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THE MANAGEMENT AND IMPLEMENTATION OF COHESION POLICY (ERDF) IN THE EU25, 2000-06

(TASK 1: SUMMARY REPORT)

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Preface

This report has been drafted by the European Policies Research Centre (University of Strathclyde) as part of an ex post evaluation of the management and implementation systems for Cohesion policy, 2000-06, which has been commissioned by DG REGIO and which is being managed by EPRC and Metis (Vienna) under European Commission contract no: 2007.CE.16.0.AT.034.

The report provides an overview of the main features of management and implementation systems across the EU25 in the 2000-06 period (2004-06 for the EU10) and has been drafted by Professor John Bachtler, Laura Polverari and Frederike Gross, with assistance from Dr Sara Davies and Ruth Downes. The research is based on studies of individual countries undertaken by EPRC together with national experts from each of the EU25 Member States.

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THE MANAGEMENT AND IMPLEMENTATION OF COHESION POLICY (ERDF) IN THE EU25, 2000-06

The management and implementation of Cohesion policy in the 2000-06 period involved a complex and highly differentiated set of processes. Each of the EU25 Member States had its own institutional structures and administrative procedures which influenced how they undertook the management and implementation of Structural Funds. Factors such as the relationship between EU and domestic regional policies, the extent of regionalisation and previous experience with processes such as programming or evaluation played a major part in shaping the administrative approaches taken.

This report provides an overview of the systems for managing and implementing Cohesion policy in 2000-06, focusing on ERDF, in the 25 EU Member States. The report is based on a set of 25 national reports prepared for each of the Member States and structured according to the same headings – partnership, programme design, project selection, financial management, monitoring, evaluation, and reporting - and with brief conclusions that summarise the main points to arise. The focus is on summarising general trends or patterns; Member States are often cited as examples in parentheses, but in most cases these should be regarded as illustrative rather than providing a comprehensive list.

1. INSTITUTIONAL AND ADMINISTRATIVE CONTEXT

Management and implementation systems (MIS) and processes were conditioned by Cohesion policy Regulations throughout the EU25. However, there were differences in how the Regulations were interpreted and applied by individual Member States. The starting point for understanding these variations is to consider the institutional and administrative context which shaped the approaches taken by individual Member States.

One of the main factors to influence the approaches to Cohesion policy management and implementation was the degree to which decision-making powers for domestic policies were centralised and, related, the extent to which sub-national authorities had their own financial resources. In Member States with a federal constitution (Austria, Belgium, Germany), authorities at the level of *Länder* or regions played a dominant role in programme management and implementation. By contrast, in countries with more centralised government structures, national ministries took on the overall responsibility. ERDF programmes were managed by Ministries in charge of Regional Development (sometimes jointly with the Community Support Frameworks (CSF), as in the Czech Republic and Poland), Ministries of Finance (Cyprus, Estonia, Latvia, Lithuania), Ministries of Economy and Finance (Greece), Ministries of the Interior (Finland), or the Prime Minister's Office (Malta). Government offices (Hungary, Slovenia) or national-level agencies (Denmark) were in charge in some Member States. Between the two groups of Member States was a range of countries with varying and evolving degrees of devolution or decentralisation, where Cohesion policy management was shared between national government and regions (France, Italy, Spain, Sweden) (see Table 1).

Table 1: Responsibilities for managing Cohesion policy in the EU25

Management	**Centralised**	**Shared management**	**Decentralised/devolved**
Main bodies responsible	Central ministries, national agencies	Central government/ deconcentrated state services in cooperation with regional authorities	Regional ministries and Intermediate Bodies
Examples	CY, CZ, DK, EE, EL, FN, HU, LV, LT, LU, MT, PL, PT, SI, SK	ES, FR, IE, IT, NL, SE	AT, BE, DE, UK

In line with ongoing decentralisation trends in several countries, the 2000-06 period was notable for more management tasks being shared with sub-national levels of government and partnerships, not only with respect to implementation activities, but also programme management (France, Spain, Sweden, United Kingdom). This process was not all one-way: in the Netherlands, the responsibilities of central Ministries were enhanced, albeit from a highly decentralised starting point. Also, where competences were shared among large numbers of bodies, coordination mechanisms were introduced or improved to provide guidance and facilitate coordination between different actors and programmes. This happened via inter-ministerial committees (France) or working groups and partnership platforms (Austria). However, the division of responsibilities between different levels also led to some incoherence between programmes and a lack of transparency at the national level (Sweden).

The allocation of specific management and implementation responsibilities was highly varied. In some cases, dedicated programme secretariats within Managing Authorities were in charge of carrying out operational management tasks (Belgium–Flanders, Denmark, Finland, France, United Kingdom). In many Member States, the processes – from project generation to monitoring – were allocated to Intermediate and Implementing Bodies to different degrees and in different ways. The delegation of tasks was typically based on a contract or an institutional agreement (Austria) that covered certain measures/priorities or the whole programme and could involve the transfer of global grants (France). Intermediate Bodies could be line ministries (Cyprus, Estonia, Germany (at regional level)), state agencies (Hungary, Poland, Slovakia), regional/local authorities (France, Italy, Spain) or regional development agencies (United Kingdom). Implementing Bodies, dealing with more practical implementation aspects such as project selection, could similarly be government departments (Poland), elected local or regional authorities (Italy, Portugal), state agencies (Lithuania), and business support agencies or financial institutions (Germany, Italy). In some cases, the Implementing or Intermediate Bodies were also the Final Beneficiaries of the Measures (Estonia, Finland). In cases where numerous bodies were involved in operational aspects of programme implementation, systems became internally fragmented and overly complex (Czech Republic, Estonia).

Administrative arrangements remained stable in most of the EU15 (Austria, Denmark, Finland, Germany, Sweden), with changes generally limited to the reorganisation of individual management and implementation processes (France, Greece, United Kingdom).

By contrast, in the EU10, where systems were newly created in 2004, there were sometimes extensive modifications to the institutional and administrative organisation of management and implementation systems over the 2004-06 period, mainly to simplify over-complex delivery systems (Hungary, Poland, Slovenia).

