



**PROGRAMME IMPLEMENTATION IN TIMES OF ECONOMIC CRISIS**

**REVIEW OF PROGRAMME IMPLEMENTATION  
WINTER 2008 - SPRING 2009**

*IQ-Net Review Paper No. 24(1)*

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*Improving the Quality of  
Structural Funds Programme Management  
Through Exchange of Experience*

*IQ-Net Phase IV Conference*

*Steiermark, Austria, 3-5 June 2009*



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June 2009

## PREFACE

The research for this paper was undertaken in preparation for the 26th IQ-Net meeting held in Steiermark, Austria, on 3-5 June 2009. The paper was written by Carlos Mendez and Stefan Kah.

This paper is the product of desk research and fieldwork visits during Spring 2009 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium). The field research team comprised:

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This paper was revised following the Schloss Seggau meeting in line with the comments of the partners and the substance of discussions at the meeting.

EPRC thanks all those who participated in the research. EPRC also gratefully acknowledges the financial support provided by participating Member States and regions, whose contributions are co-financed by technical assistance from the European Structural Funds. The report is, however, the responsibility of the authors alone. The partners in the IQ-Net network are as follows:

### **Austria**

- State Government of Niederösterreich, Economic and Tourism Department
- State Government of Steiermark, Economic Policy Department

### **Belgium**

- Agency for the Economy of Vlaanderen, Europe Economy

### **Czech Republic**

- Ministry for Regional Development

### **Denmark**

- Danish Enterprise and Construction Authority

**Finland**

- Alliance of Länsi-Suomi
- Ministry of Employment and the Economy

**France**

- Délégation interministérielle à l'aménagement et à la compétitivité des territoires (DIACT)

**Germany**

- Nordrhein-Westfalen, Ministry of Economy, SMEs and Energy, EU Affairs Unit
- Sachsen-Anhalt, Ministry of Finance

**Greece**

- CSF Management Organisation Unit, Ministry of Economy and Finance

**Italy**

- Lombardia Region, Presidency, Central Directorate for Integrated Programming
- Ministry of Economic Development
- Institute for Industrial Promotion (IPI)

**Poland**

- Śląskie Voivodeship (Marshal's Office)

**Portugal**

- Financial Institute for Regional Development (IFDR)

**Spain**

- País Vasco, Provincial Council of Bizkaia, Department of Economy and Finance

**Slovenia**

- Government Office for Local Self-Government and Regional Policy, EU Cohesion Policy Department

**Sweden**

- Tillväxtverket, Swedish Agency for Economic and Regional Growth

**United Kingdom**

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

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## **PROGRAMME IMPLEMENTATION IN TIMES OF ECONOMIC CRISIS - REVIEW OF PROGRAMME IMPLEMENTATION WINTER 2009 - SPRING 2009**

### **EXECUTIVE SUMMARY**

More than two years into the new programme period, the focus of Managing Authorities is firmly on the management and delivery of the 2007-13 programmes. Significant advances have been made in terms of funding commitments and spending, and project generation and selection activities are well underway. Yet programme implementation faces strategic and operational challenges in these turbulent times of economic crisis. The Commission has responded through a series of legislative proposals and non-legislative recommendations to speed up programme implementation. These have been largely welcomed by the Member States and Managing Authorities, although not all issues of concern have been addressed.

Financial absorption is of concern for some Managing Authorities, especially as the December 2009 decommitment deadline approaches and tests the new round of programmes for the first time. Governance arrangements have generally remained stable since the launch of the programmes, but the finalisation and approval of the management and control system descriptions have proved to be demanding and have delayed financial implementation in many cases.

In terms of partnership, a key challenge is to ensure that regional and sub-regional actors work in a collaborative manner centred on the pursuit of common strategic objectives. Notable progress has been made with the finalisation of the monitoring systems, although some challenges remain regarding data input/extraction and indicators, and the implementation of the communication plans is generally progressing well. A new area of activity is the preparation of the NSRF Strategic Report on the contribution of the programmes to NSRF and EU objectives, although the utility of the exercise has been questioned due to the late start of the programmes and data limitations. But this has not held up evaluation activity which has stepped up a gear over the last six months with the finalisation of evaluation plans and the launch of evaluation studies covering a broad array of process-related and thematic topics.

Some work on the 2000-06 programmes also needs to be done. With some pending spending issues and the closure deadlines (extended in many cases) imminent, Managing Authorities are often still investing a considerable amount of time in the conclusion of the previous programme period. In many cases, the related administrative effort is delaying the implementation of the new programmes.



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### **1. INTRODUCTION**

More than two years into the new programme period, the focus of activity of Managing Authorities is firmly on the management and delivery of the 2007-13 programmes. Yet programme implementation faces strategic and operational challenges in these turbulent times of economic crisis. The Commission has responded through a series of legislative proposals and non-legislative recommendations to speed up programme implementation, largely welcomed by the Member States and Managing Authorities. Much progress has been made with spending and project generation and selection activities have been well underway for some time now, although absorption remains a concern and certain systems - notably with respect to management and control, and monitoring - are in some cases incomplete.

Set against this context, the objective of this paper is to review recent developments in the implementation of the 2007-13 programmes and also the closure of the 2000-06 programmes in IQ-Net partner countries and regions. It draws on a mix of desk research and interviews with staff working on the implementation of Structural Funds programmes. The desk-based research has focused on EU-level and programme documents, including financial performance and monitoring data. The interviews were undertaken in 15 Member States with a range of Managing Authorities, programme secretariats and national coordination bodies.

The paper is organised as follows.

Section 2 begins with a review of the state-of-play of the 2007-13 programmes in terms of financial implementation, covering the EU27 at Member State level and IQ-Net programmes.

Section 3 examines the response of Cohesion policy to the current economic crisis as part of the European recovery package and the reactions of Managing Authorities to the various legislative and non-legislative measures.

Section 4 turns to operational developments in the 2007-13 programmes, covering eight key aspects of programme management and implementation: governance and administration; financial implementation and absorption; project generation and selection; partnership; monitoring; strategic reporting; publicity and communication; and evaluation.

Section 4 takes a look at the 2000-06 programme period, reviewing financial implementation and recent closure activities.

Section 5 concludes the paper and raises points for discussion.



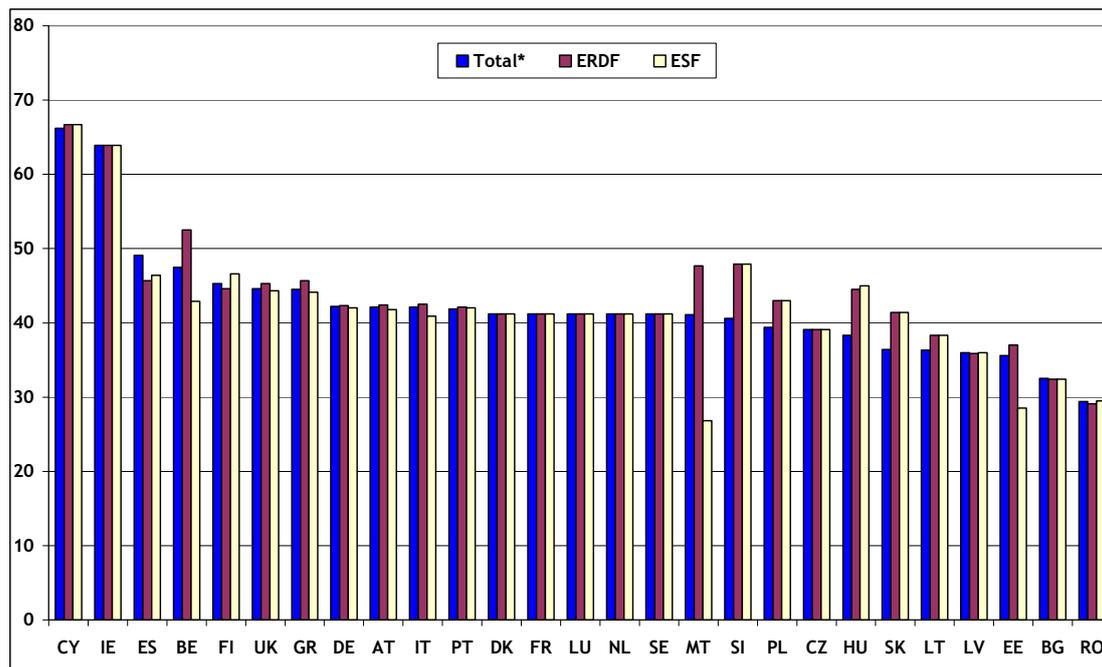
## 2. THE STATE-OF-PLAY OF THE 2007-13 PROGRAMMES

The implementation of the 2007-13 programmes has been well underway since 2008, following the (often delayed) approval process during 2007/8.<sup>1</sup> Commitments are high across the EU, but payments from the Commission to the Member States largely remain limited to the programme advances. However, at programme level payments have advanced significantly over the last six months, and most programme managers remain optimistic about spending the funds in the future, notwithstanding some absorption challenges. Reviewing these developments in more detail, this section begins with a look at financial implementation across EU27 Member States, before examining the state-of-play of IQ-Net partner programmes including a review of absorption challenges and responses.

### 2.1 Financial implementation in the EU27

Based on Commission data from 11 May 2009 (see Figure 1), most EU27 Member States have relatively high commitment rates, ranging between 40 and 50 percent. The highest rates can be seen in Cyprus (66 percent) and Ireland (64 percent). At the bottom end of the scale, several of the newer Member States have commitment ranges between 30 and 40 percent of their programme allocations.

Figure 1: Structural Funds commitments in 2007-13 (11 May 2009)



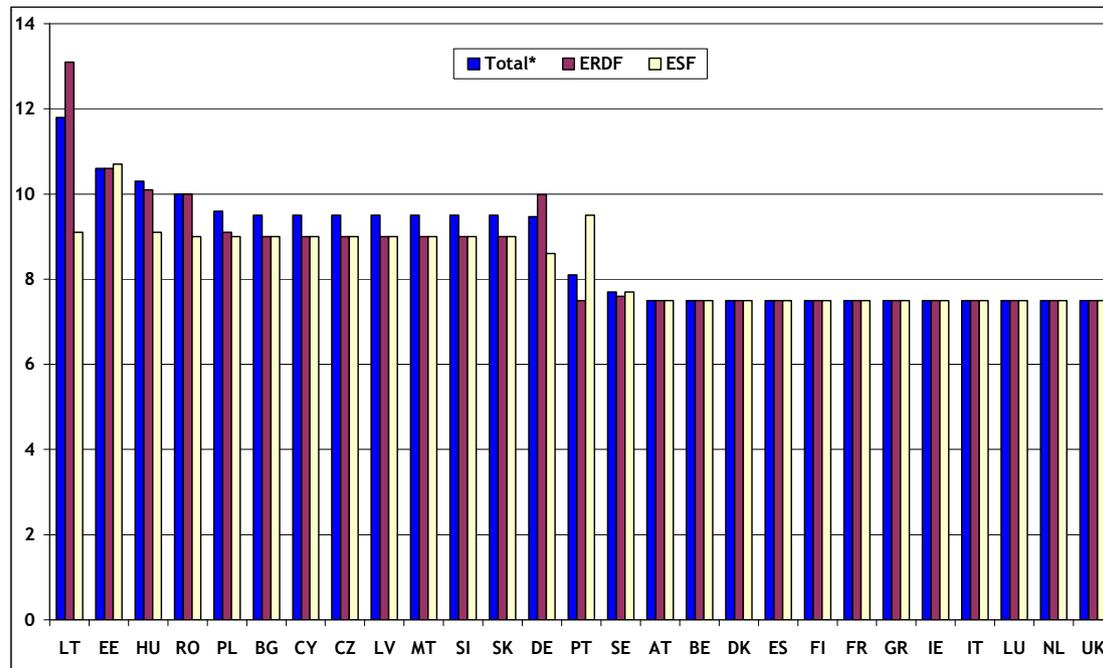
Source: Commission data from 11 May 2009, EPRC calculations

\* Includes ERDF, ESF and Cohesion Fund

<sup>1</sup> Vironen H and Kah S (2008) Mixed Progress with the 2007-13 Programmes: Review of Programme Implementation Summer 2008 - Autumn 2008, *IQ-Net Review Paper 23(1)*, European Policies Research centre, Glasgow.

The levels of payments across EU Member States (see Figure 2), however, largely reflect the advance payments made to the Member States (7.5 percent of allocations for EU15 and 9 percent for EU12, Romania and Bulgaria). Only a limited number of Member States have received payments from the Commission beyond these advances (Lithuania, Estonia, Hungary, Romania, Germany, Portugal).

**Figure 2: Structural Funds payments in 2007-13 (11 May 2009)**



Source: Commission data from 11 May 2009, EPRC calculations  
 \* Includes ERDF, ESF and Cohesion Fund

## 2.2 Financial implementation in the IQ-Net partner programmes

Commitment and spending rates amongst IQ-Net partners are quite diverse and difficult to compare for several reasons. First, there has been a reluctance to spend in some programmes as the management and control system descriptions had not yet been approved (e.g. Diputación Foral de Bizkaia, England). Second, monitoring systems were not always fully operational (e.g. Austria) and there are sometimes problems with data time-lags because of outstanding data inputs (e.g. Czech Republic, Niederösterreich). Third, the timing of financial implementation data provided by programme partners differs. With these caveats in mind, the following sections provide a general overview of commitments and payments progress in the programmes.

### (i) Commitments

Commitments have advanced significantly across most programmes over the current review period. The highest commitment rates can be found in Vlaanderen and Sweden:

- In Sweden, commitments across the eight ERDF OPs are close to 50 percent - 52 percent in the Norra Mellansverige OP and 39 percent in Mellersta Norrland, although the Managing Authority aims to commit 47 percent over the course of this year.

- In **Vlaanderen**, 44 percent of the funds have been committed. However, most are conditional approvals, implying that projects have six months to address the conditions attached to approvals.

In many partner programmes, commitments are in line with expectations and range between 8 and 24 percent (Niederösterreich, Steiermark, Denmark, France, Italian OP Research & Competitiveness, Länsi-Suomi, Lombardia, Portugal). Satisfactory commitment levels have also been reported in the Czech Republic, Sachsen-Anhalt and United Kingdom.

- In **Střední Čechy**, 20 percent of the funds have been committed and demand in terms of applications substantially exceeds the allocation. Across the Czech Republic, monitoring figures from January 2009 show that 14,655 project applications amounted to CZK 434 billion (approx. €1.6 billion) in the Convergence and Competitiveness and Employment Objective OPs. At 99.2 percent, the targets for the 2007-08 allocation have almost been reached.
- In the **Sachsen-Anhalt** programmes, the commitment level was 15 percent at the end of February 2009, with 15.3 percent of funding committed in the ERDF OP and 14.2 percent in the ESF OP.
- In **North East England**, good progress is being made in project approvals. About 70 ERDF projects are in the system (£111 million or €125 million ERDF funding). Around 12 percent of total ERDF had been committed by mid-May 2009.
- For the **Scottish Lowlands and Uplands** programme, approximately one-third of ERDF funding was committed under the first application round in 2008. Also, about 44 percent of the ESF funding has been committed.
- In **Wales**, a total of 71 projects had been approved by March 2009, representing a total project investment of over £1.2 billion (approx. €1.36 billion). The commitment of EU funding ranges from 20 to 37 percent in the four Welsh programmes.

Some partners have noted a **more challenging commitment process**. According to the conclusions of the first Annual Conference of the Greek OPs Monitoring Committees' Chairmen in March 2009, 173 new projects have been approved for co-financing under the new programmes with a total budget of €941 million total public expenditure (approx. five percent of the total allocation). Commitment rates also remain low under the ESF in Länsi-Suomi (Finland). Related to this, the Finnish Minister of Employment and the Economy is considering a transfer of some ESF funding to ERDF unless the situation improves in the course of spring and summer 2009. The situation will be re-assessed at the end of April 2009.

