IQ-Net Bulletin
Improving the Quality of Structural Funds Programmes
Issue 12 September 2005

twelfth

Welcome to the 12th issue of the IQ-Net Bulletin

The 'Angel of the North', a giant work of public art outside Gateshead in North-East England, is an appropriate symbol for a region engaged in industrial restructuring. In the words of the artist, Anthony Gormley, the statue has an historic purpose "to remind us that below this site coal miners worked in the dark for two hundred years", but also "to grasp hold of the future, expressing our transition from the industrial to the information age". Newcastle/Gateshead, the venue for the May 2005 meeting of IQ-Net, displays many such examples of art and architecture being used as part of the urban regeneration process, co-funded through Structural Funds and complementing the investment in physical infrastructure, entrepreneurship, SMEs, employment creation and community development.

Newcastle conference delegates visit the Angel of the North

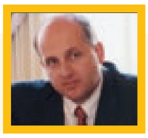
Toscana, the venue for the November 2004 meeting of IQ-Net (at Artimino, Prato), has a cultural tradition dating back many centuries and is also well-known for its industrial districts of specialised SMEs in areas such as textiles, clothing and furniture. Here, the aim of the Objective 2 programme is to maintain the innovation of these micro-enterprises through technology transfer and investment in skills.

The two regions typify the challenges being faced in many other parts of the EU, and their experience of 15 years of Structural Funds implementation provided important lessons for other IQ-Net partners.

As elsewhere in the EU, both regions are thinking about the future of Structural Funds after 2006. The two meetings – in Artimino and Newcastle – were used to explore two of the themes that are likely to be important in the next period: **Cohesion policy funding for innovation and the knowledge economy**; and **territorial cohesion, notably urban development and inter-regional cooperation**. These themes are discussed in detail in the articles in this issue of the IQ-Net Bulletin.

Also covered in the Bulletin is a review of the ongoing issues being addressed by programme managers: the Updates of the Mid-Term Evaluation; the preparations for the closure of the current programmes; and the strategic planning for the post-2006 programme period. A further topic is an initial assessment of experience with programme management in the new Member States.

With enlargement of the EU, IQ-Net is pleased to welcome the Hungarian National Office for Territorial and Regional Development as a member of the Network, and we look forward to other partners from the new Member States joining IQ-Net in the coming months. Potential partners are cordially invited to contact the IQ-Net Secretariat (at EPRC) in Glasgow for further information. We also welcome feedback on the issues discussed in this Bulletin and the wider activities of the IQ-Network.



Professor John Bachtler

CONTENTS

Artimino and Newcastle: venues for the 16th and 17th IQ-Net conferences 2
Cohesion policy funding for innovation and the knowledge economy 2
Focus on Toscana: Objective 2 support for innovation 4
The North East of England Objective 2 Programme 5
Territorial Cohesion and Structural Funds Programmes: Urban Development and Interregional Cooperation 6
Programming with an uncertain future: a review of programme developments 9
Programme management in the new Member States: a first assessment 10
The next IQ-Net Conference: Alsace, France, November 2005 11
What is IQ-Net? 12

BULLETIN

Artimino, Italy and Newcastle, UK

Venues for the 16th and 17th IQ-Net Conferences

Artimino conference, Toscana, November 2004

The 16th IQ-Net meeting was held in Artimino, in the province of Prato, Toscana, Italy, hosted by Regione Toscana, DG Economic Development, which manages the Toscana Objective 2 Structural Funds programme. The main theme of the conference was **Cohesion policy funding for innovation and the knowledge economy**, one of the key priorities for the current programming period.

The province of Prato is well known for its textile industry, and the study tour associated with the meeting reflected the district's industrial specialisation. The IQ-Net group visited Tecnotessile, a reference point for research and technological innovation in firms operating in the textile and textile machinery sectors, and the Museo del Tessuto (Fabric Museum), an industrial archaeology project.

View from the Villa Ferdinanda, venue of the 16th IQ-Net conference

Newcastle conference, North East England, May 2005

The 17th meeting of the network was held in Newcastle, North East England, hosted by the Government Office for the North East and Office of the Deputy Prime Minister. The main conference theme was **territorial cohesion and Structural Funds programmes, urban development and territorial cooperation**.

IQ-Net delegates visited Sunderland, another major city within the North East region. On the way, the group travelled past the Angel of the North on the site of a former colliery pit-head baths, which has been re-claimed as green landscape with the help of ERDF funding. Projects visited on the tour also included: the Sunderland arc, set up to regenerate urban areas along the south bank of the River Wear, and The National Glass Centre, which celebrates Sunderland's place in the history of glass. The group were also impressed by the Thornhill School's TAIT project (the Arts Included at Thornhill), an ESF project which uses an intensive arts-based approach to working with socially excluded young people within the Target Communities of central/ east Sunderland. The project has had considerable success in using the arts – theatre, music, poetry and visual arts – to engage young people from deprived areas and encourage them to stay in education.

TAIT pupils perform a contemporary version of Dickens' 'A Christmas Carol'

Cohesion policy funding for innovation and the knowledge economy

The plenary paper on *'Cohesion Policy funding for innovation and the knowledge economy'*, presented at the Toscana IQ-Net Conference in November 2004, examined the role of innovation support in IQ-Net partner programmes. This article summarises some of the content of that paper - more detail can be found by downloading the full paper from the IQ-Net website.

Support for R&D and technological innovation has come to play a more important role in Cohesion policy and in Member States' regional policies in recent years. In February 2004, the Third Cohesion Report included the proposal that 'innovation and the knowledge economy' should be a significant focus in Structural Funds programmes after 2006.

This is seen to be in line with the broader proposal that Cohesion policy should be more strongly integrated with core EU policies, notably those reflected in the Lisbon and Göteborg agendas.

