



**TAKING STOCK OF PROGRAMME PROGRESS:  
IMPLEMENTATION OF THE LISBON AGENDA AND  
LESSONS FOR EUROPE 2020**

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## PREFACE

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**Sweden**

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# TAKING STOCK OF PROGRAMME PROGRESS: IMPLEMENTATION OF THE LISBON AGENDA AND LESSONS FOR EUROPE 2020

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# TAKING STOCK OF PROGRAMME PROGRESS: IMPLEMENTATION OF THE LISBON AGENDA AND LESSONS FOR EUROPE 2020

## EXECUTIVE SUMMARY

### Introduction

The 2006 reform of Cohesion policy has marked a watershed in the policy's history by explicitly aligning its governance architecture with the EU's overarching growth and jobs strategy, the Lisbon agenda. The aim of this paper is: to examine the progress with implementing the Lisbon agenda at the national and programme levels; to identify the challenges faced by programme managers in managing and implementing Lisbon-related priorities and interventions; to explore the different strategies and mechanisms employed to facilitate the management and implementation of Lisbon interventions; and to identify lessons for improving the delivery of the Lisbon agenda and to contribute to the Europe 2020 strategy.

### The Lisbonisation of Cohesion policy

Central to the new strategic approach for Cohesion policy in 2007-2013 is the explicit alignment of the policy with the Lisbon agenda. This has been established through three procedural innovations: (i) Community Strategic Guidelines and National Strategic Reference Frameworks; (ii) the earmarking instrument to encourage the allocation of expenditure to Lisbon-related interventions; and (iii) strategic reporting to the Council of Ministers on the achievement of objectives, as well as a closer alignment with annual reporting on the National Reform Programmes.

The NSRFs prepared by Member States were mostly broad with less focus and strategic influence than anticipated by the CSG. Many were based on existing domestic policies and strategies. However, comparative analysis of the NSRFs found evidence of the explicit 'Lisbonisation' of strategies common to all EU27 Member States. The preparation of coherent, comprehensive, long-term national development strategies was also an innovation for some Member States, especially among the EU12.

Analysis of strategies and spending choices at the level of Operational Programmes also found the CSG and earmarking requirements as having a powerful influence on planned Structural Funds expenditure. The most obvious impact was on the importance accorded to innovation, knowledge and entrepreneurship in virtually all programmes. There was less consistency in the way that Member States responded to the guideline relating to regional attractiveness.

Changes made to implementation arrangements for the 2007-13 period sought to increase the strategic management of programmes. Project selection systems employed 'thematic targeting' on Lisbon-related (and urban) projects, efforts were made to increase the involvement of the private sector, and new monitoring indicators and evaluation practices were introduced.

### Strategic reporting on mid-term achievements

Member States are required to elaborate two strategic reports by the end of 2009 and 2012, analysing the contribution of their programmes and NSRF towards Cohesion policy objectives, the Community Strategic Guidelines and the Integrated Guidelines for Growth and Jobs. The first strategic reports, produced at the end of 2009, vary in content, length and language. Assessment of the reports by the European Commission indicates that overall progress towards the Lisbon objectives has been slow. Without taking into account the ongoing effects of the crisis, the EU would only reach 75 points by 2010, which is half the speed of change that would have been needed to achieve the targets. At the level of thematic priorities, the main EU-wide findings reported by the Commission included:

- good progress in the innovation and research potential theme in both Convergence and RCE regions, though with striking disparities across Member States;
- similarly varied performance under the entrepreneurship theme (support for advanced services and self-employed/start-ups), reflected in high commitments in a number of countries;
- particularly strong progress in the ‘other investment in firms’ with over 40 percent of allocations committed to projects;
- satisfactory progress under the human capital and labour market thematic priorities, but delays in some Member States under the social inclusion theme; and
- delays in the capacity building and partnership theme across the EU.

Reporting on outputs and results was patchy, with many reports not providing any quantitative information or qualitative assessment. The reporting of evaluation findings was limited for similar reasons.

Despite the limited availability of data or evaluation evidence on achievements, the reports generally presented a positive picture of performance and of the outlook for the rest of the period. Nevertheless, ‘systemic obstacles’ to speedy implementation were reported, including EU-level delays on budget and regulatory agreement, changes in financial control rule, the complexity of managing overlapping programmes, domestic institutional problems, and the effects of the economic crisis.

In reviewing the measures employed to overcome any difficulties faced, most reports confirmed the continued relevance of the agreed strategies. Among the main crisis response measures used were administrative simplification to reduce burdens on beneficiaries, the use of internal flexibility within priorities and the modification in financial allocations between priorities or changes in co-financing rates.

Many reports did not outline any recommendations for improving performance in the years ahead, beyond the need to accelerate the overall implementation of the NSRF and programmes. From this perspective, the main goal for the future is one of maintaining rather than changing strategic focus.

## Lisbon and the Operational Programmes

Analysis of the Annual Implementation Reports at the level of individual programmes reinforces the picture obtained from the strategic reports. Comparisons between the initial programme allocations to earmarked categories and the funds committed to earmarked categories by the end of 2009 show significant differences in progress between programmes. While some programmes, especially in RCE regions, record high levels of funds committed (as a proportion of overall funding allocated, and in absolute terms), others appear to have found the implementation of earmarked funding to be challenging, notably under some Convergence programmes.

Qualitative analysis of programme performance since the start of 2007 indicates that IQ-Net programmes have been affected by a range of external and internal factors including compliance issues, the economic crisis, and deficiencies of administrative capacity and experience. The two factors with the most negative impact on the implementation of Lisbon measures are related to the administrative time and effort required for programme implementation, especially the parallel management of 2000-06 programme closure and the 2007-13 programme. Nevertheless, the impact of these factors is not perceived to have had a major impact on programme management and the state of absorption of funds is generally assessed in positive terms.

Key trends in the arrangements of many countries and programmes at the start of the 2007-13 period included stronger strategic management, investment in capacity for programme delivery, changes to partnership arrangements and new coordination arrangements. These trends were by no means universal, with change being far more limited where delivery arrangements were firmly embedded or mature, and where the Lisbon 'turn' in Cohesion policy fitted well with existing strategic and implementation frameworks. Early experiences with implementation have generally not required further changes to the delivery arrangements set up at the outset, although measures have been put into effect to deal with some of the challenges reviewed in the previous section. In responding to these challenges and in advancing programme goals more generally, the main strategic and operational measures of relevance are coordination activities, the acceleration of spending, broader programme delivery and administration actions, and project animation and selection processes.

With respect to monitoring and evaluation, the Lisbon 'turn' has had two key effects on the monitoring of programmes. First, the shift in the thematic content of programmes has, unsurprisingly, led to a shift in the types of indicators used, with a greater focus on Lisbon-related priorities (RTD, innovation, renewable energies etc.) than in the past, both in terms of context indicators and also in relation to outputs and results. Nevertheless, programme monitoring remains heavily focused on financial performance (spending) rather than policy outcomes (outputs and results). Second, and related, Managing Authorities have had to incorporate the earmarking codes into their monitoring systems, and these are now routinely used for financial planning, monitoring and reporting purposes.

However, there is great variation across the programmes in the indicators for measuring outputs and results. There appears to be little consistency in the core indicators used, the

benchmarks and targets established. Initial plans for monitoring have had to be revised in some cases because of methodological difficulties. From a very small sample of IQ-Net programmes where data were already available, there were several examples of good progress with output achievement.

Finally, the Lisbonisation of programme has also influenced evaluation plans. To date, only a limited number of evaluations have been undertaken at programme level and these have often been on operational issues. However, many evaluations are currently being launched or planned at the mid-term stage with a strong focus on Lisbon objectives and themes.

### **Lessons for Europe 2020**

The first lesson is the need for Europe 2020 to have a territorial dimension with a clearer spatial strategy and commitment to cohesion. Further, Managing Authorities underlined the importance of securing local and regional understanding and ownership of EU and National Reform Programme objectives and of the implementation of the strategies.

A message to emerge from the research and interviews in relation to the strategic planning framework is that more coherence is needed between Cohesion policy strategies, EU objectives and National Reform Programmes.

With regard to programming, Managing Authorities tend to agree on the need for greater concentration on clearer and fewer objectives and thematic priorities. Greater concentration on objectives can also be achieved by ensuring that the programme planning process follows a comprehensive and logical framework, encompassing the identification of priorities, interventions and physical indicators. The earmarking instrument provides a useful tool to support concentration efforts, although it is not a sufficient condition in of itself, particularly given the breadth of categories in the classification and the provisions to allow additional categories to be negotiated in NSRFs. A key message that has come through, however, is the need for more precisely defined earmarking categories and uniform reporting of data.

Moving from programming to implementation, the core message from Managing Authorities is the need for genuine simplification. Many consider that the main problem relating to 'Lisbon' is that the EU-level does not focus sufficiently on the content of the programmes but instead concentrates on bureaucratic rules.

Finally, scope for improvement in strategic reporting was identified in three main areas. More coherence and alignment with reporting on national reform programmes is needed. Additionally, there is a need for more proactive involvement of regions in the strategic reporting exercise and to open it up to other interested actors (local authorities, cities, socio-economic partners, NGOs etc.). A coherent and comparable methodological framework of core indicators is required from the start of the next period.



## **TAKING STOCK OF PROGRAMME PROGRESS: IMPLEMENTATION OF THE LISBON AGENDA AND LESSONS FOR EUROPE 2020**

### **1. INTRODUCTION**

The 2006 reform of Cohesion policy has marked a watershed in the policy's history by explicitly aligning its governance architecture with the EU's overarching growth and jobs strategy, the Lisbon agenda. The key procedural innovations to achieve this were: the establishment of a new planning framework involving the adoption of Community Strategic Guidelines and National Strategic Reference Frameworks centred on the Lisbon agenda; the identification of Lisbon-related categories of expenditure and financial targets through an earmarking instrument; and strategic reporting to the Council of Ministers on achievements.

The Lisbon agenda was scheduled to end in 2010, and has now been superseded by a new Europe 2020 strategy for smart, sustainable and inclusive growth. The Commission's proposals were put forward in March 2010 and agreed by the Council of Ministers in June 2010. What is striking about the process is the speediness of the consultation and the failure by EU institutions to engage in a systematic review of the successes and failures of the Lisbon strategy.<sup>1</sup> Greater understanding of the role of EU Cohesion policy is of particular relevance, being the single most important EU financial instrument for delivering the EU's Lisbon (and Europe 2020) objectives over the 2007-2013 period. While it is too early to provide a full assessment of the contribution of Cohesion policy at this current mid-term juncture, it is possible to review the early experiences with implementation. More specifically, the key objectives of the paper are:

- to examine the progress with implementing the Lisbon agenda through the National Strategic Reference Frameworks and Operational Programmes at the national and programme levels;
- to identify the challenges faced by programme managers in managing and implementing Lisbon-related priorities and interventions;
- to explore the different strategies and mechanisms employed to facilitate the management and implementation of Lisbon-related priorities and interventions; and
- to identify lessons for improving the delivery of the Lisbon agenda and Europe 2020 strategy.

The paper is based on desk research and an extensive set of fieldwork interviews conducted in September-October 2010 with national and regional Managing Authorities in 16 Member States - Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Poland, Portugal, Slovenia, Spain, Sweden and the United Kingdom. The desk-based research included analysis of national and Commission Strategic Reports

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<sup>1</sup> Pochet P (2010) What's wrong with EU2020? *Intereconomics* (2010) Forum on Europe 2020 – A promising strategy?, Volume 45, Number 3, May/June 2010, pp. 136-70.

(2009/2010) and data, Annual Implementation Reports (2008 and 2009), evaluations and other programme specific documentation (such as domestic monitoring reports).

The paper is structured as follows. It begins in Section 2 with a review of the reform of Cohesion policy in 2006, focusing on its alignment with the renewed Lisbon agenda and the strategic responses by the Member States to the new framework at the start of the programme period. The mid-term achievements at national level are then examined in Section 3, based on national and Commission Strategic Reports and financial implementation data. Section 4 turns to the programme level. It provides a review of financial and physical implementation, the main factors affecting performance, the strategies and measures adopted to optimise performance, and the role of monitoring and evaluation in assessing performance. The final section 5 provides an overall assessment and offers lessons for the future reform of Cohesion policy within the framework of Europe 2020.

## 2. The Lisbonisation of Cohesion policy

### 2.1 New strategic requirements for 2007-13

Central to the new strategic approach for Cohesion policy in 2007-2013 is the explicit alignment of the policy with the EU's overarching growth and jobs strategy, the Lisbon agenda.<sup>2</sup> This has been established through three procedural innovations:

- a planning framework involving the adoption of EU goals for the policy (Community Strategic Guidelines) based on the Lisbon agenda and national strategies to guide implementation (the National Strategic Reference Framework);
- an earmarking instrument to encourage the allocation of expenditure to Lisbon-related interventions; and
- strategic reporting to the Council of Ministers on the achievement of objectives, as well as a closer alignment with annual reporting on the National Reform Programmes

The roots of this strategic turn lie in the Lisbon agenda adopted by the European Council in 2000. Its aim was to make the EU *“the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010”*. This overarching goal was translated into an agenda of common objectives and measures, using both traditional EU policy instruments (directives, regulations and Community programmes) and a new open method of coordination involving the benchmarking, monitoring and reporting of Member States progress (e.g. in employment policy). Following a mid-term health check, which criticised the lack of progress on movement towards the set objectives and weaknesses in the delivery model, a renewed growth and jobs agenda was agreed in 2005. This included a streamlined set of integrated guidelines for growth and jobs (see Box 1).

These guidelines have, in turn, informed the Community Strategic Guidelines (CSG) for Cohesion policy in the 2007-2013 period (see Box 2). Adopted in 2006, the purpose of the CSG was *“to foster an increase in the strategic content of cohesion policy with a view to strengthening synergies with, and helping to deliver, the objectives of the renewed Lisbon agenda.”*<sup>3</sup> In line with the Lisbon objectives and the related integrated guidelines for growth and jobs, Cohesion policy would place more priority on *“investment in innovation, the knowledge economy, the new information and communication technologies, employment, human capital, entrepreneurship, support for SMEs or access to risk capital financing.”*

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<sup>2</sup> Mendez C (2011) The Lisbonization of EU Cohesion Policy: A Successful Case of Experimentalist Governance? *European Planning Studies*, 19: 3, pp. 519-537.

<sup>3</sup> Council Decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC), 21.10.2006, Official Journal of the European Union.

### **Box 1: Lisbon Strategy Integrated Guidelines for Growth and Jobs 2005-2008**

#### **Macroeconomic policies for growth and jobs**

1. To secure economic stability for sustainable growth;
2. To safeguard economic and fiscal sustainability as a basis for increased employment;
3. To promote a growth-and employment-orientated and efficient allocation of resources;
4. To ensure that wage developments contribute to macroeconomic stability and growth;
5. To promote greater coherence between macroeconomic, structural and employment policies;
6. To contribute to a dynamic and well-functioning EMU.

#### **Knowledge and innovation - engines of sustainable growth**

7. To increase and improve investment in R&D, in particular by private business;
8. To facilitate all forms of innovation;
9. To facilitate the spread and effective use of ICT and build a fully inclusive information society;
10. To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth;
11. To strengthen the competitive advantages of its industrial base;

#### **Making Europe an attractive area to invest and work**

12. To extend and deepen the Internal Market;
13. To ensure open and competitive markets inside and outside Europe and to reap the benefits of globalisation;
14. To create a more competitive business environment and encourage private initiative through better regulation;
15. To promote a more entrepreneurial culture and create a supportive environment for SMEs;
16. To expand and improve European infrastructure and complete priority cross-border projects;

#### **More and better jobs**

17. To implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion;
18. To promote a lifecycle approach to work;
19. To ensure inclusive labour markets, enhance work attractiveness and make work pay for job-seekers, including disadvantaged people, and the inactive;
20. To improve matching of labour market needs;
21. To promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners;
22. To ensure employment-friendly labour cost developments and wage-setting mechanisms
23. To expand and improve investment in human capital;
24. To adapt education and training systems in response to new competence requirements.

### **Box 2: Community Strategic Guidelines, 2007-13**

#### **1. Making Europe and its regions more attractive places in which to invest and work**

- Expand and improve transport infrastructure
- Strengthen synergies between environmental protection and growth
- Address Europe's intensive use of traditional energy sources

#### **2. Improving knowledge and innovation for growth**

- Increase and improve investment in RTD
- Facilitate innovation and promote entrepreneurship
- Promote the information society for all
- Improve access to finance

#### **3. More and better jobs**

- Attract and retain more people in employment and modernise social protection systems
- Improve adaptability of workers and enterprises and the flexibility of the labour market
- Increase investment in human capital through better education and skills
- Develop effective administrative capacity
- Help maintain a healthy labour force

The NSRF has provided a new tool to translate the CSG into national strategies and strategically to steer the design of Operational Programmes towards EU objectives. In practical or operational terms, however, the main tool for achieving concentration on the Lisbon agenda is the earmarking instrument. This requires a minimum share of funding to be allocated to Lisbon-related categories of expenditure, at least 60 percent under the Convergence Objective and at least 75 percent under the Regional Competitiveness and Employment (RCE) Objective for the EU as a whole. The targets are voluntary for the EU12.

The Lisbon priority themes and Lisbon earmarking categories are set out in Annex IV of General Regulation 1083/2006, while the full list (including non-Lisbon themes/categories) is set out in Annex II of the Implementing Regulation 1828/2006 (see the Annex to this paper). The list is more restrictive under the RCE Objective, for which 32 out of the total 86 categories of expenditure are classified as being Lisbon-compliant compared with 47 categories under the Convergence Objective. For both Objectives, the main ERDF-funded Lisbon priorities are R&TD / innovation and entrepreneurship, the information society, some energy priority categories (on different forms of renewable energy) and a single category under the environmental protection priority (clean urban transport). The three ESF priorities - access to employment and sustainability, social inclusion and human capital - are classified as being Lisbon compliant in their entirety under both Convergence and RCE Objectives. The more flexible list permitted under the Convergence Objective includes all five categories within the information society priority and some categories within the priorities for energy (trans-European networks) and transport (railways, motorways, multi-modal transport, airports, ports and trans-European networks).

**Table 1: Priority themes for Structural Funds support, 2007-13**

Priority themes (earmarking)	Priority themes (not earmarked)
<ul style="list-style-type: none"> <li>• R&amp;TD + innovation and entrepreneurship</li> <li>• Information society</li> <li>• Transport (partly, Convergence only)</li> <li>• Energy (partly)</li> <li>• Access to employment and sustainability</li> <li>• Social inclusion</li> <li>• Human capital</li> </ul>	<ul style="list-style-type: none"> <li>• Transport (RCE Objective)</li> <li>• Environmental protection and risk prevention (except for clean urban transport)</li> <li>• Tourism</li> <li>• Culture</li> <li>• Urban and rural regeneration</li> <li>• Social infrastructure</li> <li>• Social partnership mobilisation</li> <li>• Institutional capacity</li> <li>• Outermost regions</li> </ul>

Some Member States have negotiated national exceptions with the Commission (Cyprus, France, Greece, Portugal and Spain). In these countries (see Table 2), additional priority theme codes are earmarked as Lisbon-relevant.

**Table 2: Additional earmarked categories agreed in specific Member States**

Member State	Sub themes	Code	Category
Cyprus	Culture & Social	75	Education infrastructure
	Environment	50	Rehabilitation of industrial sites and contaminated land
France	Broadband	10	Telephone infrastructures (incl. broadband networks)
Greece	Culture & Social	75	Education infrastructure
Portugal	Culture & Social	75	Education infrastructure
	Environment	44	Management of household and industrial waste
	Environment	45	Management and distribution of water (drink water)
	Environment	46	Water treatment (waste water)
	Environment	53	Risk prevention (...)
	Territ. Dimension	61	Integrated projects for urban and rural regeneration
Spain	Culture & Social	77	Childcare infrastructure
	Environment	45	Management and distribution of water (drink water)
	Environment	46	Water treatment (waste water)

Source: Annex 'Analysis of data on priority themes in line with Lisbon Earmarking' to the Commission's Strategic Report

The third procedural innovation to support the alignment of EU Cohesion policy with the Lisbon agenda is the introduction of Strategic Reporting. Member States have been required to submit two reports at the end of 2009 and 2012 to assess the achievement of NSRF and programme objectives and the challenges faced. These reports are synthesised by the Commission and sent to the Council and other EU institutions for examination and debate. Links with the reporting process of the broader Lisbon strategy have also been enhanced as the Member States annual reports on the National Reform Programmes now include a section on the contribution of Cohesion policy programmes.

## 2.2 Strategic responses by Member States

In preparing their NSRFs, the Member States were required to present a strategy based on analysis of 'development disparities, weaknesses and potential', taking a national approach (applicable to both Convergence and RCE regions) and outlining thematic and territorial priorities. IQ-Net research conducted in 2005-6<sup>4</sup> indicated that, in most cases, the NSRFs were broad (especially in federal countries or those with devolved economic development responsibilities), with less focus and strategic influence than anticipated by the CSG. Many were based on existing domestic policies and strategies; new analysis was only really undertaken in the EU12, Greece and Italy. However, they did appear to indicate a convergence of Cohesion policy strategies with the Lisbon agenda, albeit with different development models or overarching approaches to development.

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<sup>4</sup> Polverari L, McMaster I and Gross F (2005) A Strategic Approach to Cohesion? Development 2007-2013 Strategies, *IQ-Net Thematic Paper No. 17(2)*, European Policies Research Centre, University of Strathclyde, Glasgow. Polverari L, McMaster I, Gross F, Bachtler J, Ferry M and Yuill D (2006) Strategic Planning for Structural Funds in 2007-13, *IQ-Net Thematic Paper No. 18(2)*, European Policies Research Centre, University of Strathclyde, Glasgow.

The territorial choices of the NSRFs required a balance between longer-term, Lisbon-oriented goals and shorter term, equity-related objectives. This was particularly evident in territorially diversified countries (e.g. Germany, Italy, Portugal, Slovenia). A significant number of countries - such as Austria, France, Greece, Hungary, Italy and Poland - proposed some form of spatial concentration of resources on 'growth poles', 'competitiveness poles' or 'excellence poles/systems', implying a shift from areas in need to areas of potential (also within the areas of need). The territorial choices were particularly sensitive in the RCE regions and in those Member States which were losing significant amounts of funding (e.g. United Kingdom) or where overall Cohesion funding was low (e.g. Denmark, the Netherlands). While it was difficult to establish the relative weight placed on equity (support to lagging regions) or efficiency (national competitiveness and growth), in broad terms Austria, Denmark, Ireland, the Netherlands and the United Kingdom seem more concerned with efficiency, whereas most other countries appeared to be aiming for a balance between competitiveness and cohesion.

