

inet bulletin

Improving the management of Structural Funds programmes



***Making a success of 2014-20:
The importance of performance
and capacity***



Welcome to the 17th issue of the IQ-Net Bulletin



With preparations for the 2014-20 Structural Funds period well underway, programme managers are increasingly focusing on the challenges ahead. Against a background where the new regulations have yet to be finalised, drafts of Partnership Agreements have generally been produced but OPs are still far from complete. At this stage, it appears that many programmes will not be launched before mid-2014. The current period is characterised by intensive, informal dialogue with the Commission services to understand expectations or interpretations of the regulations and avoid later changes, and engagement with stakeholders (especially new partner organisations). Due to the uncertain economic climate, flexibility will be important, and the retention of experienced staff will be indispensable for managing new demands, unpredictability and tight budgets. In this context, the IQ-Net Network has recently studied and debated several important issues for programme managers relating to the 2014-20 programme period: the new performance orientation (see p.3); approaches to strategic planning and programming (see p.4); and the importance of administrative capacity (see p.5). The comparative, EU-wide research undertaken by EPRC for IQ-Net partners has identified both general messages and emerging trends.

The **performance orientation** has triggered new thinking on the intervention logic of Structural Funds programmes and on how to improve programme objectives, indicators and targets. There is a major need for cultural change in managing authorities and implementing bodies, with less focus on outputs. However, the message seems to be 'evolution rather than revolution', with incremental adaptation in many cases, for example regarding project selection and monitoring. Achieving better and more visible performance on the ground is likely to be a

major challenge. There is also scepticism regarding some of the requirements linked to conditionalities and the performance reserve. These and other views were the subject of debate at an IQ-Net Conference in Krems (Austria) with stimulating Commission interventions by Veronica Gaffey (DG Regio) and Ines Hartwig (DG Emploi).

Progress with **strategic planning and programming**, and the different approaches taken across the EU, was the focus of the IQ-Net Conference in Laško (Slovenia). This highlighted the contrasting importance accorded to the Partnership Agreements, the relevance of Commission guidance and the influence of thematic concentration on programme architecture and management and implementation arrangements. The role of **administrative capacity** was also examined by IQ-Net partners, based on insights provided by Pascal Boijmans, Head of the newly created Competence Centre for Administrative Capacity within DG Regio. Major capacity-related concerns for many managing authorities include staff turnover and constraints on learning, as well as procedural requirements (IT systems, written manuals, E-cohesion). Looking ahead, enhanced staff training will be required, as well as structured support for beneficiaries.

This Bulletin provides a flavour of the research papers prepared for the IQ-Net meetings on performance, programming and capacity-building, as well as the partner discussions. It also gives an outlook on latest developments in the field of Regional Aid Guidelines and pan-EU Cohesion policy trends, as discussed in recent **EPRC Policy Briefings** (see p.6). In addition, it includes references to interesting studies carried out under the leadership of IQ-Net partners, as well as a list of academic resources for further reading (see p.7).

Launched in 1996, the IQ-Net network is currently in its fifth phase, which will run until the end of 2013. It facilitates exchange of experience among partners from 14 Member States. Further details are available via the IQ-Net website (www.eprc.strath.ac.uk/iqnet/). As ever, feedback on all the issues in this Bulletin is most welcome.

Professor John Bachtler
European Policies Research Centre

IQ-Net gains high-profile support through Visiting Professor Dirk Ahner



"Managing Cohesion policy programmes is a crucial but challenging task. It is therefore invaluable for programme managers to meet colleagues from other countries facing the same issues and to share knowledge and experience. IQ-Net does exactly that: it allows network partners to meet informally and exchange experiences based on highly informative and topical briefing papers prepared by EPRC. This helps them to learn from each other and disseminate good practice. It strengthens the coherence of policy understanding and implementation and contributes to an informed debate. Through its membership, IQ-Net reflects the diversity which is characteristic of the EU and assists in finding solutions by broadening horizons and innovative thinking. The longest standing network of its kind, IQ-Net has been going from strength to strength and will play an important part in supporting the new ambitions for the 2014-20 programme period."