Another contextual factor was the (varied) experience and importance of domestic regional policy and its interrelationship with Cohesion policy. While many of the EU15 countries have domestic regional policies dating back to the 1950s, several EU10 Member States only developed a regional policy during the 1990s, and in some countries there was no definable 'domestic' regional policy independent of Cohesion policy (Slovakia). In some of the EU10, domestic and Cohesion policy were largely aligned (Poland), whereas other countries maintained separate EU and domestic policy approaches, increasing administrative complexity (Czech Republic). In Member States with a strong, territorially-focused domestic regional policy (Eastern Germany, Southern Italy, Northern Netherlands), there was usually greater EU/domestic policy coordination in the management and implementation of Cohesion policy. These differences, discussed in more detail in the following sections, play an important part in understanding the approaches taken to individual MIS, in particular programme design, partnership and project selection.

Lastly, factors such as administrative traditions, the quality of public administration and the state of public administration reform had an impact on how individual management and implementation processes were carried out. In some Member States, Cohesion policy requirements were compounded by the complexity of existing administrative practices and norms (Finland, Slovenia). High staff turnover, notably in the EU10, made it difficult to manage and implement Cohesion policy programmes in a coherent and stable way over time. Where processes were not part of the institutional and administrative tradition, for example with respect to partnership, monitoring and evaluation, Cohesion policy requirements led to new procedures and systems being introduced.

2. PARTNERSHIP

2.1 Monitoring Committees - the main vehicle for partnership

The extent of partnership – in terms of both vertical and horizontal relationships - differed considerably across the EU25 in the 2000-06 period. At the apex of the management structure, the Monitoring Committees provided the most important platform for formal partnership-working in all Member States. The composition of the Committee varied across countries, but typically included the Managing and Paying Authorities, regional and sectoral policy Ministries, regional authorities and development bodies, trades unions, employer organisations, chambers of commerce, NGOs (particularly in the gender equality and environmental fields), educational organisations, RTDI bodies and the voluntary sector. The Commission was also represented in an advisory (but often active) role. The regulatory requirements ensured wide partnership representation, an important factor in countries where this was weak in other areas of policymaking and where central and/or regional government authorities dominated the process. In Slovakia, for example, the EU requirements ensured that a third of the Monitoring Committee members were from central state Ministries, a third from regional and local self-government bodies and a third from the private sector and socio-economic partners. In Hungary, half of the Committee places were reserved for regional, economic, social and other partners, and in Lithuania, one third of the places were reserved for socio-economic partners.

2.2 Partner involvement at different stages of implementation

With respect to the individual stages of programme management and implementation, partner involvement in programme design was mixed (see Section 3 below). Member States generally sought to involve most partner groups at some stage in the process (more so than for the 1994-99 programme period among the EU15), although the process was dominated by the major actors, especially central and regional government authorities. Local authorities, socio-economic partners and other bodies were sometimes represented in planning groups/committees but more commonly were consulted through events such as workshops, public meetings and conferences at key stages in the process, and/or they were invited to comment on programme drafts.

The implementation stage was often dominated by public sector actors directly involved in the funding/delivery of the programme (see Section 4 below). This applied particularly to Member States with 'subsumed systems' of programme management (Austria, Germany, Italy, Spain). In most of the German *Länder*, for example, the partners with financial responsibility for programme delivery had voting rights on the Monitoring Committee while other partners had a purely advisory role. By contrast, in the United Kingdom a wide range of partners were involved in the implementation process, particularly in project appraisal and selection committees; and in Belgium (Wallonia), a Task Force was set up to coordinate Cohesion policy implementation involving academic and business sectors as well as a range of regional sectoral organisations. Some examples of strong partner involvement applied only to specific parts of programme implementation. For example, in Hungary, a partnership working group was created for the Economic Competitiveness OP with a much wider range of representation than for other programmes. In Spain, partner-based thematic working groups were established to ensure the mainstreaming of gender equality, information society and environment themes (in the latter case supported by an environmental authorities network). Similarly, awareness of the importance of partnership in relation to horizontal themes increased in Austria.

2.3 Factors influencing the extent of partnership

Two sets of factors influenced the extent of partnership working. First, *formal administrative practices and traditions* were important. Federal countries such as Austria and Germany have long-standing formal mechanisms for cooperation, at least between national and sub-national levels and often including other socio-economic partners also. Other countries, like Denmark, Ireland and the Netherlands, have a history of social partnership or consensus-based policymaking which provided a basis for cooperative working on Cohesion policy. In Sweden, EU partnerships could build on partnership processes for domestic regional strategies; the same applied in some UK regions. Conversely, in EU15 Member States with historically centralised administrative structures and policy-making approaches (Finland, France, Greece, Italy, Portugal), a partnership approach had been introduced progressively through Cohesion policy in previous programme periods and was still evolving in 2000-06. These constraints applied still more to the EU10 which were implementing the partnership principle for the first time in 2004-06. Most had a tradition of highly centralised government; new ministries, agencies and committees had been created (sometimes with frequently changing areas of responsibility, as in Hungary); and regional-level authorities were generally new, weak or non-existent.

Second, the effectiveness of partnership-working depended on *the experience/capacity of regional and socio-economic partners*. EU10 Member States, and EU15 countries with centralised Cohesion policy management, sometimes had difficulties in identifying appropriate organisations or individuals to participate in partnership groups, especially in smaller Member States (Estonia, Latvia) and particularly affecting the involvement of regional-level bodies and socio-economic partners such as trades unions, business associations and chambers of commerce (Hungary). Newly formed regional authorities also found themselves at a disadvantage in working with more experienced national ministries and sectoral organisation counterparts (Czech Republic). This problem was less pronounced in Member States where partners had gained experience through domestic policy consultation fora. In Malta, for example, the Council of Economic and Social Development had provided a forum for consultation and social dialogue since 2001 and played a significant role in programming. Similarly in Poland, a Structural Funds Working Group was established within the existing Tripartite Commission for Socio-Economic Issues, involving representatives of government, trades unions and employers, to support the implementation of the Cohesion policy programmes.