The general progress with commitments, however, masks **significant variation across programme Priorities**.

- Commitments in **Vlaanderen** range from 22 percent (Priority 2 Entrepreneurship) to 81 percent (Priority 3 Improving the Economic Restructuring / Spatial Planning

Environment). High commitment in Priority 3 is unsurprising given that it is public sector driven (with funding flowing directly to provinces and municipalities), infrastructure oriented and is 'ongoing' (i.e. it is not the subject of periodic tenders). It also involves large projects compared to other Priorities.

- Commitments in **Länsi-Suomi** stood at 17 percent at 31 December 2008, although there is wide variation across Priorities. Commitments are especially high under Priority 1 (Promotion of Businesses) at 22 percent, which contains mostly business aids that are processed under a separate electronic monitoring system.
- In **Lombardia**, commitments under the ERDF OP were at 12.3 percent at the end of March 2009. These were mainly concentrated under Priority 1 (Innovation and Knowledge Economy, representing 50 percent of the programme), with c. 21 percent of funding committed through two financial engineering funds (FRIM and JEREMIE), and in the Technical Assistance Priority. The other three Priorities, which account for just under half the OP have no commitments, although some projects have been selected under Priorities 2 (Energy) and 4 (Full Exploitation of the Natural and Cultural Heritage), and the related commitments will thus take place soon.
- In **Śląskie**, around six percent of total funding had been committed by April 2009. Most commitments have come under Priority 4 (Culture, 13 percent) and Priority 7 (Transport). However, there have been no commitments under Priority 1 (RTD, Innovation and Entrepreneurship) where calls for projects concerning SMEs and micro-enterprises have been complicated by questions over the definition of the two categories. No commitments have been made under the Education Priority either.
- In the **Scottish** Lowlands and Uplands ERDF programme, performance across Priorities is mixed. While ERDF Priority 1 (Research and Innovation) was practically fully committed, and also Priority 2 Enterprise Growth could be almost fully committed soon, levels are lower under Priority 3 (Urban regeneration) and 4 (Rural development). The lower levels under Priority 4 are due in part to delays in the launch of the Global Grant which will be used to deliver the programme in the South of Scotland. Performance in the ESF programme has also varied across Priorities.
- In **Portugal**, almost a quarter of all funding has been committed by 31 March 2009, concentrating on key NSRF priorities. Support to firms (through three business incentive schemes) and education (ERDF infrastructures, modernisation of schools and the qualification of people through ESF projects) are the two main areas in which it was decided to provide a greater focus at programme launch. Urban regeneration also accounts for a prominent share of commitments.

## *(ii) Payments*

Although **spending remains low** across the programmes, significant progress has been made over the last six months. This has been facilitated by the abovementioned approval of a number of management and control system descriptions, which have created the conditions for certifying expenditure and releasing payments in a significant number of programmes.

Aside from Lombardia, Norra Mellansverige and Sachsen-Anhalt, where payments were in the order of 8.5 (Lombardia) and 6 percent (Norra Mellansverige and Sachsen-Anhalt), all other programme payment rates were below five percent: Steiermark, North East England (4 percent), Länsi-Suomi (3 percent), Niederösterreich, Portugal (2 percent), Czech Republic, Denmark, France, Mellersta Norrland, Śląskie (below 1 percent). Also, in Vlaanderen only 12 applications for payment have been made in the course of the last three months, while payments realised by the Managing Authority of the Střední Čechy programme have yet to be recorded in the monitoring report.

However, **a number of partners have not yet made any payments**. The Diputación Foral de Bizkaia and the English programmes are still waiting for approval of their management and control system descriptions. There are also no payments as yet in Greece, but considering the progress of the open calls and the anticipated impact of the measures included in the European Economic Recovery Plan, the Greek Certifying Authority expects that payments will reach €2 billion by the end of 2009.

**Most partners are quite positive about the expected advancement of payments in the future.**

- Estimates for Niederösterreich suggest a payment forecast for 2009 of €18 million, way above the €10 million n+2 target.
- In France, payments are expected to progress rapidly during the coming months. The delay is due to procedural aspects and to the time necessary for the regional authorities to setup the new programming system.
- The ESF unit in Śląskie noted that their spending in the Human Capital OP has been among the highest in Poland, while the ERDF Managing Authority reported that the situation is moving forward rapidly, not least due to the European Recovery Package.
- The North East England programme is rapidly moving towards its expenditure target with more 70 percent spent for 2009.
- In Denmark, the fact that the current programme period gives preference to large, complex, and long-running projects explains the relatively slow pace of payment and makes these likely to increase soon.

### *2.2.2 Financial absorption challenges and responses*

The pressure on programme authorities to spend has increased in 2009 as it is the first year that the automatic decommitment rule will apply in the new period, although the EU12, Portugal and Greece will have an additional year of flexibility this time around (i.e. n+3 instead of n+2). As already noted, **delays in the approval of management and control system descriptions have added to absorption and decommitment strains** by holding back the launch of intermediate payment claims procedures (e.g. Sachsen-Anhalt, Vlaanderen, Finland, Italian Research & Competitiveness OP, Polish Human Capital OP, País Vasco, Střední Čechy and United Kingdom). **The impact of the financial crisis on spending and**

**demand is of concern** among most, though not all, programme partners. For example, Nordrhein-Westfalen noted that demand from applicants has so far been strong, particularly for enterprise and innovation oriented instruments, although it remains to be seen whether the crisis will have a stronger effect in 2009.

The **problem of raising match-funding** is a general problem across the United Kingdom programmes. Although North East England expects to meet its n+2 targets, the programme authority remains cautious, while in Scotland expected co-finance might have to be redirected, and the possible resulting withdrawal of projects could lead to n+2 difficulties.

**Other crisis-related difficulties** include the progress of major infrastructure projects (Slovenia), the impact of reduced bank lending on specific projects (Niederösterreich), constraints on municipal funding/projects (Länsi-Suomi, Wales), and limited implementation/take-up of R&D and innovation interventions in lagging areas (Spain).

Also associated with the global downturn, significant **exchange rate fluctuations in non-Euro countries** (e.g. United Kingdom, Poland, Sweden) has resulted in increased programme values in national currencies, posing the problem of needing to spend more than planned and a proportionate increase in n+2 targets. In North East England, for instance, the programme has increased from £255 million to £365 million (€375 million), which has increased the initial n+2 rate from £22 million to £35 million (an increase of 60 percent). Such concerns can also be seen in Norra Mellansverige, where the n+2 target has risen to challenging levels (SEK 275 million or €26.4 million).

As with exchange rate fluctuations, uncertainty concerning expected expenditure levels may result from **on-going audit and control activities**. For instance, in the País Vasco (along with seven other regional Spanish ERDF programmes), payments were suspended in November 2008 due to audits, which could potentially lead to financial corrections and the need to find replacement projects at short notice.

In Sachsen-Anhalt, the **potential difficulties relating to n+2 are greater for the ESF OP** than the ERDF OP because the latter's use of loan funds allows resources to be committed and paid out quickly. Also, many of the ERDF projects are relatively large, so that large amounts of money can often be committed and paid out in single blocks, whereas ESF projects are typically smaller.

A final factor that is of particular significance in the Czech Republic relates to **elections and staff turnover**. The resignation of the national government at the end of March 2009 could hinder certain strategic decisions until a new government comes into office in autumn 2009, while the regional elections in October 2008 led to some changes to Střední Čechy's Structural Funds management structures and will probably lead to OP revisions. Similarly, ministerial reorganisation is affecting the Italian OP Research & Competitiveness by contributing to delays in the launch of the Mezzogiorno Industrial Innovation Project intervention measures and the finalisation of the implementation rules of the guarantee and risk capital fund.

Apart from the measures taken in response to the crisis reviewed earlier, specific examples of corrective measures adopted or considered by Managing Authorities for tackling absorption and decommitment challenges over the last six months include:

- *Shifting funds*: although most programmes have not reprogrammed funds at this early stage, there are plans to make reallocations within or across Priorities in the future. In Steiermark, for instance, there is a need to shift some €9.7 million due to delays faced by an Intermediate Body (the Austrian Research Promotion Agency). In Střední Čechy, reallocations of resources from the tourism Priority to the integrated territorial development Priority may be considered for political reasons, requiring a programme modification and an operational evaluation. Similarly, in Wales, there are plans to shift funds from Priority 1 (employment and inactivity) to Priority 2 (skills and workforce adaptability).
- *ERDF/ESF cross-financing*: Nordrhein-Westfalen is planning to make better use of potential financial flexibility between the ERDF and ESF OPs, although this should not imply the need for formal reprogramming. This option has also been discussed in Sachsen-Anhalt, particularly with the aim of reducing ESF absorption challenges. Opposition from the Commission, however, suggests that this is unlikely to be realised in Sachsen-Anhalt; instead, an ESF training fund may be set up.
- *Adjusting co-financing rates*: to help with the exchange rate issues, programme authorities in Wales are asking the Commission to renegotiate on intervention rates.
- *Counter-cyclical spending*: The setting-up of a small fund for R&D loans is being considered in the Italian OP Research & Competitiveness. This would be a separate Technological Innovation Fund for the four Convergence regions and may have a counter-cyclical function that would help overcome decommitment risks.
- *Close monitoring*: In the Czech Republic, the National Coordination Authority is preparing a report on funds absorption and decommitment risks for each programme. The first draft of this report has already been produced, analysing the situation up to February 2009. The report is intended to be further developed and published on a quarterly basis. A system of monthly (ministerial), and quarterly (public) reporting has also been introduced in Portugal, while in Scotland six-monthly reports on the state of the economy (from March 2009) will help to inform programming decisions.
- *Speeding up claims procedures*: In Vlaanderen, the Managing Authority has brought in a new project stipulation that requires revised projects applications (in response to any conditions laid down) to be submitted within three months of conditional approval being granted. This should allow all the conditions to be met within six months.
- *Focusing on mature projects*: the favoured approach in Greece is to focus on mature projects, particularly ‘overbooked’ projects from 2000-06 that meet the new programmes’ eligibility criteria (e.g. State aids to SMEs), and infrastructure

projects that are to continue after the 2000-06 period (so-called ‘bridge-projects’). An increased reliance on a first-come-first-served project selection approach is also being employed in 2009.

### 3. STRATEGIC CHALLENGES: RESPONDING TO THE ECONOMIC CRISIS

#### 3.1 The EU Recovery Plan and EU Cohesion Policy

In response to the ongoing economic crisis and slow-down in the European economy, the Commission presented a wide-ranging recovery plan for the European Union on 26 November 2008,<sup>2</sup> subsequently agreed by the Member States at the European Council of 11-12 December 2008.<sup>3</sup> The plan set out a number of short-term stimulus actions and longer-term actions related to the Lisbon Strategy. It aims to mobilize resources worth around 1.5 percent of EU GDP or €200 billion, most of which will be drawn from domestic budgets (85 percent or €170 billion) including measures already approved by national governments. Among the key actions at the EU level are:

- increased European Investment Bank intervention of €30 billion during 2009/10, especially for SME loans, but also setting up a European Fund for Energy, Climate Change and Infrastructure;
- the simplification of Cohesion policy and EARDF procedures and faster implementation of programmes, as well as additional ESF action to support employment; and
- a temporary relaxation of certain State aid and public procurement rules.

The response of Cohesion Policy to the crisis is considerable. A series of regulatory proposals and non-regulatory measures have been put forward by the Commission with the underlying objective of accelerating payments to Member States and facilitating access to the Structural Funds (summarised in Box 1).<sup>4</sup> With respect to the regulatory proposals, modifications to specific financial management provisions in the general regulation were approved by the Council on 7 April 2009,<sup>5</sup> while changes to the specific ERDF and ESF regulations regarding eligible expenditure and costs respectively are still to be approved at the time of writing.

In addition, a working group has been set up (with Commission and Member State representatives) on simplification. In the coming months it will make additional proposals for simplification of the delivery mechanism of Cohesion policy, including proposals for the post-2013 period.

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<sup>2</sup> European Commission (2008) *Commission Communication, A European Economic Recovery Plan*, COM(2008) 800 final, 26 November 2008, Brussels.

<sup>3</sup> Brussels European Council, Presidency Conclusions:  
[http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ec/104692.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/104692.pdf)

<sup>4</sup> European Commission (2008) *Commission Communication, Cohesion Policy: investing in the real economy*, COM(2008) 876, Brussels.

<sup>5</sup> Council Regulation (EC) No 284/2009 of 7 April 2009 amending Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund concerning certain provisions relating to financial management.

**Box 1: Key Cohesion policy measures to respond to the crisis**

*Legislative measures*

1. Additional advance payments in 2009 (Reg. 1083/2006, Art. 82)
2. Earlier reimbursement for major projects, without Commission approval (Reg. 1083/2006, Art. 78.4)
3. State aid advances can reach 100 percent of the total amount of aid, instead of only 35 percent (Reg. 1083/2006, Art. 78.2b)
4. Option to declare overhead costs as paid expenditure on a flat rate basis (Reg. 1083/2006, Art. 56)
5. In-kind (non-cash) contributions can be declared as eligible expenditure in the constitution of - and contribution to - financial engineering funds (Reg. 1083/2006, Art. 56)
6. Scope of actions enlarged to energy efficiency and renewable energies in housing for all Member States (Reg. 1080/2006, Art. 7)

*Other non-legislative measures/recommendations*

7. Extension of the date for eligibility of expenditure for the 2000-06 period (by six months)
8. Reprogramming of the 2007-13 OPs to accelerate spending
9. Front-loading of Community co-financing in 2009
10. The launch of two networking platforms on JEREMIE and JESSICA to support implementation

### **3.2 IQ-Net partner reactions**

For the most part, **IQ-Net programme managers have welcomed the general thrust of the Cohesion policy measures agreed as part of the recovery package.** As a whole, they have been characterised as a positive move that provides the necessary means for accelerating spending (Greece) and easing implementation obstacles (France). On the other hand, notwithstanding a positive overall reaction by most programme authorities, **the measures do not address all of the issues of concern in the current context** (Slovenia). Amongst the key criticisms raised by Managing Authorities are:

- that the additional responsibilities for programme authorities implied by some of the measures may generate implementation risks (Czech Republic, Sachsen-Anhalt);
- that the added flexibility may threaten the longer-term goals of Cohesion policy (Italy);
- that more could have been done to increase procedural simplification and flexibility (Greece, Italy, United Kingdom);

- and that the practical significance is limited, either because the crisis may be better tackled through existing measures within and outwith the programmes (Denmark, United Kingdom), because of the relatively low scale of funding involved (Denmark, Vlaanderen, Diputación Foral de Bizkaia), or because of domestic constraints on match funding (United Kingdom)

**The take-up of recovery plan measures often depends on the scale of Structural Funds resources.** Some programme authorities intend to exploit most of the measures (Greece), while others do not foresee any significant impact on the operation of the Structural Funds, particularly in those programmes with relatively low financial allocations (e.g. Denmark, Vlaanderen, Diputación Foral de Bizkaia). By contrast, in the Czech Republic, where the volume of resources is far higher than under the previous programme period, certain areas of support have faced co-financing and absorption challenges regardless of the economic crisis, and the need to provide a response was being discussed before the global downturn (as in Portugal). Also of note in the specific case of the Czech Republic is the unstable political context until elections in the autumn of 2009, which may present difficulties in approving any significant modifications to Cohesion policy.

A final point to bear in mind is that **the implementation of crisis measures through Cohesion policy must be seen within the context of broader domestic recovery packages**, which may be of more relevance in shaping programme responses. All countries and (often) regional and local authorities have sought to develop responses to the economic crisis, in line with their policy competences and resources. Although these responses do not do not always feature Structural Funds programmes as a major policy instrument for addressing the crisis, particularly where funding allocations are low, they have had consequences for Structural Funds interventions in some countries and regions.