The EU as a whole lags behind the US on key indicators relating to productivity, R&D and innovation, although individual Member States – notably Finland and Sweden – outperform the US on certain measures. Studies from a number of different theoretical viewpoints agree that investment in R&D and innovation can contribute to productivity gains and real (as opposed to nominal) GDP growth. There is, however, some disagreement over the appropriate role that can and should be played by public authorities in supporting R&D.

Most Member States and many regional authorities have developed explicit strategies or policies in support of R&D and innovation. Structural Funds programmes and domestic regional policies are, to varying degrees, integrated into these strategies. EU support for regional innovation strategies has played an important role in enhancing the strategic focus in some regions.

The importance of R&D and innovation in the IQ-Net partner programmes varies greatly, from over 50% to less than 2%. Most programmes provide some kind of support for R&D and/or innovation in enterprises, either via State aids or loans, or via different kinds of technology transfer and technology-oriented services. Some programmes also finance public R&D (sometimes only if projects include business involvement), and the construction of science parks and innovation centres (such as the 'Crystal Valley' in the Norra Objective 2 programme) (see box).

Crystal Valley in Objective 2 Norra

The Objective 2 programme in Norra has co-funded infrastructure and capital equipment within a broader initiative aimed at supporting the growth of a cluster in Liquid Crystal Display (LCD) technologies. This includes financing for the creation of an LCD Centre AB in an area that has come to be called 'Crystal Valley', located in Borlänge.

The aims of this initiative is to provide a favourable context for the development of Liquid Crystal Display technologies. It is a good example of the so-called 'Triple Helix model' that is common in the Nordic countries, where actors from the business sector, the policy sector and academic institutions all work together in a specific project.

LCD is an important, high-tech growth area which already employs many people in Crystal Valley, whether in businesses or university and industrial research institutes. There are few other such centres of LCD expertise outside Asia. The LCD Centre provides advanced further education/training programs and conducts applied research and development into new technologies and production methods that can then be transferred to industry. The LCD Centre also promotes the area, with the aim of attracting new companies and activities. For more information, see: http://www.lcdcenter.com

One of the most interesting developments in RTDI support is the way in which innovation centres are pulling together a wide range of services - business support funding and management advice, access to specialist research, technology support – as well as undertaking brokerage, partner search and dissemination activities. Digital Technium in Wales is a good illustration (see box).

The Digital Technium in West Wales and the Valleys

The Welsh Assembly's economic development strategy includes a strong emphasis on technological innovation. Some of the most high-profile projects are the so-called 'Techniums' –thematic or sectoral centres, usually located on university campuses, which provide incubator units for technology-oriented businesses, as well as R&D and advanced technological services to enterprises.

Objective 1 funding has been used to finance the 'Digital Technium' at the University of Wales Swansea, Wales's second city. ERDF has co-financed the construction and equipping of the centre, which provides:

- incubator units for new high-tech companies working in multimedia systems, optical and wireless communications, voice recognition, computer graphics, e-learning and virtual reality;

- access to specialist research expertise and facilities via the University's Civil & Computational Engineering Centre and the Centre for Communications and Software Technologies – both of which have re-located to the Technium;

- development laboratories including a state-of-the-art, virtual reality facility which enables researchers to test a design or product in 3D. This means that products – ranging from new cars to heart valves - can be built and tested in a fraction of the time that would be needed for a conventional prototype.

The aims are to encourage the exploitation of expertise from both industry and academia; to encourage and support young companies and spin-out enterprises; to increase investment in R&D; and to ensure that companies based in Wales have support to use and exploit new and existing technologies.

The Digital Technium has been developed by the University of Wales Swansea and the Welsh Development Agency, with the support of the Welsh Assembly Government, local government partners and the private sector (including Sony, IBM UK Ltd, and Agilent Technologies).

Progress in the financial absorption of R&D/innovation measures varies greatly. In some cases, new or experimental initiatives have proven difficult to manage and market. Financial absorption has also been affected by factors such as administrative uncertainty, narrow eligible areas, the need for planning, and the weakness of the overall business climate in some Member States.

Programmes also take different approaches to the development and application of project selection criteria, monitoring indicators and systems, and evaluation in the field of R&D and innovation. Some of the issues identified in the Mid-Term Evaluations of RTDI interventions include the need:

- to focus on project generation and business take-up;
- to ensure the involvement of universities and research centres;
- to concentrate funding on a critical mass of projects;
- to address the possibility that Structural Funds programmes may enhance risk aversion among policy-makers;
- to coordinate Structural Funds programmes with the domestic policy context; and
- to ensure a sufficient focus on building an innovation culture.

Although most programme administrators in the IQ-Net network took a positive view of the Commission's proposals to prioritise spending on RTDI after 2006, several questions were raised. Some argued that the proposals needed further clarification, and others noted the ongoing importance of other types of intervention – particularly investment in physical infrastructure and human capital – for the Structural Funds. Further questions relate to whether it is appropriate to focus funding on RTDI support in all Member States and regions, and whether different types of RTDI support are needed in different kinds of locations.

This article is taken from the IQ-Net paper presented at the Artimino conference in November 2004: *Cohesion policy funding for innovation and the knowledge economy* by Sara Davies, Carlos Méndez and Nina C. Quiogue, IQ-Net Thematic Paper No. 15(2), EPRC, Glasgow. http://www.eprc.strath.ac.uk/iqnet/reports2.cfm

Focus on Toscana: Objective 2 support for innovation

Toscana is located in Central Italy, with 633 km of coastland, including 191 km of beaches. The region is made up of ten Provinces and 267 Municipalities. Most of the population of 3 million live in cities (34%), with 28% in industrial zones, 15% in rural areas, 9% in tourist resorts and 14% in mixed tourist-industrial zones. Average income per inhabitant is about €16,000, compared to a national average of €14,000 and a European average of €14,500. The relative prosperity of Toscana compared to the rest of Italy was confirmed by recent studies ranking all the Italian Provinces; it was found that Siena provides its inhabitants with the best quality of life in the whole of Italy, and all the other cities in Toscana also featured at the top of the list.