2.4 Enhanced partnership working over the period

Overall, there is evidence that partnership-working increased in the 2000-06 period. Among specific examples, Cohesion policy management in Ireland saw an increase in regional representation following the creation of two new NUTS II regions. In Greece, a transition began to be made from a top-down planning approach to more regional involvement with enhanced partnership working. In Spain, and similarly in France, a system of co-responsibility between regional and central governments was introduced which allowed regions to take on more significant tasks in strategy design, monitoring, reporting and managing and which increased the skills and capacity in regional administrations. In the EU10, the introduction of partnership-working was sometimes difficult due to a lack of resources and experience (Latvia) and often remained at a rather formal level (Lithuania, Slovakia). However, some reported progress in collaborative working relationships during the course of the 2004-06 period, notably in Cyprus, where partnerships and public consultation schemes were strengthened and institutionalised. Lastly, in some Member States (Italy, Sweden, United Kingdom), it is clear that the experience of partnership within Cohesion policy programmes was being adopted within aspects of domestic regional development policy implementation.

3. PROGRAMME DESIGN

3.1 Management of programme design

The management of programme design in 2000-06 largely reflected national institutional arrangements for regional policy. Four broad approaches can be identified.

- A *regional government managed approach*, as in Austria, Belgium, Germany (except for Objective 1 federal OPs) and Italy (Objective 2). States or provinces designed the programmes. Federal/national governments tended to be involved in the process late and to a limited extent, focusing on regulatory compliance issues and/or national funding issues.

- A *region-led approach*, with national coordination or steering, as in Denmark, Finland, France, Italy (Objective 1), the Netherlands, Spain, Sweden and the United Kingdom. Regional authorities (provinces, regional councils, counties, devolved administrations) were responsible for the development of strategic priorities and drafting all or parts of programmes, but within a national framework or subject to national approval.

- A *national government led approach*, with regional input, as in Greece and Hungary. Programming consisted of a mix of programmes developed by national ministries based on standard national interventions (applied to each regional programme) and regionally defined elements. Programme drafts were shaped and approved by national inter-ministerial committees. Where Integrated Regional Operational Programmes were in place, regional authorities played a more active role (Poland).

- A *national government managed approach*, as in Cyprus, Czech Republic, Estonia, Ireland, Latvia, Lithuania, Luxemburg, Malta, Portugal, Slovakia and Slovenia. Programming was undertaken by government offices or inter-ministerial groups, with regional/local and other bodies making inputs at various stages of the design process.

Overall, programme design was managed by national or regional government authorities, with different levels of involvement of other stakeholders. At the most basic level, major actors such as development agencies, local authorities, economic and social partners, gender equality and environmental bodies, were consulted on strategic priorities or drafts of programme documents at one or more partner meetings. More substantial participation was managed through the representation of these bodies in working groups or task forces (Belgium-Wallonia, Finland, Latvia, Lithuania, Slovakia, Sweden, United Kingdom), although their influence was sometimes advisory rather than co-decision-making; the difference often depended on their administrative capacities and whether they were a significant source of anticipated co-finance for the programme. NGOs were not always included in any form. There were notable differences in approach to programme design between EU15 Member States, where the extent of participation and involvement was generally greater than in the 1994-99 programme period, and the EU10, where the process was often dominated by central government.

3.2 Developing programme content

The stages of programme development tended to be similar across Member States, reflecting the regulatory requirements governing programme structure and content. The main difference was the sequence of programming. In some countries, it was initiated by assessments of development needs/challenges - as in Ireland, Spain and most EU10 Member States - which influenced or informed the derivation of strategic priorities and allocation of funding. By contrast, in many German regions, decisions on the division of funding between domestic policy instruments/ministries preceded the development of the strategy.

Across the EU, the general picture was one of a design process informed by a mix of factors: domestic strategic priorities; previous programme experience (in the EU15, notably with respect to absorption); needs analyses; partner consultations; and the availability of co-finance. A strong correlation between EU and national policy objectives and priorities was most evident in Member States where Cohesion policy accounted for a substantial or dominant share of regional development funding – and indeed sometimes drove the direction of domestic regional policies (Greece, Italy-Objective 1, Portugal, EU10). For Ireland – alone among the EU15 – and for most EU10 countries, EU/domestic policy integration was facilitated by the existence of a National Development Plan. Some EU10 Member States also had other national concepts/strategies as a basis for programming (Estonia, Hungary).

Elsewhere, Member States sought to ensure some integration between EU and domestic priorities and spending, but in many cases this was at the level of fields of intervention or specific instruments rather than at a strategic level (France, Germany, Spain). In part, this reflected the absence of explicit national or regional strategies (a contrast with the 2006-07 programming phase). The Regional Economic Strategies in the United Kingdom (England) and the Regional Growth Agreements in Sweden were some of the exceptions, although in both cases timing problems inhibited full integration. It is interesting to note that some programmes – for example in Germany and Spain - explicitly sought to use a small proportion of EU funding to undertake innovative (new or experimental) initiatives, especially in the RTDI field.

3.3 The role of ex ante evaluation

All programmes were subject to ex ante evaluation, albeit in different ways. In many Member States, evaluators worked in parallel to programme design as the different components evolved (Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Slovenia, UK-England & Scotland); in others, the evaluation was undertaken when a draft was complete (Spain, UK-Wales). In EU10 countries, lacking adequate evaluation capacity, evaluations were sometimes ‘quasi-appraisals’, providing specialist expertise on particular topics rather than a structured ex ante evaluation methodology and/or they were not entirely independent. Although all evaluations examined the quality and consistency of the strategy, the appraisal of other programme elements was mixed; for example, management and implementation arrangements were not always assessed (Austria, Slovakia). Lastly, the commitment to using ex ante evaluation as part of programme design varied. Some Member States viewed the exercise purely or mainly in terms of complying with formal EU requirements, while others sought to use the evaluation as a learning process that did (at least in part) have an influence on the shape of the programme (Sweden). The results of evaluation studies were included in programme documents, but the full evaluation reports were not always published.

4. PROJECT SELECTION

A range of activities were undertaken as part of programme delivery in 2000-06, including publicising funding opportunities, advising potential applicants, appraising applications, and taking final decisions on project selection. Member States took different approaches to the phases of project generation, appraisal and selection within Cohesion policy programmes.

4.1 The relationship between EU and domestic resource allocation systems

One factor which conditioned the overall context for project selection is the extent to which EU funding was embedded into domestic resource allocation systems (see Table 2).