Illustrative examples of domestic recovery plans and the inter-relationships with EU Cohesion policy at national level are provided in Box 2 (Poland and Portugal), and at the regional level in Box 3 (Wales and Lombardia).

**Box 2: National recovery plans and EU Cohesion policy responses  
in Poland and Portugal**

In **Poland**, the anti-crisis package introduced by the Ministry of Regional Development at the end of 2008 (the *Stability and Development Plan - strengthening the Polish economy in the time of the world financial crisis*) includes a strong focus on the role of EU Structural and Cohesion Funds. Two specific initiatives are of note. First, in December 2008 a plan was prepared to increase the number of investments co-financed from EU funds in 2009 to achieve zł16.8 billion (approx. €3.8 billion) level of spending. This was accepted by the European Commission and the Ministry will be preparing a quarterly report on the implementation of plan, which is to be presented to the Council of Ministers. Secondly, legislation has also been introduced to reduce barriers hindering co-financing investments, with a particular focus on ensuring investment in infrastructure development. Related to this, new regulations aim to increase the involvement of private companies in infrastructure and construction investments by reducing the administrative barriers to public private partnerships involving EU funds.

In **Portugal**, the key national response to the crisis is the '*Initiative for Employment and Investment*', proposed by the government in January 2009. A significant part of the plan is co-funded by EU Cohesion policy, but it does not require a change in the overarching NSRF strategy, which is regarded as being in line with the initiative and is sufficiently flexible to adapt to external changes. However, there have been consequences for certain interventions. For instance, one of the five key measures of the recovery plan is to accelerate the government's existing plan for the modernisation of the secondary school infrastructure network. In line with this, a specific decision adopted in the Structural Funds context is to allow each municipality that has approved support for a school within a regional OP (and is set to finish the investment by the end of 2009) to receive an advance payment from the domestic component of funding.

**Box 3: Regional recovery plans and EU Cohesion policy responses  
in Wales and Lombardia**

In **Wales**, a series of 'All-Wales Economic Summits' were launched in October 2008, bringing together Welsh Assembly Government ministers, civil servants, business groups and trades unions, and providing a focus for counter-recession measures. In support of the summits, WEFO has been examining how they can use the Structural Funds programmes (and what they are already doing). This involves looking at the focus of activities within programmes, especially under the Convergence programme, and where they have flexibility to look at the themes within a Priority without reprogramming. The response has included a number of specific projects, including a training measure for employees put on short-time working and offering an alternative to redundancy and the creation of a package of measures to help sustain and encourage new apprenticeship recruitment.

In **Lombardia**, the regional government has put forward an anti-crisis package with measures for both families and enterprises. In January, around €20 million was allocated to a 'family bonus' for low income families with three or more children for 2009 (subsequently increased by another €3 million). For the entrepreneurial sector, on the other hand, the regional government defined in October 2008 a package of measures, entailing €351 million for the support of innovation and research, the facilitation of access to credit, and the encouragement of internationalisation. Whilst composed largely of pre-existing measures, not least those funded under the ERDF OP (e.g. JEREMIE, FRIM and Made in Lombardy funds), efforts were made to disseminate the opportunities offered by these measures more widely, particularly through the involvement of business associations, a targeted brochure and a telephone helpline.

### **3.2.1 Legislative measures**

Modifications to the legislative framework relate to a series of regulatory provisions concerning advance payments, reimbursement for major projects, State aid rules and several types of eligible expenditure.

One of the key legislative measures in response to the crisis is to **increase programme advances** - by two percent for EU12 Member States in 2009 and, for the EU15, by paying

the third tranche of 2.5 percent in 2009 - with a view to supporting cash flow and facilitating payments to beneficiaries. The measure has received a favourable reaction by a number of Managing Authorities, particularly in terms of the contribution towards the achievement of n+2 targets for 2009 (Finland, France, Steiermark, Niederösterreich, North East England, Nordrhein-Westfalen, Sachsen-Anhalt, Vlaanderen). Others have emphasised the positive impacts associated with the easing of liquidity and supporting investment, as in the OP Research & Competitiveness in Italy which has a large State aid component, or in Greece where the advances will facilitate payments to beneficiaries in key priority interventions (public procurement of major projects, support for SMEs and vocational training).

However, it was also noted that the receipt of additional advance payments will not necessarily have practical consequences of significance. In the Czech Republic, for instance, the advances cannot be distributed to Final Beneficiaries immediately due to the pre-configured implementation arrangements and domestic legislative rules, albeit with significant variation among the Managing Authorities of different types of programme. Moreover, programme authorities would take on substantial risks if additional advances are rapidly transferred to Final Beneficiaries. As a result, the preference is to wait until the first certification of expenditure exercises are undertaken before making the transfers.

Also designed to accelerate implementation of projects, it is now possible to **declare and reimburse expenditure relating to major projects which have not yet been adopted by the Commission**. The usefulness of this provision will naturally vary depending on the nature of the programmes and the extent to which this form of assistance is being used. In Greece, several programmes plan to implement major projects and the measure is therefore regarded as a positive decision, not least given previous experiences when it could take up to two years from the initial request to get approval from the Commission. Although also viewed as a positive development in France and Sachsen-Anhalt, the impact will be modest due to the small number of major projects planned, while no major projects are foreseen in some programmes (Steiermark, Niederösterreich, Vlaanderen, Diputación Foral de Bizkaia, Nordrhein-Westfalen).

From a more critical perspective, it was noted that it is the Managing Authorities, not the Commission, who will ultimately bear the risk if there are any problems down the line with project approval (United Kingdom, Czech Republic). With this in mind, the national management commission in Portugal has informed the OP Managing Authorities to only accept expenses if they are certain that the major projects will be approved.

Regarding the eligibility of expenditure, it has been agreed to allow **overhead costs to be declared on a flat rate basis for all the Funds**.<sup>6</sup> This should allow public authorities to prepare projects more quickly and will reduce the administrative burden for beneficiaries (Denmark, Sachsen-Anhalt), as is already the case under the ESF and Seventh Framework

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<sup>6</sup> The amended regulation distinguishes between three different kinds of flat rates: (i) indirect costs, declared on a flat-rate basis, of up to 20 percent of the direct costs of an operation (ii) flat rate costs calculated by application of standard scales of unit cost as defined by the Member State (iii) and lump sums to cover all or part of the costs of an operation (Reg. 1080/2006, Art. 7.3).

Programmes (Steiermark). More generally, it is also viewed as a signal of a trend from auditing of accounts to efficiency control with a focus on outputs instead of inputs (Austria). The measure is seen as one of the most important innovations in the regulatory amendments by some programme authorities (e.g. Austria, Finland, Nordrhein-Westfalen, Slovenia). For those programmes that intend to make use of this provision, the precise methodology to be used is still under scrutiny and is awaiting finalisation.

More critically, it was observed that the measure implies a further administrative load and obligation that, moreover, requires Commission approval (Czech Republic, France). Programme authorities in Vlaanderen consider that when the detail was explained by the Commission services it became clear that the option was not a simplification, but rather involved a more complex and difficult approach (an opinion shared by some interviewees in France); as a result, it was decided not to take up this option in Vlaanderen. Furthermore, the utility of applying the new approach to address the current crisis has been questioned given that it is unlikely to be operational for at least a year (France).

Additional eligibility flexibility has also been introduced in relation to financial engineering schemes, where **contributions in-kind (non-cash) may be considered as eligible expenditure in the constitution of, or contributions to, funds**. The measure is not considered to be of major importance by most programme authorities, not least where financial engineering schemes do not feature significantly in the programmes (Diputación Foral de Bizkaia, Niederösterreich, Vlaanderen, Sachsen-Anhalt, Steiermark). By contrast, in the United Kingdom this decision has been described as an important breakthrough in the context of the current discussions about the scope for the inclusion of a JESSICA fund within a programme Priority. Allowing asset values (e.g. land, housing) to be used instead of cash for co-finance is reported to be of particular interest to local authorities in the United Kingdom.

The **enlargement of the scope of actions to energy efficiency and renewable energies in housing for all Member States** provides new opportunities for environmentally-friendly projects. There appears to be support for this by several Managing Authorities, although the degree of interest and pace of take-up varies (Czech Republic, France, Greece, Scotland, Slovenia, Wales).

- In France, the implementation of the measure is considered to require OP revisions, which would more likely be undertaken at the mid-term point of the programme in line with the revision of the State-Region Planning Contracts.
- By contrast, in Wales, energy efficiency and renewable energy in low-income households has been added as an eligible activity in the ERDF programmes by amending the eligibility guidance rather than the OPs. This is likely to be implemented on a pilot or targeted basis.
- Similarly, in Greece, provisions have been drawn up and published for immediate implementation of such measures. Two distinct types of actions are provided for: support for energy efficiency projects in public buildings; and support to private buildings to replace diesel or other conventional fuels with natural gas, to replace

energy consuming electrical domestic appliances and to improve the heat insulation of buildings.

In some programmes, this change is seen as irrelevant, for example because the programme already incorporates a strategy to enhance energy efficiency (Nordrhein-Westfalen), while in others the extension of Structural Funds activity into housing is questioned (Sachsen-Anhalt). Though it is seen as having some relevance in Denmark, it would most likely be overshadowed by recent large-scale national initiatives due to the relatively limited size of the programme and, at best, become an added element in future projects rather than the start of a new wave of energy-oriented projects.

In order to support enterprises, particularly small and medium-sized enterprises, the conditions governing the payment of advances within the framework of EU State aid rules have been made more flexible by **allowing State aid advances to reach 100 percent of the total aid (until 2010)**, instead of only 35 percent.<sup>7</sup> The measure is considered to be a particularly positive development in Greece where it will be implemented under the new open calls for SME incentive schemes. Although the precise threshold has not yet been determined, it is anticipated that it could rise from the current 35 percent to 50 percent, rather than the full 100 percent. The measure will also be taken up in Slovenia and France, although in the latter case questions have been raised about the efficiency of the measure given its temporary nature. Elsewhere, the measure is not seen as being particularly important or relevant (e.g. Diputación Foral de Bizkaia, Vlaanderen, Niederösterreich, Sachsen-Anhalt, Steiermark).

### *3.2.2 Non-legislative measures*

The non-legislative measures and recommendations put forward by the Commission primarily relate to co-funding arrangements, eligibility deadlines, the JEREMIE, JESSICA, and JASPERS financial instruments, and programme Priorities and delivery mechanisms

With a view to easing co-funding pressures in the 2007-13 OPs, **programme managers can adjust the European contribution to projects**, going even up to 100 percent of the Community contribution, provided that the agreed average co-financing rate is adhered to for the whole programme period. Such frontloading of Community expenditure is being considered or has already been adopted in several programmes (Czech Republic, Finland, Greece, Poland, Sweden), though not always in response to the crisis (Scotland), but in others it is seen as unnecessary (Sachsen-Anhalt). In Finland, for instance, this has resulted in an additional 20 percent of EU funding being allocated to 2009 than initially planned. The decision is perceived to have three main benefits: increasing the amount of public funding available in a period of fiscal restraint; helping to comply with the n+2 rule; and decreasing the pressure associated with spending at the end of the programme period while allowing the programme actors to focus on the closure procedures.

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<sup>7</sup> See also: Wishlade F and Michie R (2009) Pandora's Box and the Delphic Oracle: EU Cohesion Policy and State Aid Compliance, IQ-Net Thematic Paper 24(2), European Policies Research centre, Glasgow.

By contrast, in Scotland, the decision to front-load expenditure had already been adopted at the start of the programme period, rather than as a response to the crisis, in order to achieve high commitment and spend early on. A potential disadvantage of this is that the projects that had been lined up for approval by the March 2009 PMC addressed programme objectives rather than the economic crisis. Therefore, while front-loading may be positive in terms of achieving spending, it may also mean that the projects would not necessarily be focused on tackling the new problems in the current context. Another potentially negative consequence of frontloading expenditure is that it may store up funding constraints for future projects (Sachsen-Anhalt), which is why it was decided not to front-load expenditure in Vlaanderen.

To ease liquidity problems in the 2000-06 programmes, **the final eligibility date can be extended by a maximum of six months** in cases where there are significant changes in the socio-economic situation and the labour market, as set out in the General Regulation. According to the Commission, requests for an extension to the eligibility period have been made for 385 Cohesion policy programmes (out of a total of 555) in 2000-06, covering all four funds (ERDF, ESF, EAGGF and FIG).<sup>8</sup> For some programme authorities, this is considered to be the most important and well-received change (Czech Republic, Vlaanderen, Portugal, Nordrhein-Westfalen, Sachsen-Anhalt). The main reported benefits are that it allows unforeseen programme absorption challenges to be addressed and objectives to be achieved (Vlaanderen, Greece, Portugal); it provides more time for finalising closure procedures (Slovenia, Vlaanderen, Portugal); it will allow more (including major) projects to be closed (Nordrhein-Westfalen, Sachsen-Anhalt); and it allows programme authorities to deal with unexpected financial corrections (Slovenia, Spain).

Not all programmes share these views (e.g. England, Niederösterreich, Steiermark). In the case of Steiermark, the programme management consider that it is not only unnecessary, but also unwise, as it postpones the actual implementation of the 2007-13 programme even further. In the United Kingdom, the estimate of the potential funding offered was not enough to justify the administrative costs involved, particularly given the limited resources of the Government Offices responsible for managing the 2000-06 programmes. In North East England, the managing authority did not want an extension of the ERDF programme, and instead preferred to use domestic funding, feeling that six months would be too short a time in which to develop, approve and spend on projects. Indeed, it is argued that had the Commission notified of the extension earlier, programme actors could have been better prepared to inform project managers and beneficiaries (Finland).

Another recommendation by the Commission to address the impacts of the crisis is to **modify OP objectives and Priorities to accelerate spending in areas with more growth potential, and to simplify the delivery mechanism and the content of the programmes**. For most programme authorities there are no plans to make significant strategic modifications to programme objectives or Priorities, although shifts in funding across and within Priorities have been decided or are being considered in some cases.

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<sup>8</sup> Commission increases flexibility of structural funds in response to financial crisis, IP/09/310, Brussels, 24 February 2009.

- In Finland, it may be necessary to readjust some of the funding allocated to business aid under Priority Axis 1 due to slower than anticipated take-up, although the situation varies between sub-regions and a decision has not been taken yet.
- In Greece, it is estimated that some €2 billion would need to be shifted between different NSRF thematic priorities in order to adapt to the needs of the real economy, particularly by focusing on investments for promoting entrepreneurship notably in SMEs, and job maintenance and creation.
- In Poland, the potential allocation to SMEs under the Ministry of Regional Development package has risen from €10 million to €50 million for this year, as part of the anti-crisis package introduced by the Ministry of Regional Development at the end of 2008. Regarding the ESF NOP, the Ministry has provided guidelines on how to implement the OP during the crisis, including an increased focus on entrepreneurship (SME start-ups and training for employees).
- In Wales, some ESF funding is being shifted to top up the employment Priority (moving £40 million or €45 million from Priority 1 to 2). The response has included a number of specific projects, such as the ProAct initiative - a £48 million scheme (with £38 million from the ESF Convergence Programme) launched in January 2009 (and to run for 18 months) which provides training for employees put on short-time working and offering an alternative to redundancy. A further £20 million will be made available, subject to support from ESF, for the creation of a package of measures to help sustain and encourage new apprenticeship recruitment.
- In Nordrhein-Westfalen, a new micro-loan fund was launched in November 2008 to help individuals to set up micro firms or to become self-employed. Although the fund had been planned before the crisis, it is seen as timely. The fund is working well and uptake has been stronger than had originally been expected.