Overall, comparative analysis of the NSRFs suggested two major strategic shifts from 2000-06 to 2007-13. First, there was evidence of the explicit 'Lisbonisation' of strategies common to all EU27 Member States.<sup>5</sup> For some of the EU15, this was not particularly innovative, as the 2000-06 strategies were considered reasonably well aligned with the Lisbon goals. A second element of relative innovation concerned the preparation of coherent, comprehensive, long-term national development strategies. In the EU12, the NSRFs represented the first comprehensive and long-term strategy linked to substantial resources.

The universal goal of all Member State frameworks was higher national growth and competitiveness. This was, however, addressed or interpreted in different ways by Member States in their NSRFs. Seven categories of coexisting, development objectives were identified by the IQ-Net research:<sup>6</sup>

- a competitive economy, to be achieved mainly through innovation, R&D and the knowledge economy, but also through support to the business sector (in virtually all Member States);
- sustainable growth and employment - again found in basically every country, even when not mentioned explicitly as the main strategic goal of the NSRF (as in the case of Denmark);
- quality of life and/or territorial attractiveness (in Bulgaria, Czech Republic, Hungary, Malta, but also in Austria, Finland, Germany, Sweden and the United Kingdom);
- development of human capital and more general societal modernisation (in Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Italy, Latvia, Malta, Poland, Romania, Slovenia and Spain);

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<sup>5</sup> Mendez C (2011) *Op. Cit.*

<sup>6</sup> Polverari *et al* (2006) *Op. Cit.*

- social cohesion (in Bulgaria, Czech Republic, France, Lithuania and Portugal);
- balanced territorial development/sustainable development (in Austria, Belgium, Bulgaria, Czech Republic, France, Italy, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden); and
- European or national convergence - an explicit strategic objective in Latvia, Romania, Slovakia among the EU12 and in Germany, Italy and Portugal among the EU15, although European convergence is *de facto* an overarching objective of the NSRFs of all new Member States.

Analysis of strategies and spending choices at the level of Operational Programmes also found the CSG and earmarking requirements as having a powerful influence on planned Structural Funds expenditure.<sup>7</sup> The most obvious impact was on the importance accorded to innovation, knowledge and entrepreneurship in virtually all programmes. Innovation was universally represented among the main themes set out for the 2007-13 period and, in the case of Regional Competitiveness strategies, innovation was generally the first priority. Programme documents stated that they planned to provide support across the range of interventions anticipated by the CSG - better targeted RTD investment, support for innovation and entrepreneurship, access to finance, information society, and human capital. There were clearly differences in approach to innovation, notably between Convergence and RCE programmes, the latter placing more emphasis on 'softer' and systemic interventions.

There was less consistency in the way that Member States responded to the guideline relating to regional attractiveness. Several of the interventions under this heading were already an important feature of programmes, notably measures to strengthen the economic environment through investment in infrastructure and environmental improvement. In the NSRFs and OPs for 2007-13, the key distinction was between the Convergence or Phasing-out programmes, where investment in major and strategic infrastructure remained eligible and affordable, and the RCE programmes where this is largely ineligible and too costly for programme resources. In the latter case, there was a shift to transport investment in logistics hubs and platforms, travel centres, traffic management systems and transport chains. In the field of ICT, standard interventions were designed to improve broadband connectivity, improve the quality and reduce cost of connections and accessibility, as well as the use of electronic services (e-government, e-commerce, e-learning). Support was also planned to strengthen synergies between environmental protection and growth. A distinctive characteristic of some OPs was the greater emphasis placed on investment in environmental technologies and renewable energy sources.

These findings were reinforced by a meta-analysis of half of all ERDF and Cohesion Fund OPs which found a close alignment with the sub-headings of the CSG, but with different

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<sup>7</sup> Bachtler J, Ferry M, Mendez C and McMaster I (2007) The 2007-13 Operational Programmes: A Preliminary Assessment, *IQ-Net Thematic Paper* No. 19(2), European Policies Research Centre, University of Strathclyde, Glasgow.

rankings of priorities.<sup>8</sup> The Competitiveness programmes tended to focus on 'entrepreneurship, RTD and innovation', in line with the knowledge society ethos of the Lisbon agenda. 'Accessibility' was generally, but not always, ranked amongst the top priorities of the Convergence programmes in the less developed regions, given their greater needs for basic infrastructure investment. However, this general picture masks wide variation in prioritisation. At least six 'different paths to Lisbon' were identified:

- Competitiveness programmes: 1) R&TD and innovation (with limited environmental priority) (Ireland, Denmark, Luxembourg, part of Netherlands); 2) employment, urban regeneration and energy (as well as R&TD and innovation) (Belgium, part of Netherlands, Sweden, Finland, partly Austria, Germany); 3) renewable energy, urban and rural development and tourism (as well as R&TD and innovation) (United Kingdom, France, Italy, Spain, partly Austria and Germany).
- Convergence programmes: 4) transport and accessibility (Greece, Portugal, Hungary, Czech Republic, Slovenia, Malta, Cyprus); 5) knowledge promotion and accessibility (Estonia, Latvia, Lithuania) and 6) urban/rural infrastructure (Poland, Romania, Bulgaria, Slovakia).

Finally, it is worth noting some of the changes made to implementation arrangements for the 2007-13 period.<sup>9</sup> In particular, improvements were made to the strategic management of programmes, reflecting the regulatory requirements and Commission pressure for a more strategic approach from both policy and financial perspectives. The influence of the CSG was most evident in the project generation, appraisal and selection systems where specific measures to increase 'thematic targeting' on Lisbon-related (and urban) projects were introduced. The strategic framework of the Lisbon Agenda also prompted renewed efforts to increase the involvement of the private sector not only on advisory bodies and Monitoring Committees but also as active participants in the implementation process. New monitoring indicators were introduced, reflecting the thematic shifts in spending as well as the need to monitor funding at both OP and NSRF levels; and evaluation planning needed to be rethought to comply with multi-level evaluation requirements and (in some cases) the need to prepare for strategic reporting.<sup>10</sup>

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<sup>8</sup> Nordregio (2009) Potential for EU Structural Funds to contribute to the Lisbon and Göteborg objectives for growth, jobs and sustainable development, Final Report, DG Regional Policy, Brussels.

<sup>9</sup> Ferry M, Gross F, Bachtler J and McMaster I (2007) Turning strategies into projects: the implementation of 2007-13 Structural Funds programmes, *IQ-Net Thematic Paper* No. 20(2), European Policies Research Centre, University of Strathclyde, Glasgow.

<sup>10</sup> Polverari L, Mendez C, Gross F and Bachtler J (2007) Making sense of European Cohesion policy: 2007-13 on-going evaluation and monitoring arrangements, *IQ-Net Thematic Paper* No. 21(2), European Policies Research Centre, University of Strathclyde, Glasgow.

### 3. Lisbon and the NSRFs

Strategic reporting is one of the main governance innovations in the 2007-13 programme period. It requires the Member States to elaborate two strategic reports by the end of 2009 and 2012, analysing the contribution of their programmes and NSRF towards Cohesion policy objectives, the Community Strategic Guidelines and the Integrated Guidelines for Growth and Jobs. For its part, the Commission is required to draw up a synthesis assessment of the national reports, which is transmitted to EU institutions for examination and debate. The core aim is to make Member States more accountable for the delivery of policy objectives, particularly relating to the overarching Lisbon objectives, and to encourage debate and learning about the effectiveness of Cohesion policy.

#### 3.1 Strategic Reporting: organisation, content and form

Member States adopted different organisational approaches to strategic reporting. As the Report was required to review the NSRF, the drafting process was undertaken or coordinated at the national level. Some national bodies contracted the work - or parts of it - to external consultants (e.g. Belgium, Germany, Greece, Czech Republic), but most Member States undertook the task in-house, assigning the work to an existing national organisation with a coordination role or political responsibility for Cohesion policy. However, these were not the same organisations as those responsible for reporting on the broader Lisbon strategies (i.e. National Reform Programmes), except for Slovenia where the Managing Authority GOSP was able to exploit the synergies involved in discharging both of these tasks.

The elaboration of the reports was seen as being administratively demanding in some countries, requiring additional staff to be employed. However, many national bodies, particularly in the EU12 but also in some of the EU15 (e.g. Greece, Ireland, Italy, Spain, Portugal), were well-accustomed to the coordination of Cohesion policy monitoring and reporting processes. The main strategies or mechanisms used to ensure that the process was well structured, informed and coordinated included:

- setting up strategic reporting working groups (Austria, Czech Republic, Finland, France, Slovenia);
- embedding the exercise within annual reporting or evaluation planning processes (Austria, Poland, Portugal, Spain);
- making use of evaluation studies that had been commissioned to feed into the strategic report (France, Portugal); and
- benefitting from governmental strategic reflections and evidence to territorial reviews of regional (including EU cohesion) policies for the OECD (Portugal and Sweden).

In general, the strategic reporting exercise did not have a high public profile. Domestic accountability for the exercise could have been enhanced though public consultations (as

was reportedly the case in Bulgaria, Cyprus, Italy, Malta), but this approach was not used in most Member States. A more pro-active effort was made in Sweden, where the strategic report and the recent OECD Territorial Review were used to draw up a report that was sent to the Parliament for examination and debate, entitled ‘Strategic growth efforts for regional competitiveness, entrepreneurship and employment’.

Turning to the content and form of the reports, the General Regulation was relatively unprescriptive, only specifying the need: to review the socio-economic situation and trends; to identify the achievements, challenges and future prospects in relation to implementation of the agreed strategy; and to provide examples of good practice. Nevertheless, the Commission did provide guidance to the Member States,<sup>11</sup> mainly to ensure that certain key topics were covered, such as the response to the economic crisis, and that the Member States provided the Commission with the necessary data to undertake its own pan-EU assessment of financial progress.

The key issues raised by the Commission in its guidance were covered in many of the reports, albeit with varying degrees of depth and rigour. The length of the reports, for instance, ranged from fewer than 50 pages (e.g. Belgium, excluding annexes) to over 300 pages (Spain), although page length was not necessarily an indication of quality or rigour.

Also of note is that few Member States translated their reports to another EU working language, perhaps surprising given that a key aim of the exercise was to encourage mutual learning across countries. Exceptions include the reports of Austria, Bulgaria, Czech Republic, Hungary, Lithuania and Romania (which were translated into English) and some executive summaries (Greece, Poland, Spain). A further obstacle to accessibility and cross-national dissemination and examination of the findings is that the reports were not all made available on the Commission’s website (unlike the NRP annual monitoring reports, for instance); only a limited number can be directly downloaded from the strategic reporting section of DG Regio’s website, in many cases providing links to national websites instead where the reports are not always easily visible or accessible.

### **3.2 The socio-economic situation and trends**

The point of departure for the strategic reports is an update of the socio-economic situation and trends since the formulation of the NSRFs. The major development is of course the economic crisis, and most reports discussed the important consequences for economic activity, the business environment, labour market and public finances at national and regional levels. Assessing the impact of the crisis on the regions was not always straightforward, being hampered in many cases by lags in the availability of data at sub-national level, with the exception of labour market data.

Some reports provided overviews of the changing national and regional policy environment in response to the new scenario, particularly regarding domestic crisis measures at national or regional level (e.g. Spain), but often in a rather general form (e.g. United Kingdom).

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<sup>11</sup> DG Regio (2009) Information note: Indicative structure for the national strategic reports 2009, COCOF 09/0018/01-EN, European Commission, Brussels.

Different to most other reports, Austria's socio-economic analysis included a forward-looking appraisal of future regional policy directions on the basis of prospective studies and discussions within its NSRF monitoring structure (Box 3).

### Box 3: 2030 Spatial Development Scenarios in Austria

The trends and challenges for Austria's regional policy are discussed annually within the so-called 'STRAT.ATplus' process. Drawing on this work - including a study on the 2030 spatial development scenarios for Austria<sup>12</sup> and the Commission's Regions 2020 report<sup>13</sup> - the Austrian Strategic Report highlights the following key messages.

**Globalisation and the increasingly knowledge-based nature of growth:** Austria is undergoing a transition towards growth that is increasingly determined by research, technology and innovation. It has achieved the highest increase in R&D expenditure as a share of GDP in the EU15 since 2000 and is on target to reach the EU's three percent target. Two challenges are highlighted: addressing the decline in growth which has resulted from the crisis; and designing a forward-looking strategy to ensure that the medium term goal of belonging to the group of leading innovation nations is not threatened.

**Demographic change:** Austria's population is forecast to grow by three percent between 2008 and 2015 (8 percent by 2030) due to migration flows, posing challenges for integration policies. These trends are not evenly distributed: above-average growth for Vienna and Niederösterreich; moderate growth in the Western *Länder*; and stagnation or decline in the South. Population will continue to grow in agglomerations, remaining stable in rural regions overall (but declining in inner-Alpine peripheral regions/valleys). The ageing population is also a challenge too in the 2030 time-frame. The ESF currently provides an important lever for addressing these challenges.

**Resources and energy scarcity:** Bottlenecks related to the availability of commodities and energy became acute between 2007 and mid-2008, leading to high price rises and shortages. These challenges will intensify in the recovery from the crisis. Support for resource efficiencies, the substitution of commodities as well as the utilisation of alternative energies and new materials will be important fields of activity in the future. The ERDF already contributes to these tasks, but mostly national instruments are used in this context.

**Climate change:** The increasing occurrence of extreme weather and associated damage, along with new scientific insights, have increased awareness of climate change and its consequences. The Commission published a white paper on climate change in April 2009, and several countries have developed corresponding strategies. The Austrian government has anchored the preparation of a national adaptation strategy by 2013 in its government agreement.

The reviews of the socio-economic context and the evolving domestic policy environment were often presented as contextual background information. There was limited effort to distil specific strategic implications for the NSRFs or for longer-term policy directions, beyond general statements about the need for effective and efficient delivery in the difficult economic and budgetary climate. In part, this is due to the fact that many Member States do not use the NSRF as a strategic tool upstream of the programming phase - nor are they obliged to inform the Commission about modifications to their NSRFs where they do play a more substantive role - but also because strategic revisions to the NSRF were not generally seen as necessary. For instance, the updated socio-economic analysis in the Spanish report, one of the countries most acutely affected by the crisis, led to a revision of

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<sup>12</sup> ÖROK (2009) Szenarien der Raumentwicklung Österreichs 2030 - Regionale Herausforderungen und Handlungsstrategien, ÖROK-Schriftenreihe 176/II, Vienna.

<sup>13</sup> European Commission (2008) *Regions 2020 - An assessment of future challenges for EU regions*, SEC(2008), Commission Staff Working Document, Brussels.

the NSRF's SWOT analysis, but the report concluded that the strategy remained valid and, moreover, even anticipated some of the challenges faced in the current crisis context.

Looking more specifically at Lisbon agenda objectives and indicators, the most recent EU-wide analysis of the situation and trends in the regions is provided in the Fifth Cohesion Report.<sup>14</sup> It uses the recently created 'Lisbon index', which measures how far regions are from eight Lisbon targets for 2010, to provide a snapshot picture of the situation in 2008 and trends between 2000 and 2008.<sup>15</sup> Beginning with the situation in 2008, the report reveals important variation in attainment.

- The level of Lisbon attainment in Convergence regions was almost half that of the RCE regions average (with average index scores of 38 and 70 respectively) (see Table 3). Transition regions fared better (42) but were still well below the EU27 average (of 68).
- The top ten Lisbon achievers in 2008 included three Finnish regions (Länsi-Suomi, Etelä-Suomi, Pohjois-Suomi), four Swedish regions (Östra Mellansverige, Västsverige, Sydsverige, Stockholm) two United Kingdom regions (Hampshire and Isle of Wight, Lancashire) and one Danish region (Hovedstaden) scoring between 95 and 100.
- At the other end of the scale, the bottom ten comprised four Southern Italian regions (Sicilia, Campania, Calabria and Puglia), the two Portuguese island regions (Açores and Madeira), Malta, one Romanian region and two Hungarian regions (Észak-Magyarország and Dél-Dunántúl), all scoring fewer than 15 points on the Lisbon index.

**Table 3: Lisbon index 2008 and change 2000-2008**

Lisbon indicator	Lisbon Target	EU27	CONV	TRANS	RCE
Employment rate of men aged 15-54	85	76	71	75	80
Employment rate of women aged 15-54	64	64	57	59	69
Employment rate of people aged 55-64	50	46	40	44	49
Early school leavers aged 18-24	10	14	15	19	12
Secondary education attainment of people aged 20-24	85	78	80	72	78
Participation in life-long learning of people aged 25-64	12.5	9.4	5.3	8.6	11.6
Business expenditure in R&D as % of GDP	2	1.2	0.4	0.5	1.4
Government, higher education and non-profit expenditure in R&D as % of GSP	1	0.6	0.5	0.5	0.7
<b>Lisbon index</b>	<b>100</b>	<b>68</b>	<b>38</b>	<b>42</b>	<b>70</b>
<b>Change in Lisbon index 2000-2008</b>		<b>11</b>	<b>7</b>	<b>10</b>	<b>9</b>

Source: Fifth Cohesion Report, p. 195

<sup>14</sup> See also Annoni P and Kozovska K (2010) *EU Regional Competitiveness Index 2010*, JRC Scientific and Technical Reports, European Commission, Brussels.

<sup>15</sup> The methodology is explained in more detail in Dijkstra L (2010) 'The Lisbon Index', *Regional Focus*, No3/2010, DG Regional Policy, European Commission, Brussels.

In terms of trends over time, EU regions have on average improved their score by 11 index points between 2000 and 2008. The 10 regions with the most rapid improvements were Corse in France (albeit from a low starting point), no fewer than seven Spanish regions (País Vasco, Cantabria, Navarra, Galicia, Asturias, La Rioja and Extremadura), Kärnten in Austria, and Liguria in Italy. But overall progress towards the Lisbon objectives has been slow across the board. On the basis of the reported trends, and without taking into account the ongoing effects from the crisis, the EU would only reach 75 points by 2010, which is half the speed of change that would have been needed to achieve the targets.<sup>16</sup>

### 3.3 Achievements and future prospects

The Strategic Reports employed several methods to assess Cohesion policy achievements and NSRF contributions to Lisbon objectives. A first approach involved examining the relationship between NSRF objectives/priorities and those of the Community Strategic Guidelines, European Employment Strategy and National Reform Programmes. Some reports provided quantitative matrix analyses of relative weightings, financial allocations or implementation progress to demonstrate the linkages (e.g. Austria, Czech Republic, Hungary, Portugal, Spain), while others only provided schematic illustrations of the links or qualitative descriptions. A second source of evidence used to assess achievements was financial implementation data, also sent to the Commission to undertake a comparative EU-wide assessment. The link to Lisbon objectives could be accordingly analysed at two levels: earmarking targets and progress in achieving them, which could be labelled a 'narrow' Lisbon approach given the restricted fields of intervention covered; and a 'broad' Lisbon approach encompassing the full range of priority themes and expenditure categories, all of which can be linked to the Community Strategic Guidelines and Lisbon agenda. A third method to account for actual policy outcomes was through the reporting of outputs and results data, including on the Commission's core indicators. Aside from these standard monitoring and reporting approaches, a limited number of reports were able to draw on evaluation findings (e.g. France, Hungary, Portugal).

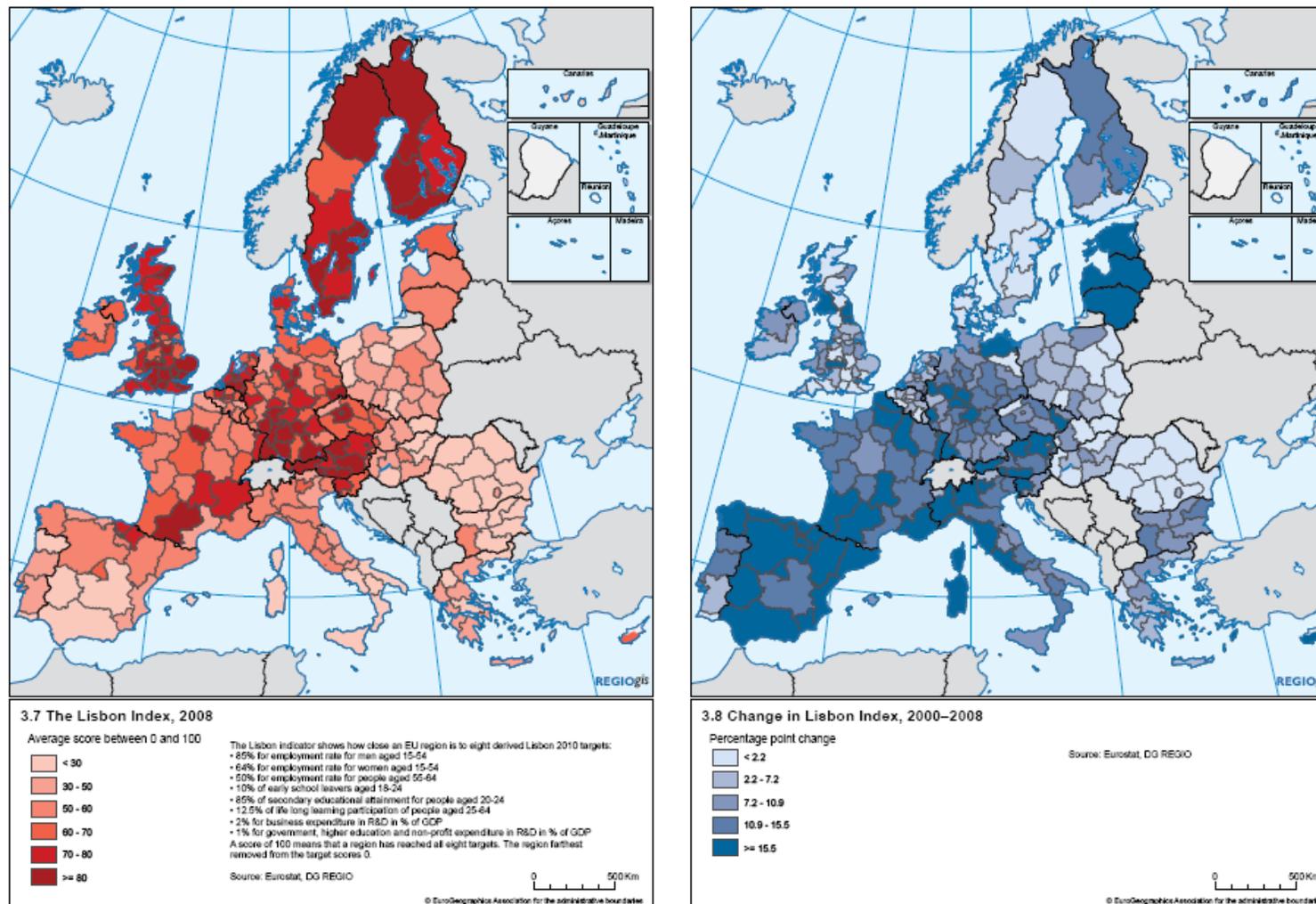
The main challenges faced in using these methods and evidence sources for assessing achievements were five-fold.