- In many Member States, EU funding was integrated or *subsumed* into existing domestic administrative systems (Austria, Cyprus, Estonia, Finland, Germany, Ireland, Latvia, Poland, Portugal, Slovakia, Slovenia, Spain). In these countries, existing organisations typically took on Cohesion policy management tasks. Similarly, strategic decisions on the allocation of funds to specific themes and major projects were based on domestic development plans and/or sectoral plans (e.g. in fields such as transport and environmental infrastructure). EU funding was channelled into the budgets of Ministries and other domestic organisations, and it was often used to co-finance existing instruments or budget lines (although EU funding was monitored separately, in order to meet EU reporting requirements).

- Other Member States had *differentiated* systems for administering EU Funds (Belgium, Sweden, United Kingdom). Cohesion policy management and implementation tasks were given to new organisations or to bodies which were not involved in domestic economic development policy. EU resources were not allocated through domestic funding channels, or on the basis of domestic developmental strategies, but through specific Cohesion policy resource allocation procedures.

- Lastly, the administrative systems of some Member States took a middle approach, with a *degree of alignment* between Cohesion policy and domestic systems. While separate decision-making systems were used to allocate EU resources, there was a degree of coordination with domestic administrative systems, for example in strategic orientation or financial management, as a result of decisions being taken by the same actors (Denmark, France, Greece, Italy, Lithuania).

Table 2: Approaches to project selection - funding allocation mechanisms

Approach to project selection	**Integrated/ subsumed**	**Aligned**	**Differentiated**
Decision-making on funding allocations	Existing organisations decide on domestic and EU funding at the same time	Separate decision-making but overlap or alignment of systems/procedures	Separate organisations decide on EU funding
Examples	AT, CY, DE, EE, ES, FN, IE, LV, PL, PT, SK, SI	CZ, DK, EL, FR, HU, IT, LT, LU, MT, NL	BE, SE, UK

4.2 Actors involved in project selection

Many different actors were involved in project generation, appraisal and selection in 2000-06, often organised within a committee structure. The CSF or programme-level Managing Authority and Monitoring Committee were generally responsible for overseeing the entire process, as well as for approving selection criteria and the composition of the selection committees. In some countries (Latvia), an additional steering committee was set up at national level for each EU Fund to provide guidance on project selection and other implementation issues.

- *Project generation* tasks involved the dissemination of information about funding opportunities to potential project applicants and to intermediaries (such as business associations or local development agencies), as well as the provision of guidance to potential applicants. In most Member States, these tasks were primarily undertaken by programme secretariats or Intermediate Bodies and related Implementing Bodies at programme, Priority, Measure or Action level (Austria, Denmark, Finland, Germany, Poland, Portugal, Spain), although in some cases Managing Authorities were also directly involved (Cyprus, Slovakia, Sweden). In some Member States, specific structures and networks were put in place at the local level to enhance information dissemination and support to project promoters (Austria, Finland, France, Greece).

- During *project appraisal*, Intermediate Bodies and their Implementing Agencies were the most important actors in most Member States, although Managing Authorities were also involved in Cyprus, Estonia, Greece, Slovakia and Sweden. In addition, there were programme- and/or Priority-level committees in many countries which played an important role in project appraisal (Belgium, France, Hungary, Lithuania, Malta, Netherlands, Poland, Portugal, Slovakia, Spain) and sometimes included external experts (Finland, Hungary, Netherlands, Portugal, Slovakia). The mechanisms used for appraising projects depended on the scale and thematic focus of the projects. In the case of large infrastructure projects, the responsible government Ministry issued a formal call for tender, with clear technical and financial selection criteria. In contrast, open calls (first-come-first-served) were generally used in the case of business aid, as well as local infrastructure, although closed or competitive calls were sometimes used for themes such as business innovation or R&D. In this context, procedures were made more transparent and efficient in some Member States (Italy). In a number of countries, global grants or similar blocks of funding were allocated to specific Implementing Bodies, which then awarded small amounts of funding for interventions such as business advice, start-up or micro-firm grants, or loan schemes for SMEs.

- Member States took various approaches to formal decision-making in relation to *project selection*. Final decisions were taken by the Managing Authority (Greece, Hungary, Malta, Netherlands), by the Managing Authority in cooperation with the individual Intermediate Bodies (Cyprus, Slovakia), or by the Intermediate Bodies alone (Austria, Denmark, Germany, Estonia, Finland, Latvia, Lithuania, Poland). However, this generalised picture could vary by type of programme (or type of intervention); for example, in Spain, project decisions for multi-regional OPs were taken by the Managing Authority in cooperation with the individual Intermediate Bodies, while for regional OPs, final decisions were taken by the Intermediate Bodies alone; in Estonia, the government made an annual decision on the formal selection of large infrastructure projects. Lastly, final project decisions in some Member States were taken by a committee, drawing on a broad-based partnership or different combinations of public, private and voluntary sector actors involved in the programme (Finland, France, Sweden, United Kingdom).

5. FINANCIAL MANAGEMENT

5.1 The organisation of financial management

Financial management was universally overseen by the finance ministries, which managed payment flows between the EU and national level and were responsible for disbursing funding to programme or spending ministries/agency bank accounts, as well as for accounting and additionality matters. The main differences between countries concerned the distribution of Paying Authority functions, which were either:

- *centralised* in a single national organisation (such as finance ministries in Cyprus, Czech Republic, Estonia, Malta, Latvia, Poland; specialist national funds in Austria, Hungary, Lithuania and Slovenia; economics or regional development ministries/agencies in Denmark and Greece) or among several national ministries responsible for individual Funds (Finland, Ireland, Portugal, Spain); or

- wholly/partly *decentralised or devolved* to sub-national bodies, as in the case of the regional administrations in Belgium, regional *préfets* in France (regional council in Alsace), the German *Länder*, the regional authorities in Italy and the Netherlands, County Administration Boards in Sweden, or the Devolved Administrations (and English Government Offices) in the UK.

Other national, regional and also local-level Implementing Bodies or Final Beneficiaries were also involved in financial management circuits, with responsibility for functions such as approval of the eligibility of costs, contracting, receipt and initial checking of claims, payment notification and clawback.