In 2003, the unemployment rate was 4.7% - the lowest unemployment rate of the past decade. The primary sector accounts for almost 2% of total value-added in Toscana, the secondary sector accounts for c. 30%, while the tertiary sector accounts for almost 68%. The industrial sector contributes about 30% to the regional value-added, and it provides about 33% of jobs in the region, while trade and other services account for c. 65%. A feature of industry in Toscana is the dominance of small and micro companies - over 74% of employees in the region work in companies employing fewer than 50 people (with 56% of these working in companies with fewer than 20 employees).

Over the period 1995-2000, GDP grew annually by 2.1% on average, making Toscana the fastest growing Italian region. While the average GDP growth in Europe in 2001 was 1.6%, in Toscana growth reached 1.7%, a small but significant increase, considering that the Tuscan economy relies mainly on exports. Toscana exports about 45% of its production abroad and to other Italian regions, with 47% of its total exports sold to non-European countries, as compared to the Italian national average of 31%. Fashion products account for 35% of exported goods, but the mechanical sector has regained ground over the past decade, growing faster than any other sector and now accounts for 25% of the total.

The **industrial districts** are the engine of the Toscana economy, and relate to the following sectors: jewellery, clothes, textiles, shoes, leather processing and manufacturing, carpentry and furniture production, paper and publishing, stone cutting and processing. Highly specialised SMEs are the main operators in these fields. Artimino, venue of the 16th IQ-Net conference, is located in the Province of Prato, which is the centre of the industrial district for textile, clothing, fashion accessories and technological transfer to SMEs.

The Toscana 2000-2006 Objective 2 Programme

Notwithstanding the positive indicators for Toscana as a whole, parts of the region are struggling to adapt, and these are receiving support under Objective 2. The Objective 2 areas comprise 832,000 inhabitants, with c. 1 million inhabitants in phasing-out areas. The aim of the Objective 2 SPD is: *to increase the development of the programme areas through the re-conversion of productive systems and through processes for the support of employment – aimed at increasing both the number and qualifications of those employed - with particular attention to the principles of equal opportunities and environmental sustainability*. This is identical to the goal of the Regional Development Plan, the document that guides the region's programming for 2000-2005. This objective is to be achieved through three priorities:

- Priority 1 - Development and Strengthening of SMEs
- Priority 2 - Territorial qualification
- Priority 3 – Environment

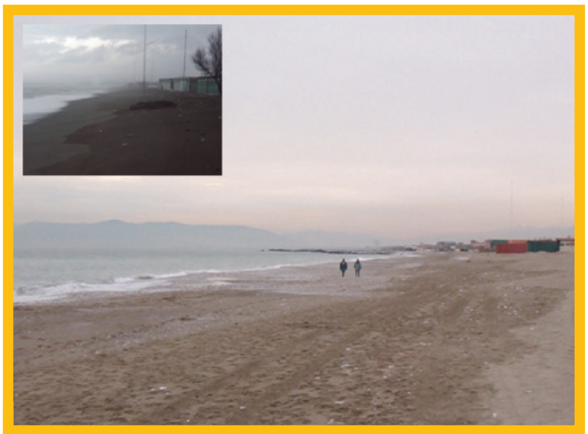
The SPD is the outcome of a bottom-up approach to programme design and implementation. Local partners are involved in both programme design and project selection. The PISL (Integrated Projects for Local Development) - which were described in the 11th IQ-Net Bulletin (September 2004) - are a good example of this approach. The partnership principle was already a feature of regional government, which agrees 'development and employment pacts' with the economic and social partners in the region.

From an organisational and management perspective, the regional *Giunta* (the region's executive) has allocated specific functions of the SPD to individual officers within the regional administration. A feature specific to the Toscana SPD is the separation of management and payment responsibilities, not just at the level of the Managing and Paying Authorities, but also at the level of individual measures and sub-measures. For each one, the officer responsible for management and implementation operates alongside the officer responsible for payments. Organisationally, the Managing Authority is part of the region's DG for Economic Development. The Paying Authority, on the other hand, sits within the regional DG for Finances and Budget, and the Authority responsible for the Certification of Expenditure is part of the DG Presidency. The officers responsible for each measure of the SPD, and for the payments related to these, belong to the different DGs of the regional administration which have the relevant thematic or sectoral competence. Also involved in the implementation of the programme are actors external to the regional administration, such as intermediary organisations, final beneficiaries and firms.

The SPD involves total public resources of €1,220 million, 80% of which is allocated to Objective 2 areas, with the remainder allocated to phasing-out areas.

Objective 2 and innovation projects in Toscana

Support for innovation and the knowledge society plays an important role in the SPD. An example of an innovative environmental technology project was carried out to counteract coastal erosion in the province of Massa. With a total eligible cost of €593,922 (total project cost: €1.28 million), a portion of beach (700m) affected by significant erosion was recovered, using technologies with a low environmental impact. The project allowed the beach to be returned to its natural state, and the inclination of the seabed is now more uniform and less dangerous for swimmers. The absence of concrete reefs placed in parallel to the coast (the more traditional method of counteracting coastal erosion) increases the quality of the water by encouraging water flow and exchange. It also helps ensure that coastal erosion is not simply transferred to those beaches which lie to the south of those where the intervention has taken place.



The works for the protection of the coast and the coastal stretch before (small inset) and after the completion of the intervention.