- At a conceptual level **the Lisbon objectives are rather ambiguous** - even though they may be clearly expressed and succinctly stated in EU strategies (the renewed Lisbon agenda and the CSG) and national plans (National Reform Programmes or NSRFs) - and methodologically difficult to assess for causal policy impacts.
- **Financial and physical data were limited** - or non-existent in many cases - mainly due to the relatively late launch of the programmes. This explains why the Commission encouraged the Member States to report on projects or operations selected, rather than just payments.

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<sup>16</sup> Based on 2000-2007 data: Dijkstra L (2010) *Op. Cit.*

Figure 1: The Lisbon Index



- **Very few evaluation studies of the current programmes had been completed.** Where results were available, they were mainly concerned with operationalisation issues (e.g. France, Portugal, Hungary), although macro-economic impact assessments were also included in some of the reports (Hungary, Poland).
- **Some Member States faced challenges in aggregating data** at the national level due to the different methodological approaches used across programmes and the logistical challenges in collecting the data (e.g. Germany).

With these caveats in mind, the remainder of this section reviews the key findings of the reports on financial implementation progress, the challenges and measures employed to overcome difficulties, and recommendations for the remainder of the period and beyond.

### *3.3.1 Financial implementation*

As noted above, assessing the financial performance of NSRFs and programmes in relation to Lisbon objectives and themes can be approached from a narrow or broad perspective. The earmarking categories constitute the narrow perspective by focusing on those areas of expenditure considered to be most relevant to the Lisbon agenda. However, the objective of all Cohesion policy spending is to contribute to growth and jobs. Accordingly, the three CSG and their various sub-headings can be linked to all of the thematic spending priorities and sub-divided categories of expenditure. Only some national reports presented financial performance data and analysis in this way (e.g. Austria, Hungary, Portugal), but the Commission published the national-level data sets along with a discussion of the key findings in its synthesis report.

Before reviewing the comparative findings on financial implementation, two methodological caveats should be noted. First, the data relate to funding committed to operations (projects) not actual payments to implemented projects and therefore do not necessarily reflect the reality on the ground (to the extent that commitments may not be fully realised). Second, while the Commission requested cumulative data up to September 2009, many Member States provided data relating to a later date (Estonia, France, Slovenia, Spain) or from the end of 2008 (in the case of Germany).

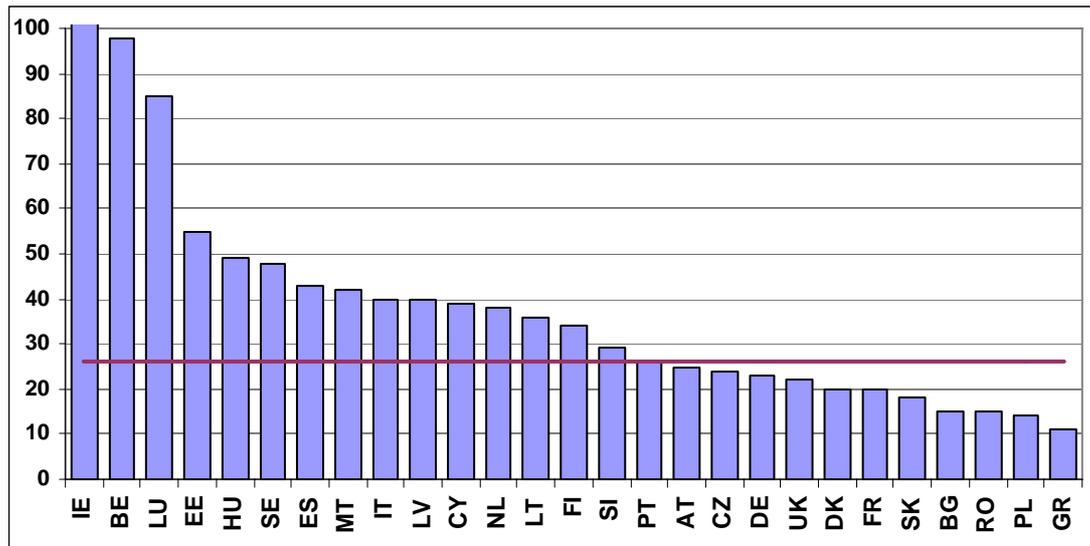
#### *(i) Community Strategic Guidelines: the broad Lisbon perspective*

The first CSG is ‘**Attractive places to invest and work**’ which includes the priority themes of rail, road and other transport, environment, energy, broadband and cultural and social infrastructures. By late 2009, project commitments across the EU were around a quarter of the total allocation to the guideline. Country project selection rates differed widely. Three Member States had already committed above 85 percent of their allocations (Luxembourg, Belgium and Ireland, the latter more than its allocation), while four Member States had not reached the level of 15 percent of their funding allocations (Bulgaria, Romania, Poland and Greece). In examining the commitment profiles of different priority themes, the main messages reported by the Commission included the following:

- although progress in transport was deemed satisfactory, commitments have been imbalanced by favouring roads and motorways over rail projects;

- there has been underperformance in the environmental theme; and
- major delays have affected energy sector projects in many Member States (Bulgaria, Spain, Greece, Latvia, Poland, Portugal, Romania, Slovenia, Slovakia, United Kingdom) thus hindering the achievement of EU sustainable development objectives.

Figure 2: Financial implementation of the CSG ‘Attractive places to live and work’ (funding committed to operations as percentage of the total allocation)



Source: European Commission data

The second CSG - ‘**Improving knowledge and innovation for growth**’ - is often considered to be the one most aligned with Lisbon agenda, at least at the level of policy discourse. Mainly funded through the ERDF, it encompasses the priority themes of RTDI, entrepreneurship, ICT and other investment in firms. Overall, the project commitment rate (29 percent of funds) was higher than under the other two guidelines. Again, financial performance was particularly high in Belgium, where more than three-quarters of the allocation had been committed (mainly in the ‘other investment in firms’ category), but also in Malta (‘RTD & innovation’ predominantly, for which the entire allocation had been committed). At the other end of the spectrum, seven Member States had committed only 10-20 percent of funding (Greece, Poland, Romania, Bulgaria, Slovakia, France and Denmark).

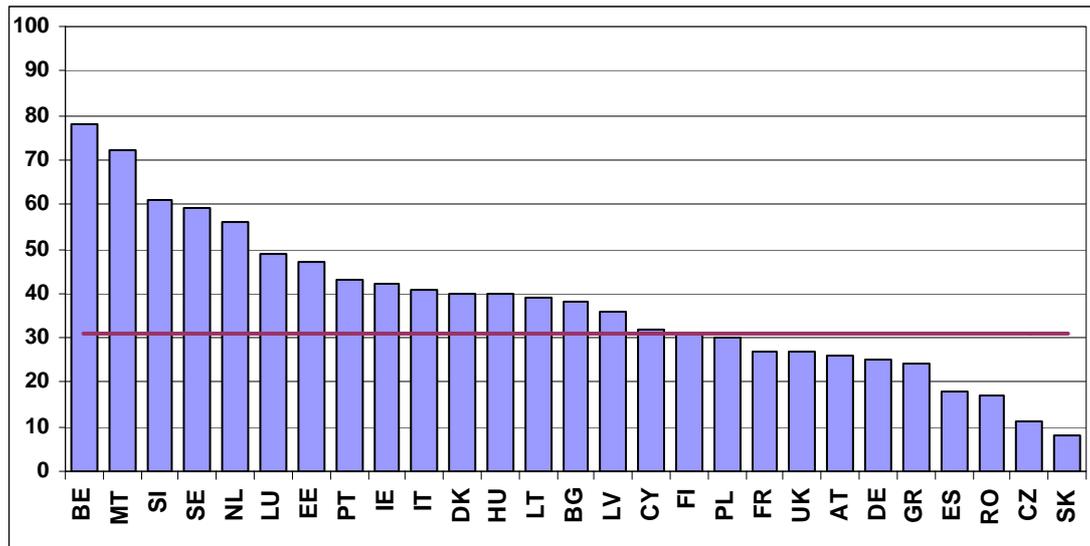
At the level of thematic priorities, the main EU-wide findings reported by the Commission included:

- good progress in the innovation and research potential theme in both Convergence and RCE regions, though with striking disparities across Member States;
- similarly varied performance under the entrepreneurship theme (support for advanced services and self-employed/start-ups), reflected in high commitments in a number of countries (Belgium, Bulgaria, Finland, Spain, Latvia, Poland, Sweden,

Slovenia, United Kingdom) and slow progress in others (Austria, Spain, Hungary, Italy, Netherlands, Portugal and Romania);

- particularly strong progress in the ‘other investment in firms’ with over 40 percent of allocations committed to projects, largely because this category of expenditure played an important role in national and regional responses to the crisis.

**Figure 3: Financial implementation of the CSG ‘Improving knowledge and innovation for growth’ (funding committed to operations as percentage of the total allocation)**



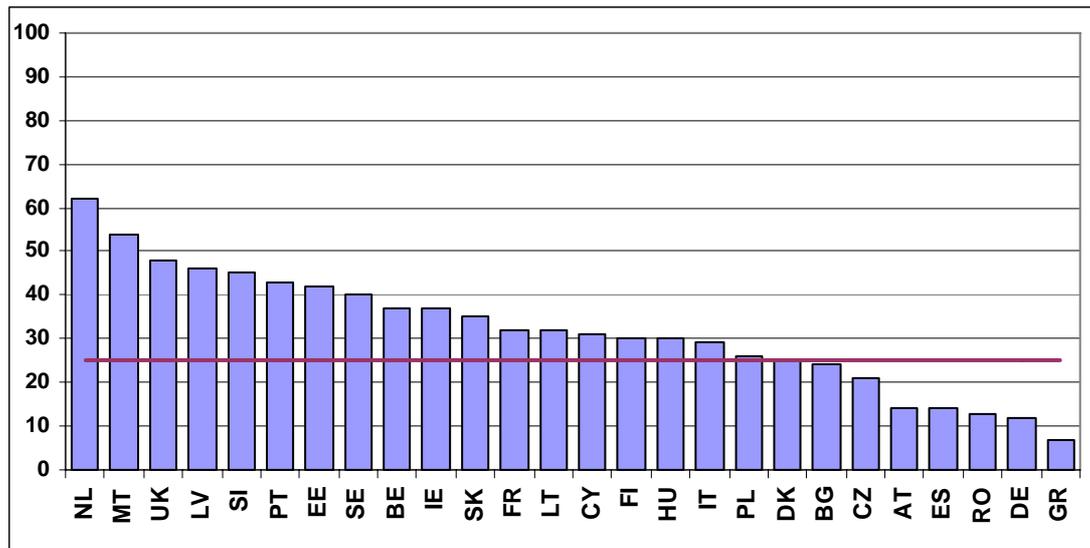
Source: European Commission data

The third CSG is ‘**More and better jobs**’, which is strategically anchored in the European Employment Strategy and funded by the ESF. Four priority themes are covered by this guideline: human capital; labour market; social inclusion; and capacity building. At EU level, the commitment rate was 26 percent by late 2009, the same rate as the first CSG. The cross-national range is again wide, although there is a much larger group of countries clustered around the average than under the previous CSGs. The top five countries are Belgium, Malta, Slovenia, Sweden and the Netherlands, all of which had commitment rates above 50 percent of their allocations. At the lower end of the scale were Slovakia, Czech Republic (around 10 percent or less), Romania and Spain (both under 20 percent). In between these two groups, commitment rates ranged between 25 and 45 percent.

The key points raised in the Commission’s synthesis report were:

- satisfactory progress under the human capital and labour market thematic priorities, but delays in some Member States under the social inclusion theme (notably in Austria, Slovakia, Spain and Germany); and
- delays in the capacity building and partnership theme across the EU (especially in Spain, Italy, Lithuania, Portugal and United Kingdom), partly explained by the fact that delivery is through multi-ministerial programmes which can delay decision-making.

**Figure 4: Financial implementation of the CSG ‘More and better jobs’ (funding committed to operations as percentage of the total allocation)**



Source: European Commission data

Aside from the three guidelines reviewed above, drawn directly from the EU’s 2005 Renewed Lisbon agenda, the CSG document includes a second section entitled the ‘territorial dimension’. While this dimension is arguably a transversal priority that cuts across many different interventions, the Commission’s Strategic Report identifies the European Territorial Cooperation programmes and four specific expenditure categories as being particularly relevant: assistance to improve tourism services; integrated urban and rural regeneration projects; compensation of any additional costs due to accessibility deficit and territorial fragmentation; specific action addressed to compensate additional costs due to size market factors; and support to compensate additional costs due to climate conditions and relief difficulties. The strategic reporting data showed that project commitments in the first two categories - for tourism and urban/urban regeneration - were strong (35 and 29 percent respectively), while commitments under the European Territorial Cooperation programmes were somewhat lower (around a quarter of their allocations).

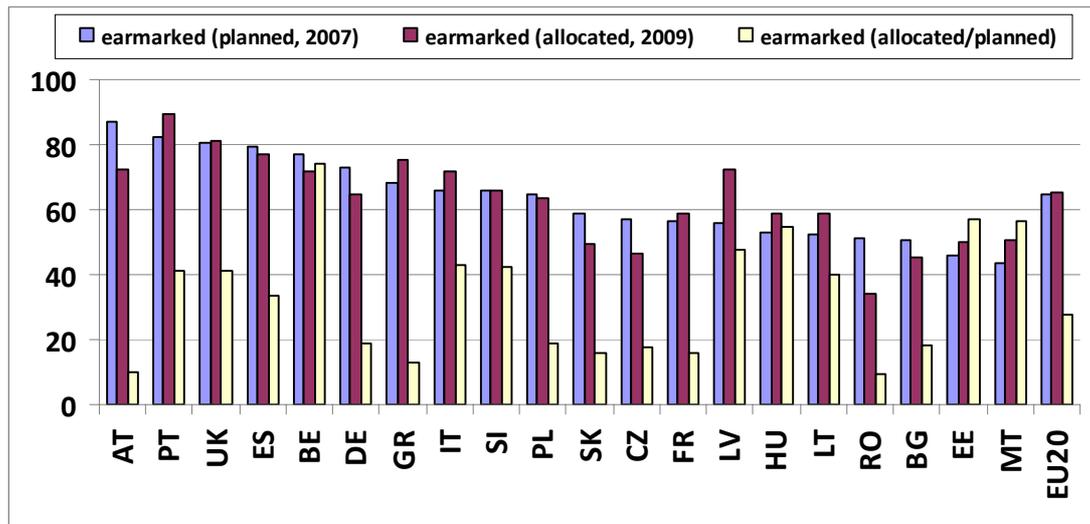
Summing up, the key priority areas facing delays or variable performance are in the rail sector, certain energy and environmental investments, investment in the area of the digital economy, social inclusion, and governance and capacity building.

*(ii) Earmarking: the narrow Lisbon perspective*

Turning to the narrower earmarking classification of Lisbon expenditure, the data published by the Commission on 2009 project commitments show that the targets set for the EU are being achieved. Under the **Convergence Objective**, 65.4 percent of all project commitments were on earmarked expenditure, slightly higher than the 64.5 percent ex-ante targets agreed in the approved programmes (or five percentage points above the 60 percent EU target set in the General Regulation). As can be expected, the overall figures mask wide variation. Of the 20 Member States receiving Convergence funding, just over half had exceeded their ex-ante targets:

- by 16 percentage points in the case of Latvia;
- by 4-7 percentage points in a group of seven Member States (Portugal, Greece, Malta, Lithuania, Italy, Hungary and Estonia); and
- by a slim margin in the remaining three countries (France, United Kingdom and Slovenia).

**Figure 5: Convergence earmarking targets (planned for 2007-13 and achieved in 2009) and earmarking financial absorption (project pipeline, 2009)**



Source: European Commission data

Countries with spending commitment below ex-ante earmarking targets can be divided into three groups:

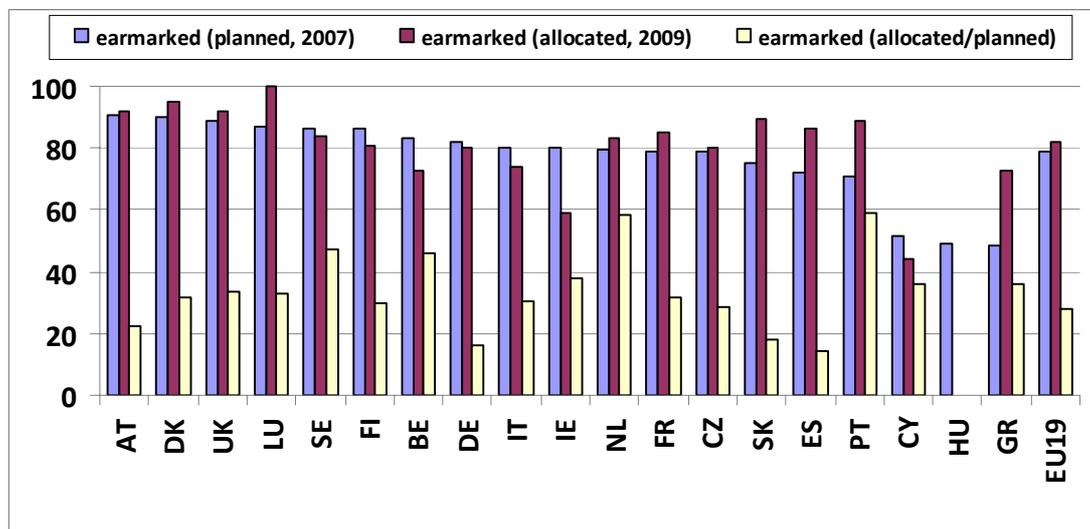
- 15 percentage points or more behind (Romania and Austria);
- 5-10 percentage points behind (Czech Republic, Slovakia, Germany, Bulgaria, Belgium); and
- marginally behind (Poland and Spain).

The relative rankings are different for earmarked project commitment rates, which arguably provides a better indicator of the relative ease or challenges faced in spending the earmarked allocations during the lifetime of the programmes. Setting Belgium aside, which had already allocated three quarters of its earmarked allocation to projects, four groups can be identified:

- above 50 percent of total funds allocated (Belgium, Estonia, Malta, Hungary);
- 33-50 percent (Latvia, Italy, Slovenia, United Kingdom, Portugal, Lithuania, Spain);
- 10-20 percent (Poland, Germany, Bulgaria, Czech Republic, France, Slovakia, Greece); and

- below 10 percent (Austria, Romania).

Figure 6: RCE earmarking targets (planned for 2007-13 and achieved in 2009) and earmarking financial absorption (project pipeline, 2009)



Source: European Commission data

Turning to the **RCE Objective**, spending on earmarked categories of expenditure was ahead of the ex-ante targets by a similar margin. Specifically, some 82 percent of EU expenditure allocated to projects was on earmarked categories, three percentage points above the 79 percent ex-ante targets on programme approval (and seven percentage points above the 75 percent target set for the EU in the General Regulation). As with the Convergence Objective, this average masks wide variation across Member States. Of the 19 Member States with RCE funding, 11 had exceeded their targets on the basis of 2009 data:

- at the top end were Greece and Portugal, by 18 and 24 percentage points respectively;
- by around 15 percentage points in Spain, Slovakia and Luxembourg; and
- by 1-5 percentage points in France, Denmark, Netherlands, United Kingdom, Czech Republic, Austria

In terms of the Member States that had under-committed in relation to their ex-ante targets:

- two were only marginally behind (Germany, Slovenia);
- a further three were between five and 10 percentage points behind (Finland, Italy, Cyprus, Belgium); and
- one Member States was 20 percentage points behind (Ireland).

A snapshot picture of the relative balance between earmarked and non-earmarked commitments in 2009 is not necessarily a reliable indication of future attainment of targets

or of financial performance. For instance, while Ireland was significantly behind its ex-ante earmarking targets, this was largely in line with the spending profile planned for the start of the period and, moreover, it was ranked in the top five countries in relation to the proportion of total funds committed to earmarked projects - behind Portugal, Netherlands (58 percent in both cases), Sweden and Belgium (over 45 percent). The remaining Member States can be divided into four groups, which had committed:

- one third of their earmarked allocations (Greece, Cyprus, United Kingdom, Luxembourg, Denmark and France);
- close to or above 20 percent of earmarked allocations (Italy, Finland, Czech Republic, Austria, Slovakia); and
- at the bottom end, around 15 percent of earmarked allocations (Spain and Germany, though on the basis of 2008 data in the latter case).

In reviewing the Strategic Reports, the main message that emerges is that **financial implementation is generally regarded as being satisfactory and in line with NSRF and CSG priorities**, notwithstanding the relatively low level of spending in many cases. For instance, **Austria's** project commitment rates were lower than the EU average, but the report states that implementation progress is on track and in line with the experience of the previous programme period. For **Hungary**, which reported one of the highest project commitment rates, the Strategic Report stated that the NSRF had progressed well in commitments, projects selected and spending, with promising forecasts for most programmes. Similar statements are provided in many other reports.

Nevertheless, many of the reports identified **significant variations across and within programmes**, suggesting that absorption difficulties could arise in specific programmes or areas of intervention in the future.

- In **France**, project commitment rates were reported to range from 12 percent (Ile de France) to 39 percent (Limousin ROP). Regarding the level of payments, the range was from 0.3 percent (PACA NOP) to 7.4 percent (ROP Limousin).
- In **Spain**, the rate of certified expenditure over total allocations under the ERDF ranged between 3 percent (NOP Technology Fund) and 26 percent (ROP Asturias), while the equivalent range for the ESF was between 6 percent (ROP Castilla La Mancha) and 38 percent (ROP Castilla y Leon).