An increased emphasis is being placed on ESF-type measures, though not necessarily involving funding shifts across Priorities, in several United Kingdom programmes.

- In Scotland, a special meeting of the programme Monitoring Committee was planned for May 2009 to consider a number of key strategic projects designed to respond to redundancies and the need for credit in SMEs.
- In North East England, a targeted call for applications was issued before the end of 2008 for projects to support businesses to retain their competitive position and safeguard jobs. In addition, the ERDF is already co-funding projects that provide additional support for firms e.g. the Support for Business Resilience project delivered through the Business Links, who have been briefed to deliver advice specifically related to the immediate economic challenges, plus free business health checks and workshops.
- In Wales, one of the changes under the employment Priority has been to shift the balance towards support for the unemployed. Within nearly all the projects approved, there is an element of support for both the economically inactive and

the unemployed, to a greater or lesser degree. The programme authorities are working with individual projects to monitor this balance and slightly refocus the client group, although activities remain basically the same.

In other cases, no substantive changes are planned, either because the programmes are already considered to be broadly in line with the key challenges faced or because the administrative effort is considered to be too high (e.g. Vlaanderen, Diputación Foral de Bizkaia, Niederösterreich, Portugal, Slovenia, Nordrhein-Westfalen, Sachsen-Anhalt). While no significant changes for the 2007-13 period are foreseen in Portugal, the remaining allocations available under the 2000-06 period will be targeted on key priority interventions (financial engineering schemes for firms, requalification of schools and the education component of the technology plan) that are in line with the strategic Priorities for the 2007-13 period and the government's general response to the crisis.

The simplification of delivery mechanisms and eligibility conditions is being pursued in several programmes.

- *Removing eligibility restrictions:* In Scotland, restrictions on infrastructure projects, requiring them to be small-scale and involving refurbishment of existing facilities, have been removed. There will also be an attempt to relax some of the restrictions on Priorities 3 (urban regeneration) and 4 (rural development), where demand has been lower than expected. The Commission has been supportive of this, and proposals relating to this were going before the March PMC. Similarly, in Portugal, the specific domestic regulations governing the 2007-13 OPs are being examined and new beneficiaries and types of aid are being made eligible for support.
- *Accelerating project calls:* In Śląskie, the timetable for launching project calls in the regional OPs has been changed by accelerating calls at the beginning of the year and waiting until the level of demand for funding was around three times the funding available. The idea is to look through these proposals and find projects that are well prepared and have all the necessary documentation in place for a rapid transfer of payment (within the first half of 2009). Project appraisal processes have also been simplified by introducing less complex and more streamlined selection criteria, and relaxing and merging specific documentation requirements. In Scotland, there are some significant regeneration projects in the pipeline which would have an impact on the construction sector, and which may be considered for a fast-track procedure (for key strategic projects in response to the current crisis) before the summer.

A final set of measures and recommendations by the Commission relate to the new financial instruments, JASPERS, JEREMIE and JESSICA<sup>9</sup>. The aims are to address the bottleneck and

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<sup>9</sup> The three financial instruments JASPERS (Joint Assistance in Supporting Projects in European Regions), JEREMIE (Joint European Resources for Micro to Medium Enterprises), and JESSICA (Joint European Support for Sustainable Investment in City Areas) were introduced into the 2007-13 Cohesion policy framework in cooperation with the European Investment Bank Group and other multilateral banks. JESSICA and JEREMIE aim to support national and regional authorities in introducing private and public funds for urban regeneration and venture capital purposes

lack of capacities in launching major projects in the EU12 by **expanding the use of the JASPERS initiative through a 25 percent increase in the Commission's technical assistance capacity**, and to support the exchange of information, guidance and good practice by **launching two networking platforms under the JEREMIE and JESSICA initiatives**.

These measures were not considered to be of major significance by most programme authorities, especially where the instruments are not currently being used and/or where managing authorities dispose of similar domestic instruments which are perceived to be less bureaucratic (e.g. Czech Republic, Vlaanderen, Niederösterreich, País Vasco, Sachsen-Anhalt, Steiermark). On the other hand, some programme authorities are currently planning to develop these instruments or may do so in the future (Czech Republic, Greece, Poland, Steiermark, Spain at national level, Wales, North East England) and the exchange of information across countries and regions could prove to be useful, especially given the perceived lengthiness and associated technical difficulties involved in introducing them into Structural Funds programmes.

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respectively, while JASPERS is designed to support public authorities in preparing quality investment projects.



## 4. OPERATIONAL CHALLENGES: ADAPTING MANAGEMENT & IMPLEMENTATION SYSTEMS

Closely related to the strategic challenges and responses to the economic crisis, important developments have also taken place on the operational side of programme management and implementation over the last six months. The following sections review these activities with respect to: governance and administration; project generation and selection; partnership; monitoring; strategic reporting; publicity and communication; and evaluation.

### 4.1 Governance and administration

#### 4.1.1 General governance

The governance arrangements for Structural Funds management and implementation have generally remained stable over the past 6-8 months. Administrative experience of programme delivery has not yet required substantial changes, although **systems are likely to be reviewed as implementation progresses**, particularly within the framework of evaluation activity (see section 4.7). In Austria, for instance, a so-called ‘governance check’ (see Box 13) is currently being carried out to develop proposals for ensuring that the systems are working as efficiently as possible. In Sweden, an evaluation of the organisation of implementation arrangements was finalised in December 2009, providing a series of recommendations which are being considered by programme authorities (see Box 14).

Also of significance in Sweden is the recent **institutional restructuring** of core regional development bodies at the national level which has important consequences for Structural Funds management responsibilities.

#### Box 4: Institutional restructuring in Sweden

On 1 April 2009, NUTEK (as well as the Swedish Institute for Growth Policy Studies (ITPS) and the National Rural Development Agency) was replaced by a new authority, which has been named *Tillväxtverket* (the Swedish Agency for Economic and Regional Growth). *Tillväxtverket* replaces NUTEK by becoming the new Managing Authority for the ERDF programmes and working on measures which promote regional and national growth and sustainable growth in businesses. *Tillväxtverket* will also take on responsibilities previously belonging to the National Rural Development Agency (*Glesbyggsverket*) as well as the Swedish Consumer Agency (*Konsumentverket*). Coinciding with the establishment of *Tillväxtverket*, another body, called the *Tillväxtanalys* (the Swedish Agency for Growth Policy Analysis) has replaced ITPS in order to support the Government with respect to evaluations and analyses.

Beyond these systemic issues, the focus of recent activity in other programmes has been on **supporting administrative aspects of programme delivery**, such as the issuing of guidance documents for Intermediate Bodies. In Portugal, for instance, the Financial Institute for Regional Development is working closely with Intermediate Bodies on payments issues, including the development of a procedures manual. At the programme level, some of the Portuguese Managing Authorities have recently developed guidance documents to support

implementation (e.g. the Territorial Development national OP and the regional OPs of the Alentejo, Madeira and Norte regions). Similar activities have been underway in Italy (Box 5).

#### **Box 5: Lombardia implementation guidelines**

In October 2008 the regional government of Lombardia approved the ‘Guidelines for implementation’. Similar to the Programme Complement of the 2000-06 period, the Guidelines list the programme measures and describe the procedures to be followed for each of these. The document can be complemented, in future revisions, with new measures which may be implemented at later stages. Due to the complexity of programme organisation, with many actors involved, it was felt that having a commonly understood and well defined set of rules would be necessary. The Guidelines were developed with the involvement of all involved parties, paying particular attention to the engagement of the bodies responsible for the preparation of tenders and for the implementation of the measures. The Lombardia Guidelines are not publicly available, their function is eminently an administrative one and to provide information for potential beneficiaries. Most Italian Managing Authorities have drafted similar documents, though the content, level of detail and publicity given to the document varies from region to region.

In several countries and regions **staff turnover** has impacted on governance arrangements or may do so in the future. In the Czech Republic, a new government will be coming into office in the autumn, and, at the regional level, elections in October 2008 have led to some changes to Střední Čechy’s Structural Funds management structures and personnel. Similarly, in the País Vasco, the recent change in the regional government could have implications for staffing at the regional government level, though not in the Bizkaia province. At the national level, the elections in 2008, and related changes to personnel linked to ministerial restructuring, have contributed to delays with the launch of some of the planned thematic networks (e.g. on R&D and innovation), a key governance innovation in Spain for the 2007-13 period. Lastly, in Scotland, the Intermediate Administrative Bodies’ (IABs) three year contracts come up for renewal in 2009, and will be subject to an external independent review.

#### **4.1.2 Management and control systems (MCS)**

One of the key and most challenging tasks facing programme authorities over recent months has been the finalisation and approval of the management and control system (MCS) descriptions. Article 71 of the General Regulation states that MCS descriptions must be approved within 12 months of OP approval and intermediate payments cannot be made until the documents are approved, thus there is considerable pressure to ensure that this is done in a timely fashion. Procedurally, the process begins with a compliance assessment by an independent Audit Authority, which is subsequently submitted to the Commission along with the description for a second check and approval. Reviewing recent developments across the programmes reveals three different states of progress.

- Several programme authorities are at the first stage, seeking approval by interacting with their domestic compliance bodies (Finland, Vlaanderen, Italian OP Research & Competitiveness, Scotland), in some cases having already incorporated

feedback following a first submission. Formal submission to the Commission is planned before the summer in all cases, but the delay is of concern because it may lead to n+2 problems due to spending slippage and a significant workload to catch up with programme implementation. A key reported challenge has been the length of the description, requiring considerable detail on procedures within the authorities, their relations and the audit trail.

- Another group of programmes authorities are waiting for approval from the Commission following an initial rejection (e.g. Czech Republic, North East England, Portugal, Wales). The main reasons given by the Commission for rejection are problems with IT/monitoring systems (Portugal, Czech Republic, North East England), the administrative capacity of the Managing Authorities (Střední Čechy) and Certifying Authority issues, such as the separation of duties (Wales).
- Lastly, in a range of other programmes the MCS descriptions have been approved (France (except for Territorial Cooperation OPs), Greece, Lombardia, Niederösterreich, Nordrhein-Westfalen, Sachsen-Anhalt, Sweden, Śląskie, Slovenia, Steiermark), though some of these programmes also felt that this had required considerable effort.

Once the MCS descriptions have been formally approved, the focus of attention will shift towards **ensuring that the systems are working as planned to deliver the desired results and making appropriate modifications where necessary**. Moves in this direction can be seen in Austria (see Box 6), which was amongst the first countries in Europe to have all of its systems approved by the Commission.

**Box 6: Management and control system maintenance procedure in Austria**

The Austrian management and control systems descriptions (there is one for each of the nine *Länder* OPs and one for the national ESF OP) are subdivided into two parts: a general description (e.g. listing the Intermediate Bodies) and reference documents (e.g. implementation guidelines). While modifications to the general part have to be reported to the Commission, in line with regulatory requirements, the reference documents can be changed without notification; a communication to the Federal Chancellery is sufficient. This involves three main phases:

**1. Application for changes to the MCS:** The Austrian Intermediate Bodies apply at the responsible Managing Authority for changes to the MCS and all its reference documents. The application must specify the date on which the changes come into force. New legislation for schemes is exempt from this procedure as they can be implemented directly after their notification to the Commission or the national State aid body.

**2. Check and confirmation by the Managing Authority:** The Managing Authority checks the proposed changes and their compatibility with all the relevant regulations and then confirms their admissibility to the Intermediate Bodies. Hereinafter they can implement the changes from the specified date. If the changes relate to the implementation system in general, the Managing Authority contacts the Austrian Federal Chancellery before approval. System-relevant aspects include, for instance, the delegation of tasks to other bodies and changes to the audit system. Changes that affect the monitoring procedures also have to be communicated to the Austrian monitoring body, the *ERP-Fonds*.

**3. Documentation and forwarding of changes:** The changes are gathered by the Managing Authority and are reported to the Austrian Audit Authority annually (around mid March). These reports contain all the changes introduced over the past year. Also, the Programme Complement has to be adapted and sent to the Audit Authority once a year. The Audit Authority then reports annually to the Commission. A list of changes is also sent to the relevant implementation bodies, the Audit Authority and the Certifying Authority.

#### ***4.1.3 Other administration and compliance issues***

From a more technical perspective, developments and challenges with respect to several administration and compliance issues have been highlighted by some Managing Authorities in recent months, relating to revenue-generating projects, audit and control, public procurement rules, and SME requirements.

The issue of **revenue generating projects** continues to be the source of much frustration for several Managing Authorities.<sup>10</sup> Although the regulatory provisions were made more

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<sup>10</sup> Vironen H and Kah S (2008) *op.cit.*

flexible in December 2008,<sup>11</sup> by restricting the application of the rule to projects whose total cost is above €1 million, and a guidance note has been produced by the Commission to support Member States in implementing the rule, some Managing Authorities remain critical. The main objections raised are that there is a perceived lack of clarity about how the rule should be implemented (North East England, Italy), that the length of time of appraisal and scrutiny of revenue-generating projects acts as a disincentive to the incorporation of the ERDF into projects (North East England, France) and, related, that the new €1 million minimum threshold remains too low (Italy, North East England).

To address problems with the interpretation of the rule, the region of Lombardia organised a meeting with other Italian Centre-North regions to reflect on the main problems and agree on a common methodology for applying the rule. This resulted in a joint note which was circulated to other regions and then to the national coordination body for the Structural Funds (Department for Development and Economic Cohesion) and the Audit Authority (IGRUE), culminating with the issuing of guidelines through a decree. The guidelines are considered to provide a clearer and more precise methodology for the calculation and monitoring of the revenue and have been posted online to provide guidance to all potential applicants and Final Beneficiaries.

Another prominent compliance issue that has been subject to ongoing conflict between the Commission and Member States/regions is **audit and control**, not least due to the major increase in pressure emanating from the Commission in recent years.<sup>12</sup> In Scotland, a pre-claim systems audit will be carried out on the Strategic Delivery Bodies, Community Planning Partnerships and the Global Grant body in recognition that they will be establishing new internal management systems, to ensure their robustness and identify and share best practice. The level of resources required to carry out the substantially increased level of on-the-spot checks is a concern to the Managing Authority and Intermediate Administration Bodies (IABs). Currently the plan is for a three-person visiting team: one person from the IAB, and two from the Managing Authority. A training course has been developed by the IAB in Lowlands and Uplands Scotland, for themselves and the Managing Authority. Every ERDF project will get a visit, and this will be a major challenge in terms of resources. The level of intensity will be such that training is considered necessary to increase skills in this area. In anticipation of this, strong efforts are being made to communicate the message to sponsors that compliance will put them on a sounder business base and prevent later problems.

Compliance with **public procurement rules** has been reported to be difficult in several countries and regions in recent months (Czech Republic, Spain, Germany, Wales).<sup>13</sup> In the Czech Republic, the rather complex legislation on public procurement is considered to be

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<sup>11</sup> Council Regulation (EC) No 1341/2008 of 18 December 2008 amending Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, in respect of certain revenue generating projects.

<sup>12</sup> Davies S *et al.*, (2008) The Financial Management, Control and Audit of EU Cohesion Policy: Contrasting Views on Challenges, Idiosyncrasies and the Way Ahead, *IQ-Net Thematic Paper 23(2)*, European Policies Research centre, Glasgow.

<sup>13</sup> On this issue, see also the accompanying thematic paper: Wislade F and Michie R (2009) *op.cit.*

endangering the realisation of some projects, which often lack the capacity and expertise to be fully compliant, and the national Office for the Protection of Competition is inundated with cases to review, although the situation is expected to improve as the Ministry of Finance adjusts related guidance on financial flows and control. Similar problems have been reported in the Śląskie Human Capital OP under Priority 7 (Social integration), while the difficulties in Spain stem in part from incorrect transposition of the EU directive.