Dr Dirk Ahner is a Visiting Professor in EPRC. He was Director-General of DG Regio from 2007 to 2011, and is Special Advisor to the European Commissioner for Agriculture and Rural Development, member of the advisory boards of the Association of European Border Regions, the Institute for Small and Medium-sized Enterprises, and the RISE Foundation.

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Preparing for 2014-20: The performance turn in Cohesion policy

What does the new performance orientation for Cohesion policy in 2014-20 mean for programme managers? At the November 2012 IQ-Net meeting in Krems, Austria, there was widespread recognition of the need for improvements to programme objectives, indicators and targets. Incremental change and adaptation were expected in many cases, although the drafting of the Operational Programmes was at an early stage in the absence of an EU agreement on the budget and legislative framework for Cohesion policy. Meeting the Commission's expectations and achieving visible performance on the ground raises a number of challenges which need to be carefully considered when drafting the programmes:



Defining objectives, indicators and targets

- keeping administrative burden within acceptable bounds;
- avoiding too ambitious or easily achievable targets;
- developing coherent and relevant indicators, including those relating to the quality of interventions;
- flexibility to project needs and the uncertainty of the economic climate; and
- data availability at appropriate geographical/sectoral levels.

Articulating the logic of programmes and interventions

- uncertainty about Commission expectations;
- multi-faceted nature of interventions, which often address multiple objectives;
- complexity of regional development and key role of external factors; and
- limited knowledge about what has worked well in the past and the causal mechanisms involved.

Most IQ-Net partners do not foresee significant difficulties in complying with ex-ante conditionality requirements, but there are concerns about the appropriateness of some of the conditionalities, the dependence on national authorities for their fulfilment and a perceived intrusion into domestic policymaking competences. The performance review in 2019 is considered useful, although there is a risk of increased administrative burden that comes with setting targets and monitoring. There is less enthusiasm for the performance reserve, which could lead to conservative target setting, priority bending and damaging political and economic consequences of failing to achieve targets. Programme managers foresee the following changes:

Project selection

- stricter project selection criteria and more ambitious targets;
- greater focus on efficiency analysis and explanation of causal links;
- stronger links between projects and specific objectives; and
- promotion of cooperative and complex projects as part of broader innovation strategies, key projects and sub-regional development programmes.

Monitoring systems

- greater flexibility, project-specific monitoring, remedial action;
- closer cooperation with national statistical agencies;
- incorporation of new indicators;
- better linkages to OP targets; and
- more emphasis on identifying project results.

Workshop discussions: feedback from the IQ-Net partners

- **Need for a cultural change:** Managing authorities are mostly concerned about eligibility issues rather than strategic objectives, so more needs to be done to move towards focusing on outcomes/results. The strategic rationale of interventions needs to be clear from the outset and it is important to create ownership among programme partners. However, greater clarity about funding priorities will be a 'hard message' for some organisations losing out in future. There is also a risk of unintended consequences, e.g. where 'safe' projects are chosen to deliver expected results, 'riskier' and more innovative projects may be discouraged.
- **Focus on project selection and follow-up:** Projects need to be selected to fit eligibility criteria and strategic objectives as well as being expected to produce good and measurable results. Competition can increase transparency and reduce political interference. Project promoters need early and ongoing advice regarding increasingly complex procedures.
- **Challenges with using better and fewer indicators:** Additional indicator definition and guidance will be needed during the programming phase, while being sensitive to the administrative burden. There is uncertainty about qualitative indicators and the ambition of targets. Data availability is crucial; the challenge is whether to interrupt payments to project promoters who resist providing data. Privacy issues can arise with microdata having to be both anonymised and traceable. Aggregation and comparison will be complicated at all levels.
- **Increasing interest in results at the level of monitoring committees:** A more analytical approach could be taken to drafting implementation reports in order to provoke discussion, but this may not be feasible every year. There are positive experiences of actively associating external experts/ academics, and the Commission can request that results are on the meeting agenda. With data being outdated at the time of monitoring committee meetings, AIRs and meetings could also be brought forward in the year.