The award of funding and the checking, authorisation and payment functions were sometimes undertaken by the same organisations, but with departmental separation of responsibilities as required by the Regulations. In some cases, considerable problems were experienced at the start of the period as a result of the creation of new authorities, and the required administrative reorganisation within Implementing Bodies, in order to comply with audit requirements.

5.2 Problems experienced with financial management

Some of the problems experienced with financial management in the 2000-06 period were associated with the unpredictability of competitive bidding systems for awarding funding, especially under differentiated resource allocation systems (United Kingdom). This was less difficult in Member States where domestic and EU funding were integrated in the same budget lines and paid to Final Beneficiaries as a single allocation (Germany, Greece, Portugal, Slovakia, Spain). An important difference for applicants was whether pre-financing of project costs was possible (as in Austria), whether they could submit claims in line with project progress (as in the United Kingdom), or whether they were required to bear the full project cost and then reclaim expenditure once the whole project was completed (as initially in the Czech Republic, or for private sector applicants in Slovakia).

In some EU10 Member States, the design of financial management systems was over-complex, with numerous controls and administrative inexperience slowing down the payment of funding significantly and requiring rationalisation of administrative processes in the course of the period in order to speed up absorption (Hungary, Malta, Poland, Slovenia). In other cases (Cyprus), innovative Cohesion policy requirements have been incorporated into the domestic budgeting process.

Lastly, several Member States experienced problems in meeting n+2 targets, requiring strategies and action plans to prevent automatic decommitment (France, Greece, Italy, United Kingdom). These plans generally involved administrative changes – such as better monitoring and forecasting, closer contact with beneficiaries, rationalisation of administrative procedures, simplification of requirements for major projects, use of different funding arrangements – but, in the most serious cases, substantial changes were made to the types of intervention and projects supported.

6. MONITORING

6.1 Monitoring developments and domestic context factors

The context for understanding the approach to monitoring in 2000-06 is that EU Cohesion policy has played a formative role in the use of monitoring in regional policy in many Member States. This applied to the EU10 where monitoring was generally not practised prior to the 2004-06 period. It also applied in earlier periods to some of the EU15 where, historically, monitoring was either not widely used (Italy, Portugal, Spain) or was restricted to financial monitoring (France, Greece). Prior to 2000, monitoring systems for Cohesion policy were used in all EU15 Member States but with big differences in effectiveness, reliability and utility.

Where no systematic monitoring had been in place for domestic initiatives before the introduction of Cohesion policy, some Member States developed systems to cover both strands (Sweden). In other cases, data collection under Cohesion policy monitoring was *de facto* extended to domestic co-financing initiatives (Denmark, Finland). In some Member States, Cohesion policy monitoring was interlinked with domestic monitoring of public expenditure (Slovakia). Where domestic monitoring systems were already in place, and EU funding was subordinate to domestic regional development resources, the integration with Cohesion policy monitoring was sometimes not possible because of differences in approach (Germany). The degree of integration could also vary between programmes (Ireland).

6.2 Programme monitoring and indicator definition

The 2000-06 period saw three main types of approach to monitoring across the EU25 (see Table 3).

- *Integrated systems* were used in several Member States (Austria, France, Greece, Hungary), with all administrative levels and programmes utilising the same indicator system, often using a central electronic database with common data management procedures.

- *Separate systems* were used in other countries (Belgium, Germany, Ireland, Netherlands, UK), whereby each programme/region had its own organisational arrangements and approaches to indicator definition and data collection.

- A third variant involved *composite systems,* where an overarching central monitoring system (e.g. for the collection of cross-cutting information) was complemented by individual systems at programme level (Italy, Portugal, Spain).

Efforts were made in some of the EU10 to enhance the integration of monitoring systems which often proved challenging (Czech Republic, Poland).

Table 3: Approaches to programme monitoring

	Integrated	Composite	Separate
Approach to programme monitoring	All actors use same system, often based on central database	Central monitoring system complemented by programme-level systems	Programmes set up individual indicator and data collection systems
Examples	AT, CY, DK, EE, EL, FN, FR, HU, LU, LT, MT, SI	ES, IT, LV, PL, PT, SE, SK	BE, CZ, DE, IE, NL, UK

Reflecting these differences, indicator definition was either determined or coordinated centrally – often with the scope for Managing Authorities and Monitoring Committees to define additional indicators within a common framework (Austria, France, Greece, Poland, Spain) - or it was the responsibility of individual programme managers (Ireland, Germany, Slovakia). Two distinctive features of monitoring in the 2000-06 period were the upgrading of financial monitoring systems and a greater effort to monitor physical indicators, with the latter presenting considerable problems in defining and interpreting indicators, setting benchmarks and targets, and collecting data. Evaluators or external advisers were frequently required to provide support with these tasks (Belgium-Flanders, Hungary, Italy, Luxemburg, Slovenia). Monitoring systems were not always stable over time where indicators needed to be adapted in line with programming needs (Lithuania, Slovenia, Spain). The emphasis sometimes shifted from overly elaborate performance indicators to fewer, more pertinent key indicators (Ireland, Belgium-Flanders). In some cases, this happened as a consequence of the mid-term evaluation (Luxemburg). In Slovakia, a working group was set up in the course of the period to recommend improvements on the indicator system.

6.3 The implementation of programme monitoring

Monitoring took place at different levels, with strategic monitoring at the CSF level as well as at programme-level, and even at sub-programme level (in the case of the IROP in Poland). Central-level guidance and coordination was provided in a number of Member States (Austria, France, Slovakia). In many cases, Monitoring Committees were characterised by a high degree of formality and focused mainly on issues of regulatory compliance and the monitoring of programme progress, but there were also examples of Committees playing a more strategic role in promoting programme effectiveness and active involvement in major projects (Ireland). In some cases, strategic management and monitoring evolved during the period in line with the upgrading of management practices and monitoring and information systems (France). However, detailed programme monitoring by Monitoring Committees was impeded by their large and broad memberships and the low frequency of meetings. Operational monitoring was therefore generally carried out by Managing Authorities and programme secretariats. In larger programmes, the organisation of monitoring was delegated to Intermediate Bodies (e.g. government departments, sub-national State services) (Czech Republic, Latvia, Poland, Slovenia), although coordination and the implementation of common data collection procedures across administrations and levels were problematic.