A final reported challenge concerns **SME contributions to projects and the fulfilment of contractual obligations**. Regarding the former issue, the North East England Managing Authority would like clarity on issues relating to (private sector) SME contributions to projects. Examples of questions being asked are: would SME contributions be recognised as contributions to the project, making it a bigger project, therefore allowing a higher ERDF award, instead of classifying it as leverage? And would this involve national eligibility rules being applied to SMEs? In the Czech Republic, the Managing Authority of the Enterprise and Innovation OP is keen to discuss and resolve potential problems with adjustments to SME contractual obligations with respect to the fulfilment of outputs. For instance, if a beneficiary has created four jobs instead of five, it should be possible to reduce the aid instead of it being fully clawed back.

## 4.2 Project Generation and Selection

Project generation and selection activity has been particularly intense during 2008, following the launch of the programmes in 2007/8. As noted in the previous section, a key concern for many Managing Authorities over the past six months has been the impact of the crisis on the demand for funding. However, **the crisis has not had a major impact on project demand everywhere**. In several programmes, demand is reported to be strong (Střední Čechy, Nordrhein-Westfalen, Poland, Slovenia), although of variable quality (Greece) and with strains on management capacity (Poland).

- In Střední Čechy, demand for funding continues to exceed the financial allocations available, especially under Priority 2 (Tourism) and 3 (Integrated Territorial Development).
- In Greece, demand is especially high for the Competitiveness and Entrepreneurship OP and for infrastructure projects.
- In Śląskie, the projects that have passed through the initial stage of formal assessment represent around 38 percent of the total funding available.
- In the Polish Human Capital OP, high demand is generating a significant strain on administrative resources. This is compounded by the introduction of a ‘fast track’ system to accelerate the contracting of projects and also because of the need to deal with appeals from unsuccessful project applicants at the regional level (previously a responsibility of the national Managing Authority).
- In Nordrhein-Westfalen, the new competitive call for tender approach has so far proved successful in generating interest. The first round of 22 calls in 2007-08

received 1,500 project proposals; around 5,000 people participated in information events; and 396 winning projects were selected. A 2nd round of calls has started, with 17 calls planned for 2009, many on themes relating to the *Land's* cluster programme.

On the other hand, some other programme authorities report a **clear decline in the demand for funding and project applications as a result of the crisis**, although the situation may vary significantly between different regions in the programme area (Länsi-Suomi) and by types of intervention or beneficiary (Länsi-Suomi, Niederösterreich, Sachsen-Anhalt, Steiermark). In Steiermark, for instance, the Styrian Business Promotion Agency estimates that it has lost some 20-30 percent of its projects as a result of the crisis, while the Intermediate Body Ecoplus in Niederösterreich has noticed that project applications with predominantly private involvement are falling.

Somewhat perversely, **declining demand and take-up of Structural Funds may also be a consequence of domestic recovery packages**. In Germany, the federal response to the crisis has included significant support for enterprise and innovation, and this additional funding may be more attractive than ERDF resources (Sachsen-Anhalt). For example, the federal crisis package includes the reorientation of a federal R&D/innovation programme, the ZIM programme (Central Innovation Programme for SMEs) to provide funding for individual firms with up to 1000 employees in the old *Länder* (whereas this funding was previously focused on the new *Länder*). The Managing Authority in Nordrhein-Westfalen is waiting to see whether firms will prefer funding from ZIM rather than from the ERDF OP. Although ZIM offers lower aid ceilings, its procedures are seen as much simpler than those of the Structural Funds.

A range of other factors, in some cases linked to the crisis, which have impacted negatively on the speed of project selection and take-up of funding in recent months include the following.

- *Increased political scrutiny.* Project selection at Scottish Government stage (ministerial approval) is taking longer than under previous governments. The ministerial approval process takes longer, as Ministers come back with questions, and actively check that projects conform to/deliver on policy priorities. This is seen as a positive development however, as it is as a result of Ministers taking an active interest in the project lists recommended by the PMC.
- *Delays in the finalisation of project templates and guidelines.* In Vlaanderen, some delays in moving from calls to signed contracts have been due to the fact that relevant (financial) templates were not available at the outset. Other delays reflect the fact that not all of the necessary guides (e.g. on State aid) were in place early enough.
- *The nature of specific interventions.* In the Czech Republic, potential bottlenecks in the selection of OP RDI projects largely relate to the character of the interventions (R&D), particularly the dependence on cooperation between applicants and the Managing Authority, and the long-lasting nature of the projects

which will require almost the whole programme allocation to be decided in 2009/2010.

- *Eligibility issues.* In North East England, demand under the programme is medium to high, but applicants are withdrawing as they move through the application process. The higher education sector in particular is reluctant to participate because of lack of clarity on the eligibility of overheads. Some venture capital applications are also in the pipeline, although uncertainty over the interpretation of Article 55 (on revenue-generating projects) is a disincentive for private actors to get involved.

In response to such challenges, a range of measures are being adopted to improve the flow and quality of projects. One option being pursued is the use of **targeted communication and animation activities**, often with the framework of programme Communication Plans (see 4.6).

- In France, the NSRF steering group has provided recommendations on project generation with a view to improving communication on, and animation of, innovation priorities and projects. The aim is to stimulate pro-active strategies to identify and involve potential partners in the innovation sector. As a consequence, some Managing Authorities have set up specific animation teams to identify possible partners (e.g. in Nord-Pas-de-Calais, Aquitaine, Provence Alpes Cote d'Azur and Rhône Alpes, amongst others). In Scotland, the main focus of the Intermediate Administration Bodies following the first project application round has been on encouraging applications under the lower-performing programme Priorities.
- In Steiermark, targeted animation activities are implemented as part of the *Land's* Communication Plan with the help of the *Land's* seven regional management offices. These were set up in the mid-1990s to stimulate integrated approaches to bottom-up regional development. As such, they provide consultancy services on funding possibilities, both EU and domestic, and serve more generally as intermediary bodies between the different levels of government and funding agencies. An example of a recent activity is the presentation by the Styrian Business Promotion Agency SFG (a core Intermediate Body) on funding instruments at the regional management office Obersteiermark-Ost in Leoben. The SFG could also already agree appointments with interested firms to discuss concrete funding opportunities.

Efforts to promote a network of Euro-managers with expertise in national and European funding possibilities can also be seen in the Střední Čechy programme. The main objective here, however, is to **improve the quality of project applications**, which are considered to be highly variable. Other measures adopted in the region to improve project quality include workshops, e-learning courses and individual consultations. A particularly pro-active approach is being pursued in the Mellersta Norrland OP, where the programme manager visits all the municipalities in person in an effort to explain application procedures, to provide information about the programme Priorities and Measures, and to inform them about the role of the Structural Funds partnership etc. Such personalised visits are perceived to be important, particularly in order to ensure that applications continue to be

of high quality. Lastly, in the Polish Human Capital OP, project quality is being addressed through the project selection criteria; the quality threshold in the project appraisal stage has been raised from 60 (out of 100) to 80 points, partly in response to the high levels of demand for funding.

Attempts to **speed up decision-making systems for specific types of projects** can be seen in several programmes. In Poland, for instance, a ‘fast track’ system to accelerate the contracting of entrepreneurship projects is being introduced, although without any systemic changes; projects must go through the same appraisal and selection procedures, only in a shorter time. This has put increasing pressure on the regional ESF unit, which is currently looking for an alternative mode of ‘fast-tracking’ projects, based on the principle of proportionality. For instance, the OP includes a measure for small grants in rural areas which are relatively risk-free, yet are subject to the same appraisal procedures as much larger projects. Streamlining the project pipeline for these smaller projects could accelerate spending and ease the administrative burden. One reform could involve the merging of formal and methodological appraisals and more use of a ‘yes/no’ structure. This joint procedure would mean less documentation and duplication. However, this would involve systemic change and, potentially, systemic reform at the regional level.

Similarly, the use of a fast-track procedure is being considered in Scotland in order to accelerate the approval of key strategic projects in response to the current crisis. A meeting is being held in May 2009 on this procedure and a number of key Scottish Government responses to skills needs will be discussed. However, there is a great deal of caution that any decisions taken must be ‘audit proof’, because of bad experiences in the past with flexible and creative responses to emerging situations (which had been cleared with the Commission). For this reason, the Managing Authority is ensuring that they take a precautionary approach, building up documentation that justifies measures taken, so that, if they were challenged in an audit, they could show the auditors the decisions that were taken, when and why they were taken, and the reporting and monitoring arrangements that were put in place.

Another option to accelerate project approvals is to **alter the timing of project calls**. In the Czech Republic, the Managing Authority of the RDI OP was pushed to open calls sooner than planned, especially because it includes funding for large infrastructure projects that are linked to economic recovery plans. In North East England, a review of the first programme year has led to the adoption of longer calls with continuous approvals and three-monthly reviews, instead of open calls.

**The approach to project selection can be changed to address challenges.** In Nordrhein-Westfalen, it was decided to introduce a top-down project selection approach for Priority 3 (Sustainable urban and regional development). It had originally been intended to allocate funding in response to project proposals generated by networks of sub-regional actors coming together to develop joint, bottom-up project ideas. However, it has proved difficult for sub-regional actors to develop and agree on appropriate projects. It has now been decided at programme level that this funding will instead be focused on good quality projects selected on a top-down basis. The new approach seems to be working and there is sufficient demand.

Lastly, **support for compliance with EU rules at the post-project approval stage** is being provided in North East England. A first practitioner workshop, ‘Preparing to meet ERDF requirements,’ was held in February 2009. The workshop set out some of the key ERDF requirements, identified the common errors and mistakes which have resulted in claw back of ERDF grants, as well as systems and processes to ensure full compliance with ERDF requirements and regulations.

### 4.3 Partnership

The partnership principle is a core feature of the Cohesion policy governance model, requiring the participation of a wide array of actors at the different stages of programme design and implementation. The implementation of the partnership principle is generally considered to have improved in the 2007-13 period,<sup>14</sup> notwithstanding certain tensions in some programmes. While no specific issues have arisen in several programmes in recent months (e.g. Nordrhein-Westfalen, Střední Čechy, Slovenia), new developments in other programmes have been reported regarding the operation of sub-regional partnerships (Vlaanderen, Poland, Portugal, Scotland), the development of regional innovation strategies (France) and capacity-building for social-economic partners (Sachsen-Anhalt)

One of the key areas of added value credited to Cohesion policy has been its role in stimulating the development of regional and sub-regional partnerships. **A key challenge is to ensure that the actors participating in partnerships work in a collaborative manner centred on the pursuit of common strategic objectives.** At the regional level, Vlaanderen and Mellersta Norrland provide illustrative examples.

- In Vlaanderen, the contact points (the provinces, which in the 2000-06 period had Managing Authority status for their own programmes) are more involved in the detail of programme implementation than had originally been envisaged. This has created issues related to the sheer number of people now involved in the assessment procedure - ten people within the Managing Authority and a further 12 (three in each of the four provinces) in the contact points. It is not always easy in such circumstances for a common vision to develop, not least because the contact points are also responding to political pressures to ensure that projects from their province succeed.
- In the Mellersta Norrland OP, the partnership is composed of representatives of the municipalities and the County Councils within the programme area, as well as representatives of labour market organisations, County Administrative Boards, County Labour Boards, and other interest groups and associations. The main problems experienced at the start of the programme period were that the County Councils were perceived to work in a self-interested manner, rather than favouring the programme area as a whole. However, since the change of the chairman in the Partnership, cooperation between the members with respect to the prioritisation of funding is reported to have improved.

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<sup>14</sup> Vironen H and Kah S (2008) *op.cit.*

At the sub-regional level, similar dynamics and developments are evident in Poland, Scotland and, reviewed in more detail, the experiences of sub-regional platforms in Śląskie (see Box 7) and global grants for municipality associations in Portugal (see Box 8).

- In Poland, the Human Capital OP has earmarked funding for projects with a specific partnership element, but it is unlikely that all of this funding will be spent. A factor hindering the quality of applications is that local organisations tend to compete for funding rather than working together on strategic objectives at sub-regional level. The ESF unit is trying to address this. While there is a link between the social inclusion theme in the OP and labour market issues that come under the remit of local labour offices, by making this connection clearer in specific calls for project proposals it is hoped that a more strategic approach amongst beneficiaries will be encouraged.
- In Scotland, the activity of the 13 Community Planning Partnerships (CPPs) has so far been focused on employment programmes. They are considered to have done well and to have delivered on their objectives - within a six-month period they managed to develop multi-agency, well developed and complex projects focused around employability.

**Box 7: Improving the strategic orientation of sub-regional platforms in Śląskie**

Partnership is a prominent theme in Śląskie, reflected in the creation of four sub-regional partnership platforms around the region's main agglomerations. The aim was to boost partnership working and strategic thinking across sub-regional administrative boundaries. Each platform had to create a strategic action plan under which project proposals could be developed. Projects under these platforms have now been appraised and around 25 percent of projects have now been approved. There have been some problems, again related to the appraisal process. The Regional Development unit made an initial check of project proposals in the form of a relatively short project fiche before more detailed applications were submitted. However, the applicant made more detailed, sophisticated proposals in their second applications and in some cases, the basic character of the proposed project also changed. Overall, the quality of projects in the sub-regional platforms is somewhat mixed: some are quite strategic while others are based more on competition between municipalities and districts for funding. However, there is good communication between the platforms and the regional Development unit, with frequent advisory meetings. Generally, the standard of project proposals is improving. The unit is planning an evaluation of all of the OP projects not subject to competitive calls and this could include a specific focus on the sub-regional platforms.

**Box 8: Strengthening decentralised implementation and local cooperation  
through global grants in Portugal**

A key priority in Portugal in the 2007-13 period is to strengthen collaboration between groupings of municipalities at the NUTS III level by offering them the possibility to collectively manage parts of regional operational programmes through global grants. To launch the process, several guidance documents were prepared at the political level with the aim of providing a common set of guiding principles for negotiations among ROP Managing Authorities and municipal associations in early 2008. Municipal associations were then invited to prepare a strategic document as a basis for applying for a global grant, which included a strategic discussion within the ROP strategic advisory bodies in which the key economic development stakeholders in the region are represented. Negotiations on specific aspects of the submitted applications were finalised with the mainland Convergence ROP Managing Authorities in December 2008, culminating with the signing of 22 contracts with municipal associations in the Norte, Centro and Alentejo regions. The global grants account for a significant volume of ERDF funding (€1.4 billion), representing more than one quarter of resources within the respective ROPs. This represents a significant change from the 2000-06 period when only one ROP (for the Lisbon and Tagus Valley region) implemented a global grant for municipal associations.

Another form of partnership working that Cohesion policy has been instrumental in strengthening across Europe is **regional innovation strategy building**. The experience is a relatively recent one in France, where the regions are currently immersed in the process of developing such strategies for the first time within the Structural Funds framework for 2007-13. The documents must be finalised by the end of 2009, and having completed the regional diagnosis component on innovation, the regions are now preparing the strategic content of the plans in cooperation with the state services and social and economic partners involved in the domain of innovation. The work is proving to be a useful exercise as it has provided a structured opportunity for the various partners to exchange views and to recognise important deficits, such as the lack of communication and coordination between the various activities pursued by different actors in the innovation domain. As such, it is also regarded as providing useful lessons for improving more general regional and territorial governance practices.

Lastly, new steps have been taken in Sachsen-Anhalt to **improve the active participation of economic and social partners** through technical assistance aimed at capacity-building (see Box 9).