The full report, written by Carlos Mendez and Stefan Kah (November 2012), can be downloaded here: <http://tinyurl.com/plrltev>

Preparing for 2014-20: Strategic planning and programming

A preliminary assessment of the preparation, content and delivery implications of the Partnership Agreements (PAs) and Operational Programmes (OPs) for 2014-20 was discussed at the June 2013 IQ-Net meeting in Laško, Slovenia, with the following key points:

- **Role of Partnership Agreements:** Despite regulatory and financial uncertainty, PAs are perceived to be supporting the strategic alignment of the ESI Funds with Europe 2020 themes as well as inter-Fund coordination.
- **Commission guidance:** Commission Position Papers have enhanced clarity on the Commission's position and domestic debate, but their legal status has been questioned and there are country-specific concerns as well as criticism of the formalistic approach to PA drafting.
- **Thematic concentration:** For many IQ-Net countries and regions, the alignment with Europe 2020 objectives is not perceived as a challenge (e.g. where funding is already concentrated on similar themes or where allocations are relatively low). However, various IQ-Net programme authorities are planning substantial shifts in spending towards R&I, SME competitiveness and especially low-carbon economy. In some cases, this will lead to important changes in the profile of beneficiaries with new beneficiaries having to adapt to the EU's administrative obligations.
- **Programme architecture:** Radical changes are expected in several Member States (with a fall in the total number of programmes from 363 to 322 across the EU), notably in Austria, the Czech Republic, Finland, Slovenia and the UK. At least 80 of these are likely to be combined ERDF/ESF programmes.
- **Programme management and implementation structures:** Major changes – involving either centralisation or decentralisation – are only expected in a small number of cases (centralisation in the Czech Republic and Finland; decentralisation in France, Poland and the United Kingdom). A more common trend across IQ-Net countries and regions is a rationalisation in the number of intermediate and implementing bodies.

The Executive Summary of the report, written by Carlos Mendez and Stefan Kah (June 2013), can be downloaded here: <http://tinyurl.com/pno786b>

IQ-Net delegates visit Slovenian competence centre for skills development in glass production

At the Laško IQ-Net meeting, delegates gained insights in the approach developed by Steklarna Hrastnik L.L.c. to upgrade special skills in order to retain the competitive advantage of the glass manufacturing industries. Together with nine business partners, the long-term aim is to develop sustainable partnerships in the field of glass production, which will enhance the growth and development of the glass making trade via an exchange of experiences, knowledge and best practices.

For more information on this project, which is part-funded by ESF, visit - <http://www.steklarna-hrastnik.si/en/druzbeno-odgovornost1>