Similar diversity was evident in relation to ERDF earmarked expenditure:

- In **Finland**, the 75 percent target had been achieved by some individual programmes (e.g. Itä-Suomi OP, and also the national ESF OP, where the respective figure is 96.2 percent), but proved to be more challenging in the Etelä- and Pohjois-Suomi OPs. More generally, performance has been relatively slow in measures to support innovation, networking and knowledge structures, when compared to the promotion of business activities and interventions aiming to improve regional accessibility and operational environments.

- In **Greece**, the share of earmarked spending is higher than higher than the ex-ante target, but spending is very low and the relatively high of earmarked projects committed corresponded to just two categories ('advanced support services to firms and groups of firms', and 'other investment in firms') rather than balanced progress across all of the Lisbon categories. Among the key intervention funded by these categories are the 'Credit Guarantee Fund for Small and Micro Enterprises' (TEMPME SA) and support for female and youth entrepreneurship.
- In **Austria**, private sector R&D measures were reported as being considerably behind the average performance. Moreover, the report highlighted a tendency for beneficiaries to apply to domestic programmes for funding instead due to the lower administrative burden, thus it remains to be seen whether the ambitious ex-ante Lisbon targets will be achieved.
- A similar situation can be seen in **Spain** where R&TD assistance for firms under the NOP Technology Fund is strikingly low, contrasting with the strong performance in the NOP Knowledge-Based Economy which mainly funds RTD in public research centres.

As regards the relative performance of the different funds, **most countries reported stronger spending under the ERDF**, although this was not always the case (e.g. Denmark, Finland, France, Netherland, Portugal and Spain).

- In **Portugal**, commitments and spending under the ESF were particularly high by EU standards. The so-called New Opportunities Initiative has been the main driver, facilitated by a strong political commitment to the initiative and the fact that it had already been launched in the latter stages of the previous programme period.
- The **Austrian** report highlighted the case of the ROP Burgenland (Phasing Out), which had committed 85 percent of funding to labour market integration and social inclusion measures. As with Portugal, the main reason for this positive performance was the well-established nature of these activities, embedded within the support offered by the Public Employment Service.

Lastly, a relatively strong performance was reported for the Cohesion Fund in several EU12 Member States, as in **Hungary** and the **Czech Republic**, where the Cohesion Fund supports large infrastructure projects accounting for major shares of funding in transport and environmental domains, including on (earmarked) TEN-T networks.

### *3.3.2 Outputs and results*

Reporting on outputs and results was patchy, with many reports not providing any quantitative information or qualitative assessment. The Commission requested data for core indicator achievements at national level, but this was only transmitted to the Commission by half of the Member States. It was therefore not possible to provide an aggregate picture of performance, as reflected in the partial insights contained in the Commission's Strategic Report (see Box 4). The limited reporting of monitoring data is, however, not surprising given the early stage in the programme period and the limited

progress on which to report in many countries. A more thorough assessment is expected in the 2012 reports.

#### **Box 4: Outputs and results reported in the Commission's Strategic Report**

The Commission's Strategic Report provides data on two indicators at EU level.

**1. Gross jobs:** 'targets' of 351,300 gross jobs in 13 Member States (AT, BE, BG, CZ, DE, FI, HU, IE, LU, NL, PL, SE, SI), while eight countries report the creation of 55,900 gross jobs (CZ, DE, FI, IE, PL, SE, SI).

**2. Number of people supported:** The ESF has reached six million people (52 percent women). A third of beneficiaries are unemployed (7 percent long-term unemployed), and vulnerable groups represent 13 percent.

With respect to the CSG and thematic priorities, the following outputs and results are reported.

**1. Attractive places to invest and work**

*Transport:* In Slovenia, new roads developed along a TEN corridor achieving a total reduction of journey time equal to €21 million.

*Broadband infrastructures:* In Ireland, 34,764 additional users provided with broadband coverage by the end of 2009, representing 31 percent of the overall target.

**2. Improving knowledge and innovation for growth**

*Entrepreneurship:* In Germany, 1,126 materialised projects in support of SMEs, whereas the aggregated supported target 26,493 out of which 2,224 has been achieved.

*ICT applications:* Four (unidentified) Member States) reported 2,546 information society-related projects being committed.

**3. More and better jobs:** No examples given (but see the above indicators on jobs and beneficiaries).

**4. The territorial dimension**

*Urban development:* In Czech Republic, Hungary and Portugal, 1,696 urban development projects were committed, while Bulgaria, Estonia and Luxembourg implemented 133 projects.

*Tourism:* Hungary and Poland report the commitment of 539 projects; Bulgaria, Estonia and Latvia have implemented 92 projects.

The reporting of evaluation findings was limited for similar reasons. While the Commission noted that lessons from national and regional evaluations were mentioned in 20 national reports, most only gave an indication of the evaluations underway or planned, or presented general findings relating to the previous round of programmes. Where evaluation results of this period were reported, they related primarily to operational issues (e.g. France, Hungary, Portugal), although some preliminary and general insights on the achievements of strategic objectives were provided in the Portuguese case (Box 5). This also holds true for EU-wide evaluations undertaken for the Commission. The main findings highlighted in the Commission's report were drawn from the 2000-06 ex post evaluations and one study of the present period,<sup>17</sup> an ex ante evaluation of the 'potential' of the programmes to contribute to Lisbon and sustainable development goals rather than achievements in practice.

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<sup>17</sup> Nordregio (2009) *Op. Cit.*

### Box 5: Evaluation of strategic objectives in Portugal

The Portuguese Strategic Report outlines some preliminary NSRF evaluation findings on actual and expected outcomes, structured according to the three overarching strategic priorities (so-called 'thematic agendas') guiding the NSRF.

**1. Human Potential Agenda:** a clear commitment to improvement of the employability of workers, youth and adults is evident within the framework of the 'New Opportunities Initiative'. Improving human capital constitutes the main link to the CSG, but the actual impact on employment will depend on increase demand for skills form. For this to occur it is essential that the interventions supported under the agenda boost the demand for the most needed skills.

**2. Factors of Competitiveness Agenda:** of particular relevance is the support for facilitating innovation and entrepreneurship. The interventions are contributing to the ability of all territories to compete more effectively, to the recovery, and to the expansion of territorially-based competitiveness. The consolidation of 'regional innovation systems' is a critical factor for the development of interventions under this agenda, closely connected to the skills upgrading priorities which are required by the business community.

**3. Territorial Enhancement Agenda:** contributes to the 'attractiveness' dimension of the CSG, but has progressed at a slower pace reflecting the diversity of the interventions supported, the fragmentation of the agenda under the NSRF, the lower levels of commitments and spending in key areas, particularly in terms of (large) national projects in transport and in the field of urban water interventions. In this context, the contribution of the Cities POLIS XXI programme is underlined, while also acknowledging the challenges in creating a genuinely cross-cutting shift in paradigm capable of integrating and coordinating the different sectoral logics which permeate the agenda.

### 3.3.3 Factors affecting performance

Despite the limited availability of data or evaluation evidence on achievements, the reports generally presented a positive picture of performance and of the outlook for the rest of the period. Nevertheless, as underlined in the Commission's report, several 'systemic obstacles' to speedy implementation were reported.

- **EU-level delays** on agreeing the EU budget, the regulatory framework and programme negotiations that slowed down the launch of the programmes (e.g. Austria, Germany, Spain, Lithuania);
- **changes in the rules on financial control**, notably the additional demands associated with the compliance assessment exercise (Austria, Belgium, Cyprus, Czech Republic, Germany, Denmark, Estonia, Greece, Spain, Ireland, Italy, Portugal, Slovakia, United Kingdom);
- **complexity of managing overlapping programming periods** (Austria, Estonia, Greece, Spain, Finland, Ireland, Italy, Hungary, Portugal, United Kingdom), compounded by the widespread use of the extended closure provisions;
- **domestic governance challenges or weaknesses**, notably unclear distribution of tasks, insufficient experience, lack of administrative capacity and internal reorganisation processes of public administration (Bulgaria, Romania, Lithuania); and

- **the economic crisis** - cited as complicating delivery and changing demands (Austria, Germany, Ireland, Portugal, Slovenia, Spain, United Kingdom), including putting pressures on national or local public financing (Germany, Spain, Finland, Ireland, Lithuania, Latvia, Malta), although some reported that the programmes had started at a similar rhythm to the previous period (Austria, Belgium, Germany, Sweden).

Additional factors affecting performance of Lisbon-related interventions cited in IQ-Net country reports included the following.

- **Restrictive or administratively demanding EU rules:** notably for R&D and innovation projects, not only because of n+2 demands but also because of eligibility or expenditure justification requirements for beneficiaries (**Austria, France**); and in the ICTs field, where Structural Funds rules (and State aid requirements) are limiting interventions in the field of broadband infrastructure to so-called ‘white zones’ (with no mobile phone or internet connection) and the deployment of high speed broadband to industrial estates (i.e. excluding other potential users) (**France**).
- **Ineffective targeting of interventions:** The **Czech Republic** report notes that more attention needs to be placed on broader conceptions of innovation for firms (marketing, trade, co-operation, management of innovations, etc.), viewed as being critical for competitiveness in a global market. It also criticises the excessive focus on a ‘linear innovation model’ based on the idea that the results of R&D represent basic sources of innovation which are consequently used by companies to improve their products and technologies. This holds true only for some types of innovation, and even then only partially.
- **The novelty of certain priority themes compared to the 2000-06 period:** including practical difficulties with setting up financial engineering instruments such as JEREMIE (**France**).
- **The insufficient maturity of RDT and innovation interventions:** and their redesign following a change of government (**Greece**).
- **Coordination challenges:** among interventions within and across OPs (**Czech Rep, Poland, Portugal**); between national Ministries in relation to ROPs (**Greece**); and between science and enterprise (**Czech Republic, Poland**). Drawing on a review of evaluation studies by the Ministry of Regional Development,<sup>18</sup> the Polish report notes that the main obstacle for increasing the competitiveness of the economy is the low level of awareness (particularly among SMEs) about opportunities and gains

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<sup>18</sup> *Rekomendacje dla krajowych polityk publicznych mających wpływ na efektywność i skuteczność realizacji polityki spójności* [Recommendations for the national public policies that have an influence on the effectiveness and efficiency of Cohesion Policy implementation], a document developed by the Department for Coordination of Infrastructural Programmes of the MRD on the basis of evaluations, Warsaw 2009.

that can flow from innovation and cooperation between science and the business sector.

#### **Box 6: Performance-based management of Intermediate Bodies in Hungary**

An evaluation of the of the NSRF Intermediate Bodies' management model was undertaken in the latter half of 2009. Commissioned by the National Development Agency, the objective was to assess experiences with the performance-based financing system of 'service level agreements' and to make recommendations on how to better encourage the bodies to perform their tasks faster. The NDA aims to utilise the results of the study to establish new contracts underpinned by a unified system of basic principles, financing logic and structure. The main conclusion of the evaluation is that the current model is not optimal, but that it has clearly enabled a substantial improvement of the performance orientation of NSRF institutions and enabled the creation of a simple accounting system. The major deficiencies of the system are as follows.

- The agreements do not identify the content of the required service with sufficient precision and do not define clear and comprehensive quality requirements.
- The fee structure often does not reflect the quality of management and does not enable in all cases comparison of the remuneration of IBs, which hinders the client from making a clear comparison of results and costs.
- The flat-rate charge applied in the agreement does not reflect differences between the various schemes and the unified fee structure and flat-rate fees do not reflect differences between IBs. As a result, financing does not adequately reflect expenditure and a financial management related risk arises.
- IBs are not encouraged to perform their tasks faster than is necessary.
- The Managing Authorities do not possess the management capacity required by the SLAs although substantial management systems and supervising staff should be assigned when such amounts are paid.

The evaluators do not consider there to be a realistic, radical alternative to the current model, but do recommend future revisions to place more emphasis on output-oriented performance as opposed to rules-based compliance.

- **Administrative capacity weaknesses:** lack of staff, high turnover in implementing structures and the delayed approval of domestic laws on civil servants were noted in the **Czech Republic** report.
- **Managing performance:** weaknesses have been identified in the Hungarian model for managing Intermediate Bodies' performance on the basis of an evaluation (Box 6).

#### *3.3.4 Measures taken to overcome difficulties*

In reviewing the measures employed to overcome any difficulties faced, the Member States were encouraged to set out how the measures in the Cohesion Policy Recovery package were taken up. Most reports confirmed the continued relevance of the agreed strategies, noting that they provide sufficient flexibility to adjust to the changing socio-economic context. Among the main crisis response measures used were administrative simplification to reduce burdens on beneficiaries, the use of internal flexibility within priorities and the

modification in financial allocations between priorities or changes in co-financing rates. The additional EU advance payments increased pre-financing and accelerated investments, often involving changes in national policy and procedures. In terms of interventions, the measures most widely used were ESF labour market activation measures targeted at people most affected by the crisis and greater use of financial engineering instruments, while only a small number of programmes redirected funding to support new measures targeting energy efficiency investment.

Examples of specific measures cited in IQ-Net country reports to tackle the crisis and/or to support effective delivery of objectives include the following.

- **Programme modifications or financial reallocations:** In **Hungary**, several financial reallocations among programmes were made in response to the economic crisis during 2008: €427 million reallocated from the TOP and SIOP to the EDOP's Priority 2 (Complex development of enterprises) augmented by €404 million and Priority 4 (Financial instruments) by €24 million. These amounts increased the budget of the EDOP by 14.5 percent. Reallocations of SOROP's Priority 2 (Improving adaptability) of €77 million were made to Priority 1 (Improving employability, promoting entry to the labour market). In **Spain**, the ERDF ROP Castilla-La Mancha transferred €33 million from the transport and energy priority to the local and urban development priority. Requests were also made under ESF, including: reallocations between categories and priorities and the inclusion of new categories of spending (Navarra); amendments to selection criteria and co-financing rate under various priorities (Valencia); and the ESF ROP Catalonia, proposing to incorporate private co-financing for certain operations. Re-negotiated intervention rates helped alleviate match-funding pressures for project sponsors in **Wales** too, while award rates were raised in the most disadvantaged regions in **Hungary**.

Other finance-related measures aimed to ensure a smooth transition to the new period, to accelerate spending or to limit delays in payments.

- **Ensuring funding continuity:** Recycling of 2000-06 funds and a 'shadow round' of funding before adoption of the 2007-13 programmes ensured that difficulties caused by adoption delays were minimised (**Scotland**).
- **Advance payments:** In **Portugal**, advances were targeted at municipalities implementing school infrastructure modernisation projects and for firms under the incentive schemes. In an effort to help ease the liquidity problems of the beneficiaries, **Hungary** raised the upper limit of the advance payment to 40 percent, simplified the disbursement procedure and extended the deadline for accounting for the use of the advance.
- **New financial instruments:** The approval of JEREMIE funds has helped deliver support quickly (**Spain, Wales**).
- **Front-loading programme spending:** was one of the main measures used in **Scotland** to tackle the crisis difficulties, notably by speeding up project approval.

- **Sanctions for late payment:** Default interest on late payments has been introduced for the cases where the administration organisation fails to meet the scheduled payment deadlines for reasons within its control (**Hungary**).

A wide range of measures were introduced to lighten the administrative load for beneficiaries or to relax funding conditions

- **Simplification of project administration and beneficiary procedures:** The disbursement process has been accelerated by the increased of the value limit of exemption from submitting authenticated invoice copies for large projects (**Hungary**). In Poland, the complex procedures and requirements for recipients applying for EU funds are being addressed through the appointment of a 'Team for simplification of the EU funds implementation system'. **Simplification of administrative capacity certification processes:** In Greece, the 2nd stage of administrative capacity certification will no longer be compulsory for beneficiaries.
- **Simplification of eligibility conditions:** obligations connected with the financial guarantees have been eased and certain documents required for the conclusion of the contract and/or submission of the application are now checked only once (**Hungary**).
- **Introduction of flat-rate costs:** In France, simplifications via the option to use flat rate costs began to take effect at the end of 2009.
- **Clarification of rules:** In an effort to protect the fundamental interests of project owners in **Hungary**, certain procedural principles were defined (e.g. regulatory compliance requirements, equal treatment, right to fair administration and decisions taken on time, good faith and cost efficiency).
- **Accelerated and simplified project selection process:** notably for major transport projects (**Hungary**).

Other measures for beneficiaries aimed to raise awareness of funding opportunities and to offer administrative and project development support.

- **Information events and workshops** were held for stakeholders to encourage applications (**England**), while broader packages of solutions were introduced in the **Czech Republic and Poland**, including beneficiary training and assistance in the process of projects preparation.

Close monitoring and follow-up of projects has necessarily in many IQ-Net countries/regions, two noteworthy examples including:

- **Monitoring and review:** In France, A monitoring group is in place for the NSRF, composed of four thematic teams (innovation, ICT, sustainable development, urban development). The teams have examined implementation challenges and have developed recommendations in order to improve programming and the OPs' contribution to NSRF and EU targets.

- **More systematic IT systems:** In **Poland**, a number of efforts to prepare applications better and accelerate the implementation of large projects were undertaken by introducing a uniform management and monitoring system of key projects.

Lastly, broader domestic changes in governance arrangements or budgeting priorities have supported the delivery of goals.

- **Closer alignment of domestic budgets with Lisbon themes:** The **Finnish** report notes that the Lisbon-focusing is expected to improve as a result of the 2010 budget proposal, which ties the regional OPs closer the objectives of the National Reform Programme. Future budget priorities are expected to focus strongly on entrepreneurship, new business and job creation in the creative industry, R&D and innovation, and employment and education measures.
- **Ministerial restructuring:** In **Greece**, the Strategic Report notes that changes in Ministerial structures and responsibilities, involving the merger and redistribution of competences, have had a positive impact improving coordination and securing effective implementation of the NSRF.

### *3.3.5 Improving programme performance*

As discussed above, the NSRF and programme strategies are largely regarded as being coherent with the evolving socio-economic context and with core objectives. Many reports did not outline any recommendations for improving performance in the years ahead, beyond the need to accelerate the overall implementation of the NSRF and programmes. From this perspective, the main goal for the future is one of maintaining rather than changing strategic focus. Strategic modifications are not always ruled out, however. For instance, some reports underlined that revisions will be considered when the strategic and operational evaluations are completed at the mid-term stage (Greece, Poland) or in exceptional cases where there are risks of funds not being absorbed (Czech Republic). In addition, some of the reports suggest that adjustments to specific aspects of the strategies or of operational arrangements could help to ensure that existing aims are met.

- **More effective coordination:** with national development strategies and policies (**Finland**), including with the NRP (Poland); across programmes or thematic priorities (**Czech Republic, Portugal**); and across different Funds (**Finland, Poland**).
- **Support for beneficiaries:** particularly for measures with low capacity to spend and to deliver on objectives, through counselling, consultancy and training (**Czech Republic**).
- **Greater territorial differentiation in the targeting of programmes:** to reflect specific regional needs in NOPs or ROPs (**Hungary, Portugal**).
- **More effective and selective project appraisal and selection:** in relation to programme and NSRF objectives (**Czech Republic, Portugal**), particularly regarding innovation interventions (**France**).

- **Embedding monitoring systems to supporting strategic and operational management:** by achieving genuine interoperability between Managing Authority information systems and coordination bodies (**Portugal**).
- **Administrative simplification:** by reducing EU or domestic regulatory complexity (**Austria, Finland, Poland**) and reviewing the Commission's role in the audit and control of projects (**Poland**).

The Commission's Strategic Report did not set out detailed lessons or recommendations to inform the remainder of the period. Its main concerns were that implementation in priority areas facing delays (the rail sector, certain energy and environmental investments, investment in the area of the digital economy, social inclusion, and governance and capacity building) is speeded up, and to ensure that the next round of reports focus more on outputs, results and strategic developments on the basis of accurate and complete data. More recently, however, the Commission has set out a range of recommendation to support smart growth within the framework of Europe 2020 (see Box 7).<sup>19</sup>

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<sup>19</sup> European Commission (2010) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Regional Policy Contributing To Smart Growth In Europe 2020*, SEC(2010) 1183, Brussels.

### Box 7: Commission recommendations to supporting smart growth

#### Member State Actions

- 1. Developing smart specialisation strategies:** drawing on support for technical assistance and subjecting them to international peer review. The action should be accompanied by two flanking measures: 1) reinforce ERDF support for education, research and innovation in the current period, including by drawing on complementary funding from FP7 and CIP. The framework conditions for research and innovation and a knowledge-based economy should be improved by aligning ERDF support with the National Reform Programme priorities (linked to Guideline 4 of IEEPG) 2) make full use of the flexibility to redirect funding to this end in OPs.
- 2. Making more extensive use of financial engineering instruments in support of innovation:** The expansion of lending and equity financing for innovation through existing instruments, including the EIB group, and particularly to SMEs should be a policy priority.
- 3. Pursuing the possibility to finance interregional cooperation to promote research and innovation and better access to international research and innovation networks under FP7 and CIP.**
- 4. Ensuring coherence between supply push and demand pull research and innovation policy,** by making use of the opportunities offered by public procurement co-financed by the ERDF to increase the innovation content of products, processes and services.
- 5. Using international peer review by independent experts for research projects** more systematically to enhance the effectiveness of support.
- 6. Considering the use of the ERDF for financing suitable shortlisted FP7 and CIP projects.**
- 7. Exploiting the possibilities for improving regional innovation policy through peer learning:** offered by FP7, CIP and INTERREG IV C platforms and networks.

#### European Commission Actions

- 1. Facilitate the design and implementation of smart specialisation strategies** by developing (a) a 'Smart Specialisation Platform' before 2012 to help identify needs, strengths and opportunities (b) data, policy analysis and information on research and innovation performance and specialisation from an EU-wide perspective (c) platforms for mutual learning on the design and implementation of such strategies (including the CIP-funded 'European Cluster Cooperation Forum' and the European Cluster Alliance and the FP7-funded 'Regions of Knowledge' and Research Potential projects).
- 2. Assist implementation of education, research and innovation projects through knowledge transfer and diffusion of good practice,** with the help of the 'Regions for Economic Change' initiative (including 'RegioStars') and by providing technical support to innovation-based Fast Track regional networks as well as to interregional collaboration supported e.g. under INTERREG IVC, Regions of Knowledge and CIP-funded cluster activities.
- 3. Work closely with financial institutions to leverage funding and maximise the use of existing financial instruments,** including by establishing a RSFF window/facility for Convergence regions, more intensive use of JEREMIE, as well as by examining ways of extending the scope of existing financial engineering instruments to new research and innovation activities.
- 4. Facilitate business opportunities for SMEs' through consolidating and reinforcing the Enterprise Europe Network (EEN),** the partners of which should, in turn, help organisations to make better use of ERDF financing for innovation.
- 5. Improve the coherence and complementarity of EU policies for education, research and innovation,** with the aim of: identifying and promoting the take-up of examples of good practice for policymakers and innovation support providers; expanding and upgrading the 'Practical Guide on EU funding opportunities' in this area and establishing a single web-based portal on Commission support for research and innovation, linked to, or included in, the FP7 Participant Portal to facilitate access of innovating bodies to EU funding.