**Box 9: Economic and Social Partners' Competence Centre in Sachsen-Anhalt**

To improve active participation in OP implementation of economic and social partners, an Economic and Social Partners' Competence Centre has been set up with Technical Assistance funding. It aims at providing support for the economic and social partners, notably:

- Supporting economic and social partners in relation to the tasks of monitoring and implementing the Structural Funds OPs, including preparation for meetings of the Monitoring Committee and of the Working Group on Monitoring and Evaluation; and support in gaining contacts and exchanging information.
- Implementing action aimed at improving the networking and information of economic and social partners, including their local representatives and members, including the provision of advice in preparing project applications; and the organisation of information and training events for economic and social partners on the Structural Funds.
- Analysing specific themes, including assessments of reports and documents produced by the Commission and the Managing Authority; and analysing and assessing development strategies, instruments and data.

#### **4.4 Monitoring**

Most monitoring systems have been set up and are in working order. However, only in some cases are they fully operational and able to provide comprehensive and up-to-date data (Nordrhein-Westfalen, Sachsen-Anhalt, Śląskie). Elsewhere **work is progressing on the finalisation of the systems** in general (anticipated for the second half of 2009 in France and Lombardia) or on specific components.

- In Finland, the monitoring system EURA2007 is working, but some parts of the Audit and Certifying Authority components are still under development.
- In Portugal, the focus of the overall NSRF monitoring system has shifted from the programming and project selection modules towards the financial implementation and physical outputs and results modules, in line with the life-cycle of the first round of projects. With regard to the Financial Institute for Regional Development, the system is fully set up regarding certification, but the systems of all Managing Authorities were not fully operational.
- In Śląskie, the ESF unit responsible for the Polish Human Capital OP is in the process of developing its regional system in addition to the national one which is already functioning.
- In Denmark, the modules relating to monitoring are being developed (e.g. reporting formats etc.).

In some programmes this is due to the adoption of a phased approach for implementing the monitoring system (e.g. Finland and Portugal). Other reported reasons for delays include over-commitments by IT subcontractors who have been unable to meet deadlines (Denmark), technical difficulties (Finland), and legality problems concerning the procurement of the system provider (Czech Republic).

With respect to the functioning of the systems, the main operational issues that have emerged in recent months are in two main fields. First, **data input and extraction** difficulties have arisen through:

- technical issues which have prevented the production of all the required programme statistics (Sweden) or reports (Austria);
- a failure to respect data input deadlines by some implementing bodies (Czech Republic);
- the upgrade and adaptation of the old system (ERGORAMA) to the requirements of the new management and control system (Greece) and problems with the transfer of data from the previous programme period's system (Finland);
- corrections to payment applications (Finland).

Second, with regard to **indicator sets**, the main reported developments and challenges concern:

- problems with physical monitoring indicators (Czech Republic) and the complexity of indicators, compounded by the recent addition of the Commission's core indicators (Vlaanderen);
- revisions to indicators to ensure that NSRF context indicators are in line with those inputted into the information system (Czech Republic, Spain), to reflect the impact of the economic crisis (Slovenia), and to broaden specific output indicators in the domain of entrepreneurship and to reflect cross-financing activities (North East England);
- ongoing efforts to harmonise indicator concepts (Portugal, Czech Republic);
- the finalisation of alert indicators (i.e. to monitor significant departures from goals) in Spain, including small corrections to the deviation thresholds to provide some margin of flexibility for complying with the n+2 rule following a consultation with the regions.

Looking to the future, there will be a reconsideration of indicators in Poland's Human Capital OP in 2010. This is because several targets for 2013 have already been met and, more crucially with respect to Śląskie, a lack of reference to regional-level evidence or evaluation (the fact that Śląskie has much smaller rural territory than the Polish average was not fully taken into account).

At EU level, the Commission has responded to requests from the Member States for definitions of core indicators through the Evaluation Network. Based on the first set of Annual Implementation Reports and experiences with the SFC2007 system, the Network reflected on the quality and use of indicators at its last meeting in November 2008. For its part, the Commission published a list of recommended definitions for 38 indicators, building upon proposals made by some Member States.<sup>15</sup>

#### 4.5 Strategic reporting

The Member States are required to elaborate two strategic monitoring reports by the end of 2009 and 2012 for all OPs, analysing their contribution towards Cohesion policy objectives, the Community Strategic Guidelines and the Integrated Guidelines for Growth and Jobs. According to the general regulation, it is the responsibility of each Member State to define the content of the reports with a view to identifying: the socio-economic situation and trends; achievements, challenges and future prospects in relation to implementation of the agreed strategy; and examples of good practice.

Although it is the responsibility of the Member States to define the content of the strategic reports, the Commission has recently presented guidance to the Member States at a COCOF meeting. The timeliness of this support has been questioned by some partners, not least where domestic guidance had already been finalised (see Box 10).

##### **Box 10: Guidance for the 2009 and 2012 Strategic Reports in Spain**

The guidance for the 2009 and 2012 Strategic Reports in Spain was finalised in April 2009 by the Sub-Directorate General for Territorial Programming and Evaluation (DG for Community Funds) at the national Ministry of Economy and Finance. With regard to the substantive content of the 2009 Strategic Report, four main areas will be covered:

- 1. Socio-economic context and trends:** (i) analysis of regional disparities across a range of thematic areas compared to national and EU27 averages (ii) analysis of the relevance of the SWOT and strategic objectives.
- 2. The NSRF contribution:** (i) internal coherence of objectives and Priorities, both programmed and implemented (ii) external coherence with EU objectives (iii) complementarity between Structural/Cohesion Funds, and between these and the EFF and EARDF (iv) compliance with the horizontal principles of equal opportunities and sustainable development/environment
- 3. Achievements and results of co-funded interventions:** (i) analysis of outputs (ii) compliance with earmarking commitments
- 4. Challenges and future perspectives:** (i) key conclusions (ii) recommendations for improving management and strategic recommendations

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<sup>15</sup> European Commission (2009) Core Indicators: Definitions and Use. Discussion Document: [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/doc/eval\\_13112008\\_core\\_indicators.pdf](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/doc/eval_13112008_core_indicators.pdf)

The 2012 Strategic Report will follow a similar structure, the main difference being that the chapter on the achievement of results will be more comprehensive due to the availability of data by this point in the programme period. As a result, a number of additional sections have been identified, covering: a series of specific evaluation questions deemed to be of particular interest to each of the thematic priorities of the NSRF; impact analysis of specific interventions and at the macro level employing econometric techniques; analysis of the effectiveness of the population coverage/targeted of ESF interventions; effectiveness of outputs, results and impacts; and the qualitative/quantitative Community added value. Lastly, the concluding chapter will include an additional section on best practice case studies focused on a number of specific intervention themes.

Different organisational approaches have been adopted on strategic reporting. In some cases, **working groups dedicated to the specific task of strategic reporting** have been set up.

- In Austria, the ÖROK (Austrian Conference on Spatial Planning) set up a working group to discuss the drawing up of the Strategic Report. The working group consists of the relevant ministries and the Managing Authorities of three *Länder* (Niederösterreich, Tirol and Burgenland). The group will meet three times during 2009.
- In the Czech Republic, the National Coordination Authority (NCA) established a working group that brings together representatives of all OPs and a number of academics.

Others have decided to **assign the task to an existing national body**.

- The French Strategic Report will be drafted by the steering group for the NSRF. It is composed of thematic groups, in turn consisting of experts and representatives of the regions. The Strategic Report will be based on their results and on the evaluations at national and regional level.
- In Greece, the drafting of the Strategic Report is a responsibility of the National Coordination Authority. It will be based on the OPs' Annual Implementation Reports, the on-going evaluation process at OP level and an analysis of the available NSRF Management Information System (ERGORAMA) data.
- In Portugal, the responsibility lies with the NSRF Observatory. It will draw on the findings of an annual report on the NSRF prepared by the 4 bodies (the Observatory, the ERDF/ESF Paying Authorities and the Audit Authority) that support the Technical Coordination Committee of the NSRF and on OP Annual Implementation Reports. The NSRF annual report, along with the introduction of a quarterly reporting mechanism, is seen to be an innovative decision that goes beyond the regulatory requirements and the approach taken in most other countries (see Box 11).
- In Spain, the Sub-Directorate General for Territorial Programming and Evaluation (DG for Community Funds) at the national Ministry of Economy and Finance is

responsible for drafting the strategic report and coordinating the process in cooperation with regional government departments and other Intermediate Bodies, the ESF Managing Authority and the Evaluation and Strategic Reporting committee.

- In Sweden, the responsibility lies at *Tillväxtverket's* programme support office. Each regional programme office is responsible for forwarding their respective reports to *Tillväxtverket*.

A final approach adopted is to **externalise the drafting of the Strategic Report to a consultancy**. In Germany, the Federal Ministry for Economics and Innovation is responsible for compiling the Strategic Report. However, an approach has been agreed between the federal government and the *Länder*, and the task of drafting the document has given under contract to an external consultancy.

**Box 11: Strengthening public accountability  
through quarterly reporting on the NSRF in Portugal**

A new element of the reporting approach introduced in Portugal for 2007-13 is quarterly reporting on implementation progress at the NSRF level with a view to increasing the accountability of the use of the funds to the public. To date, three bulletins have been produced - in November 2008, February 2009 and April 2009, the last of these based on data up to the end of the first quarter of 2009.<sup>16</sup> The bulletins provide data and analysis on progress across all OPs and Funds, covering commitments (including a breakdown by investment typology, total eligible investment and source of funding), the number and value of awarded project contracts, expenditure certified by Managing Authorities and paid out to beneficiaries. Progress with other forms of assistance is also reviewed, i.e. global grants and major projects. Another key aspect covered concerns the process of decision-making, involving a review and assessment of the number of project calls (launched, closed and decided) and average project approval times (planned and actual).

The report is written in a non-technical manner and includes an annexed glossary of key terms and concepts to cut through the Cohesion policy terminology and increase the accessibility of the report to the public. Aside from increasing accountability to citizens on the implementation of Cohesion policy, another advantage in the current crisis context is that it provides a mechanism for the timely production of information on the bottlenecks of OP implementation and to support the process of developing responses. In this latter respect, it is also of note that a monthly bulletin covering similar issues is also being produced for the political-level decision-makers represented in the NSRF Ministerial Coordination Committee.

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<sup>16</sup> Available on the Portuguese NSRF website:  
[http://www.qren.pt/item3.php?lang=0&id\\_channel=34&id\\_page=408](http://www.qren.pt/item3.php?lang=0&id_channel=34&id_page=408)

**Progress on the drafting of the 2009 Strategic Report varies** across partner countries. In some cases, work on its development and drafting had not yet begun at the time of the fieldwork (Finland, Vlaanderen) or the approach was still being discussed (Slovenia). In the case of the Czech Republic, by contrast, the preliminary preparatory work had begun and a time schedule for the individual work components has been defined. In Spain, the process was yet more advanced, with the drafting of the socio-economic context analysis and NSRF SWOT analysis revisions already having started in February 2009.

**The most important challenge with regards to strategic reporting relates to data limitations in the context of the late start of the programmes.** In Spain, for instance, the data used to review programme implementation will be mainly from 2007 (and 2008, to an extent) which will not allow a meaningful analysis of outputs, results and impacts to be carried out, although the socio-economic context analysis will be more up-to-date and revealing. On the other hand, it was also reported that up-to-date statistical data on recent economic developments may not yet be fully available (Greece), particularly at regional or programme level. Lastly, concerns have been expressed by the Slovenian authorities about Commission requests to include an analysis of the European Recovery Package measures, which would make the drafting process even more challenging.

#### **4.6 Publicity and communication**

Programmes communication plans have now been approved and are being implemented in most cases without major challenges (e.g. England, Greece, Niederösterreich, Nordrhein-Westfalen, País Vasco, Portugal, Sachsen-Anhalt, Steiermark, Střední Čechy). Some partners note that communication activity has been much greater than in previous periods (Belgium) and that it has become more targeted (Steiermark). In Steiermark, for instance, this stronger commitment is reflected in its decision to outsource of all its publicity and communication activities until mid-2014 to an external body, which should be selected by this summer following a recent call for tender.

Communication activities can broadly be classified in two groups: targeted initiatives directed at specific groups such as potential project beneficiaries, (discussed above, see Section 4.2), and more general publicity campaigns. Recent activities directed primarily at the general public include the following.

- *Traditional media campaigns.* The TV spot on the launch of the Greek NSRF ('Do you know about NSRF - ESPA?'<sup>17</sup>) won the RegioStar 2009 Award. Also, the Czech and the Polish campaigns have been short-listed for the award of best TV spot promoting EU Cohesion policy. Other partners have launched TV campaigns. For instance, France produced short spots on the experiences of beneficiaries and the Slovenian Managing Authority prepared a number of TV and radio spots. In Scotland, a campaign was undertaken by a PR company in November 2008-January 2009 to highlight a number of case studies showing the impact of EU funding.

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[http://ec.europa.eu/regional\\_policy/cooperation/interregional/ecochange/doc/movie/greek\\_national.wmv](http://ec.europa.eu/regional_policy/cooperation/interregional/ecochange/doc/movie/greek_national.wmv)

- *Websites*. Internet-based information has been a central element of publicity and communication activities since the 2000-06 programme period, although the content and user-friendliness of the sites have improved over time. Over the past six months, a new website has been launched in Länsi-Suomi<sup>18</sup> and in Nordrhein-Westfalen<sup>19</sup> and the Greek site has been completed.<sup>20</sup> In addition to the more general website,<sup>21</sup> the French Europe Info Centre created two targeted sites addressed to people between the age of 15-25 years<sup>22</sup> and to local officials.<sup>23</sup> Also, in Portugal the Financial Institute for Regional Development is currently remodelling its existing website,<sup>24</sup> while the Observatorio has set up its own website for the first time.<sup>25</sup>
- *Celebrating Europe Day on 9 May 2009*. In the United Kingdom, the Department of Communities and Local Government is planning a series of events around Europe Day. The Diputación Foral de Bizkaia is preparing a series of banners and posters announcing the day, which include publicity on co-funded projects. Europe Day is considered to provide a good opportunity for enhancing media and citizen awareness and interest around on Structural Funds.

A review of the EU Cohesion Policy Communication Plans for 2007-13 was carried out in the second half of 2008 on behalf of the Commission.<sup>26</sup> The study examined the activities of national and regional Managing Authorities in the field of communication and put forward a number of recommendations (see Box 12).

#### Box 12: Review of EU Cohesion Policy Communication Plans 2007-13

The study was published in December 2008 and is based on a review of a sample of 84 communication plans, as well as interviews with officials responsible for communication activities in the various Managing Authorities. The key findings and recommendations are:

**Making the Communication Plans adaptable.** As the role of communication changes over the life of the programme, from supporting potential beneficiaries to publicising the results of the programme, the plans need to reflect this and address these changing requirements.

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<sup>18</sup> <http://www.lansisuomi.fi>

<sup>19</sup> <http://www.ziel2-nrw.de>

<sup>20</sup> <http://www.espa.gr>

<sup>21</sup> <http://www.avecleurope.fr>

<sup>22</sup> <http://www.leseuronautes.eu>

<sup>23</sup> <http://www.placedeurope.eu>

<sup>24</sup> <http://www.qca.pt> or <http://www.ifdr.pt>

<sup>25</sup> <http://www.observatorio.pt>

<sup>26</sup> Technopolis Group (2009) *Review of EU Cohesion Policy Communication Plans: 2007-2013. Activities of national and regional managing authorities in the field of communication*, Final Report, DG Regio, European Commission, Brussels:  
[http://ec.europa.eu/regional\\_policy/country/commu/2007-2013/review\\_22012009.pdf](http://ec.europa.eu/regional_policy/country/commu/2007-2013/review_22012009.pdf)

**Target groups.** It is crucial to clearly identify the target group, who may range from the general public who require general information, to potential beneficiaries who need more detailed information of a practical nature.