In most Member States, electronic databases were established for programme monitoring, covering financial and physical information, but also to track progress on procedural aspects such as tendering procedures (Greece, Italy, Slovenia). However, IT systems often caused major difficulties, in some cases remaining unresolved until late in the period (Poland). Data collection was usually carried out by Final Beneficiaries or project applicants/promoters who, in some cases, had to produce regular reports (Netherlands, Slovenia) or provide data as part of the claims process (United Kingdom). Data input and controls were mainly undertaken at the level of the programme Managing Authority (Greece, Italy) or were delegated to Intermediate Bodies in charge of certain Priorities or Measures (Austria, Slovenia). In some cases, a form of conditionality was used as a sanction for project promoters failing to provide accurate and timely information (Hungary, Italy, Netherlands). The main uses of monitoring information were to facilitate compliance with reporting requirements, to ensure timely financial absorption and to provide a basis for evaluation (notably the mid-term evaluation and allocation of the Performance Reserve).

6.4 Challenges arising from programme monitoring

Finally, while there is some evidence of Cohesion policy contributing to the spread of a 'monitoring culture' (France, Italy), the experience of monitoring in 2000-06 was characterised by several challenges, shared by many Member States. These included: insufficient awareness of the importance of monitoring among Implementing Bodies and beneficiaries (Italy); over-complex and inflexible indicator systems (France, Greece, Ireland); design or operational difficulties with electronic data processing systems (Poland, Slovenia) and resulting data gaps and inconsistencies; and insufficient human resources (Austria, Italy), and the need for support and training to enhance monitoring expertise (France, Greece, Hungary, Slovakia).

7. EVALUATION

7.1 Evaluation developments and domestic context factors

The approach to Cohesion policy evaluation in the 2000—06 period has to be seen against a backdrop of very different evaluation cultures among Member States. Among the EU15, historically the evaluation of regional policy was practised in only a few countries (Germany, United Kingdom), and some other countries having systems of formal periodic policy/expenditure reviews (Ireland, Sweden), but with evaluation traditions being weak or non-existent elsewhere (Italy, Luxemburg, Spain). Evaluation activity increased during the 1990s, partly driven by Cohesion policy requirements (Austria, Finland, France, Germany, Italy) but also because of broader trends in policymaking, such as the application of 'new public management' and concerns with the effectiveness of government spending (Denmark, Netherlands).

Against this background, the 2000-06 period was notable for a more strategic and systematic approach to evaluation in the EU15, as required by the Regulations, and also for greater awareness of the potential role of evaluation for effective programme management (e.g. in Greece, Luxemburg, Portugal). Evaluation was organised by newly created or strengthened evaluation units and partnership-based steering committees (Greece, Italy, Spain, United Kingdom), supplemented in some countries by a network of evaluation experts and officials (Greece), specialist bodies (Austria, Portugal) or expert panels (Denmark).

Among the EU10, evaluation was not a feature of policymaking prior to EU accession, and its image was affected by its association with audit and control in some countries. Some evaluation experience was gained through the Phare programme, but it was only under the 2004-06 Cohesion policy programmes that the basis for a coherent and systematic approach to evaluation began to be developed (often as part of the wider use of evaluation within public policy and administration). This involved drawing up national evaluation strategies/ plans (Estonia, Poland, Slovenia) as well as the creation of evaluation units (Estonia, Latvia) and steering groups (Czech Republic, Lithuania, Malta, Poland). In Slovakia, dedicated units were set up within Managing Authorities, and at CSF level a platform composed of Managing Authority evaluators was established to enhance exchange of experience.

7.2 The implementation of programme evaluation

All Member States undertook the ex ante evaluation of Cohesion policy programmes (as described in Section 3) which, in some cases, had a pronounced 'demonstration effect' (Hungary). In the EU15, a mid-term evaluation (MTE) and MTE update (UMTE) was also undertaken for all programmes - in the case of the MTE being an important exercise for allocating the Performance Reserve. Evaluations were undertaken by external evaluators based on competitive calls for tenders. In some countries, the MTE exercise was characterised by a more coordinated approach than previously in order to provide overall lessons at national level (Finland, France, Spain, Sweden, UK-England) - in the cases of Finland and Sweden through separately commissioned meta-evaluations. Although not compulsory, MTEs were also undertaken by two EU10 Member States (Czech Republic, Estonia), thus building up evaluation capacity. Moreover, an ex post evaluation was commissioned in Cyprus to prepare for the 2007-13 programme period.

A further feature of the 2000-06 period was the number of evaluation studies conducted by EU15 countries in addition to those required by the Regulations. These included ongoing evaluations of policy processes (Austria, Belgium-Flanders, Italy) and studies on the horizontal themes (Austria, Finland, France, Italy, Sweden, UK-Wales), financial instruments (UK-Scotland), innovation and cluster development (Sweden), organisational effectiveness (Ireland) and networking (Finland). In place of an MTE, most of the EU10 also undertook evaluations – often carried out by government departments themselves – on the operation of specific Priorities/Measures (Lithuania, Poland, Slovenia, Slovakia), the horizontal objectives (Poland), and the efficiency of various aspects of implementation (Estonia, Malta, Latvia, Lithuania).

The standard approach to disseminating evaluation results was often passive – through presentations to Monitoring Committees or publication on websites – and with a failure to integrate evaluation into programme management. However, an important feature of evaluation in some countries was the focus placed on using evaluation as a learning tool. This was evident in Austria, Czech Republic, Denmark and the United Kingdom where considerable emphasis was placed on dissemination and follow-up. In several Member States, it was possible to identify programme revisions as a result of the MTE, but the UMTE generally had a greater influence in informing the preparation of the 2007-13 strategies.