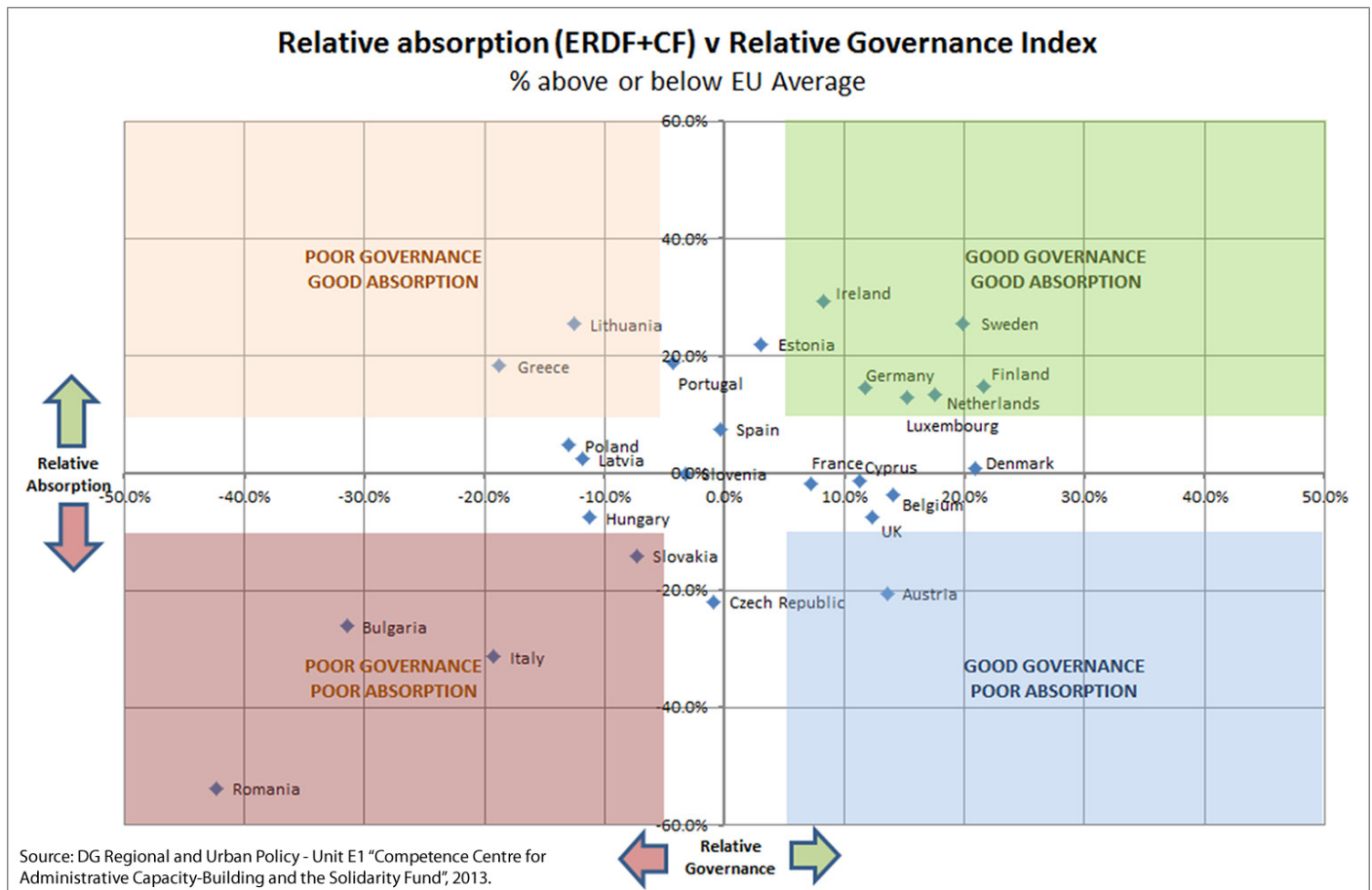
IQ-Net partners at the Steklarna Hrastnik glass factory



Partners also visited two other projects implemented by the Regional Development Centre Zasavje. The first project, part-funded by ESF, promotes the employability of young, highly educated unemployed persons by providing training and support with job applications and business plans. The second project, which receives ERDF support, involves setting up a tourism organisation, marketing and promotion activities as well as destination branding (for more information, see <http://www.rcr-zasavje.si/en/>).

Preparing for 2014-20: Administrative capacity

Administrative capacity is regarded by the Commission as one of the key elements contributing to the success of Cohesion policy. Three inter-related factors determine the success of each step of the Cohesion policy life cycle: structure, human resources and systems and tools. The Commission has set up a new unit within DG Regio to enhance its own capacity in helping Member States and regions overcome implementation bottlenecks linked to administrative capacity problems, accelerate the absorption of funds and improve the quality of spending: the Competence Centre for Administrative capacity-building and the Solidarity Fund (Unit E1). At the IQ-Net meeting in Laško (Slovenia), Pascal Boijmans of DG Regio presented the Centre's work, which is intended to feed into the negotiations on the 2014-20 period on capacity building and the use of technical assistance and to provide guidance for country desks. Longer term, its aim is to develop tailor-made solutions for specific Member States and regions, as well as more universal systemic solutions. An initial stocktaking exercise was undertaken in order to bring together available knowledge on implementation structures and related bottlenecks. Using a number of information sources, it established the following relationship between the 'relative governance of ERDF and Cohesion Fund' and the 'relative governance index' (see figure below):



The workshop discussions: feedback from the IQ-Net partners

The new programmes: key administrative challenges

- There is a need for simplification at all levels, especially regarding beneficiaries lacking experience with EU funding rules, and for stronger coordination to minimise domestic over-regulation. The more bodies are involved, the more difficult simplification is to achieve.
- High staff turnover is problematic, with risks of losing institutional memory.
- The monitoring and control system is too rigid, and doesn't allow for learning from mistakes.
- E-cohesion requirements bring both challenges (additional work for managing authorities losing direct, personal contact with beneficiaries) and opportunities (to minimise paperwork, especially for beneficiaries).