**Relations with the media.** Maintaining good relations with the media and ensuring their interest requires specific expertise. Media-related activities should be pro-actively pursued rather than responding to enquiries and should be able to respond rapidly to local or international developments.

**Internal communication.** Good internal communication and presenting a consistent face to the outside world is an important element. This is especially important where the communication activities are distributed across several regions. However, local specificities should be maintained.

**Electronic Communication.** Electronic communication and new media are important, as these tools can be interactive and provide tailored information.

**Evaluation and Monitoring.** Though evaluation tends to be treated as a task to be undertaken at the end of the programme, it can be a useful tool for steering communication activities throughout the life of the programme. Objectives need to be quantified and appropriate indicators identified.

**The European added value should be more clearly identified.** The European Added Value has to be made visible. The question ‘How has Europe helped this project?’ needs to be answered clearly in the communication activities.

The report sets out some concrete recommendations for action, including further guidance through the INFORM network, involving the EU Representations in the Member States more closely and facilitating exchanges of experiences through presentations and workshops (e.g. on implementing Communication Plans, relations with the media, evaluation of communication activities and the use of indicators).

## 4.7 Evaluation

Evaluation activity has stepped up a gear in recent months. Under the Commission’s responsibility, most of the ex-post evaluations of the 2000-06 period are nearing completion, while the Member States and regions have been finalising evaluation plans and launching a wide range of evaluation studies.

### 4.7.1 On-going evaluation in the 2007-13 period

As part of the move towards a more flexible and needs based approach to evaluation in the 2007-13 period, the Commission has encouraged the Member States and regions to develop evaluation plans to guide their evaluation activities over the coming years. While most evaluation plans had been finalised by the end of 2008,<sup>27</sup> recently completed ones include those of Portugal and Spain. In Portugal, the exercise was given a high level of publicity

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<sup>27</sup> Vironen H and Kah S (2008) *op.cit.*

through a high-profile launch event on strategic monitoring and evaluation in Lisbon during mid-April 2009 attended by a wide array of domestic and EU Cohesion policy stakeholders. In some other programmes, the plans are still being finalised and are expected soon (Italian Research and Competitiveness OP, North East England).

Along with the evaluation plans, programme authorities have been busy drafting and finalising guidance documents for operational and strategic evaluations, and technical terms of reference; developing or launching calls for tender for specific evaluations; and organising and holding evaluation steering group meetings and networks. In some cases, specific evaluation studies have already been finalised (Scotland, Śląskie, Sweden). For other Managing Authorities it is still considered to be too soon to start evaluation activity (Spain, Vlaanderen), not least where there is very limited project activity to evaluate (Wales). Partly because of this, some programmes are currently reviewing previous experiences during the 2000-06 period.

- The national Evaluation Unit in the Czech Republic launched an evaluation in cooperation with the Managing Authorities of all the 2000-06 OPs in order to collect and prepare information and inputs for the Final Reports and also to examine socioeconomic impact and monitoring indicators.
- In the Italian R&C OP, internal reflection has focused on the efficacy of the 2000-06 schemes on research and innovation type activities. This relates in particular to the performance of the measures and the effects delivered on the regions. This evaluation will be used to support the new programme, e.g. to better target calls for tenders such as the new programme for innovation in the crisis areas or the so-called localisation contracts.

With regard to the 2007-13 programmes, the evaluations currently being undertaken or planned for 2009 cover a wide range of themes, which can be characterised according to their process or thematic-related foci. Within the process-related themes being assessed, the governance of the Structural Funds is a prominent evaluation topic, especially concerning implementing systems/procedures, instruments, policy coherence and coordination.

- *General governance:* In Portugal, evaluations of the so-called ‘specific regulations’ (domestic rules which govern the use of funds) for the ERDF and Cohesion Fund and of the suitability of national regulations to ESF challenges will be undertaken. In the Czech Republic, a specific evaluation will examine implementation processes, including an assessment of particular programme manuals. Similarly, in Wales, the terms of reference for a process evaluation is currently being developed, while the efficiency of administration will be assessed as part of all the thematic evaluations being done in Finland. At a more advanced stage is the governance check currently being finalised in Austria (see Box 13). Lastly, partnership bodies will be the focus of planned evaluation in Scotland, namely, of the Community Planning Partnerships and the Strategic Delivery Bodies (Scottish Enterprise, Highlands and Islands Enterprise and the University of the Highlands and Islands).

### Box 13: The Governance Check in Austria

The need for a governance check arose from proposals made by several actors from the Austrian Structural Funds management model, including the Managing Authority of Niederösterreich. The process is led by the Austrian Conference on Spatial Planning (ÖROK) which commissioned the study to a private consultancy. The study aims to develop proposals for ensuring that the design of the Structural Funds management system works efficiently, particularly when having relatively low programme funding allocations. It focuses particularly on the interaction between the *Länder* Managing Authorities, the Certifying Authority and the Audit Authority, and at the expectations of the various actors with respect to each other. The study is subdivided into two parts, one considering EU-related improvement potential and another part focussing on domestic procedures. The results are expected by June 2009, although some suggestions for improvement have already been made (e.g. concerning the appropriate materiality threshold)

The coordination and coherence of policy is another prominent theme in the governance-related evaluations being undertaken:

- *between EU and domestic policies:* In Denmark, an evaluation will look at the relationship between European programmes and the broader array of domestic economic development activities within the new Regional Growth Fora, with a particular interest in governance arrangements and the handling of applications.
- *between the NSRF and OPs or across OPs:* In Portugal, the first strategic evaluation to be undertaken during 2009 is the ‘global evaluation on the implementation of the NSRF’, which aims to evaluate the contribution of the NSRF operational interventions to the overall NSRF objectives, to the objectives of Cohesion policy and to the Community Strategic Guidelines. The report will feed into the 2009 Strategic Report required by the regulations and will also contribute to the development of the Portuguese position on the future of Cohesion policy. Although not the focus of a specific study, the relations between NSRF and ERDF programmes will be taken into account in all evaluations in Finland. By contrast, in the Czech Republic a study is being done on the synergy linkages between programmes.
- *between Funds:* The coordination between ERDF, ESF, domestic and other EU-funding streams will be taken into account in the 2009 evaluations planned in Finland.

Other governance-related themes being evaluated concern specific phases or components of the policy implementation process:

- *Project selection:* on the new competitive calls for tender approach in Nordrhein-Westfalen or the utility of project selection criteria and their relevance to OP objectives in Śląskie.

- *Evaluation methods/tools*: including a methodological study on impact assessment in Wales, while in Portugal a study on cost-benefit analysis of ERDF and Cohesion Fund projects has been launched to prepare a reference base and guide for managing authorities and beneficiaries.
- *Customer/beneficiary surveys*: an evaluation to be launched in March 2009 in Śląskie will assess the overall clarity and accessibility of the OP with a view to responding to issues concerning beneficiary queries regarding resource allocation plans. A customer attitudes survey will be commissioned in Wales, while consideration of the customer perspective in the application processes is being assessed as part of the thematic evaluations in Finland. Related, a specific study in Portugal will review the publicity and information diffusion activities and outcomes of the ERDF and Cohesion Fund
- *Indicators*: specific evaluations in several partner programmes will examine the development, relevance and quality of indicator systems (Czech Republic, Poland Human Capital OP, Portugal, Śląskie).
- *Financial management and control system*: will be the focus of an evaluation in the Polish Human Capital OP.

A second area of focus in the evaluations being undertaken concerns substantive policy themes and interventions. The main topics being evaluated during 2009 include:

- *Mainstreaming Community Priorities*: In Sweden, a thematic study on the horizontal criteria of integration and diversity examined a number of application and decision procedures, including feedback from the actors involved. Equality issues will be taken into account in other thematic evaluations (Finland) or specific studies (Scotland), with a particular focus on gender issues in some cases (e.g. Poland Human Capital OP, Portugal). Sustainable development is also the subject of specific thematic evaluations (e.g. Scotland), although in many cases this will be primarily assessed as part of the strategic environmental assessment review process.
- *ESF-related evaluations*: will be focused on specific programme priorities or thematic areas, such as social inclusion (Scotland) or basic and secondary education reforms (Portugal), as well as the contribution of the ERDF/EAGGF to supporting actions within the scope ESF eligibility (Portugal).
- *Entrepreneurship*: the broad theme of entrepreneurship includes evaluations of specific financial engineering instruments, such as the new micro loan fund in Nordrhein-Westfalen and the loan funds in Sachsen-Anhalt; incentive schemes, as under the so-called competitiveness thematic agenda pursued in Portugal or the support instrument for female entrepreneurs in Nordrhein-Westfalen; and programme Priorities, such as Priority 1 Promotion of Businesses in Finland, which will focus on the general implementation progress and the achievement of specific objectives.

- *Clusters and knowledge structures*: evaluations have been launched on clusters and cluster management in Nordrhein-Westfalen and, in Finland, on Priority 2 (Promotion of Innovative Activities and Networking, and Reinforcement of Knowledge Structures), including specific regional knowledge structures in terms of their operation and coordination and inter-regional projects
- *The territorial dimension*: covering the urban dimension in Sachsen-Anhalt and the ‘cities policy’ in Portugal, which includes two urban policy instruments (Urban Networks for Competitiveness and Innovation, and innovative Actions for Urban Development). Specific Priorities focused on regions will also be subject to evaluations, such as Priority 4 in Slovenia (Development of regions) and Priority 3 (Improvement of regional accessibility and the business environment) in Finland, the latter evaluation focusing on general implementation progress, the added value of the activities in relation to domestic activities, and new service concepts and related pilot initiatives.
- *Demography*: demographic change will be the focus of a specific evaluation in Sachsen-Anhalt.
- *Macro-economy*: lastly, in Portugal a macro-economic impact study will be launched in the last quarter of 2009 to analyse the impact of the NSRF over the short, medium and long-term.

Only a limited number of evaluation studies have been finalised to date. Specifically, these include an evaluation of the indicator system in Śląskie, of the ‘shadow round’ of ESF funding in Scotland, of horizontal Priorities and implementing organisations in Sweden. Taking one example, the recommendations of the evaluation of implementing organisations in Sweden are outlined in Box 14.

**Box 14: Evaluation of the implementing organisations in Sweden**

This on-going evaluation focused on the implementing organisations for the ERDF and ESF programmes. The evaluation was carried out between April and December 2008 by an external consultancy. The evaluation recommendations included the following:

- *Need to have a more focused division of tasks*. Implementation had been characterised by an unclear division of roles between the involved actors, particularly between the Structural Funds Partnership and the Managing Authority in the early stages of the programme period.

- *Need to focus more on the project development phase*. Most project applications were submitted by public sector actors, partly due to the stronger focusing on entrepreneurship and innovation under the ERDF (which meant that there had been much fewer applications from the non-profit sector than previously) and because of a perceived lack of project development support from the implementing organisation. This in turn was perceived to be due to the limited resources, but also due to the different interpretations of the role of the new implementing organisation in comparison to the past programme period.

- *Need to establish a dialogue with the applicants in order to provide them with necessary information.* There had been a high number of rejected applications, particularly under the ESF programme. Indeed, only one in four ESF projects was approved.

- *Need to avoid overlapping activities.* Although the evaluators concluded that implementation was overall satisfactory, there had been a lot of mistrust between the actors with respect to their roles and tasks. In the longer-term this had meant that many authorities (e.g. the Structural Funds Partnership and the regional authorities) had carried out similar activities.

- *Need to learn from each other.* The evaluators concluded that overall the relations between NUTEK, the regional actors and the project actors were better than the respective relations with the Managing Authority of the ESF-fund (the Swedish ESF Council).

- *Need to have a clear framework for regional variations.* A key reason for establishing a national delivery body in 2007-13 was to reduce the regional variations in implementation procedures. Although regional variations may be good, it is also important to have strategic guidance for regional tasks. It was concluded that there is scope for new forms of cooperation between the authorities and the regions, although the forms would vary across regions.

- *Need to involve exclusion issues as part of the growth agenda.* The Structural Funds Partnership issues were perceived to be particularly problematic for the ESF. While some thought that the Partnership was not relevant for ESF or that ESF was not relevant for the Partnership, others promoted the need to develop the Partnership with respect to issues that concern ESF. The evaluators concluded that the ESF programme has important growth potential which should be of interest to other representatives in the Partnership. Although traditionally the regional development policy has not considered exclusion issues, regions such as Skåne and Västra Götaland have for long taken exclusion and unemployment issues into consideration, and consequently the ESF has grown to be a key regional development instrument. Therefore the evaluators concluded that there is potential to promote such a perception also in other regions.

#### ***4.7.2 Ex-post evaluation of the 2000-06 period***

The ex-post evaluation of the 2000-06 programmes is the responsibility of the Commission in cooperation with the Member States. The approach taken by the Commission is significantly different from the past, with a far higher priority given to the exercise, an increased budget, a much stronger onus on quality and quality management, and a more targeted and thematically oriented focus.

The ex post evaluations of the Objectives 1 and 2 (ERDF) programmes - organised into 11 inter-linked Working Packages - and the INTERREG and URBAN Community Initiatives are all due to be finalised by the end of 2009. While the Working Package on data availability was already completed in March 2008, a further three have been completed during the first quarter of 2009 (rural development, efficiency of major projects, gender and demography).

The rest are due between June and July 2009 (macro-economic modelling, transport, transport modelling, environment and climate change, and management and implementation) or the end of 2009 (structural change, enterprise and innovation, coordination and synthesis, Interreg and Urban). Lastly, ex-post evaluations of the Cohesion Fund, ISPA and a sample of 1994-1999 projects will be launched in October 2009. Interim reports and some final reports are available on the DG Regio website.<sup>28</sup>

**Table 1: Ex-post evaluation of the 2000-06 period, structure and timing**

Ex-post evaluations	Report availability	Timing
<b>Objectives 1 &amp; 2 (ERDF)</b>		
1. Coordination and synthesis	Inception	10/07 - 12/09
2. Data availability	Final	10/07 - 03/08
3. Macroeconomic Modelling		01/09 - 06/09
4. Structural change	Inception/first intermediate	09/08 - 11/09
5a. Transport	Inception	06/08 - 07/09
5b. Environment & climate change	Inception/first intermediate	06/08 - 07/09
6. Enterprise and innovation	Inception	01/08 - 11/09
7. Gender and demography	Inception/first intermediate	01/08 - 03/09
8. Transport modelling		06/08 - 06/09
9. Rural development	Inception	01/08 - 04/09
10. Efficiency (major projects - unit costs)	Inception/first intermediate	06/08 - 04/09
11. Management and implementation	Inception/preliminary	01/08 - 06/09
<b>Other</b>		
Interreg Community Initiative	Inception	09/08 - 12/09
Urban Community Initiative	Inception	07/08 - 10/09
Cohesion Fund		10/09 - 12/10
ISPA		10/09 - 12/10
Sample of 1994-1999 projects		10/09 - 12/10

Source: Gaffey V (2009) Methods for Assessing Impacts of Structural Interventions, Conference “Evaluation of EU Structural Funds: Reinforcing Quality and Utilisation”, 26-27 March, 2009, Vilnius; and Inforegio website.