7.3 Development of evaluation capacity

Finally, an important aspect of evaluation in the 2000-06 period was the emphasis placed on capacity development. For example, KAP-EVA was created in Austria in 2002 as a 'coordination and working platform' for evaluation methods, the management of evaluations and the dissemination of results. A CSF Observatory in Portugal was used *inter alia* to provide analyses and support for evaluations on similar issues, and the NDP Evaluation Unit in Ireland also had a support and standard-setting role. In France, a training programme was initiated in 2002 to promote capacity-building and awareness of the usefulness of evaluation more generally. Similarly, in Italy a series of seminars for Managing Authorities, evaluation units and evaluators were organised from 2002 by the National

Evaluation Unit to provide methodological and practical support for the organisation of evaluations and to discuss the outcomes of the evaluations undertaken.

The greatest need for capacity-building was among the EU10, which suffered for much or all of the 2004-06 period from inexperience among Implementing Bodies, a lack of evaluation suppliers and variable quality of evaluation studies. However, extensive efforts were made in some Member States to develop an evaluation culture (Estonia, Hungary, Latvia, Lithuania, Poland) through the development of evaluation plans and strategies, guidance and advisory services, evaluation conferences and seminars, and training activities for government authorities, as well as the launch of a series of evaluation studies (as noted above).

8. REPORTING

8.1 Annual Implementation Reports

The submission of Annual Implementation Reports (AIRs) was required by the Regulations and such reports were prepared by all EU25 Member States in the 2000-06 period. In most countries, the AIRs were drafted by the Managing Authorities, sometimes with the help of external consultants (Italy) or delegated to programme secretariats (Germany-NRW, United Kingdom). The information for AIRs was mainly drawn from the monitoring system as well as from Final Beneficiaries or organisations involved in the implementation of the programmes. In many cases, more regular project-level or Measure-level progress reports (see below) also contributed to the AIRs (Latvia, Netherlands).

The AIRs were generally formal documents structured to comply with the Regulations and, in many countries, undertaken principally to comply with these reporting obligations. They tended to be descriptive and included mainly quantitative information reporting on progress with implementation. In France, an overview report of all the AIRs in 2004 highlighted the great diversity in their structure and content, as well as their mainly descriptive approach. The AIRs could be lengthy documents (Greece, United Kingdom), and some of the UK programmes published a ‘user friendly’ summary. The time delay in the publication of the AIRs often meant that their utility as an active management tool was relatively low. Some EU15 countries took a more sophisticated approach. For example, in France, efforts were made to establish a strategic link between annual reporting and evaluation exercises, with actors encouraged to enhance capacity development and promote specific evaluation indicators in the AIRs. Similarly in Italy, the AIRs shifted emphasis from purely financial progress to the inclusion of more information on physical implementation and the short-term effects of the programme based on output and result indicators. The production of the AIRs was also viewed as a good opportunity to exchange information and check the functioning of the monitoring system.

The links between EU and domestic regional policy reporting varied considerably between countries. Where Cohesion policy implementation was subsumed (Austria, Germany), domestic financial reporting mechanisms were linked to Cohesion policy reporting. Indeed, some German *Länder* used Cohesion policy monitoring systems to enhance the monitoring of domestic financial flows. Such links were not universal, however: in several countries (Hungary, United Kingdom), there was no link between Cohesion policy and domestic regional policy reporting.

8.2 Additional reporting activities

In addition to the AIRs, most EU25 countries produced regular reports dealing with the status of implementation at project, Measure and Priority levels. In Malta, for example, reports were prepared by project promoters for the four Sectoral Sub-Monitoring Committees and additional reporting requirements were applied in the case of interventions on the island of Gozo. Reporting through the AIRs and other reporting systems varied between different programmes within the same country. In Germany, for example, Nordrhein-Westfalen provided quarterly monitoring reports to Implementing Bodies while other *Länder* worked only with the AIRs.

Often, these additional reports were more widely used in strategic decision-making on programme implementation. In Hungary, bi-weekly reports (prepared by the National Development Agency) highlighted critical areas with the aim of comparing projections with actual progress. Quarterly reports covering results, effectiveness, management practice and financial progress (for n+2) were then addressed to higher level programme management structures and political actors. At programme/national level, in Estonia, the Managing Authority, Intermediate Bodies, Final Beneficiaries and Paying Authority all produced a range of reports dealing with programme financing, monitoring and irregularities, with the irregularities reports proving among the most useful in terms of practical decision-making. In Lithuania, managing organisations provided monthly reports to the government on two key financial indicators (project commitments and funds absorbed) and including information on problems arising and measures taken to address them. Also in the Czech Republic, the Ministry for Regional Development published monthly reports on absorption progress.

Finally, in some countries, such as Denmark and Sweden, the information flow was also downwards, with the Managing Authority or the Monitoring Committee Secretariat circulating regular progress updates to regional authorities to aid decision-making on projects and strategic priorities. In Austria, both standardised and tailored report formats were created to draw down report information from the monitoring system, and these were widely used by Managing Authorities and Implementing Bodies for reporting to political authorities as well as for publicity and evaluation work.

9. MAJOR PROJECTS

Eleven Member States implemented projects, which, by virtue of their size and/or structure, qualified as 'major projects' (Council Regulation 1260/1999, Art. 25). Their preparation, management and implementation required specific procedures in line with EU Regulations. Approaches varied according to the type of project, the actors involved and the source of funding.

9.1 Major project preparation

Major projects were typically listed in a strategic document or agreed at ministerial level (Poland, Portugal, Spain), while, in some countries, they were selected from a pool of sufficiently well-developed and potentially suitable projects (Ireland). Different bodies oversaw the preparation of major projects: Managing Authorities (France, Italy, Portugal, Spain), often in close cooperation with the responsible unit or implementing agency (Germany, Ireland); or Intermediate Bodies (Austria, Slovakia). The approach taken to preparation depended on the project type, e.g. infrastructure projects needed to be assessed against existing domestic plans (Germany). The beneficiaries were mainly responsible for preparing the projects and had to provide full information, including cost-benefit-analysis (CBA) and feasibility studies (Austria, Germany, Poland, Slovakia). In Italy, project plans were also drawn up by Public Investment and Verification Units or external experts. In certain Member States, Intermediate Bodies were in charge of checking project compliance, quality and data (Austria, Germany, Slovakia). The Managing Authority had a supervisory role and was in charge of submitting the application to the Commission, in some cases involving government approval (Slovakia).