Monica Bartolini and Antonio Zollo
DG Economic Development
Regione Toscana

The North East of England Objective 2 Programme

The North East is one of the smallest English regions in both area and population. It is composed of the counties of Durham, Northumberland and Tyne and Wear, and the unitary authorities of Tees Valley. It is a region of great contrasts: the hills, moorlands and forests of the North Pennines and Border Hills form its western part; while its eastern side is a 160 km section of North Sea coastline, on which long-established industrial conurbations are grouped around the main river estuaries of the Tees, Wear and Tyne. Whilst two-thirds of the region is rural, a third is National Park or an Area of Outstanding Natural Beauty.

The North East has seen enormous change over the past 30 years. Between 1981 and 1997, the region lost over 110,000 jobs in primary and manufacturing industries. Although less than 16% of the workforce is still employed in manufacturing, the sector remains an important part of the economy.

The regional economic base has diversified into new areas such as microelectronics, the offshore industry, biotechnology and automotives. There has also been significant growth in the service sector, public administration, education and health. Retail is also an important sector accounting for 10% of all businesses, whilst tourism is estimated to support over 55,000 jobs in the region. Despite this diversification, the region is still dealing with the economic, social and structural consequences of its past dependence on traditional industries, which is reflected in its poor performance across a range of indicators.

The Objective 2 region, which matches the North East administrative region, covers a population of around 2.3 million, with a further 313,000 covered by transitional aid. The region has undergone major structural change due to the decline in the shipbuilding, steel, engineering and coal-mining industries, and the depressing effect on the regional economy continues to pose major threats to future growth and employment prospects. Disparities between the region and the rest of the UK continue to grow, revealed particularly by the low level of GDP which is around 15% lower than the UK average. Despite outward migration and an ageing population, unemployment remains a major issue, standing at 7.8% in 1998. For those in employment, earnings are low, few are self-employed and the proportion of small firms is low. On the positive side, manufacturing productivity is good, the service sector is growing, and the arrival of new industries has helped reduce the impact of great structural change. These factors have brought about significant improvements, but further development is still required.

The Objective 2 programme strategy concentrates on creating the conditions necessary to favour the development of businesses and the creation of new employment opportunities. This strategy is being implemented through four priority actions:

- Establishing an entrepreneurial culture
- SME growth and competitiveness
- Strategic employment opportunities
- Target Communities

The UK Department of the Environment, Transport and the Regions acts as the Managing Authority. Day-to-day administration of the programme is delegated to the Government Office for the North East region. The Monitoring Committee comprises the principal regional partners, including the Government, the private sector, the voluntary sector, economic and social partners, members of local authorities and those representing environmental and equal opportunities interests.

The total cost of the programme amounts to €1.89 billion. The public resources allocated to this programme amount to €1.59 billion, of which the Structural Funds are providing €717 million.

Territorial Cohesion and Structural Funds Programmes: Urban Development and Interregional Cooperation

The plenary paper for the Newcastle IQ-Net conference in May 2005 was on the theme of "Territorial Cohesion and Structural Funds Programmes: Urban Development and Interregional Cooperation". The full paper discussed the territorial dimension of European Cohesion policy, focusing, in particular, on the role of the Structural Funds for the support of urban areas and territorial cooperation. This article presents a brief review of the content of the paper.

With the approval of the ESDP in 1999, and the Second and Third Cohesion Reports in 2001 and 2004, **territorial cohesion** has increasingly been advocated as a goal for European Cohesion policy, and has also been acknowledged in the text of the EU Constitution.

Conceptually, territorial cohesion refers to the need to achieve a more balanced and harmonious development of the EU, in acknowledgement of the persistent concentration of human settlements and economic activities in core areas. In practice, it is not really clear what the concept stands for and, crucially, how it should be achieved.

In November 2004, under the Dutch Presidency, the Rotterdam Informal Ministerial meeting on Territorial Cohesion and Urban Policy recognised the need for a general agreement on what territorial cohesion should mean in terms of implementation, suggesting that territorial cohesion should entail focusing regional and national territorial development policies on better exploiting **regional potential** and **territorial capital**.

This is clearly in line with the evolution of policy thinking in countries such as the Netherlands, involving an evolution from traditional, redistributive policy approaches, to a new regional policy 'paradigm' based on acknowledging and exploiting the different endogenous potential of regions - in other words a shift from equity towards efficiency.

This new approach based on territorial capital embodies a new role for urban centres. The Third Cohesion Report, for example, stresses the role of urban systems as engines for growth, due to the concentration of human capital, knowledge, infrastructure and of course financial resources, all in close proximity. The Report also mentions the goal of **polycentric development**.

In essence, the concept of polycentric development is about creating a network of specialised urban systems or Functional Urban Areas (FUAs), which should be distributed evenly across the European, national and sub-national territories. This is considered to be the way to achieve both economic growth and balanced territorial development at the same time.

The role of urban areas in Structural Funds programmes

The extent of inclusion of urban development interventions in Objective 1 and 2 programmes varies considerably across and within countries. This variation reflects the nature of the areas covered by the programmes, the prevalence of urban problems and the priority accorded to urban areas in national policies.

The paper catergorises IQ-Net partner programme approaches as follows:

Approach	Rationale
Reactive Approach	Focus on problems and weaknesses of urban areas.
Pro-active Approach	Focus on urban areas as areas of potential.
Urban-Rural Partnership	Creation of more balanced inter-relations between main cities and neighbouring towns/villages.
No Urban Support	No direct or indirect interventions for towns and cities.

First, in some programmes the emphasis is placed on the problems and weaknesses of urban areas. This approach has been called '**reactive**' and can be found in those programmes which include large urban conurbations. The interventions implemented often entail large urban regeneration and renewal projects, with a predominance of physical investments. Good examples can be found in Pais Vasco, Western Scotland and North East England.