<sup>28</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/rado\\_en.htm](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/rado_en.htm)

## 5. FINALISING CLOSURE OF THE 2000-06 PROGRAMMES

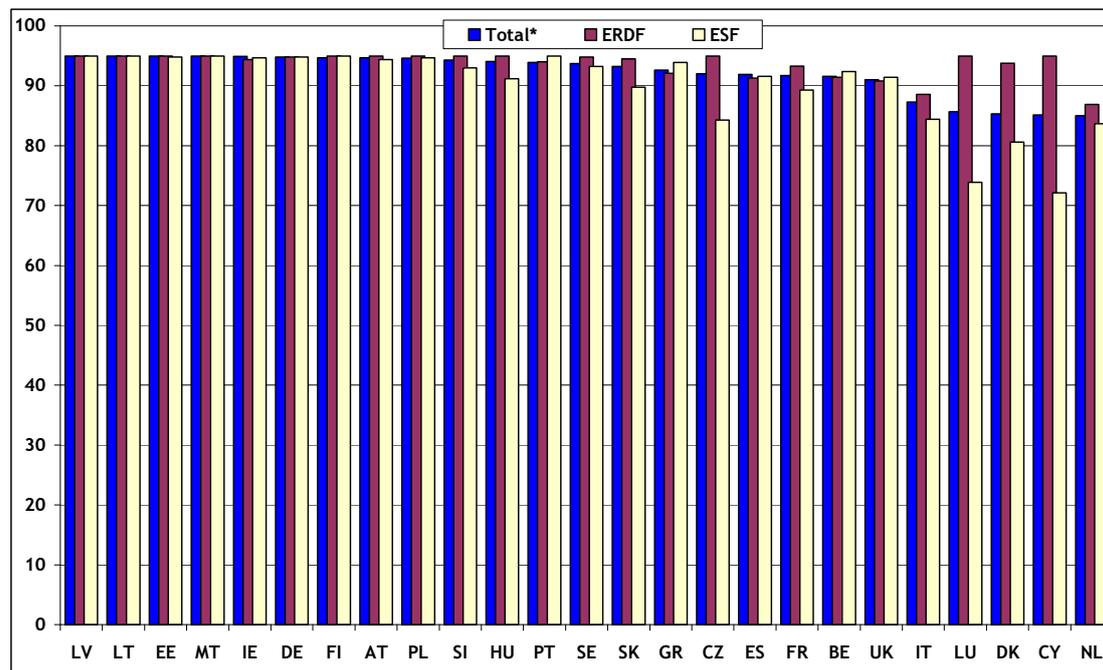
Despite the focus being primarily on the 2007-13 programmes, Managing Authorities still have to finalise the closure of the 2000-06 programmes. This final section examines the current state-of-play with regards to financial implementation across EU27 Member States and IQ-Net partner programmes, and closure activities over recent months.

### 5.1 Payments, 2000-06

#### 5.1.1 Payments in the EU27

EU-wide data from May 2009 reveals that payments from the Commission stood at €206.4 billion (92 percent) and approximately €18.2 billion (8 percent) has still to be reimbursed (Figure 3). However, it should be noted that the final payment of five percent of programme allocations will only be made after the approval of the closure reports, in line with regulatory requirements. The majority of Member States have payment rates in excess of 90 percent, with a range from 95 percent (the maximum possible, in Estonia, Latvia, Lithuania, Malta) to 85 percent (Netherlands). Better performances can generally be noted under ERDF, where already 12 of the EU25 reached the maximum of 95 percent, while this is the case only for five Member States under the ESF.

Figure 3: Structural Funds payments in 2000-06 (11 May 2009)



Source: Commission data from 11 May 2009, EPRC calculations

\* Includes ERDF, ESF, EAGGF and FIFG

#### 5.1.2 Payments in the IQ-Net partner programmes

With the deadline for the final closure reports fast approaching, most IQ-Net partners have fully or almost fully spent their funds for the 2000-06 programmes. In Niederösterreich, Poland, Sachsen-Anhalt, Steiermark, and the Diputación Foral de Bizkaia, payments are

virtually at 100 percent. Also in Portugal (96 percent), Länsi-Suomi (96 percent), Slovenia ERDF (95 percent), Denmark (94 percent) and in the Italian Local Entrepreneurial Development OP financial absorption is high.

However, **expenditure rates may vary significantly between different programmes** (e.g. 83 to 101 percent in Portugal). In Vlaanderen, average expenditure is over 90 percent, with the four programmes ranging between 98 percent (in Kempen and Meetjesland) and 86 percent (Limburg). With an overall rate of 93 percent, Greece also has significant differences between programmes, notably between sectoral OPs (at 90 percent) and regional OPs (at 102 percent).

Other programmes have **lower levels of financial execution**. The average in France is 91 percent, while payment rates in Scotland range from 89 percent for the West of Scotland OP to 96 percent for the Highland and Islands OP. In the Czech Republic, spending rates improved significantly since the last review period, though they remain still at a low level. Some 80 percent of the CSF's allocation has been certified by February 2009. Again, there are quite significant differences between the individual OPs, with the OP Human Resources Development having certified 64 percent and the Joint Regional Operational Programme 88 percent. Although it is still too soon to predict the final results, at least one OP in the Czech Republic will not meet the n+2 rule for 2004-06. Problems will arise especially in OPs with ESF involvement. Also it is seen as difficult to decide if problematic projects should be withdrawn, even if this means to risk under-exploitation of the funds.

Several Managing Authorities appreciate **the decision to extend the date of eligibility of expenditure** by six months (see also 3.2), which is seen as being useful for achieving full absorption (Portugal, Spain, Vlaanderen). While the programme management in Scotland were keen to take up the possibility, other regions in England have not taken advantage of this because it was felt that the administrative costs outweighed the potential benefits. In Wales, by contrast, the extension is being used to postpone closure deadlines, rather than to facilitate absorption (which had been achieved by the end of 2008). Also, the Italian OP Local Entrepreneurial Development will make use of the facility, but the practical consequences are limited. As the programme is composed of aid schemes and therefore already had a longer eligibility of expenditure deadline, the extension would add only two more months.

**Exchange rate changes leading to 'windfall' funding has been an ongoing issue** in Poland, Scotland and Wales. For instance, the Welsh European Funding Office spent an additional £52 million (around €59 million) under Objective 1 and the Polish IROP now has an additional funding of zł50 million (around €12 million) to spend. As a result, the ERDF unit in Śląskie is now looking for projects to fund under the ERDF measures for which it has responsibility. The ESF unit, instead, is preparing a new project that will provide grants for students. It is expected to be completed in May and payments made by the end of June.

## 5.2 Closure activities

The extension of expenditure eligibility dates for many programmes has also extended the deadline for finalising closure documents. However, for some regions this added flexibility is of limited consequence as **final closure is already in sight**. Closure reports are expected

in spring 2009 in Slovenia, in summer 2009 in Niederösterreich and Steiermark and in autumn 2009 in Länsi-Suomi.

Other Managing Authorities are still finalising **guidance documents, organising training sessions and setting up the necessary closure bodies**. An updated guidance document is being finalised in Portugal and will be sent to programme managers by the end of April 2009. Similarly, Śląskie is still waiting for national guidance from the Polish Ministry of Regional Development. In the País Vasco, a closure event was held in autumn 2008 to discuss the reports' requirements for the ERDF, although closure is more advanced regarding the ESF, where a set of tasks have been defined and the process has been launched. In England, the Department of Communities and Local Government (CLG) established a new closure team, which is in close contact with the Government Offices (GOs) who are responsible for closing the programmes. A European Closure Office (ECO) was also established in autumn 2008 to oversee the writing of the final reports, providing a quality check for the closure documentation.

The Czech national government launched an **evaluation in order to prepare and collect inputs for the final reports**. They also aim to make full use of their closure guidelines prepared in 2007<sup>29</sup> and the Questions and Answers compendium<sup>30</sup> prepared by the Commission following the closure seminar held in September 2008, which has been translated into Czech and distributed to all Managing Authorities. Some Managing Authorities have been undertaking additional ex post evaluations at their own initiative, not only to look at the implementation and impact of the programmes, but also to examine the need for adjustments to the new programmes.

In both German programmes (Nordrhein-Westfalen and Sachsen-Anhalt), the main focus is on dealing with the **technical issues associated with the closure of projects**, including major projects. Both programmes have projects where there are outstanding formal or legal issues that need to be resolved before they can be closed administratively, even though the projects have been completed in practical terms.

Recent challenges relate especially to the **administrative effort** in connection with staff and expertise problems (Scotland, Slovenia, Steiermark).

- In **Scotland**, closure has been much more time consuming than anticipated. The Scottish Government estimates that they are currently spending at least two-thirds of their time on the 2000-06 programmes, hence delaying the implementation of the new programmes. Additionally, closure expertise has been lost because of changes to the programme management system. Three of the five former Programme Management Executives (PMEs) which operated as Secretariats to the

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<sup>29</sup> Ministry of Regional Development and Ministry of Finance (2007) *Methodological Guidance for Structural Funds Closure for the Programme Period 2004-06* (in Czech).

<sup>30</sup> *Closure of 2000-2006 Structural Funds Assistance, Questions And Answers*, Final version 8 January 2009 (updated on 9 March 2009):  
[http://ec.europa.eu/regional\\_policy/conferences/closure/doc/pdf/qa0903\\_2009.pdf](http://ec.europa.eu/regional_policy/conferences/closure/doc/pdf/qa0903_2009.pdf)

programmes have been closed; the two remaining (as Intermediate Administration Bodies) are focused exclusively on the new programmes.

- In **England**, challenges also include the loss of staff and expertise due to the fact that management responsibilities for Structural Funds implementation changed (Regional Development Agencies instead of Government Offices). Ideally, the national Department of Communities and Local Government would like to see a staggered closure, instead of all regional Government Offices closing programmes at the same time.
- By contrast, in **Vlaanderen** the shift in programme responsibilities from the provincial to regional level has not been a major issue, since the provinces are still actively involved in implementation as ‘contact points’. However, a key closure challenge arises from the overlap of closure activities between the two programme periods. This overlap has increased with the six month eligibility extension and may have some impact on the staffing resources available to the new programme.

Lastly, for the Italian Local Entrepreneurial Development OP, the main problem relates to a **high number of cancelled project contracts** under the core business aid scheme. To address this it was agreed with the Commission to modify the Programme Complement in order to broaden the sectoral eligibility conditions of the scheme and another tourism scheme.

## 6. CONCLUSIONS

Since the end of 2008, the implementation of the 2007-13 programmes has progressed considerably. Management and administrative structures are set up and fully working in most cases. Project generation and selection is well under way, with several rounds of calls completed in many programmes, and high shares of funding committed across the EU. There has also been progress with payments, although delays in the approval of the management and control systems have held back spending in some programmes.

Despite this progress, concerns about financial absorption have grown, particularly in the context of the economic crisis and the potential for funding decommitment as the n+2 rule applies for the first time at the end of 2009 in most of the EU15. While some programmes have already witnessed a significant decline in funding demand, this has not occurred in all cases. The recently introduced Cohesion policy response as part of the European Economic Recovery Plan has generally been appreciated. Yet uptake of the various measures is mixed and it is considered that more can be done to simplify management and delivery.

A number of other operational challenges have arisen in the last six months, mainly relating to programme administration. The set-up of a compliant monitoring and control system proved to be rather challenging in some cases and ongoing concerns remain about regulatory requirements such as the approach to revenue generating projects and public procurement issues. Finally, the closure of the 2000-06 programmes continues to occupy an important share of time and effort in many programmes, often resulting in a high overall workload.

This paper represents a basis for further discussion at the IQ-Net meeting. Interesting starting points are:

- the programme responses to the economic crisis and the uptake of the various elements of the Commission's Recovery Plan;
- the strategies to ensure sufficient spending, especially in the context of an economic downturn;
- the various issues related to governance and the management of programmes, e.g. the setting-up of management and control systems;
- the key administrative issues affecting programme performance over the last six-months and the response to these;
- and the approach to achieving an efficient closure of the 2000-06 programmes.





## Improving the Quality of Structural Funds Programming through Exchange of Experience

IQ-Net is a network of Convergence and Regional Competitiveness programmes actively exchanging experience on practical programming issues. It involves a programme of research and debate on topical themes relating to Structural Funds programme design, management and delivery, culminating in twice-yearly meetings of members. IQ-Net was established in 1996 and has successfully completed three periods of operation: 1996-99, 1999-2002 and 2002-07. The fourth phase was launched on 1 July 2007 (Phase IV, 2007-10).

### IQ-Net Meetings

25 partners' meetings and a special 10<sup>th</sup> anniversary conference have been held in ten European countries during 12 years of operation of the Network. Meetings are held at approximately six-month intervals and are open to IQ-Net partners and to observers interested in joining the Network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.



### IQ-Net Website

The IQ-Net Website is the Network's main vehicle of communication for partners and the public ([www.eprc.strath.ac.uk/iqnet](http://www.eprc.strath.ac.uk/iqnet)). The launch of Phase IV has been accompanied by an extensive redesign of the site which comprises two sections:



*Partner Intranet Pages* available exclusively to IQ-Net members.

*Public Pages* which provide information on the Network's activities and meetings, allow the download of IQ-Net Reports and Bulletins, and provide a news section on issues relevant to the Network.

The Partners' section of the website provides exclusive services to members of the Network, including access to all materials prepared for the IQ-Net meetings, a list of EU27 links (programmes, institutions, economics and statistics etc.), partners' contact details, a partners' blog and other items of interest.

### IQ-Net Reports

The IQ-Net Reports form the basis for the discussions at each IQ-Net meeting. They present applied and practical information in a style accessible to policy-makers, programme executives and administrators. The reports can be downloaded, at no charge, from the IQ-Net website. To date, around 25 thematic papers have been produced on both 'functional issues' (e.g. management arrangements, partnership, information and communication,

monitoring systems) and ‘thematic issues’ (e.g. innovation, enterprise development, tourism). A similar number of papers have also been produced to review developments in the implementation of the Network’s partner programmes.

#### IQ-Net Thematic Papers

- The Financial Management, Control and Audit of EU Cohesion Policy
- From Environmental Sustainability to Sustainable Development? Making Concepts Tangible in Structural Funds Programmes
- Making sense of European Cohesion Policy: 2007-13 on-going evaluation and monitoring
- Turning ideas into action: the implementation of 2007-13 programmes
- The New Generation of Operational Programmes, 2007-2013
- National Strategic Reference Frameworks and OPs, 2007-2013
- Preparations for the Programme Period 2007-13
- Territorial Cohesion and Structural Funds
- Cohesion Policy Funding for Innovation and the Knowledge Economy
- The Added Value of Structural Funds
- Information, Publicity and Communication
- Mid-term Evaluation of the 2000-06 Programmes
- Mainstreaming Horizontal Themes into Structural Fund Programming
- The Structural Funds: Facilitating the Information Society
- Information into Intelligence: Monitoring for Effective Structural Fund Programming
- At the Starting Block: Review of the New Programmes
- Tourism and Structural Funds
- Preparations for the New Programmes
- The New Regulations and Programming
- Strategic Approaches to Regional Innovation
- Effective Responses to Job Creation
- The Evolution of Programmes and Future Prospects
- Equal Opportunities in Structural Fund Programmes
- The Contribution of Meso-Partnerships to Structural Fund Implementation
- Regional Environmental Integration: Changing Perceptions and Practice
- Structural Fund Synergies: ERDF and ESF
- The Interim Evaluation of Programmes
- Monitoring and Evaluation: Principles and Practice
- Generating Good Projects
- RTD and Innovation in Programmes
- Managing the Structural Funds - Institutionalising Good Practice
- Synthesis of Strategies 1994-96

#### IQ-Net Bulletin

The IQ-Net Bulletin promotes the dissemination of the Network’s activities and results. Thirteen issues have been published to date, over the period from 1996 to 2007. Bulletins are published using a standard format, with each providing summaries of the research undertaken and reports on the discussions which take place at IQ-Net meetings. The Bulletins can be downloaded from the IQ-Net website (public pages). A printed version is also sent out to the IQ-Net mailing list.



Admission to the IQ-Net Network is open to national and regional Structural Funds Managing Authorities and programme secretariats. For further information or to express an interest, contact Professor John Bachtler ([john.bachtler@strath.ac.uk](mailto:john.bachtler@strath.ac.uk)) or Laura Polverari ([laura.polverari@strath.ac.uk](mailto:laura.polverari@strath.ac.uk)).