Capacity building for 2014-20

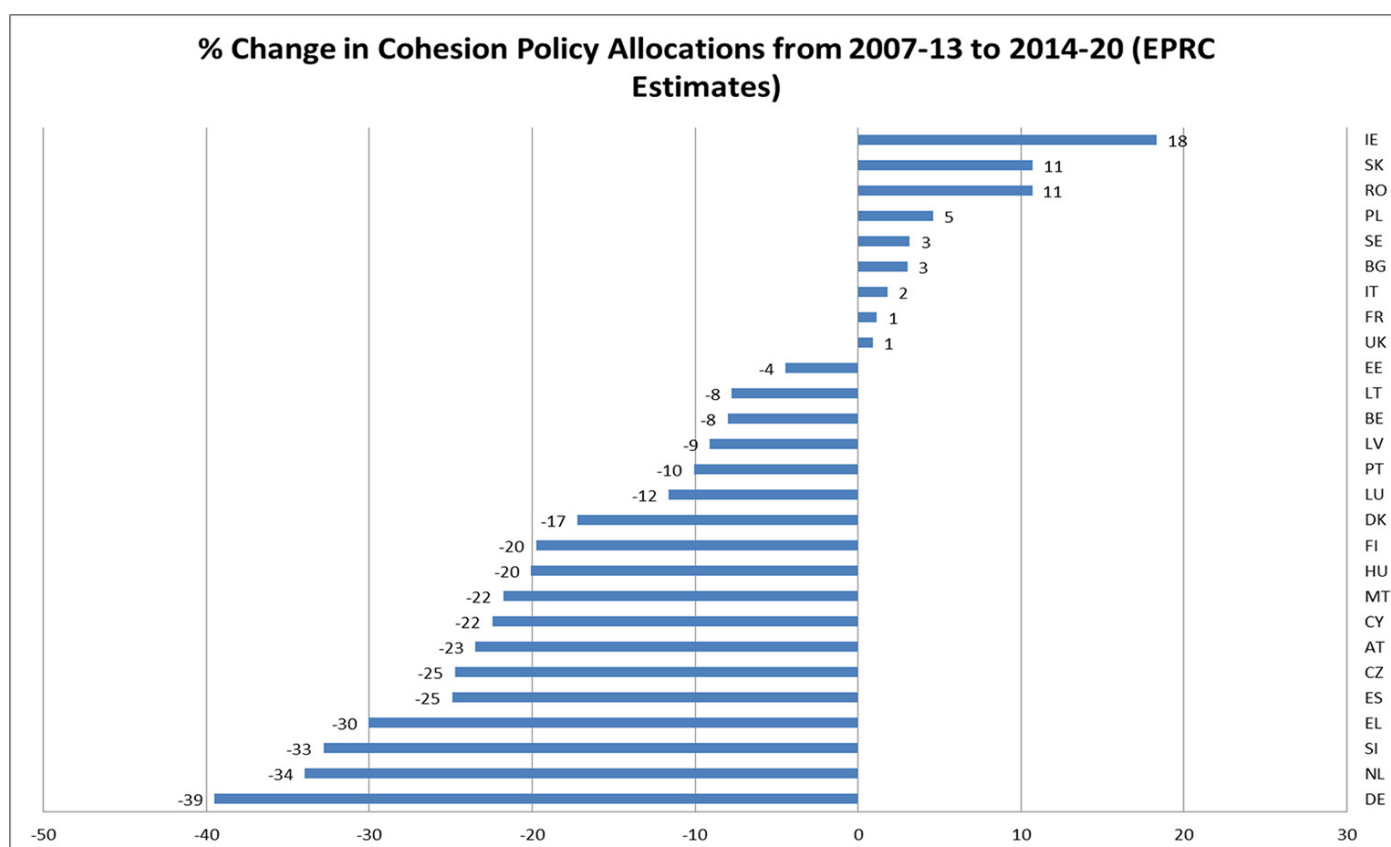
- Staff training (on strategic approaches, compliance, public procurement, environment rules) and actions targeting beneficiaries (guidance, workshops, direct contact) are crucial.
- The introduction of written manuals and procedures, and harmonisation of IT systems is burdensome but may bring eventual benefits, as does work that goes into building relationships with stakeholders and other bodies (e.g. audit authorities).
- At EU level, the Commission's administrative capacity unit will be useful, especially if issues can be discussed openly and without the fear that there will be negative repercussions.
- There is a need for the DGs to be more aligned, and still closer alignment of the Regulations for different funds.
- Examples of good practice would be useful, for example, of how MAs have successfully merged ERDF and ESF systems.