Commission guidance and recommendations, notably on CBA, was used and applied by most Member States (France, Greece, Poland, Portugal). In Spain, a working group was created under the aegis of the Andalucía Monitoring Committee with the responsibility of elaborating regular reports on compliance with Commission guidance. In some cases, domestic support was provided at this stage, e.g. on the estimation of employment impacts (Italy) and CBA (Ireland, Poland). Furthermore, support could be provided to applicants by external agencies (Germany). Difficulties occurred with respect to the quality of the CBA and the environmental assessment, missing documents and procedural issues. Other problems related to the completion of CBA for income-generating projects. Preparation processes were sometimes hampered due to tight deadlines (Poland); on the other hand, lengthy decision-making processes led to implementation delays and difficulties in managing financial flows (Italy). Also, duplication with existing domestic requirements slowed down procedures (Germany).

9.2 Major project management and implementation

In some Member States, major projects were managed under the same framework and procedures as those in place for 'standard' Cohesion policy projects (Austria, Ireland, Poland, Slovakia, United Kingdom). In many cases, public authorities were in charge of implementing major projects (e.g. road and rail projects in Germany), but projects were also managed by dedicated state-owned agencies (Greece), and other bodies specifically established for project implementation or firms (Germany). Coordination problems occurred where projects were financed by more than one Operational Programme (Greece). Particular attention was often paid to the risks of automatic de-commitment (France, Ireland, United Kingdom). More sophisticated approaches were also developed in some cases, as in Greece where responsible agencies established specific tools and procedures for project planning, implementation and monitoring. Additionally, provisions concerning penalties in place under domestic legislation also applied to co-financed major projects.

9.3 Major project monitoring, evaluation and reporting

In a number of Member States, no specific monitoring or evaluation arrangements were in place for major projects (Austria, France, Italy, Ireland), but in other cases, varied approaches were taken. With respect to monitoring arrangements, the Greek indicator system was influenced by the requirements of major projects and for some of the programmes special consultants were assigned to monitor project progress. In Poland, in-depth monitoring of major projects was organised on a project-by-project basis under the Transport OP and standard rules were in place for monitoring major projects under the Integrated Regional OP. In the field of evaluation, specific reference to project progress was made in the Greek mid-term evaluations and case studies were undertaken in the context of the updates of the mid-term evaluations. Reporting mainly remained at a rather technical and descriptive level in line with the Regulations (Austria, Italy, Ireland, Poland, Slovakia). In some cases, information on results and impacts (mainly for road infrastructure projects) was also included (Portugal, Spain), notably where implementation reports coincided with evaluation exercises (Greece). In the United Kingdom, more detailed and comprehensive reports on project progress were provided.

10. CONCLUSIONS

The main conclusion to emerge from this review of management and implementation systems in the 2000-06 period is the dominant influence of national institutional and administrative contexts. Constitutional arrangements and institutional structures shaped the relative balance between national and regional levels of government, the involvement of central State, sub-regional and non-governmental actors and the interpretation of the partnership principle in all management and implementation processes from programme design to evaluation.

A further factor was the relationship between domestic and EU development spending. In Member States where Cohesion policy was subordinate to domestic regional policy (in terms of the scale of regional development resources, or the experience of regional policy), Cohesion policy management and implementation processes had to be 'accommodated' or adapted to fit with domestic systems and procedures. This gave rise to tensions in some EU15 Member States (although perhaps less so than in previous programme periods) but also contributed to a reshaping of aspects of domestic implementation. Where Cohesion policy funding was dominant relative to domestic regional development spending, or where the management principles/practices were new (e.g. partnership, strategic planning, monitoring, evaluation), Cohesion policy processes often led to significant changes to domestic policy systems with the aim of ensuring an integrated EU-domestic approach to management and implementation. This was particularly evident in the EU10, but also in some EU15 Member States benefiting from sizeable Objective 1 funding.

The diversity of Member State practices was most evident with respect to resource allocation, i.e. the systems of project generation, appraisal and selection. The combination of different administrative systems and the need to adapt resource allocation to the scale and thematic focus of interventions produced a variety of mechanisms – pre-allocation of funding, use of global grants or other funding tranches, open or closed calls for tender with varying degrees of competition, use of low-administration micro-funds – and different systems for making award decisions with different levels of responsibility for Managing Authorities, Implementing Bodies and other partners.

Notwithstanding such differences, it is possible to draw some overall conclusions on management and implementation experience during the 2000-06 period.

First, there is evidence of increased partnership working, with greater involvement of sub-national bodies, economic and social partners and other organisations among EU15 Member States than in previous programme periods. For the EU10, partnership was novel and difficult, but collaborative working was found to have increased over the period.

Second, the process of programme design was usually based on at least some analysis, strategic reflection and partner consultation, and it involved a more consistent use of ex ante evaluation.

Third, more attention was paid to monitoring, especially the development of integrated monitoring systems and the inclusion of physical indicators, although the utility of the systems and information provided was sometimes questionable. As with reporting and financial management, however, there was a strong tendency for systems to be designed to ensure regulatory compliance rather than as strategic or operational tools of programme management.

Fourth, Cohesion policy in 2000-06 continued to promote the development of an evaluation culture, with the requirement to produce both an MTE and UMTE, the latter in particular being used to inform the preparation of the 2007-13 strategies. It was also notable how many Member States undertook their own thematic or operational evaluations to improve various aspects of implementation. Also some of the EU10 invested considerably in capacity-building measures.

Fifth, the MIS in the EU10 were in some cases sub-optimal due to time pressures, and problems often persisted throughout the period because of high staff turnover and insufficient resources. However, systems did evolve in line with experience and examples of learning and innovation can be detected (applied particularly in the 2007-13 period). These can, for instance, be found in the field of financial management (Cyprus), the strengthening of administrative capacity in regional policy more generally (Lithuania) and improved inter-ministerial coordination (Slovenia).

Finally, while there was considerable progress in managing and implementing Cohesion policy during the period, the administrative complexity of applying a common set of regulatory requirements in diverse institutional and administrative contexts remains a difficult challenge. In particular, many Member States have struggled to achieve a coherent management approach that can accommodate different programmes, fields of intervention, implementing organisations and administrative processes and provide both strategic oversight and operational efficiency.