## 4. LISBON AND THE OPERATIONAL PROGRAMMES

### 4.1 Financial implementation

According to Article 67 of Regulation 1083/2006, the Annual Implementation Reports need to provide information on financial progress with the programmes. However, in the case of their contribution to the various priority themes, it is **not specified whether this refers to actual payments or only to commitments**. Hence, while some Managing Authorities give information on actual payments, others only provide commitment data. Payment data are more useful for analysing financial progress. This is partly because committed funding can still be withdrawn or decommitted if not used after two (or three) years. Further, ‘commitment’ can mean different degrees of financial implementation of funds. Therefore, as a COCOF information note pointed out in 2009, “*Member States are encouraged to use a common national definition of the concept ‘operations selected’ to be used consistently...*”<sup>20</sup>.

#### *4.1.1 Earmarked allocation vs. earmarked financial implementation*

The starting point for the analysis is to consider how earmarked spending is proceeding at the level of selected IQ-Net programmes for which data are available. Figure 7 shows a comparison between initial programme allocation to earmarked categories and funds committed to earmarked categories by the end of 2009, while Figure 8 does so for those programmes where payment data were available.

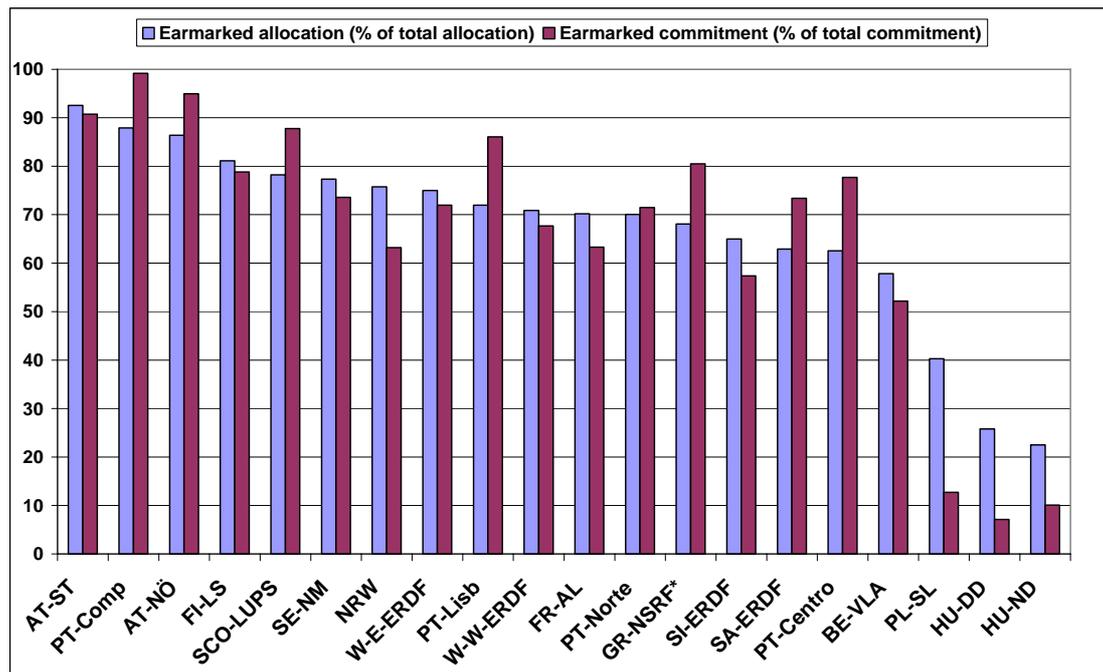
As might be expected, the RCE programmes set out some of the highest earmarking targets at the start of the programme period.

- Among regional programmes, the Austrian programmes (Steiermark: 92.6 percent; Niederösterreich: 86.4 percent), Denmark (83.3 percent), Prague (Competitiveness OP: 96.5 percent; Adaptability OP: 76.2) and Länsi-Suomi (81.1 percent) have the most ambitious targets. But also some sectoral programmes specifically aimed at Lisbon objectives have high earmarked allocations: the Czech Enterprises and Innovations OP has the highest earmarked allocation (95.3 percent) of all IQ-Net programmes and the Portuguese Competitiveness OP earmarked 87.9 percent of its funds to Lisbon priority themes. Both programmes are also implemented in Convergence regions.
- Earmarking is voluntary for the EU12, i.e. Czech Republic, Hungary, Poland and Slovenia in the case of IQ-Net programmes. About half of the programmes have committed a higher share to earmarked categories, while the other half committed more to non-earmarked categories. Differences to initial allocation are usually not very big. Yet, in Poland and Hungary, where earmarked allocation is comparatively low, implementation of earmarked funds seems to be more challenging.

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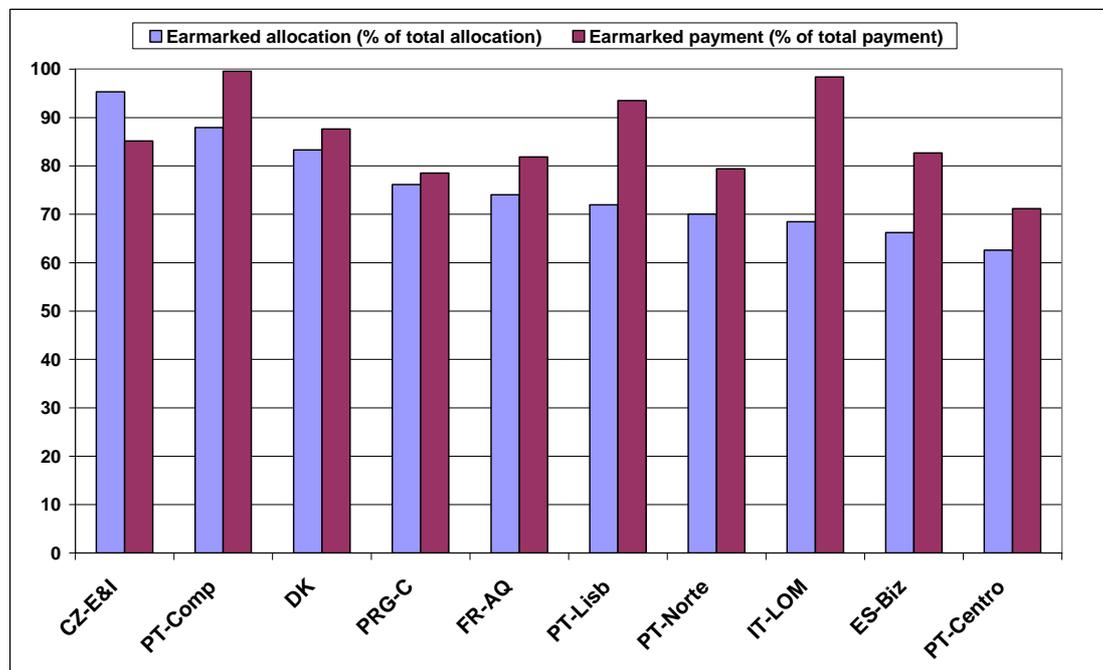
<sup>20</sup> European Commission (2010) *Working document prepared by the Coordination Committee of the Funds (COCOF)*, COCOF 09/0008/02-EN, p. 3. Available at: [http://www.interact-eu.net/downloads/2001/COCOF\\_Document\\_on\\_reporting\\_of\\_categorisation\\_data\\_under\\_article\\_11\\_of\\_Regulation\\_EC\\_No\\_1828\\_2006.pdf](http://www.interact-eu.net/downloads/2001/COCOF_Document_on_reporting_of_categorisation_data_under_article_11_of_Regulation_EC_No_1828_2006.pdf)

Figure 7: Share of earmarked allocation compared to earmarked commitment in selected IQ-Net programmes, %



Source: Operational Programmes and Annual Implementation Reports 2009; \*data sourced from Greek Strategic Report 2009

Figure 8: Share of earmarked allocation compared to earmarked payment in selected IQ-Net programmes, %



Source: Operational Programmes and Annual Implementation Reports 2009

Looking at payments only (Figure 8), all but one of the ten analysed programmes exceeded their initial Lisbon-target at the end of 2009. Differences between earmarked and non-earmarked progress may also result from the fact that the Lisbon share is very high in many cases. This means that often the non-earmarked allocation is concentrated in just a few

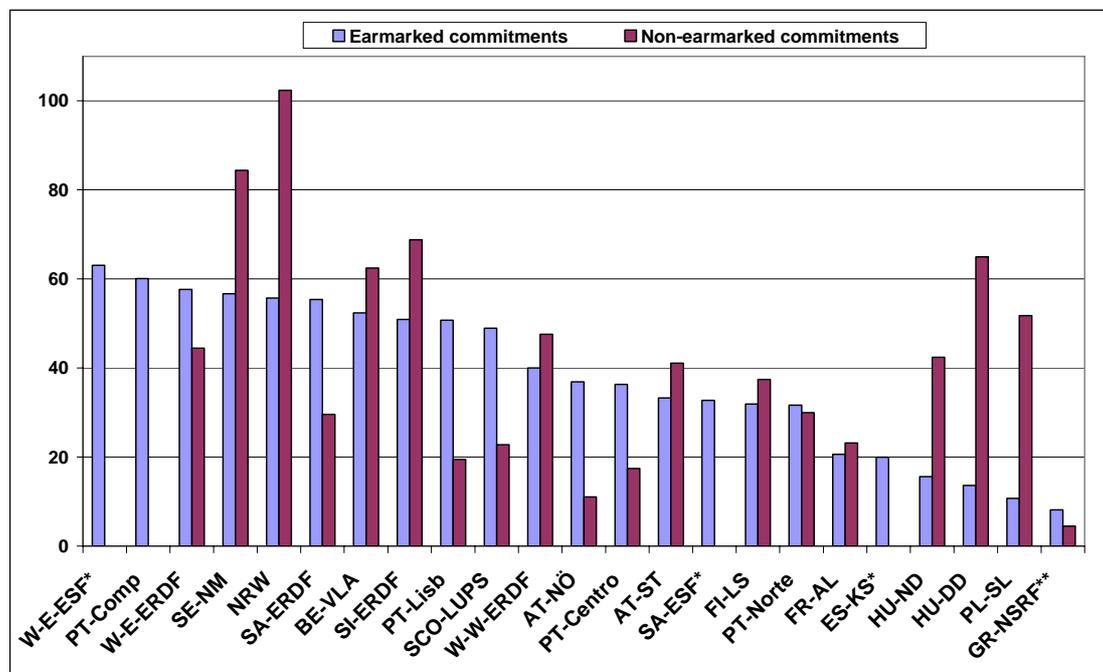
measures. If these are scheduled to be realised towards the end of a period, or if they are delayed, this has a significant effect on the percentage of earmarked expenditure. For instance, in the Portuguese Competitiveness OP, almost 100 percent of payments have been realised in Lisbon-relevant priority themes; this is also due to the fact that all non-earmarked funds are concentrated in one priority theme.

#### 4.1.2 Earmarked vs. non-earmarked financial implementation

Moving on to the direct comparison of financial progress in earmarked and non-earmarked categories (Figure 9 and Figure 10), there is no common trend in commitments. In some cases, Lisbon-measures perform better (e.g. Lowlands and Uplands Scotland, Niederösterreich), while in others the non-earmarked themes perform better (e.g. Hungary, Norra Mellansverige). Excluding those programmes where funds have only been committed to Lisbon priority themes, 11 out of 20 cases have higher commitments in non-earmarked categories.

However, when it comes to actual payments, Figure 10 shows that more funds have been paid out in earmarked measures. All 11 analysed programmes show higher payment rates in Lisbon-measures, and in several cases no payment had yet been made to other measures at the end of 2009. However, as Denmark pointed out, in some programmes the allocation of funds to non-earmarked themes is not of high relevance. Leaving aside funding for Technical Assistance, examples for very low allocation to non-Lisbon themes are the Portuguese Competitiveness OP (9.5 percent) and Steiermark (6.7 percent).

**Figure 9: Commitment of funds in earmarked and non-earmarked priority themes in selected IQ-Net programmes, compared to programme allocation, %**



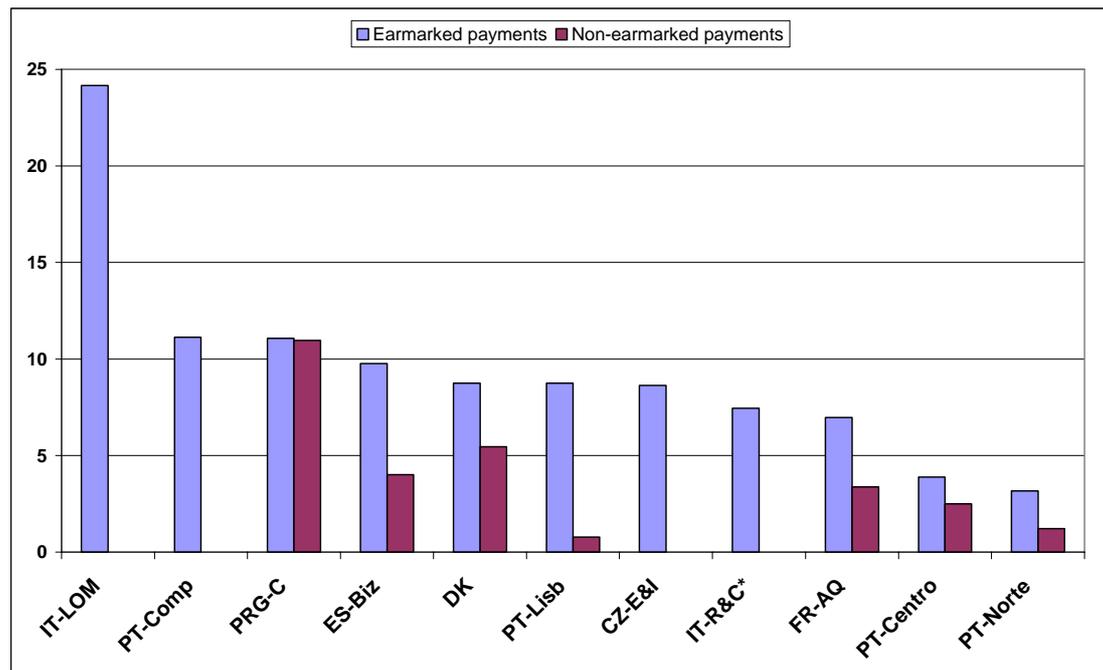
Source: Operational Programmes and Annual Implementation Reports 2009

Notes: Without Technical Assistance; \*No allocation of funds to non-earmarked priority themes;

\*\*data sourced from Greek Strategic Report 2009

Nevertheless, the overall picture shows that **most programmes are more or less in line with their expectations**. Although twelve out of 18 programmes remain behind their targets (see Figure 7 and Figure 8), the majority of them are still very close to their goals. Where there are slight differences between the two groups of priority themes, as Länsi-Suomi and Slovenia pointed out, these differences are usually not an issue of concern and financial implementation is progressing as planned. A closer look is now taken at how the various IQ-Net programmes performed from the viewpoint of Lisbon-earmarked themes.

**Figure 10: Payment of funds in earmarked and non-earmarked priority in selected IQ-Net programmes, compared to programme allocation, %**



Source: Operational Programmes and Annual Implementation Reports 2009

Notes: Without Technical Assistance; \*No allocation of funds to non-earmarked priority themes

Programmes with **earmarked categories performing better** than the average include Aquitaine, Czech Enterprises and Innovations OP, Lombardia, Niederösterreich, País Vasco, Portuguese OPs, Sachsen-Anhalt, and the Scottish Lowlands and Uplands OP):

- In Aquitaine, payments had mainly been made under the Lisbon-relevant Priorities 1 and 2, focussing on knowledge economy and ICT.
- The sectoral Czech OP Enterprises and Innovations allocated over 95 percent of its funding to Lisbon-related themes. All payments have been realised in these, as because of State aid issues, no spending has yet been realised in the only non-earmarked priority theme (50 'Rehabilitation of industrial sites'). The Enterprises and Innovations OP has been the most strongly affected programme in the Czech Republic. Because of the crisis, 181 projects had to be abandoned before their start since 2008. In addition, several projects had to be abandoned during realisation. Some beneficiaries cannot guarantee the continuation of projects during the crisis

and hence have preferred to abandon the project. The Managing Authority therefore introduced an option that a project can be continued by the successor of a company in the case of failure. In the Prague Competitiveness OP, payments are comparatively high at 10.7 percent. According to the Managing Authority, this is also due to the relatively small allocation compared with other regions. Differences between earmarked and non-earmarked categories are small; yet, there are major differences at the level of priority themes. Some themes perform very well, e.g. R&TD activities, entrepreneurship and promotion of clean transport. Others lag behind, e.g. social inclusion, developing human potential in R&D and assistance to R&TD, particularly in SME and ICT.

- In Lombardia, payments have so far only been realised in earmarked categories. Three Priorities of the programme are predominantly earmarked: ‘Innovation and Knowledge Economy’, ‘Energy’ and ‘Sustainable mobility’. Especially the first Priority, which is focusing on the support of the innovation within firms and where about half of the programme’s resources are allocated, is performing well thanks to the commitment of the Lombardia business sector to innovation and research.
- In Austria, the earmarked allocation is generally comparatively high, and Niederösterreich even exceeds its target of 86.4 percent by more than eight percentage points. Yet, the reason is that commitment has been low in non-earmarked categories; particularly in the area of flood prevention no commitments could yet been made.
- For Sachsen-Anhalt, it has been difficult to assess the reasons for differences in the financial progress of Lisbon versus non-Lisbon interventions because of the complexity of the programme and the fact that the Lisbon codes were applied to Sub-/Actions ex post, rather than being used to structure the programmes. This means that different Sub-/Actions with the same code are included in different parts of the programmes. Instead, it is planned that the mid-term evaluation of 2010-11 will assess the extent to which the programmes are contributing to the Lisbon agenda and the extent to which there is a need for re-programming (see Section 4.5.2).
- In the País Vasco, most earmarked categories have performed better than others. Spending was above the average in priority themes such as ‘R&D and innovation activities’ (20 percent), ‘Other investment in firms’ (15.4 percent) and ‘Services and applications for citizens’ (14.4 percent). By contrast, the earmarked category ‘Promotion of clean urban transport’ has yet to certify any expenditure. Performance is similar in the region’s sub-programme in Bizkaia, where earmarked expenditure is higher (10 percent) than other expenditure (4 percent). Most of this is accounted by an e-government project for citizens under the information society theme.
- In Portugal, the latest data reveals that some 85 percent of spending was earmarked to Lisbon categories of expenditure (as at September 2010). The key reason for the positive performance is that priority has been placed on earmarked

areas of intervention under the ERDF, particularly the business aid schemes under the competitiveness agenda. Moreover, as noted earlier, the ESF-funded 'New Opportunities Initiative' has been a particular priority during the crisis and had already been launched in the latter stages of the previous period enabling a smooth launch from the outset.

- The good performance in Lisbon terms in the Scottish Lowlands and Uplands OP is mainly due to Priorities 1 'Research and innovation' and 2 'Enterprise growth', which are key to Lisbon objectives. Priorities 3 'Urban regeneration' and 4 'Rural development', which also partly contribute to Lisbon categories, have experienced lower levels of interest.

Programmes where **earmarked categories have been under-performing** are Alsace, Hungary, Länsi-Suomi, Nordrhein-Westfalen, Śląskie, Steiermark, Vlaanderen.

- In Alsace, commitment figures for non-earmarked measures are performing better than earmarked ones. The earmarking rate dropped in 2009 due to a large non-earmarked project in urban transport, although a reasonable number of projects were developed in the fields of innovation and energy issues in 2009.
- In Hungary, in the regional OPs Dél-Dunántúl and Nyugat-Dunántúl, earmarked spending occurred only in the priority themes 3 'Technology transfer' and 5 'Advanced support services for firms'. However, less than 30 percent of funds are earmarked in these two programmes.
- In Länsi-Suomi, progress in earmarked categories is only slightly behind the target. In the course of the programme period, the situation with regard to the earmarking categories has improved, partly as a result of the improved knowledge of the relevant authorities with respect to project generation and management.
- In Nordrhein-Westfalen, the relatively low commitment levels under certain components of Priorities 1 and 2, where much of the Lisbon spending is concentrated relate to a number of reasons: preparatory work for the competitive calls of Priority 2 took a long time; a crisis-related fall in demand for investment loans from the financial engineering instrument; delays in the body responsible for design and implementation of an instrument aimed at technology-oriented start-ups; and changes to a domestic *Land* programme supposed to co-finance the programme. There have also been higher than expected commitments under Priority 3, which focuses on regional and urban development and is less Lisbon-oriented, meaning that the earmarked share of commitments decreased. However, it was anticipated that further commitments under Priority 2's innovation-oriented competitive calls would lead to strong rises in the percentage of Lisbon relevant commitments.
- In the Śląskie ROP, the earmarked categories are lagging behind. There are several reasons for this. First, delayed domestic legislation regulations on State aid in the area of energy, telecommunication infrastructure and R&D infrastructure led to the

postponement of calls for proposals and a block on funding under some categories. Second, many projects funded by the 45 percent of allocation for key projects and sub-regional projects had to be postponed. Finally, the economic crisis caused decreases of tax incomes in the beneficiaries' budgets and some of them had to restrict investments, including in ROP projects. Beneficiaries facing financial problems tended to give up on projects that were less urgent for local communities, and this included some Lisbon-type interventions. In response, the Managing Authority proposed a reallocation of resources for loans and guarantee funds under a sub-measure in Priority 1 'RTDI and entrepreneurship'.