EPRC Policy Briefings

To keep partners informed about important recent developments at EU level, EPRC prepares and disseminates regular policy briefings. Over the last few months, these have provided a preliminary assessment of how Cohesion policy might be allocated following agreement of the MFF, discussed the Commission's emerging position on the new Partnership Agreements and Operational Programmes, as well as the new Regional Aid Guidelines.

Cohesion policy 2014-20: National allocations (February 2013)

Who are the winners and losers from the 7/8 February 2013 summit? The European Council on 7-8 February 2013 agreed a Multiannual Financial Framework (MFF) containing a new methodology for allocating Cohesion policy funding. A key question is what the Council conclusions mean for the allocation of Structural and Cohesion Funds to the Member States. Based on EPRC calculations, this EPRC Policy Briefing provided the earliest public assessment of how Cohesion policy might be allocated. The Briefing, written by Fiona Wishlade, can be downloaded here <http://tinyurl.com/o2ts9xc>



Commission perspectives on the 2014-2020 Partnership Agreements & Programmes (May 2013)

The strategic planning for the next round of Structural and Cohesion Funds programmes is well-advanced in many Member States. This EPRC Policy Briefing reviews the Commission's position on the new Partnership Agreements and Operational Programmes, based on a comparative analysis of the Commission's Position Papers for all Member States. In line with the position papers, it discusses funding priorities, thematic objectives, country-specific recommendations, ex-ante conditionalities, added value, programme architecture, coordination, partnership, horizontal principles, financial management, administrative capacity, project delivery, monitoring & evaluation, and territorial cooperation. The Briefing, written by Carlos Mendez, can be downloaded here <http://tinyurl.com/onol822>

The 2014-20 Regional Aid Guidelines (July 2013)

On 19 June 2013 the Commission adopted the Regional Aid Guidelines (RAG) for 2014-20. RAG 2014-20 imply significant changes to regional aid in the EU, particularly regarding the targeting of aid to large firms and the spatial coverage of policy. This EPRC Policy Briefing assesses the implications of the RAG. It covers issues around the architecture under RAG 2014-20, spatial coverage, investment aid for large firms in 'c' areas, award values, aid to large investments, compatibility assessment, relations with EU Cohesion policy, transparency and evaluation. The Briefing, written by Fiona Wishlade, can be downloaded here <http://tinyurl.com/o8ez7yx>

Interesting studies and evaluations commissioned by IQ-Net partners

Final evaluation of the competitive call approach in the Nordrhein-Westfalen ERDF OP (German, March 2013)

A key feature of the 2007-13 ERDF OP in NRW, the competitive call approach is considered to have worked well. This evaluation assesses the administrative procedures used for the calls, including processes relating to project selection, commitments and payments. <http://tinyurl.com/Invol2e>

Europe & the regions supporting eco-innovation and eco-businesses (French, 2012-13)

An analysis of the regional level of implementation of ERDF and ESF funds in France and the support for green businesses and eco-innovation, and how the actors in these sectors have developed their activities and projects. <http://tinyurl.com/mlbokoe>

Rating the financing gap in the access of Polish companies to external financing (Polish, 2013)

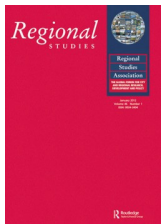
An evaluation of the financial gap in access to finance for Polish SMEs, from the perspective of Cohesion policy programming for 2014-20. <http://tinyurl.com/k9gvofl>

Assessing the impact of the business aid schemes (Portuguese, 2013)

Counterfactual impact evaluation assessing the impact of the business aid schemes over the 1999-2008 period, co-funded by the previous Cohesion policy OP for 2000-06. <http://tinyurl.com/lraodzn>

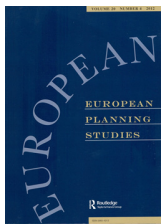
For further reading...

