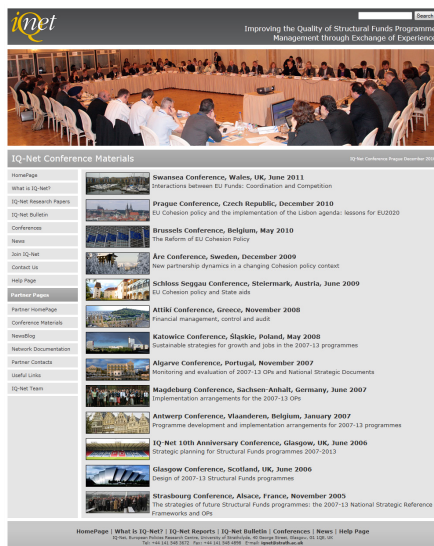
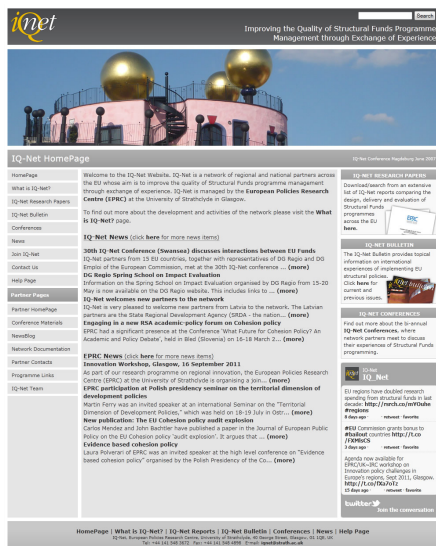
IQ-Net welcomes expressions of interest from potential new members (regional or national programme authorities) from any EU-27 Member State. Further information about the network can be obtained from:

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News: Regular news on network developments, publications and conferences.