- In Steiermark, as in Niederösterreich (see above), the non-earmarked allocation is very high (92.6 percent). Although the earmarked commitment is also high, the figure of 90.7 percent is still slightly behind the target. One reason is that there are challenges with the main Intermediate Bodies for R&D interventions (see Section 4.3.3).
- In Vlaanderen, the non-earmarked commitment is still performing better, but recent changes to the ERDF programme are expected to change this. The financial allocation to the four Priorities has been shifted. Initially, each of the Priorities 1 'Knowledge economy and innovation', 2 'Entrepreneurship', 3 'Spatial-economic environment' and 4 'Urban development' received 25 percent of the funds. Funds have been shifted to Priority 3, where demand had been underestimated. In Priorities 1 and 2, initially not eligible investment in infrastructure was made eligible. This affected also the distribution of earmarked funds.

## 4.2 Outputs and results

Along with financial implementation progress, Managing Authorities are required to report on outputs and results achievements in their Annual Implementation Reports at the level of priority axes.<sup>21</sup> In order to make outputs and results more comparable between programmes and Member States, the Commission published methodological guidance on core indicators in June 2009.<sup>22</sup> It was a reaction to the lack of comparative data that could be drawn from the first Annual Implementation Reports for the year 2007. The document defines a set of 41 suggested core indicators for ERDF and Cohesion Fund programmes.

**Many IQ-Net programmes use core indicators in their Annual Implementation Reports,** but only some specify them as such (e.g. Portugal, Sachsen-Anhalt, Spain, Vlaanderen). Vlaanderen, for instance, provides a separate assessment of eight selected core indicators, e.g. 'Gross direct jobs created' and 'Number of RTD projects'. The Portuguese NOP Competitiveness reports on a mix of core and domestic indicators: Programme indicators

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<sup>21</sup> For a more detailed review of key trends at the start of this period see Polverari L, Mendez C, Gross F, Bachtler J (2007) Making Sense of European Cohesion Policy: 2007-13 On-going Evaluation and Monitoring Arrangements, *IQ-Net Thematic Paper* No. 21(2), European Policies Research Centre, University of Strathclyde, Glasgow.

<sup>22</sup> Indicative guidelines on evaluation methods: Reporting on core indicators for the European Regional Development Fund and the Cohesion Fund, available at:  
[http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/working/wd7\\_indicators\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/wd7_indicators_en.pdf)

(by Priority axis); core indicators (OP-level, no targets); and national common indicators (no targets). However, most IQ-Net programmes use a domestically defined indicator set. While these are often defined at programme level, a **common indicator set has been developed at the national level** in some cases, including indicators linked explicitly to the Lisbon strategy (e.g. Czech Republic, France, Spain, Portugal).

IQ-Net programmes use a **wide range of indicators to measure outputs and results**. Prominent examples in key Lisbon-related thematic priorities include:

- **RDT, innovation and entrepreneurship:** the most frequently used indicators are number of RTD projects or firms assisted, although there is also a strong interest in capturing the dynamics of innovation systems and clusters, i.e. number of cooperation projects between universities and businesses (e.g. Norra Mellansverige, Portugal NOP Competitiveness).
- **Education:** e.g. Sachsen-Anhalt looks at the number of education projects, while the ‘Number of Bologna-conform curricula newly developed’ is monitored in the Hungarian Social Renewal OP.
- **ICTs:** the ‘Length of internet broadband network’ in Śląskie.
- **Renewable energy:** In Norra Mellansverige, there is an indicator monitoring the number of projects which aim to develop or increase the use of renewable energy.
- **Area habilitated:** One of the core indicators proposed by the Commission, it is used, for instance, by Vlaanderen.
- **Climate impact:** In France, there are CO<sub>2</sub> indicators, which partly relate more specifically to rational energy usage and renewable energies. Similarly, in Niederösterreich there is an indicator for CO<sub>2</sub> reduction.

Some of the applied indicators start from a baseline defined at programme start and others are shares, which do not have a baseline value. To take one example, Länsi-Suomi reports on four indicators with a baseline, namely: number of new businesses; number of new jobs; share of R&D projects; and number of new R&D jobs. In addition, the programme is monitored through three indicators without baselines: share of Lisbon-related projects; share of equality projects; and share of environmentally-positive projects.

In terms of reporting, **most programmes use overall targets for the whole programme period** (e.g. Lombardia, Niederösterreich, Sachsen-Anhalt, Slovenian ERDF OP, Steiermark). Some programmes developed annual targets by assigning shares of the target to each year (e.g. Alsace, Nordrhein-Westfalen). The Portuguese Competitiveness NOP, Śląskie and the Spanish programmes have set targets for 2010 and 2013 instead. As required by the Regulations, outputs and results are usually reported at Priority level. This makes their assessment in relation to earmarked priority themes difficult.

There has been some criticism about the approach to the measurement of Lisbon-related programme progress. According to Norra Mellansverige, **current indicators cannot capture**

**Lisbon-related activity appropriately.** Better Lisbon-related indicators would be appreciated, since the current ones are sometimes considered to be rather generic (Czech Republic). However, several Managing Authorities pointed out that **there are already too many indicators**, and that adding more would make monitoring and reporting more complex and of less value from a management perspective.

Many of the Annual Implementation Reports for 2009 note that it is too **early to report on outcomes in relation to outputs and results**. The time-lag between the implementation of measure and the visibility of outputs and results do not allow a good representation of a programme's achievements according to some Managing Authorities (e.g. Czech Republic), particularly regarding innovation interventions (e.g. Sweden). This has been compounded by the late start of the programmes and the fallout from the economic crisis. As the programme authorities in the United Kingdom reported, outputs and results are only just starting to become visible now. Interestingly, they have become visible quicker in innovation and entrepreneurship/business Priorities, while climate change, transport and energy and business environment priorities are taking longer because of the different types of activity undertaken.

Some programmes found reporting on outputs and results **challenging because of data issues**. In Nordrhein-Westfalen, there have been methodological difficulties because the instruments co-financed by the OP do not all collect data annually. In the Hungarian Social Renewal OP, gathering indicator data has been challenging due to revisions of the indicator system in 2009. A comprehensive review has been felt necessary because some indicators were not available at the required frequency and their computation changed frequently. In addition to that, there was a lack of connection between indicators and the activities of the OP. The review of the indicator system is being implemented in the second half of 2010.

As a result of these issues, **quantitative outputs and results are often behind targets**. Nevertheless, many programmes report good progress for some indicators, particularly on outputs:

- In the **Scottish Lowlands and Uplands OP**, most output indicators already exceed their initial targets, e.g. 'Number of new business starts' (142 percent of target) or 'Number of ICT and e-learning facilities supported' (180 percent). The 'Number of enterprises receiving financial support' under Priority 2 has even already achieved 2,154 percent.
- In the **Portuguese Competitiveness OP**, especially the Priorities 1 'Knowledge and technological development' and Priority 5 'Networks and collective actions of enterprise development' reported good results. By the end of 2009, already 75 percent of the targets in Priority 1 have been achieved, while in Priority 5 the indicator for 'Investment supported in collective efficiency strategies/total investment supported' even far exceed the targets. However, several indicators have yet to report any progress (such as 'Investment in seed capital/total investment in risk capital').

- In **Länsi-Suomi**, the physical implementation appears to be comparatively advanced. Especially the indicator ‘R&D jobs’ in relation to other more general indicators (e.g. new jobs, new businesses) is progressing slightly better. The ‘R&D jobs’ target achievement stood at 51.3 percent at the end of 2009, while ‘new jobs’ stood at 41.2 percent and ‘new businesses’ at 34.6 percent.
- **Nordrhein-Westfalen** reported good results in the number of job creation. While the target until the end of 2009 has been set at 8,400-10,800, already 13,000 new jobs have been created.
- The **Norra Mellansverige OP**, in turn, already exceeded its targets in terms of women participating in projects and in the additional access of households and firms to broadband.
- In **Alsace**, the number of firms involved in collaborative activities is above target. Also indicators in the area of renewable energies perform well, considering the stage of the programme period.
- In **Vlaanderen**, the number of actions to promote knowledge and innovation performed well, and also other indicators such as the number of newly started companies showed good progress.
- In the **Czech Republic**, the ‘Number of projects in the area of renewable energy sources’ in the Enterprise and Innovations OP is already well above its target. Similarly, also the Prague Competitiveness OP achieved its target in public transport interventions, i.e. in terms of new or modernised tram lines.
- In the **Śląskie ERDF OP**, while the indicator ‘Extra investment created through support’ is in line with its target, performance in other areas is still lagging behind.
- The **Hungarian Social Renewal OP** reports good progress in terms of the number of persons participating in labour market intervention programmes. Yet, in many other indicators the achievement of the set targets appears to be more challenging.
- The **Spanish Knowledge Society OP** could already report good results for several indicators. An indicator that stands out is the ‘No. clusters/cooperation structures created’ which had already achieved ten times its 2013 target by the end of 2009.
- In **Slovenia**, the ERDF OP achieved its target, for instance, already for the number of supported R&D projects in the private sector.
- In **Austria**, the Styrian OP reported good outputs in terms of the number of supported projects, while other indicators, such as ‘New jobs in R&D’ showed still lower target achievement.
- Although overall progress in **Greece** is behind targets, some indicators showed satisfying outputs. In Attiki, for instance, 882 SMEs were supported, which

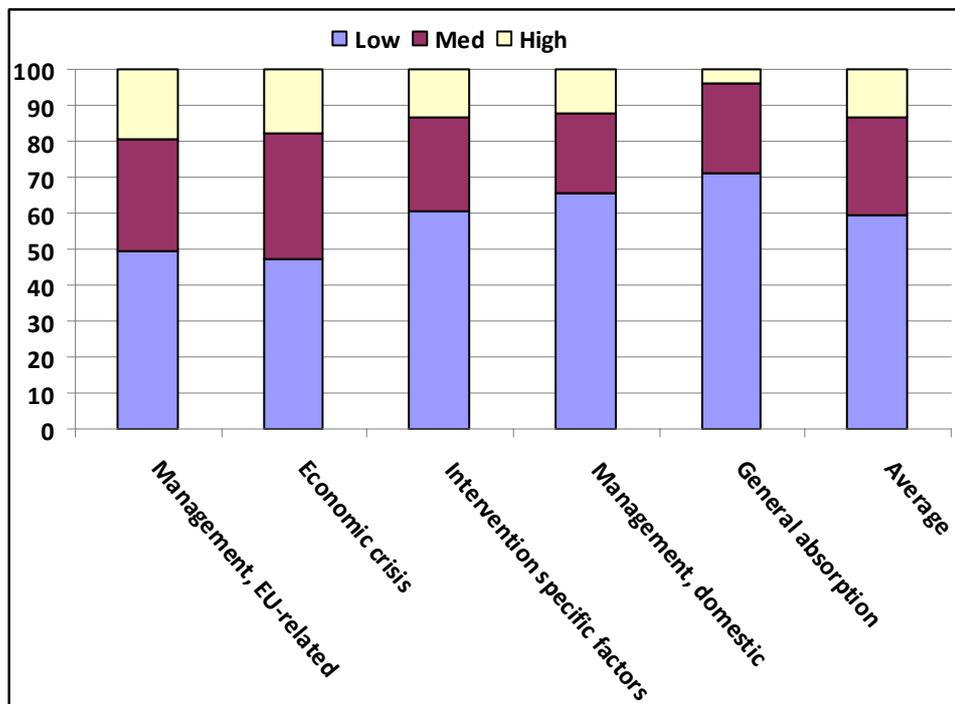
corresponds to 74.6 percent of the respective target; in turn, this resulted in the creation of 1,268 jobs, 53.3 percent of the target.

### 4.3 Factors affecting programme performance

Since their start in 2007, the performance of programmes across the EU27 has been affected by a range of factors. Following the Commission’s Strategic Report, these can be broadly divided into EU-related factors (e.g. compliance issues), external factors (the economic crisis), and domestic or internal factors (such as lacking administrative capacity and experience). It is not always possible to identify which factors specifically hampered the implementation of Lisbon-related measures. For instance, the late approval of a programme’s management and control system automatically affects all parts of the programme. Additionally, the share of earmarked allocation is very high in many Member States (e.g. Austria, Denmark, United Kingdom) so that a distinction between Lisbon-related and other measures is not relevant.

In spite of various obstacle the programmes are perceived to be progressing well (see Section 4.1), and this is confirmed by Figure 11, which illustrates the perceived impact of a selection of factors which are potentially influencing the performance of Lisbon-related measures. These have been rated by the IQ-Net programme authorities into the categories ‘high’, ‘medium’ or ‘low’.

Figure 11: Groups of factors affecting performance of Lisbon measures

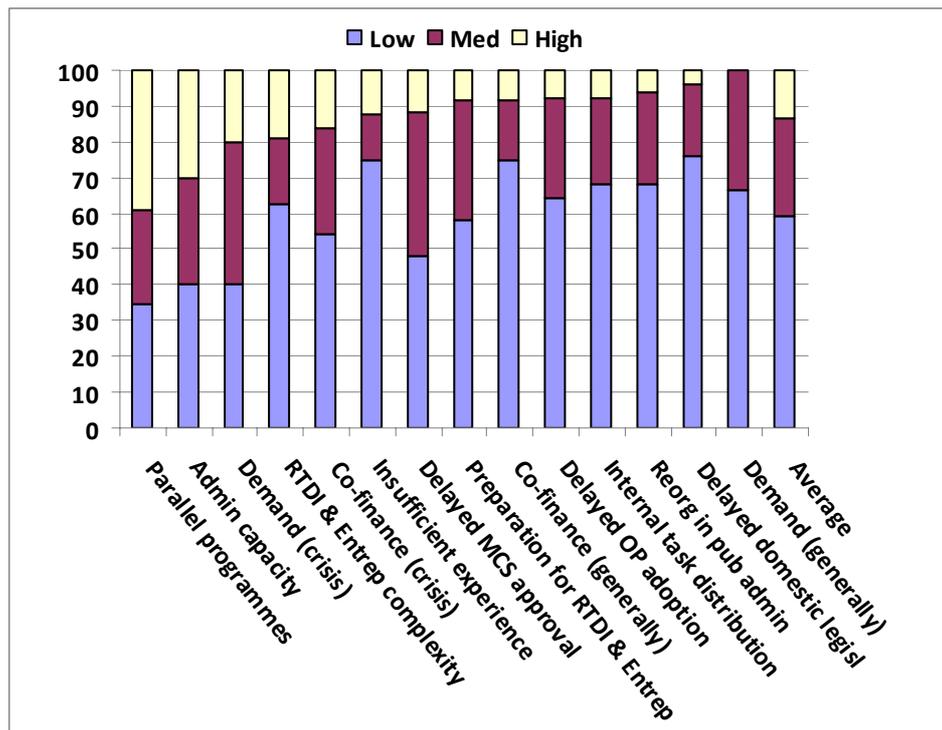


Source: EPRC research among IQ-Net programme authorities

Overall, the majority of responses (59 percent) fell into the category ‘low’. Across all factors, 27 percent of programme authority responses fell into the category ‘medium’ and only 14 percent into ‘high’. The issues with the highest perceived impact, EU-related

management and the economic crisis have been rated medium or high only by about half of the surveyed programme authorities. At the other end of the scale, general absorption issues seem to be less of a concern, with only 29 percent of interviewees selecting the high or medium category. This indicates that there is basically high demand for Structural Funds co-financing, but that other factors such as the crisis hampered programme implementation.

Figure 12: Factors affecting the performance of Lisbon measures



Source: EPRC research among IQ-Net programme authorities

When looking at single factors behind the groups of issues shown in Figure 12, a more detailed picture becomes visible. The two factors with the most negative impact on the implementation of Lisbon measures are related to the administrative time and effort required for programme implementation. 39 percent of programme authorities considered the parallel management of the 2000-06 (2004-06) and the 2007-13 programme periods to have a high effect on the efficient implementation of the current programmes. Related to this is the lack of administrative capacity more generally, which ranks second with 30 percent rating this as being of ‘high’ importance.

Other factors of concern to programme authorities influencing the implementation of Lisbon measures include the economic crisis. Both the crisis-related drop in demand (‘high’ and ‘medium’: 60 percent) and the crisis-related lack of co-finance (‘high’ and ‘medium’ ranking of 46 percent) have had a considerable impact in the view of many respondents. In addition, there is also one major EU-related factor impacting on implementation: the delayed approval of management and control systems has been rated into ‘high’ and ‘medium’ by 53 percent.

At the other end of the scale, the general demand for funding has not been an issue of high importance for any of the interviewees. This confirms the above-noted impression that the IQ-Net programmes provide a useful funding source for potential beneficiaries. Three domestic factors were rated as having a low impact. Only 24 percent considered domestic delays to be hampering Lisbon measures to a significant extent; just one under a third were affected by the reorganisation of domestic public administration and internal task distribution.

The following sections look more closely at the IQ-Net programme authorities' assessment of the various factors and attempt to identify trends.

### *4.3.1 Economic crisis*

The economic crisis impacted on all EU Member States, albeit to a different extent. The same is the case for Cohesion policy, where **programme implementation was affected to different degrees and in different ways.**<sup>23</sup> In some programmes, demand for Cohesion policy funding remained stable (e.g. Austrian programmes, Denmark, Lombardia, Sachsen-Anhalt). One reason for this is, as in Denmark, that programmes are focused on general measures rather than on targeting specific groups of beneficiaries. In Sachsen-Anhalt, import and export links into the wider international economy are relatively limited compared to other parts of Germany and therefore the impact of the crisis has been less severe.

Nevertheless, in other cases, the crisis meant that fulfilling the initial funding allocations turned out to be more demanding than expected. In Spain, for instance, the Technological Fund OP was agreed in 2005 when the economic climate was more favourable. In that context, the Convergence regions are now facing spending challenges in the area of R&D. Also in Finland, the economic downturn has particularly affected more innovation and learning oriented projects. But, as the Managing Authority for the Italian Research and Competitiveness OP pointed out, it is still early to assess the full impact of the crisis.

The crisis has had **major consequences for both private and public sector investment decisions in many countries**, as indicated by the major differences between commitments and spending data. In several countries, the crisis meant that it became more difficult for private sector beneficiaries to ensure their co-finance contribution or to carry out approved investments projects (e.g. Czech Republic, Greece, Hungary, Portugal, Spain), while in other cases public bodies are the main beneficiaries of programme funding and have been less affected the weak business climate (e.g. Bizkaia, Sweden). Examples of countries or programmes reporting difficulties with **public co-finance include:**

- Greece: The funding available in Greece as part of the Public Investments Programme has been reduced considerably, reinforced by the austerity package introduced in 2010.
- United Kingdom: North East England anticipates match-funding issues for project sponsors in the future, given that the major source of match funding - the Single Programme - has disappeared with the abolition of the English Regional Development Agencies (RDA). Cuts to public budgets are also expected to have a major impact on the availability of match funding for all programmes in the United Kingdom, particularly in the area of innovation and the higher education sector.

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<sup>23</sup> See Mendez C and Kah S (2009) Programme Implementation in Times of Economic Crisis: Review of Programme Implementation, Winter 2008-Spring 2009, *IQ-Net Review Paper 24(1)*, European Policies Research Centre, University of Strathclyde, Glasgow and Kah S (2010) Accelerating Implementation of Structural Funds Programmes: Review of Programme Implementation, Summer 2009-Autumn 2009, *IQ-Net Review Paper 25(1)*, European Policies Research Centre, University of Strathclyde, Glasgow.

- Spain: the already difficult situation with regard to public co-finance is further aggravated by occasionally late Commission payments, which require the regions to advance funding. However, the province of Bizkaia has not experienced any co-finance challenges due to its high fiscal autonomy and because the co-finance required to match-fund the ERDF is only a small share of the province's budget.

In some cases, co-financing difficulties have been particularly acute for local authorities:

- Poland: In Śląskie, municipalities have had to withdraw from some projects, while there are still a high number of applications from the private sector.
- Finland: public co-financing difficulties have mainly affected municipalities especially because of the reduction of infrastructure projects which the municipalities have traditionally preferred to participate in.
- Hungary: the need to co-finance projects has led to indebtedness of local governments.
- Portugal: The NSRF's annual monitoring report for 2009 notes that local authority projects (i.e. under the global grants allocated to the 'Cities Policy') were affected by a range of factors simultaneously, including co-financing challenges arising from the impact of the crisis. Indeed, municipality finances have moved from a position of surplus in 2006 into deficit in 2007 (-€132m) and rapid deterioration over the next two years (-€315m in 2008 and -€1033m in 2009).
- Nordrhein-Westfalen: challenges with municipal co-finance have arisen, but mainly due to structural fiscal problems - relating to the legal agreement on the financing of local authorities and the fiscal equalisation mechanism - rather than the crisis.

**Co-finance challenges have been less of an issue in other countries.** In Austria, for instance, the public bodies involved in Structural Funds will fulfil their funding commitments agreed at the start of the programme period. France attributed the cushioning effect of Structural Funds partly to the important role of public co-finance. Similarly, Finnish authorities pointed out that with the help of national funding the situation improved, and EU programmes were able to continue focusing on longer-term development.

**The fallout from the crisis should be understood as a dynamic and evolving process.** As argued in Portugal's 2009 NSRF monitoring report, it is necessary to take account of the sequencing of the crisis to understand the effects on Cohesion policy. The starting point was a financial crisis (in banking and some countries' housing markets) which unleashed recessionary effects across the world. Stimulus packages were introduced in most EU Member States, with Cohesion policy often playing an important facilitating role. This was followed a second round of effects, involving speculative pressures on public budgets and, contrary to the first stage, fiscal tightening in many Member States. These public budget consolidation efforts, and the debt crises that have erupted in some Member States, have led to pressure to national co-finance for Cohesion policy.

Despite these effects, financial demand has tended to be in line with expectations in many IQ-Net cases.<sup>24</sup> In particular, Lombardia and the Czech Republic reported that **spending on Lisbon themes did not suffer during the crisis** (see also Section 4.1). The strategy of the Lombardia OP, which is strongly focused on Lisbon-themes, has been reinforced by the fact that funding demand from businesses continued to be strong. Also in the Czech Republic, there is still strong demand for Structural Funds, since these represent an import funding source in the country.

**Delays in Commission approval, both of programmes and of management and control systems**, have been mentioned as affecting spending by several programme authorities (Bizkaia, Länsi-Suomi, Portugal, Vlaanderen). With regard to programme approval, authorities in Länsi-Suomi and Vlaanderen noted that delays affected mainly early programme stages. In the Hungarian region of Dél-Dunántúl potential beneficiaries could prepare for tenders already before official approval. Also in Sweden, programmes and specifically Lisbon themes have not been significantly affected by delays. However, Dél-Dunántúl indicated that the continuous modification of the management and control system leads not only to delays but also to problems for the electronic administration system.