Conditionalities and the Performance of European Structural Funds: A Principal-Agent Analysis of Control Mechanisms in European Union Cohesion Policy (September 2013)



This paper by John Bachtler and Martin Ferry looks at EU control mechanisms applied to the use of Structural Funds by member states. It examines three case studies over the 2000–13 period: the decommitment rule, the performance reserve, and earmarking. The findings reveal different levels of effectiveness of the three conditionalities, attributable to the differential scope for trade-offs during the regulatory negotiations, external pressure and principal self-interest. The paper discusses an effectiveness threshold for introducing controls, the tensions between multiple conditionalities and the limitations of top-down control mechanisms in influencing agent behaviour. It has been published online by Regional Studies: <http://tinyurl.com/qy4guml>

From Conditionality to Europeanization in Central and Eastern Europe: Administrative Performance and Capacity in Cohesion Policy (March 2013)



This article by John Bachtler, Carlos Mendez and Hildegard Oraže assesses the role of administrative capacity in eight Central and Eastern European countries in managing Cohesion policy over the 2004–08 period. It explores whether pre-accession administrative adjustment to comply with the “acquis” continued in the post-accession period. The article concludes that administrative capacity was developed faster and more substantially than commentators predicted. It has been published online by European Planning Studies: <http://tinyurl.com/nbpow6f>

Negotiation boxes and blocks: Crafting a deal on the EU Budget and Cohesion policy (January 2013)

A paper by Carlos Mendez, Fiona Wishlade and John Bachtler has been published in the European Policy Research Paper series reviewing the negotiations on the 2014-20 EU budget and Cohesion policy. It explores the development of the negotiation boxes on the MFF and the thematic blocks of the Cohesion policy regulations, identifying the main points of contention and changes proposed by the Council under the Polish, Danish and Cypriot Presidencies of the EU. The paper is available for download from the EPRC website: http://www.eprc.strath.ac.uk/eprc/documents/PDF_files/EPRP_82.pdf

NEW! European Structural and Investment Funds Journal (EStIF)



The European Structural and Investment Funds Journal (EStIF) focuses on the practical aspects of Structural Funds implementation. Published by Lexxion, it brings together articles written by specialists from European institutions and national authorities to provide guidance and