- **Bilbao, País Vasco**: *Bilbao Ria 2000* has played a key role in the urban renaissance and rebranding of the city, and has transformed the centre of Bilbao over recent years. The management structure incorporates public sector organisations involved in urban regeneration at various territorial levels, with shares owned equally by the central government and Basque authorities (regional, provincial and local), all of which are represented on the board of directors. The key elements of best practice are seen as:
    - the management and institutional structure, with high-level representation in the governing council ensuring effective decision-making capacity, driven by a consensual approach to decisions;
    - an internal financing model, which, subsequent to the initial public capital injection, has been able to balance its budget without the need for further large-scale public sector contributions by selling plots of land in designated areas for commercial use;
    - strategic development - the regeneration of the areas has been undertaken through a well-managed and holistic, strategic approach taking long-term environmental, social and economic goals into account, which are in line with the urban plans of various Basque authorities and other EU-related environmental policies.
- **Glasgow, Western Scotland**: Glasgow Harbour is a major redevelopment of the north side of the Clyde Waterfront, which aims to transform the landscape of the traditional, and mainly derelict, shipbuilding areas. The development covers 49 ha on the north side of the river, and is a mixed-use development, including housing, offices/business space, retail, leisure and tourist/visitor attractions, which seeks to create new areas to link the West End of Glasgow with the City Centre. This is seen as a way of linking areas of need and areas of opportunity.

  The main features of project are: the setting-up of a public-private sector partnership model; the major contribution towards the regeneration of the river Clyde, thus meeting local and national priorities and promoting Glasgow's national and international competitiveness, including raising the profile of the region; the development of a local labour programme to maximise construction job opportunities for local people; promotion of environmental sustainability in construction processes and practices; and the public sector input to, and support of, the overall £740 million development.
- **Gateshead, North East England:** Gateshead Quays is an urban area near the centre of the city where groups of activities, including site preparation, access/infrastructure works, the development of tourist attractions and the construction of premises for business, combine to create a wider strategic impact on the urban area. This type of activity supports a coordinated approach to tackling urban problems, such as dereliction associated with former industrial activity. The aim is to create a major international resource, providing an economic and cultural stimulus to the whole of the North East through large, related projects such as: the Baltic Centre for Contemporary Art; the Sage Gateshead, the Region's music centre; the Gateshead Millennium Bridge; and the Hilton International Hotel and the Baltic Quay mixed-use development.

Glasgow Harbour development. Photo courtesy of Glasgow City Council.

A second approach has been called **pro-active**. Here, urban areas are not targeted *per se*, but they are supported as part of a wider economic development strategy that places emphasis on growth poles and their specialisation. Urban areas are seen as areas of opportunities and potential, rather than as problem areas. Two good examples can be found in the Finnish region of Northern Ostrobothnia, with the Octopus and Smart Oulu projects (described in Issue 11 of the IQ-Net Bulletin, September 2004).

A third approach is that followed by programmes which include interventions for urban areas of smaller scale (both the urban areas and the interventions). Borrowing an expression from the ESDP, this approach can be referred to as **urban-rural partnership**. In such cases, the interventions implemented in the urban areas are diverse, ranging from small regeneration projects aimed at the re-launch of local businesses and trade; cultural infrastructure such as youth centres, museums, theatres etc.; social infrastructure such as nurseries etc., all of which aim to improve the standard of living of citizens and the development of communities.

The urban dimension in the new Member States

The full paper reviews the urban dimension in the new Member States, discussing first the territorial and urban challenges facing these countries, second the approaches to urban development which emerge from the programming documents, and third, classifying the programmes according to their responses to the urban development theme. In terms of urban development approaches, both reactive and proactive approaches can be found. Overall, however, the reactive approach is underplayed, due to the desire to concentrate resources on the areas of potential, rather than on those in need.

Experiences of territorial cooperation

A second aspect of territorial cohesion considered by IQ-Net is territorial cooperation. This is an area generally perceived to be valuable, despite the intangible nature of the projects implemented. The benefits of territorial cooperation which have been identified include:

- the establishment of long-lasting networks;
- the overcoming of borders, and making European integration more visible;
- the possibility of obtaining additional EU funding; and
- the exchange of experience and information with actors in other regions and countries of Europe.

According to some partners, territorial cooperation projects have also contributed to increasing the role of regional actors in the management and implementation of Structural Funds programmes. Despite the perceived benefits, a number of problems have also been associated with territorial cooperation:

- the fact that the outcomes are intangible and that it is difficult to quantify and qualify the value for money of cooperation initiatives;
- the complexity, vagueness and lack of proportionality of the bureaucratic requirements associated with cooperation projects can make it difficult for smaller organisations to be active partners;
- communication between partners tends to be problematic, not just because of the different languages spoken, but also because of the different domestic institutional settings;
- where long distances are involved (e.g. in the Nordic programmes), cooperation can be excessively costly and time-consuming.

Future perspectives

The Third Cohesion Report emphasised the role of urban areas and territorial cooperation. This was restated in the Commission's Community Strategic Guidelines for 2007-13, which outline three priorities for cohesion policy, including the goal of: **improving the attractiveness of regions and cities.** The document dedicates a whole chapter to 'Territorial Cohesion and Cooperation'.

For **urban areas**, the Guidelines advocate the need to support the competitiveness of neighbouring cities and FUAs, and the 'balance between the economically strongest regions and the rest of the urban structure'. Funding should be concentrated on:

a) rehabilitation of the physical environment;
b) entrepreneurship and local employment;
c) social inclusion; and
d) urban regeneration.

For **territorial cooperation**, on the other hand, the Guidelines stress the need for complementarity of cross-border and transnational cooperation with the three priorities identified for Cohesion policy.

The Guidelines also point out that 'interregional cooperation will **also** be supported within programmes for convergence, and regional competitiveness and employment'. This latter point marks a change from the Commission's initial proposals of an integration of interregional cooperation within the regional programmes, implying that each OP or SPD would be expected to devote a proportion of the resources to this type of projects.

There have been varied reactions to these proposals.