Regarding management and control systems, the approval processes delayed programmes in several cases (e.g. Italian Research and Competitiveness OP, Länsi-Suomi, Lombardia, Spain). In Slovenia, the commitment process started before approval of the system. By contrast, in Spain and in Steiermark, many Intermediate Bodies hesitated to spend or commit funds while the approval of the management and control system was still outstanding due to legal uncertainties. In Lombardia, the gap between approval of the programme and of the management and control system has been significant, with repercussions for the implementation timetable of the programme, while the approval of the management and control system for the Italian Research and Competitiveness OP is still outstanding - commitments and payments were carried out nonetheless, but this had significant effects on the progress of the programme.

**Many management issues are related to the workload involved in compliance with EU rules.** One of the main reasons for a high workload has been the need to deal with two programmes at the same time. Parallel management of two programme periods is one of the factors most heavily affecting programme performance (France, Greece, Italian Research and Competitiveness OP, Śląskie, Sachsen-Anhalt, Steiermark). In fact, the effect of the parallel management of two programme periods has been ranked as being of 'high' or 'medium' importance by about two-thirds of programme authorities interviewed (see Figure 11). In Greece, the situation has been exacerbated by the otherwise helpful extension of the eligible funding period of the 2000-06 programmes by another year. Similarly, the predecessor of the Hungarian Social Renewal OP had been extended, prolonging the period of overlap by another year.

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<sup>24</sup> See also Vironen H (2010) Delivering Structural Funds in Difficult Times: Review of Programme Implementation, Summer 2010-Autumn 2010, *IQ-Net Review Paper 27(1)*, European Policies Research Centre, University of Strathclyde, Glasgow.

The challenges associated with dual programme management can vary considerably between different areas of intervention, as in Sachsen-Anhalt where the issues that have arisen relate to:

- **The limited number of staff.** Staff working on the funded interventions within the Intermediate Bodies faced large work volumes carrying out the final project closure checks at of the 2000-06 programme period; this meant that insufficient staff was available in the Intermediate Bodies to work on getting the 2007-13 programmes up and running, leading to delays.
- **General constraints on the *Land* budget.** These have meant that domestic public co-financing for the Structural Funds programmes has been limited, with insufficient resources to co-finance both the 2000-06 and 2007-13 periods simultaneously.
- **Uneven distribution of demand** for funding under different actions in the programme.

#### *4.3.2 Management capacity challenges relating to internal factors*

Although clearer and earlier methodological support by the Commission would be appreciated, some programme authorities considered that domestic factors have had a bigger effect on programme performance (as in the Czech Republic).

Since the start of the 2007-13 programme period, implementation has been affected by new institutional arrangements. For example, in Denmark, new administrative procedures were introduced, lengthening administration times and requiring measures to increase learning and competence development for administrators at all levels of the programme. In Finland, the creation of the new Ministry of Employment and the Economy in 2008 and the regional reform project (ALKU) in 2010 led to a reorganisation of responsibilities and tasks distribution. In Greece, the division of the country into different Objectives, in combination with the mono-fund approach and the increase of the number of bodies involved in the implementation has been challenging. In Śląskie, tasks were transferred from the State-appointed Voivodeship Office the regional government Marshal Office across programming periods. The Lisbon measures of the programme were affected especially by the relatively late creation of the Silesian Centre of Entrepreneurs in September 2007. In the Czech Republic, the inherent features of the domestic implementation system are complex. In 18 of 26 Czech OPs the Managing Authority is located at the national level. In several other programmes or countries internal reorganisation, especially during the programme period, influenced programme progress (Greece, Hungary, Italian Research and Competitiveness OP, Slovenia).

**Capacity issues have also caused problems.** Lack of staff has influenced programme performance by several programme authorities (e.g. Italian Research and Competitiveness OP, Niederösterreich, Śląskie, Steiermark, Sweden). In Slovenia, this has been further aggravated by the high staff turnover. Other capacity issues relate mainly to the complexity

of EU rules, especially at the level of Intermediate Bodies (Sachsen-Anhalt) or of beneficiaries (Vlaanderen).

**The unclear distribution of programme management tasks** is also problematic. The Italian Research and Competitiveness OP is managed by two ministries: the Ministry of Economic Development is the Managing Authority and the Ministry of Economic Development is an Intermediate Body. The development of a common management and control system has been difficult, especially given the diversity of the types of interventions included in the two distinct parts of the programme. In the case of Sachsen-Anhalt, programme planning has been carried out by the State Chancellery, while implementation continues to be a task of the Managing Authority. This led to some sub-optimal decision making during the programme planning process, which continues to have an effect on programme performance.

**Domestic legislation** is an issue also for a few IQ-Net programmes (e.g. in Śląskie). In Italy, the national document setting out the criteria for eligibility of expenditure was only approved in 2008 and this delayed Italian Structural Funds programmes. Also in Nordrhein-Westfalen one of the main domestic regulations was delayed. The ERDF OP's RTDI funding is mainly channelled through the *Land*-level Research, Innovation and Technology Programme. The Italian Research and Competitiveness OP, the Ministry of Economic Development did not have a Minister for six months because of political reasons; hence, the Managing Authority lacked direction and it was difficult to take certain decisions without political ownership.

**The long preparation and complexity of some projects** is a concern for several IQ-Net programme authorities (Greece, Sachsen-Anhalt, Śląskie, Vlaanderen, Wales). In Greece, significant financial resources in priority themes 17 (railways) and 21 (motorways) are allocated to big infrastructure projects which require a long preparation time. Also in Vlaanderen, the complexity and duration of a project is a factor that makes implementation more challenging. Infrastructure projects have to be planned long in advance; urban development projects, for example, take several years to plan. The n+2 rule constrains the time for implementation even more.

#### *4.3.3 Factors specific to the type of projects*

The specific character of many Lisbon-related projects has been an important issue in several IQ-Net programmes. For instance, a characteristic of **RTDI projects** is that they are **commonly located in agglomerations**, and hence they are often outside the Convergence regions benefiting from the highest levels of support. An example is the Czech Republic, where the majority of research and entrepreneurial activity is taking place in Prague, but the Czech capital is excluded from funding from both the Enterprises and Innovations OP and the Research and Development for Innovations OP.

More generally, many Convergence countries face the issue of **low general expenditure on RTDI**. In Greece, the lack of big companies and the sectoral specialisation of Greek industry in labour-intensive sectors create an unfavourable environment for such kinds of investment. This long-lasting structural problem of the Greek economy became especially

evident during the economic crisis. Similarly, **innovation is not a main feature in many programmes** in Hungary (e.g. Dél-Dunántúl OP). There are domestic Hungarian funds such as the Baross Gábor Fund that support innovation in a narrow sense, but EU funds are largely used for introducing new production capacities or to further develop them. Local governments use ‘regeneration’ funds for maintenance investments and amortisation and not for development. It is not easy to harmonise Lisbon goals with Hungarian priorities. There is **still a focus on infrastructure development**; ‘development’ is often mistaken for refurbishment and maintenance.

In other Convergence programmes, **Lisbon interventions are seen as a strategic priority**. In Sachsen-Anhalt, the Managing Authority considers it important to support RTDI, not least by encouraging the development of broader capacities for R&D and innovation, as an agent of broader structural change. Hence, there is a tendency to allocate additional funds to Lisbon interventions (e.g. during any re-programming decisions). Yet, there is only limited RTDI potential and this causes problems in the take-up of RTDI funds. Many firms in Sachsen-Anhalt are parts of larger companies which undertake their R&D outside the *Land*, and many smaller firms have very limited or no capacity for R&D. A similar strategic priority on RTDI interventions can be seen in Portugal, underpinned by a much firmer commitment in this period to shifting the specialisation profile of the Portuguese economy towards higher valued added activities. Take-up has, however been much stronger in the Norte and Centro regions than in the Algarve and Alentejo, where the institutional pre-conditions for these interventions are much weaker.

Implementation challenges in other programmes **relate to the complexity of innovation-specific projects**.

- In **Italy**, the PII (Innovation Industrial Projects) are domestic instruments intended to re-launch and upgrade the competitiveness of the Italian productive system by adopting a more selective approach to public support for industrial investment. In the Research and Competitiveness OP, they are co-financed by the ERDF in Convergence regions. Since the PII have complex and time-consuming procedures, this has slowed down programme progress.
- The time to implement Lisbon-related measures has been an issue in **Śląskie**. In the case of some long-term projects implemented by SMEs, entrepreneurs changed their company’s status during project implementation. This complicated the signing of contracts. In 2009, this problem was addressed by changing implementation documents. Moreover, the time needed by beneficiaries to complete the documentation was longer than anticipated because of problems with the Environmental Impact Assessment. Until 2008, Polish regulations were not adjusted to European regulations and beneficiaries had to wait for a new legal act.
- In **Austria**, in spite of the federal structure and largely regionalised implementation of Structural Funds, RTDI projects rely very much on a specific federal Intermediate Body. Yet, the Austrian Research Promotion Agency (FFG) has been committing less funding than anticipated. The FFG is more cautious in approving project applications, after it had negative experiences in the past. *Land*-level Intermediate

Bodies in research and innovation in Niederösterreich and Steiermark can only partly make up for the drop out. However, the Austrian authorities are optimistic that the new simplified cost options<sup>25</sup> might encourage more spending in R&D, as this is considered to be an area which involves high staff costs.

- As in Austria, **Nordrhein-Westfalen** has experienced implementation difficulties relating to a specific body. Some instruments are implemented by the NRW Bank (the *Land* Investment Bank), and delays in setting up the necessary systems and procedures within the NRW Bank led to delays in commitments. The Nordrhein-Westfalen Managing Authority has encouraged and helped the NRW Bank to address the organisational problems and to put the necessary implementation systems and procedures in place in order to speed up commitments.
- More generally, in **France**, delays have occurred due to the cultural change involved in the implementation of 'lisbonised' programmes. This concerns in particular the development of joint research projects, which requires identifying and linking new types of beneficiaries, enhanced technical knowledge and longer lead times.

#### 4.4 Optimising performance: strategic and operational measures

Management and implementation systems provide the crucial link between programme objectives and delivery on the ground. Key trends in the arrangements of many countries and programmes at the start of the 2007-13 period included stronger strategic management, investment in capacity for programme delivery, changes to partnership arrangements and new coordination arrangements.<sup>26</sup> These trends were by no means universal, with change being far more limited where delivery arrangements were firmly embedded or mature, and where the Lisbon 'turn' in Cohesion policy fitted well with existing strategic and implementation frameworks.

Early experiences with implementation have generally not required further changes to the delivery arrangements set up at the outset, although measures have been put into effect to deal with some of the challenges reviewed in the previous section. In responding to these challenges and in advancing the programmatic goals more generally, the main strategic and operational measures of relevance are coordination activities, the acceleration of spending, broader programme delivery and administration actions, and project animation and selection processes.

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<sup>25</sup> See also Vironen H (2010) Delivering Structural Funds in Difficult Times: Review of Programme Implementation, Summer 2010-Autumn 2010, *IQ-Net Review Paper 27(1)*, European Policies Research Centre, University of Strathclyde, Glasgow, p. 29-31.

<sup>26</sup> Ferry M, Gross F, Bachtler J and McMaster I (2007) Turning strategies into projects: The implementation of 2007-13 Structural Funds programmes, *IQ-Net Thematic Paper, 20(2)*, European Policies Research Centre, University of Strathclyde, Glasgow.

#### 4.4.1 Formal and informal coordination

The key formal bodies responsible for the delivery of programme objectives are Managing Authorities, Monitoring Committees, associated technical working groups and evaluation steering groups. Annual review meetings are also held with the Commission to oversee programme progress and discuss the outlook for the rest of the period. Beyond these structures, it has not been deemed necessary to set up other formal coordination bodies to support the achievement of Lisbon-specific goals, while follow-up of the advancement of NRP goals through the NSRFs has more often than not been undertaken on an *ad hoc* basis at national level. Nevertheless, formal and informal coordination bodies play an important role across the EU in supporting the effective and efficient functioning of programmes. Moreover, as the strategic goals of the programmes are framed by Lisbon goals, the monitoring and coordination of the programmes de facto covers Lisbon goals as well.

Across IQ-Net countries, prominent examples of pro-active coordination bodies bringing together national and regional actors include the following.

- **Austria's** federal-*Land* coordination body ÖROK, which is tasked with following Lisbon themes as part of its coordinating role. For instance, in April 2008 ÖROK presented the role of Structural Funds in R&TD support as part of the STRAT.ATplus series of conferences. This included the elaboration of guidance note to define with more precision the actions covered in the earmarking codes with R&TD-relevance (codes 1-4 and 14). Further, ÖROK's Sub-committee for regional economy (*Unterausschuss Regionalwirtschaft*) has published so-called technical bulletins to clarify all 86 priority themes in more detail.
- **France's** NSRF monitoring group, steered by DATAR since 2008 with the close involvement of the Association of French Regions (ARF) and DG Regio. Four thematic groups were set up on innovation, sustainable development, urban development and ICTs, including representatives of ministries, regional bodies, the Commission and economic actors. The groups are responsible for evaluating OP implementation, preparing triennial progress reports, formulating recommendations to improve the contribution of OPs to Community objectives, and feeding into thinking about the future of Cohesion policy. Each group has to submit draft recommendations to the monitoring group (GSCRSN) addressed to the Managing Authorities in order to improve programming effectiveness (coordination between involved actors, animation on the ground, coordination with other funds etc.).

Another noteworthy example of a national coordination body is Sweden's national forum for regional competitiveness, entrepreneurship and employment, which has recently been subject to a review (**Box 8**).

As noted, Monitoring Committee meetings and annual review meetings with the Commission provide another forum for discussing performance. A common criticism, however, is that the formality of the meetings often detracts from strategic discussion and that the agenda is often focused on financial implementation or technical issues.

- In **Germany**, an annual meeting of all RCE programme Managing Authorities has been set up for the 2007-13 period (a similar meeting already existed for Objective 1 programmes in previous periods), including staff from the Federal Ministry for the Economy and Innovation and from the Commission. However, participants report that meetings spend too much time discussing detailed implementation issues and little time on the strategic (including Lisbon) goals and content of programmes.

**Box 8: National forum for regional competitiveness, entrepreneurship and employment in Sweden**

The Swedish national forum for regional competitiveness, entrepreneurship and employment was set up in 2007 to engage the regional political representatives in a long-term and strategic dialogue on regional development issues. The discussions were organised into four themes (corresponding to the four priorities of the NSRF): innovation and renewal; competence development and labour supply; accessibility; and strategic cross-border cooperation. Discussions have focused in particular on regional enlargement, regional innovation systems, cross-border integration as well as the future cohesion policy, local and regional ownership of the Lisbon strategy, and rural development issues.

According to a review of the forum, the discussions have facilitated exchanges of experience and learning between the regional politicians and between the regions and the government.<sup>27</sup> Although the collaboration has in many cases continued successfully outside the forum, a number of deficiencies included: unclear aims (whether the forum was for information exchange or discussions); the need for other forms of meeting and joint-working (e.g. smaller working groups); and the large scale of attendance, due largely to the need for all regions to be represented. The review has resulted in an updated work programme for 2009-2013, which attempts to clarify the forum's aims, direction and working methods. Anticipated improvements include a future focus on competence and labour market development, the EU strategy for the Baltic Sea region, culture and creativity, and regional innovation environments.<sup>28</sup>

Informal networks and meetings provide a potential solution to some of the drawbacks associated with formal arrangements.

- In **Portugal**, the NSRF evaluation recommended the creation of a formal coordination body to address weaknesses within the NSRF's territorial enhancement agenda. While the option is currently being examined, and was already foreseen at the programming stage, the national authorities are acutely aware of the need to minimise complexity and administrative bureaucracy in the governance system. In this context, more informal mechanisms have been used to date to address critical issues that have arisen. For instance, Managing Authorities were brought together to examine and debate the implementation difficulties arising in the Cities Policy - which accounts for a third of the mainland ROPs funding and is a central plank of the NSRF's objectives.
- In **Spain**, the significant increase in financial resources devoted to R&D and innovation in this period has led to the creation of a dedicated network on this

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<sup>27</sup> Näringsdepartementet, 'Arbetsprogram för Nationellt forum för regional konkurrenskraft, entreprenörskap och sysselsättning 2009 - 2013', 11 April 2009.

<sup>28</sup> Näringsdepartementet, 'Strategisk uppföljning av en nationell strategi för regional konkurrenskraft, entreprenörskap och sysselsättning 2007-2013', 2009:69.

theme, replicating the existing model of the environmental and equal opportunities networks. While the establishment of the network has been delayed as a result of Ministerial reorganisation, it is still considered to fill an important strategic governance gap for discussing and sharing information about existing practice in R&D and innovation policies among managing and implementing bodies. With spending now picking up, it is hoped that the network (and others on social inclusion and urban development) will become more useful for improving coordination, governance and stimulating the exchange of best-practices across the regions. A preliminary activity organised prior to the network's official launch in 2010 was a conference with France to share experiences on innovation (Box 9).

#### **Box 9: Exchanging experiences on innovation policy in France and Spain**

A joint conference on innovation was organised in May 2009 in Seville by Spain's Directorate General for Community Funds (Ministry of Economy and Finance), the Regional Government of Andalucía, and, on the French side, DATAR and the Association of French Regions, along with collaboration from the Commission. The event's agenda included the following presentations, panels and workshops:

- The crucial role of innovation as a factor of global competitiveness
- The state of innovation in Spain and France
- Round table and plenary on regional innovation strategies in Spain and France
- Best practice cases
- Workshop 1. Promoting innovation in small and medium enterprises
- Workshop 2. National/regional strategies for innovation and governance
- Workshop 3. Human capital, business and innovation
- Workshop 4. European financial instruments to support innovation
- Workshop 5. Innovation Clusters
- Workshop 6. Innovation in rural, mountainous and coastal areas

#### *4.4.2 Accelerating expenditure*

The acceleration of spending has been a core objective of the Cohesion policy response to the economic crisis within the framework of the EU recovery plan, although provisions were also made to allow programme strategies to be adapted to the new socio-economic reality. Short-term responses to the crisis could be argued to detract from the long-term and structural focus of Cohesion policy investments and to the Lisbon-oriented objectives set in the programmes at the outset. In general, however, major changes have not been made to programme strategies. And by providing Managing Authorities with a tool to maintain or drive forward planned programme objectives - in the context of a restrictive investment climate for the public and private sectors - the measures can be seen as being 'pro-Lisbon'.

As reported in previous IQ-Net research,<sup>29</sup> the most highly valued measure was the **increase in programme advances**. While the aim was mainly to support liquidity among private and public beneficiaries, a frequently reported benefit was the contribution towards the achievement of n+2 targets for 2009. Some Managing Authorities, by contrast, raised questions about the measure's efficacy, e.g. where the transfer of advances was not

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<sup>29</sup> Mendez C and Kah S (2009), *Op. Cit.*; See also: Bachtler J and Mendez C (2010) *Review and Assessment of Simplification Measures in Cohesion Policy 2007-2013*, Report to Policy Department B: Structural and Cohesion Policies, DG for Internal Policies, European Parliament, Brussels.

permitted under domestic legislation or because of the risks to Managing Authorities in advancing funds without having fully checked (or certified) the expenditure.

The take-up and usefulness of the measure on **major project reimbursements without Commission approval** varied depending on the nature of the programmes and the extent to which this form of assistance is used. In Greece, several programmes planned to implement major projects, and the measure was 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 viewed as a positive development in several other IQ-Net countries (e.g. Portugal, France), some Managing Authorities considered the impact to be modest due to the small number of major projects planned, particularly under the RCE Objective.

In order to support enterprises, particularly SMEs, the conditions governing the payment of advances within the framework of EU State aid rules were made more flexible by **allowing State aid advances to reach 100 percent of the total aid until 2010**, instead of only 35 percent. The measure was reported to be a particularly positive development in Greece, and there were plans to use it in France and Slovenia, although its impact was considered to be diluted by the temporary nature of the measure. Several other IQ-Net Managing Authorities did not perceive the measure to be particularly important or relevant.

**Frontloading of planned investment** was actively adopted in several IQ-Net countries and programmes (e.g. **Finland, Hungary, Poland, Scotland**). Among the key perceived benefits were: increasing the amount of public funding available in a period of fiscal restraint; assisting compliance with the n+2 rule; and reducing the pressure associated with spending at the end of the programme period and thereby allowing programme actors to focus on closure. In other cases, the measure was seen as unnecessary and potential disadvantages were noted. While front-loading may be positive in terms of spending, it can also mean that the projects would not necessarily be focused on tackling the new problems. Also, it may store up funding constraints for future projects.

As noted, strategic modifications have not generally been made to programme objectives - confirming that the Lisbon focus in the programmes has not been lost in responding to the crisis - although **shifts in funding across (and often within) priorities** have been agreed or proposed.

- In the **Czech Republic**, Enterprise and Innovations reallocations across and within Priorities were approved in July 2010. The programme had already a strong focus on Lisbon priority themes, but the support to earmarked categories was strengthened via the categories of investment in firms directly linked to research and innovation, other investment in firms, renewable energies and energy efficiency.
- In **Vlaanderen**, there were signs that there would not be enough absorption capacity for the funds initially allocated Priority 2 (entrepreneurship), as considerable Flemish funding is available for this type of support anyway. For this reason, a proposal has been made to the Commission to reallocate some €15m to Priority 3 (spatial-economic environment).

- In **Hungary**, the main financial reallocations during 2009 concerned National Programmes. As noted earlier, the ESF-financed Social Renewal OP reallocated €76.9 million from Priority 2 (Improving adaptability) to Priority 1 (Improving employability, promoting entry to the labour market) in order to increasing funding for active labour market interventions as well as supporting disadvantaged people and persons made redundant as a result of the crisis.
- In **Scotland**, the Managing Authority proposed that the level of national funding under Priority 1 (Research and Innovation) be increased, while decreasing funds for Priority 3 (urban development) in response to match-finding problems.

#### *4.4.3 Programme management and administration*

The most obvious effect of the new Lisbon orientation on the operational management and administration of programmes is that the Lisbon earmarking codes now form an integral and routine part of the monitoring, reporting and financial planning activities discharged by Managing Authorities. Nevertheless, the core dynamics underpinning programme management remain rooted in unchanged features of the regulatory design of the implementing framework. As argued by the Sachsen-Anhalt Managing Authority, the main management tool used to inform decisions relating to the allocation and re-programming of Structural Funds resources remains the financial plan and the extent to which different priorities, measures and actions are showing progress (or are reasonably expected to show future progress) towards meeting financial targets. More generally, the imperative of n+2 compliance remains as strong as ever across the EU, and financial absorption continues to be a dominant force in programme management and administration decision-making processes. In fact, many programme managers argue that the n+2 pressures are even greater, given the more innovative types of interventions being funded and the associated risks of projects defaulting or being subject to delays.