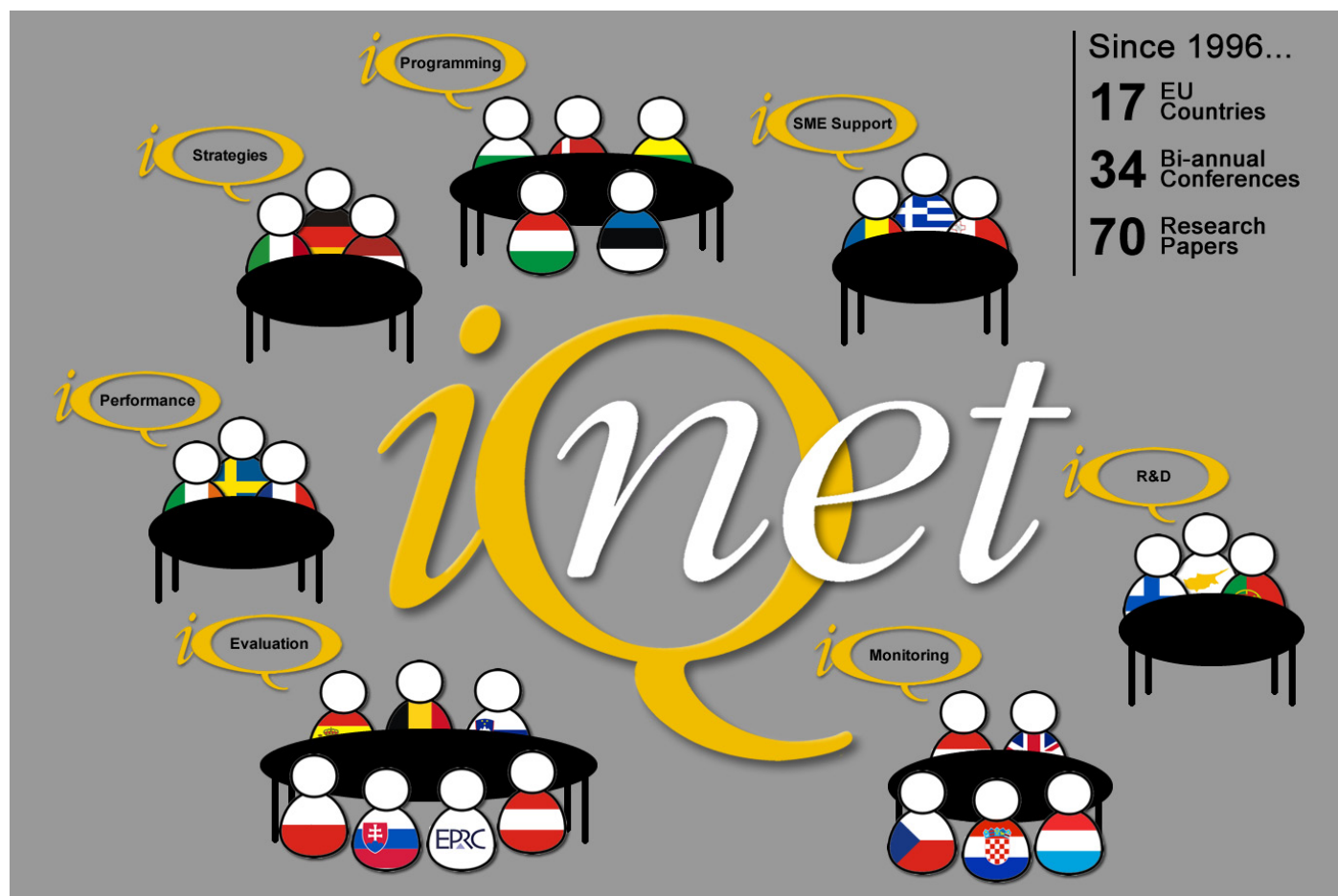
examples from member states on how to manage, implement and control the spending of EU Funds. Two EPRC staff members are represented on the editorial board, Rona Michie and Fiona Wishlade, as well as Visiting Professor Dirk Ahner. The first issue (October 2013) features articles on the 2014-20 period and lessons learnt, the management, implementation and control of EU Funds, as well as spotlights on practices and experiences. It includes a paper by John Bachtler and Carlos Mendez reflecting on how well the 2006 reforms have worked in practice.

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. IQ-Net members currently comprise partners from Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Poland, Portugal, Slovenia, Spain and the United Kingdom. The partners are regional and national managing authorities, national coordination and support bodies, paying authorities, and intermediate bodies with expertise in a wide variety of fields, including: Commission negotiations, strategy development, programme management, technical implementation, project appraisal and selection, monitoring and evaluation, strategic reporting, audit and control, State aid, financial instruments, and smart specialisation strategies.

How does IQ-Net work?



What do IQ-Net partners think?

Participation in the network is crucial for the discussion for the next period, which will be very complex.

"...very fruitful network to exchange best practices with other Member States partners"

"It was a great experience... I will be at the next IQ-Net conference."

"The conference format works well - and content has been valuable and timely."

"Very informative, broad-minded and inspiring experience exchange."

"Everything was well organised. As always, meeting the colleagues from other MS is the most useful part."

"Reports are very informative and well-written."

"It is good to have representatives from the EC in the discussions in order to exchange opinions."

Workshops are "very informative" with "a good dynamic between partners"

"Membership in IQ Net is useful for our institution."

"It was very useful to discuss common issues and experiences."

"A good exchange of experiences around 2014-20"