- On urban development, concerns have been raised about the appropriateness of an *a priori* designation of urban areas for support.
- There are mixed views on whether future programmes will assist urban areas. For some regions this seems already very likely, while others acknowledge that with reduced funding it will be difficult to support all needs.
- There are similarly no clear views on the likely content of the support to urban areas.
- Some partners stressed that urban support should not be equated with urban regeneration, and that it will be essential not to lose sight of the need to consider the quality and socio-economic impacts of the projects funded. Support should not be granted in consideration of the 'urban' localisation of the initiatives *per se*, but in consideration of the quality of the projects and their capacity to deliver growth and employment.

Views on the future of territorial cooperation are also varied, for example regarding the desirability of the mainstreaming of the interregional strand in the Objectives 1 and 2 programmes. Some consider that the financial resources devoted to cooperation should not be increased and that, in any case, this should be left to the choice of the Member States. Concerns have also been expressed regarding the difficulty of linking territorial cooperation with the competitiveness objective of the Lisbon agenda, not least due to the perceived failure of current cooperation programmes to integrate successfully the theme of support for firms.

Finally, concerning practical aspects, there is a perceived need for: a clarification of the respective responsibilities of Member States and European Commission; a better definition of the role of the Managing Authorities; and the development of a solid legal basis for transnational financial management and control.

This article is taken from the IQ-Net paper presented at the Newcastle Conference in May 2005: *Territorial cohesion and Structural Funds programmes: Urban development and territorial cooperation*, by Laura Polverari, Nina C Quiogue, Frederike Gross and Vít Novotný, IQ-Net Thematic Paper No. 16(2), EPRC, Glasgow.

Programming with an uncertain future: a review of programme developments

Following the lack of agreement on the EU budget at the Brussels European Council in June 2005, programme managing authorities face an uncertain outlook. Especially for those regions expecting funding under the regional competitiveness objective, preparations for the post-2006 programmes are underway with a lack of certainty about the amount and scope of future funding. Other programme activity is concerned with the Update of the Mid-Term Evaluations and preparing for programme closure. Based on a longer IQ-Net paper, this article briefly reviews the main activities among partner programmes.

Preparing for the post-2006 programmes

Some Member States are well advanced with their post-2006 strategic planning, having established committees, working groups or consultation mechanisms to develop their national strategic reference frameworks. This obviously applies mostly to the new Member States and EU15 countries/regions that are reasonably certain of Convergence funding in the next period. In some other countries, particularly where future EU support is contingent on a sizeable regional competitiveness and employment objective, there is a slower, more cautious approach to strategic planning for the future. Across all Member States, programme managers are also following the debate on the new Regulations closely, and it is clear that there is a range of concerns about the Commission proposals for the next period.

- *Eligibility/design criteria*: For the most part, the Commission's proposals to move away from a map-based approach to determining eligibility has been welcomed as providing the opportunity for more strategic and integrated approach to areas of need and opportunity. However, there are concerns that the combination of thematic priorities and more flexibility for Member States to determine the geographic allocation of support could lead to a diversion of EU support away from the poorest or weakest areas.

- *Community Strategic Guidelines/National Strategic Reference Framework*: There are major divisions among Member States on the issue – some countries are strongly opposed, while others, especially the new Member States, have welcomed them as facilitating a clear strategic approach to the use of EU Cohesion policy resources and a means of resisting political or administrative pressures to spread resources too thinly or among vested interests.

- *Priorities and eligible expenditure*: The thematic priorities have often been welcomed in principle, but there are concerns about the implications for their flexibility to design programmes to meet regional and local needs.

- *Simplification*: There is widespread support for the proposal for mono-fund programmes as a mechanism for streamlining strategic planning and administration, notably quicker approval for programme changes. For managing authorities which will be responsible for the two Funds, and for rural development under the EAGGF, there is some concern at the challenges of operating an integrated regional development strategy.
  The proposal for more proportionality has also been welcomed in most countries/regions, although some new Member States are concerned at having a differentiated approach to administrative obligations which are detrimental to larger recipients.

- *Regional Aid guidelines*: DG Competition's proposals would significantly reduce the scope for national regional aid to be provided in Article 87 (3) (c) regions – this is of particular concern for regions sharing a border with Article 87(3) (a) areas.

Other programme management activities

Programme managers also face more immediate challenges, one of which is the closure of the current programmes. Forward plans for programme closure have been developed since mid-2004 - regions are keen to draw lessons from their experience of closing previous programmes, in order to avoid the same difficulties again. This includes preparing timetables to make use of all available funding resources, based on reliable financial and physical monitoring systems.

The challenges of programme closure include: uncertainty over the flexibility of EU rules; stimulating demand to achieve sufficient high-quality applications; overseeing the monitoring arrangements for programme closure and avoiding 'slippage' in project claims; the question of over-commitment (overbooking) to ensure effective programme closure; and virement of resources between priorities/measures.

Also, each programme must have its Mid-Term Evaluation Update completed by the end of 2005, to assess the latest progress and performance of the programme and provide information to help inform the next round of development strategies. Countries and regions are taking different approaches, ranging from relatively cursory and formal compliance with the European Commission's guidance, to more in-depth analysis to assist with future programme preparations. More generally, some programmes are continuing to encounter difficulties in meeting N+2 targets.

Not surprisingly at this stage in the programme cycle, there are few significant strategic or institutional changes to programmes or programme management arrangements. Where changes are taking place, they tend to be attributable to political factors or administrative reorganisation. However, on-going efforts to improve programme management systems are evident in many programmes, often as part of follow-up to the MTEs and Mid-Term Reviews – notably with respect to information, publicity and communication, monitoring, evaluation and the horizontal themes.

This article is taken from the IQ-Net paper presented at the Newcastle Conference in May 2005: *Programming with an uncertain future: Review of programme developments Autumn 2004-Spring 2005*, by John Bachtler, Carlos Méndez, Irene McMaster and Fiona Wishlade, IQ-Net Thematic Paper No. 16(1), EPRC, Glasgow.

Programme management in the new Member States: a first assessment

For the new Member States, the past year has been challenging, with national (and some regional) authorities implementing the Structural Funds for the first time. However, this initial assessment - based on EPRC research – suggests that the initial experiences are broadly positive.

Management arrangements for Structural Funds

Among the new Member States, the overall responsibility for EU Cohesion policy has been allocated to several different types of ministry: Ministries of finance; Ministry of economics; Ministries or government offices for regional development; and Government or Prime Minister's offices or agencies. Sub-national participation in the management and implementation of EU Cohesion policy is generally limited to a few key areas, including inputs during programme development and as end-beneficiaries of funds. Notable exceptions are the Czech Republic, Hungary and Poland, which have some form of joint, or integrated Regional Operational Programmes. In Slovakia, the OP for Basic Infrastructure also incorporates a regional element. In these cases, regional administrations have a slightly greater involvement in programming activities.

Considerable efforts have been made to adopt the partnership principle. New structures and national legislation are in place, and a range of activities have been undertaken to build partnership activities, including extensive consultations with partners as part of the programming process, and the inclusion of partner organisations on management and monitoring committees.

The number and type of programmes to be administered varies widely across countries:

- **Single SPDs:** As single NUTS II territories eligible under Objective 1, Latvia, Lithuania and Estonia each have a Single Programming Document (SPD).
- **CSF and OPs:** Poland has a Community Support Framework (CSF) and six Operational Programmes (OPs), each with distinct management and implementation structures.
- **CSF, SPDs and OPs:** In addition to a CSF and a range of OPs, the Czech Republic and Slovakia both have separate SPDs for Objective 2 and 3, covering their respective capital city regions. In these countries and other Cohesion Countries, separate arrangements must also be made for the implementation of the Cohesion Fund and Objective 3. The number of programmes in countries such as the Czech Republic, Slovakia, Hungary and Poland adds to the complexity of managing and implementing EU Funds.

Lastly, combined regional operational programmes (e.g. the Czech Republic's Joint Regional Operational Programme and the Polish Integrated Regional Operational Programme) have some of the most complicated administrative structures, which incorporate regional institutions as well as government ministries and agencies.

Initial experiences

Despite early concerns, the overall impression is that the management and implementation of the Funds in the EU10 are going relatively well. Huge effort has gone into developing appropriate implementation structures, and reducing risks and bottlenecks to programme implementation. In some cases, programme structures were simplified, while in other cases, additions were made, making programmes more inclusive and building up a sense of 'ownership' of the programmes.

Ultimately, however, it was only possible for the new Member States to prepare 'up to a point' for Structural and Cohesion Funds. A number of key constraints to effective programme management can be identified:

- *Limitations of pre-accession aid programmes*, which did not offer extensive experience in key areas such as multiannual programming, partnership management and communications, project appraisal, support to beneficiaries and financial controls.
- *Lack of experience* – many of the final arrangements for managing EU Funds were not agreed until a late stage, meaning that support for capacity building was not necessarily targeted at the right institutions.
- *Lack of time for new institutions to become established* – many of the structures for the management and implementation of EU Funds were established over a comparatively short period of time, with little time to adapt to their new roles.
- *Breakdown of existing structures* – in some cases, institutional reforms linked to the preparation of EU Funds undermined or complicated the operation of existing development networks e.g. those linked to pre-accession aid programmes.
- *Weak capacity of the sub-national levels*, limiting the capacity of regional administrations to participate in Cohesion policy.
- *Long-standing weaknesses in the public sector*, with high staff turnover reducing stability, experience and 'institutional memory' within key institutions.

In the lead-up to accession, major concerns were expressed about potentially poor **project submission rates** and poor project quality in the EU10. In an attempt to address the anticipated problems, national governments and the European Commission initiated a range of activities to support and generate projects, e.g. though projects aimed at building absorption capacity, specialist consultancy companies and awareness-raising and marketing activities.

Despite these early concerns, problems with low application rates have generally failed to materialise, according to many authorities. Project applications have come in from a wide range of applicants, with municipalities taking a particularly active role in many countries. For some Structural Funds programmes, demand is already higher than the amount available, and challenges will include refining and reinforcing project appraisal systems and addressing bottlenecks.

In terms of the results of existing **project appraisal processes**, official reports tend to imply that the quality of projects is good, with comparatively few applications being declined in a number of countries. However, while a large number of projects may meet the approved selection criteria, the quality of projects across the board can be questioned.

Finally, although there has been substantial investment in **monitoring** in the new Member States, programming authorities face a range of challenges, notably: delays in establishing effective monitoring systems; problems with IT; inadequate human resources; indicators with insufficiently clear definition and focus; poor coordination and data-gathering systems; and difficulties in dealing with the differing requirements of ERDF, ESF and EAGGF.

This article is taken from the IQ-Net paper presented at the Newcastle Conference in May 2005: *Programming with an uncertain future: Review of programme developments Autumn 2004-Spring 2005*, by John Bachtler, Carlos Méndez, Irene McMaster and Fiona Wishlade, IQ-Net Thematic Paper No. 16(1), EPRC, Glasgow.

Alsace, France - venue of the 18th IQ-Net Conference, November 2005

The next meeting of the IQ-Net network will take place in Strasbourg, Alsace, and will be hosted jointly by DATAR and the region of Alsace, with technical support from CNASEA. The theme of the conference will be 'The strategies of future Structural Funds programmes: the 2007-13 National Strategic Reference Frameworks and Operational Programmes'.

According to regional socio-economic development indicators, Alsace is a prosperous region, with a per capita GDP above the Community average and an unemployment rate of 7%, well below the national average (11.4%). It is, however, a disparate region - the parts most affected by industrial conversion are essentially located in northwest Alsace, the Vosges valleys, the south of the region (Sundgau) and the City of Mulhouse area. Agriculture employs a relatively limited proportion of the working population in Alsace, and the surface area of farm-land is one of the lowest in France due to urbanisation and large wooded areas. The least favoured territories do, however, have tourism potential (Vosges valleys, northwest Alsace, Sundgau), and the Mulhouse industrial zone benefits from an effective service sector upstream to production (wholesale trade, inter-industry trade, operational services).

The Alsace Objective 2 programme covers c. 450,000 inhabitants of the region, nearly 37% of the region's population. The total programme budget is €293.5 million, with a Structural Funds contribution of €93.4 million. The Managing Authority for the Objective 2 programme is the Préfect of Alsace Region, while the Secretariat General for Regional Affairs of the Préfecture of the Region provides programme management and monitoring.

European Parliament, Strasbourg.
Photo courtesy of European Parliament Photo Database

Artimino conference delegates visit the Museo del Tessuto

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 programming through exchange of experience. The network involves a structured programme of applied research and debate, centred on bi-annual conferences. IQ-Net members currently comprise:

Austria: ***Niederösterreich (Lower Austria)*** - Amt der Niederösterreichischen Landesregierung (Lower Austrian Land Government)

Steiermark (Styria) - Amt der Steiermärkischen Landesregierung (Styrian Land Government)

Belgium: ***Programmasecretariaat Limburg (Province of Limburg)***

Vlaanderen (Flanders) - Ministerie van de Vlaamse Gemeenschap (Ministry for the Flemish Community)

Programmasecretariaat Antwerpen (Province of Antwerp)

Denmark: ***Nordjylland (North Jutland)*** - Nordjyllands Amt (North Jutland County Council)

Erhvervs og Byggestyrelsen (National Agency for Enterprise and Housing)

Finland: ***Sisäasiainministeriö/Inrikesministeriet (Ministry of the Interior)***

Länsi-Suomi (Western Finland Objective 2) - Keski-Suomen Liitto (Regional Council of Central Finland)

France: ***DATAR, Délégation à l'aménagement du territoire et à l'action régionale (Agency for Town and Country Planning and Regional Development)***

Germany: ***Nordrhein Westfalen (North Rhine Westphalia)*** - Ministerium für Wirtschaft und Arbeit des Landes Nordrhein Westfalen (Ministry for Economy and Employment)

Sachsen Anhalt (Saxony) - Ministerium der Finanzen des Landes Sachsen-Anhalt (Ministry for Finance)

Hungary: ***Nemzeti Terület- és Regionális Fejlesztési Hivatal, a regionális fejlesztés hatályos programjának irányító hatósága (National Office for Territorial and Regional Development, Managing Authority of the Regional Development Operational Programme)***

Italy: ***Ministero delle Attività Produttive (Ministry for Productive Activities)***

Istituto per la Promozione Industrale, IPI (Agency for the Promotion of Industry)

Lombardia (Lombardy) - Regione Lombardia

Toscana (Tuscany) - Regione Toscana

Spain: ***País Vasco (Basque Country) -*** Diputación Foral de Bizkaia

Sweden: ***Norra -*** Länsstyrelsen Gävleborg (Gävleborg County Administrative Board)

Norra Norrland - Länsstyrelsen i Norrbottens län (Norrbotten County Administrative Board)

UK: ***Office of the Deputy Prime Minister***

North-East England - Government Office for the North East

Wales - Welsh European Funding Office/ Swyddfa Cyllid Ewropeaidd Cymru

Western Scotland - Strathclyde European Partnership Ltd

DG Regio of the European Commission

IQ-Net was launched in 1996 and is managed by the European Policies Research Centre (EPRC) at the University of Strathclyde in Glasgow. The partner organisations are mainly regional or national managing authorities or programme secretariats. Following the enlargement eastwards of the European Union in 2004, the network is being expanded to include a selected number of partners from Central and Eastern European countries and regions.

The network partners meet twice a year. Conferences are hosted by the partners on a rotation basis. Past conferences have taken place in Glasgow, Cardiff, New Lanark and Newcastle (UK), Dortmund, Gelsenkirchen and Saarbrücken (Germany), Fyrstad and Luleå (Sweden), Bordeaux (France), Leoben and Semmering (Austria), Como and Artimino (Italy), Aalborg (Denmark), Grobbendonk (Flanders) and Oulu (Finland).

IQ-Net welcomes expressions of interest from potential new members (regional or national programming authorities) from any EU-25 Member State.

The IQ-Net team at EPRC are: Professor John Bachtler (Director), Laura Polverari (Network Manager), Professor Douglas Yuill, Dr. Sara Davies, Tobias Gross, Frederike Gross, Carlos Méndez, Dr. Vít Novotný, Nina Quiogue, Dr. Martin Ferry and Rona Michie. Administrative support is provided by Jacqui Vance, Lynn Ogilvie and Rhona Walker. The network has a dedicated webmaster, David Paul. Danish research support is provided by Professor Henrik Halkier (Aalborg University).

Further information about the network can be obtained from:

Laura Polverari, IQ-Net Network Manager
European Policies Research Centre, University of Strathclyde
40 George Street, Glasgow, G1 1QE, Scotland, UK
Tel: +44 141 548 3321
Fax: +44 141 548 4898
E-mail: laura.polverari@strath.ac.uk

Visit the IQ-Net web page at:
http://www.eprc.strath.ac.uk/iqnet/
Email: iqnet@strath.ac.uk

Edited by: Rona Michie, External Relations, Email: rona.michie@strath.ac.uk
Printed by William Anderson & Sons Ltd Tel: 0141 440 2881

This publication has been co-financed by the European Regional Development Fund, through the contributions of IQ-Net partners. This support is gratefully acknowledged. The content of this newsletter does not represent the official view of the European Commission.