While there is much functional continuity in programme management and administration activity, it is also evident that adaptation and learning has been required where significant changes have been witnessed in the content of programmes. In Alsace, for instance, dealing with Lisbon-type projects has involved acquiring new competences on a needs basis, notably relating to national and Community regulations relating to competitiveness poles/clusters, financial engineering instruments, ICTs, industrial parks and business support.

Training measures to improve the capabilities of Managing Authorities and Intermediate Bodies have been employed in most IQ-Net programmes, but often relating to general (rather than Lisbon-specific) programme administration tasks.

- In **Finland**, the capabilities of the authorities have improved in the course of the programme period due to experience and learning. Some training has also taken place, although some officials take the view that the training has been too focused on administrative issues rather than on the content of the policy.

- In **Vlaanderen**, more attention has been devoted to training in the Managing Authority and the contact points in the provinces. This has taken the form of seminars and exchange of experience, but it has not specifically been Lisbon-related. Nevertheless, training has generally been deemed to be effective and has encouraged the Managing Authority and the contact points to develop a shared vision and generally to give the same message to beneficiaries.
- In **France**, DATAR, in the framework of the NSRF Monitoring Group, decided to enhance technical assistance on a number of themes within the framework of the NSRF Monitoring Group. Many of these relate to Lisbon-type projects although the training is on technical administrative issues (e.g. Article 55, flat costs, indirect costs, financial engineering). This will be provided in the context of a framework contract that is currently being set up at the national level. Programme managers will have the opportunity to draw on this contract on a needs basis.
- In **North East England**, programme progress has been made more difficult by a perceived lack of clarity over regulatory questions and uncertainty over eligibility issues. The ERDF Secretariat worked closely with national and EU-level colleagues to agree guidance. A series of guidance notes were developed and issued, in addition a number of information events, workshops and practitioner network meetings were held with partners to promote understanding and best practice and encourage an acceleration of project implementation.

A further measure that can be employed to facilitate programme administration is the use of the simplified costs options. The Nordrhein-Westfalen Managing Authority is considering the use of the rules relating to flat rate costs, motivated by challenges that have arisen under specific Lisbon-related interventions. In particular, this concerns the calculation and provision of evidence relating to staff costs for R&D projects where the majority of costs relate to staff. There are often difficulties in demonstrating costs because some R&D-oriented firms and research centres do not require staff to fill in work-plans and have a working culture where managers do not want to (be seen to) check up too closely on staff activities. It remains to be seen, however, if the simplification option is feasible in the Nordrhein-Westfalen programme. Prominent IQ-Net examples that have made use of the simplified costs options - and are highlighted in the Commission recent report on the Cohesion policy response to the crisis - include Vlaanderen, Denmark and the United Kingdom (Box 10).

Other management and administration measures which aim to facilitate the pursuit of programme objectives or Lisbon-related thematic priorities in specific countries or regions include:

- **A dedicated IT platform for business aid schemes:** In **Portugal**, an IT system has been set up for the business aid schemes, offering a range of management advantages for the NOP Competitiveness and ROPs implementing the schemes: the use of a single portal for receiving all applications across the country; automated links to Intermediate Bodies and other actors involved in project appraisal and selection; standardization of procedures for appraisal, selection, monitoring and

closure of projects; faster appraisal times and accelerated decision-making; harmonized real-time data for the coordination, management and overall assessment of effectiveness, while allowing comparisons between projects and programmes; and paperless workflows through electronic-only processes.

**Box 10: Simplified costs options<sup>30</sup>**

**Flanders:** Depending on the type of project and costs the authorities use standard scales of unit costs for staff (based on national standards), flat rates to calculate indirect costs (i.e. costs which are not directly linked to the project, but which are necessary for its implementation) and, where necessary, real costs to cover other 'non standard' direct expenditure. The method is used in projects involving training, career guidance, etc. Lump sums are also used where it is possible to define a standard price for operations, for example in the preparatory phase of transnational projects: here, there are clearly defined actions, goals and results (i.e. three months to carry out desk research, define the scope of the project and do a baseline study) and based on past experience it is possible to calculate the sum required to obtain these results.

**Denmark:** is one of the countries for which the Commission has approved a flat-rate for indirect costs. It is the same flat-rate for the ERDF and ESF Operational Programmes (same Managing Authority and essentially identical implementation rules), which greatly enhances the simplification for project applicants, the regional and national growth centres, and the Managing Authority.

**United Kingdom:** the Commission approved the method of the Welsh authorities for the use of indirect costs declared on a flat-rate basis for both ERDF and ESF-funded programmes. The scheme entails working out an estimate at the beginning of a project which would then be fixed for its duration.

- **Centralised programme management:** In Flanders, the most important strategic change in the 2007-13 period has been the centralisation of management responsibilities in one regional programme (rather than sub-regional programmes), motivated by the aim of encouraging bigger and better projects. The change is regarded as being positive and effective overall, although it took some time for all parties involved to adjust to the new way of interacting and working with each other.
- **Delegated responsibilities to sub-regional platforms:** The Śląskie ROP has set up sub-regional platforms to encourage partnership working at local level. Projects implemented by neighbouring communities are the most popular partnership applications, followed by cooperation between counties and their communities. Of note in relation to the Lisbon priority themes is that Priority 2 on the information society is one of the most common themes for partnership applications (for instance there are several IT systems projects).
- **Integrated management of ERDF and ESF:** In Finland, the concentration of Managing Authority responsibilities for both funds in a single Ministry of Employment and the Economy has provided a better basis for clearer and more

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<sup>30</sup> European Commission (2010) Commission Staff Working Paper, 'Cohesion Policy: Responding to the economic crisis' A review of the implementation of cohesion policy measures adopted in support of the European Economic Recovery Plan, SEC(2010) 1291 final, Brussels.

harmonised implementation of Structural Funds than in the past and has also led to better steering of the Intermediate Bodies.

#### ***4.4.4 Project generation, appraisal and selection***

Programme managing authorities depend on networks of intermediaries, promoters and project implementers for successful programme delivery. This leads to the need both for effective communication and coordination.

- In **Aquitaine**, ‘mandates’ have been issued to certain actors in order to enhance project animation in Lisbon-related interventions (e.g. the Regional Innovation Agency for Priority 1).
- In **Nordrhein-Westfalen**, efforts have focused on ensuring that the necessary systems and procedures were set up in the NRW Bank because of delays in commitments in relation to some specific innovation-related instruments. The Managing Authority has helped the NRW Bank to address the organisational problems and to put the necessary implementation systems and procedures in place in order to speed up commitments.

To raise awareness among beneficiaries of funding opportunities, Managing Authorities utilise a range of project animation and programme publicity tools, including programme websites, guidance documents, newsletters, wider media marketing (in newspapers, television and radio), seminars and workshops.

- In **Aquitaine**, a guide for firms was published at the start of the programming period and has been updated since. It includes information on the types of project that receive support, contact details for support and advice, the basic principles for receiving European funding and the main stages of the application circuit.<sup>31</sup>
- The main measure to support project animation in **Greece** in key Lisbon-related measures has been media publicity, notably for SME support schemes.
- In **Portugal**, Cohesion policy has a strong web presence through the interlinked NSRF and programme websites, which offer daily updates of project calls, deadlines and extensions
- In the **Czech Republic**, the Managing Authority of the Enterprise and Innovations OP organizes conferences and other communication stimulating activities on a regular basis, including information workshops for firms. The main focus is on addressing the difficulties faced by beneficiaries in making applications and minimising commonly-made errors.
- In **Scotland**, ESEP (the Intermediate Administration Body) has held awareness-raising seminars targeted at potential applicants.

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<sup>31</sup> Préfecture de la Région Aquitaine et Région Aquitaine (2007) *Guide pratique pour les entreprises*, Programme compétitivité régionale et emploi 2007-2013.

- In **Flanders**, the contact points in the provinces are actively encouraged to help project beneficiaries draw up applications.

Increasing the frequency, deadlines and volume of funding for calls can help to support project activity, particularly to offset the effects of the crisis

- In **Portugal**, funding for project calls with the greatest demand from firms was raised in 2009 along with the relaxation of financing conditions and an extension of the scope of eligible investments.
- In **North East England**, changes were made to the commissioning process under Priority 1 (Exploiting and enhancing innovation) during 2009, resulting in a call open for a longer period, to allow partners maximum flexibility to exploit available match funding, and to respond quickly to economic shocks.
- In the **Czech OP Enterprise and Innovations**, the allocations for calls were increased by some 30 percent above what was originally planned and published faster.

Measures can also be employed to raise the quality of project applications and to ensure that projects are implemented as anticipated

- With this purpose in mind, an indicator guide was published by DATAR in early 2008.<sup>32</sup> It contains *inter alia* information on qualitative criteria for project appraisal with a particular focus on innovation, ICT and carbon neutrality. Detailed notes have been provided on these themes, including information on the definition of innovation and ICT as well as targeted projects, and guidance on how to appraise and rank the innovative/ ICT character of a project.
- In the **Czech Republic**, the Managing Authority of the Enterprise and Innovations OP has introduced minor changes to the project assessment criteria to enhance the focus on quality.

More widespread efforts can be seen to fine-tune and speed up project selection approaches and procedures.

- In **Hungary's Dél-Dunántúl OP** a simplified procedure was introduced in March 2009 to accelerate the project selection process.
- Project appraisal services in **Aquitaine** have received support to reduce project selection delays, but also to speed up expenditure checks (e.g. by outsourcing of certain controls).
- In **Nordrhein-Westfalen**, the competitive call for tender approach has been evaluated and there are plans to make some minor changes to the implementation

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<sup>32</sup> DIACT (2008) Programmes opérationnels FEDER Objectifs Convergence et Compétitivité Régionale et Emploi - Contrats de Projets Etat-Régions, Guide de renseignement des indicateurs nationaux 2007-13.

of these calls with the aim of improving processes relating to the design and launch of calls, and also to the allocation of commitments.

- An evaluation has also been carried out in **Portugal** on the regulations governing the different interventions, which will inform plans to improve the coherence and harmonisation of selection criteria across and within programmes.
- In **Greece**, a Ministerial Decision in June 2010 included, amongst other issues, the requirement for implementing bodies and Managing Authorities to keep to the formal deadlines for project appraisal, selection and subsequent payments to beneficiaries.
- In **Vlaanderen**, decisions on proposals are taken very quickly, made possible by dealing with the technical aspects of the projects at a later point. But decisions are always conditional upon a technical review that has to address problems such as funding gaps. There are currently attempts to conduct the technical review before the Monitoring Committee decision in order to shorten the time between project approval and the actual start date and so that the beneficiary knows even before the review which points will need to be addressed later.

## 4.5 Monitoring and Evaluation

The role of monitoring and evaluation is to provide information and evidence on the performance of programmes, including in relation to Lisbon objectives and priorities. Several elements of the new Cohesion policy regulatory framework for the 2007-13 period are of note in this respect. As noted, the earmarking rules require Managing Authorities to provide an indicative breakdown of the allocation of funding to Lisbon-related thematic priorities in the programmes, which must be followed-up yearly in Annual Implementation Reports submitted to the Commission and approved by Monitoring Committees. Further, the monitoring and reporting of output and results targets and achievements are only required at the level of priority axes, reflecting the simplified and more strategic planning framework in the current period. Lastly, a more flexible and needs-based evaluation system has been introduced, in essence devolving responsibility for the timing and focus of evaluations to the Member States. This implies that it is up to Managing Authorities to decide whether and how to evaluate the achievement of Lisbon goals or particular thematic priorities.

### 4.5.1 Monitoring

The research conducted among IQ-Net programme authorities for this paper suggests that the Lisbon 'turn' has had two key effects on the monitoring of programmes. First, the shift in the thematic content of programmes has unsurprisingly led to changed to the types of indicators used, with a greater focus on Lisbon-related priorities (RTD, innovation, renewable energies etc.) than in the past, both in terms of context indicators and also in relation to outputs and results. Nevertheless, programme monitoring remains heavily focused on financial performance (spending) rather than policy outcomes (outputs and

results). Second, and related, Managing Authorities have had to incorporate the earmarking codes into their monitoring systems, and these are now routinely used for financial planning, monitoring and reporting purposes.

According to the Commission<sup>33</sup>, the main value of earmarking is that it has improved the quality and focus of programming. Interviews with IQ-Net Managing Authorities provide some support for this claim. For instance, the Sachsen-Anhalt Managing Authority argues that one advantage of using the Lisbon codes is that it allows the Monitoring Committee to take decisions on the allocation and re-allocation of funding between different kinds of instrument and forces ministries to justify the inclusion of various instruments in the programmes. On the other hand, some other Managing Authorities have not seen any particular benefits arising upstream of the programme design stage, particularly where domestic strategies are closely aligned with the Lisbon agenda and funding allocations are relatively low. For instance, the Managing Authority for Scotland notes that it reports on Lisbon codes to demonstrate progress on themes (as required for the Strategic Report or AIR process), but that this is not part of the Advisory Group process or the appraisal of applications.

A range of other conceptual, methodological and operational difficulties were also noted. From a conceptual perspective, the earmarking categories cover financial inputs only, and there is no linkage with the indicators selected as part of the Lisbon agenda (or context indicators in the programmes). As noted, the focus on financial inputs may encourage excessive priority to be placed on spending rather than attainment of objectives. Another problem with the conceptual rationale of the earmarking approach is that it is blind to different socio-economic contexts. Interviewees in Poland, noted that earmarking ignores the fact that in different regions operations under the implementation of the Lisbon Agenda will inevitably be very different (linked to varied socio-economic conditions). Moreover, even if not assigned to a pro-Lisbon category, certain types of expenditure such as transport and urban/rural regeneration undoubtedly contribute to economic growth. Similar conceptual difficulties were identified by Managing Authorities in Greece during the programming phase, especially in RCE regions, as the structure and the development needs of particular regions (e.g. the Notio Aigaiio Region is an insular area, whereas Sterea Ellada is an agricultural region) are not well served by the classification of thematic priorities which are taken into account for the earmarking estimation.

The main methodological difficulty is that the earmarking codes are broad and not well-defined, so it is not always clear to which code expenditure under a project or measure should be allocated. There has been some uncertainty in this respect and the scope for interpretation is wide. Examples given by Austrian interviewees are codes 7 and 8, where there is no obvious difference, while code 8 is often used for tourism measures in Austria, which has led to discussions about the relevance of tourism for innovation. A concrete example given by interviewees from Slovenia is a day-care centre project. This is supported under the ERDF and falls under Code 75 'Education Infrastructure'. But it is also social

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<sup>33</sup> European Commission (2010) Cohesion policy: Strategic Report 2010 on the implementation of the programmes 2007-2013, SEC(2010) 360 final, Brussels.

infrastructure (e.g. Code 79), since it helps women to get back into work. The methodological challenges are complicated by the fact that within a single project, one part can be Lisbon-relevant, while another is not. Moving beyond financial inputs to actual objectives reveals similar difficulties because projects can have impacts on multiple objectives (e.g. a transport project can also reduce CO<sub>2</sub> emissions).

These methodological challenges have important operational consequences. In particular, these uncertainties mean that the classification of earmarking expenditure can vary across and within programmes. The system is based on the assumption that different regions within a country or different Intermediate Bodies within a programme have classified their interventions or projects correctly in relation to the Lisbon codes yet this may not be so. Indeed, significant differences across Managing Authorities were observed by one interviewee, because the main priority at the start of the period was on launching the programmes and getting the management systems in place.

This highlights the importance of adequate preparation at the start of the programme period. Where the Lisbon coding process was regarded as being straightforward, as in Portugal, detailed guidance was provided to the Managing Authorities on how they should categorise their projects early on and no significant difficulties have been faced during implementation.

Another operational difficulty is that the monitoring/programming process has become more complex. Financial plans (or internal programme complements) are often highly disaggregated, requiring the monitoring of the Lisbon codes to be undertaken at a very detailed level, namely at the level of actions or even operations. Indeed, the programmes had to be broken down to this level in order to quantify the earmarking allocations, which required a major effort in some large programmes. Additionally, the Lisbon codes are usually not fully contained within specific priorities, nor does the logic of the programmes necessarily follow the logic of the codes. Difficulties with the extraction of the data were also reported in some programmes.

Moreover, the programming of earmarking allocations has become more restrictive than envisioned in the regulations, particularly as a result of the recent simplification measures. For instance, when the OP for North-East England was being negotiated, the Regional Development Agency (One North East) was assured that the categorisation of Lisbon codes was indicative (i.e. giving a broad idea of the amount to be spent under each code) and purely for information purposes (as stated in the regulations), and that the programme could not be held to the categorisation made. Through changes to Article 56 in the recent simplification measures, the RDA is now having problems with spending under the entrepreneurship code. Entrepreneurship is an integral part of the programme, but it was 'omitted' from the 'indicative' coding table in the OP as the activity was at the time felt to be adequately covered by 'business support'. Because it was not included in the original OP coding table, nothing can now be allocated against it unless approval from the Commission is obtained, and spend will only be eligible from the date of approval. An unintended consequence of the simplification measures has been to make it more difficult to spend, even on Lisbon categories, rather than making the programme more flexible. Put differently, this 'sets in stone' proposed expenditure from 2006/07 until 2013 regardless of

socio-economic changes and prevents Managing Authorities from being responsive to changing conditions.

A final challenge is the exploitation of the earmarking data. Managing Authorities are now required to collect vast monitoring data-sets combining earmarking themes with forms of financing and geographical dimensions. While these data are a rich and potentially very useful resource, they are not systematically exploited by Managing Authorities or the Commission for strategic and operational purposes.

#### *4.5.2 Evaluation*

The focus on Lisbon agenda objectives and themes in evaluation plans varies across EU countries, reflecting the increased flexibility granted to Member States in the regulatory requirements in the 2007-13 period. An earlier review of evaluation plans showed that the requirement to provide a strategic report on the contribution of Cohesion policy to the Community Strategic Guidelines and to the Lisbon agenda (in 2009 and 2012) explicitly informed the design of NSRF evaluations in a number of partner countries, namely in the Czech Republic, France, Poland and Portugal, as well as in other Member States, particularly from the EU12, like Latvia and Lithuania.<sup>34</sup>

To date, only a limited number of evaluations have been undertaken at programme level, and these have often related to operational issues. However, many evaluations are currently being launched or planned at the mid-term stage with a strong focus on Lisbon objectives and themes.

- One example is **France**, where a survey of regional evaluation plans undertaken by DATAR at the end of 2008 revealed that Lisbon themes (innovation, competitiveness, R&D, ICT, firm support) were at the top of the list of themes to be evaluated. Some regions planned to carry out several evaluations on the different thematic priorities, with six regions planning to carry out four evaluations or more on Lisbon-related topics. In terms of sub-themes, regions are most interested in evaluating innovation and the competitiveness of firms (two-thirds of planned evaluations) and much less in traditional themes, such as enterprise support.<sup>35</sup>
- In **Portugal**, a global NSRF evaluation has provided some insights on the potential achievement of Lisbon-related thematic priorities and objectives. However, it will be the mid-term cycle of programme evaluations that will provide a better assessment of the achievement of objectives based on mid-term results data.
- In the **Czech Republic**, there is a proposal to cover the Lisbon agenda (and earmarking) in the mid-term evaluation of the NSRF for 2011.

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<sup>34</sup> Polverari *et al.* (2007), *Op. Cit.*

<sup>35</sup> DIACT and ARF (2009) *Le concept d'innovation technologique et organisationnelle dans les POs FEDER et CPER 2007-2013*, Rapport final, p. 74-77.

- In **Sachsen-Anhalt**, a mid-term evaluation is being undertaken in 2010-11, covering all aspects of the ERDF, ESF and EAFRD programmes, including the implementation of the Lisbon approach.

Looking at prominent Lisbon-related themes, examples of strategic evaluations that have been finalised or launched include:

- **Innovation:** In **France**, several regions have launched evaluations on: ICT (Aquitaine); the effectiveness of knowledge transfer from public/private research activities to firms, notably SMEs (Basse-Normandie); development of research and innovation and adaptability of workers to economic change, including the role of the Regional Innovation Strategy (Centre); innovation, including the role of RIS (Franche-Comté); and management of the global grant on innovation (Provence-Alpes-Côtes d'Azur). (See also Box 11). In **Spain**, the first evaluation to be undertaken with a Lisbon focus will be on R&D and innovation in 2011, covering all NOPs and ROPs. **Śląskie**, plans to evaluate innovation projects realised in the ROP.

**Box 11: A reference framework for assessing societal and territorial innovation in France**

In April 2009, a reference document was prepared on the evaluation of societal and territorial innovation.<sup>36</sup> The main objective was to assess the programmes' contribution to the Lisbon strategy and to provide a reference framework for future evaluation work. Another key aim was to improve expertise on different conceptions and types of innovation, beyond the technological and organisational types. Based on this, a report was produced on the role of innovation in regional OPs.<sup>37</sup> It found that, while the programmes are very similar in terms of objectives, there is strong variety regarding interventions and financial allocations. There are two types of intervention strategies (and many cases where the situation is mixed):

(a) regions which give priority to the development/ structuring the supply-side of technological innovation (e.g. funding for research infrastructure) but face difficulties with project development; and

(b) regions which focus on accelerating/ optimising existing networks (e.g. via financial instruments), showing a more dynamic programming approach in this field.

A further study was carried out based on monitoring data to determine the contribution of programmes to NSRF objectives, notably Lisbon, across all priority themes. This includes analyses of individual OPs with respect to their innovation focus (e.g. technological or not) providing an overview of earmarking intentions at the measure level. It also outlines regional good practices. The exercise, which was based on interviews with regional programme managers, is also supposed to feed into a possible NSRF review in 2010.<sup>38</sup> It is also found to have eased programme steering, monitoring (regarding earmarking categories), and communication.

- **Entrepreneurship:** In **Śląskie**, there is also an intention to evaluate actions directed to enterprises and to examine how ROP projects influence the level of employment and enterprises' competitiveness. In **Sachsen-Anhalt**, evaluations are

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<sup>36</sup> DIACT and ARF (2009) Référentiel d'évaluation de l'innovation sociétale et territoriale.

<sup>37</sup> DIACT and ARF (2009) Le concept d'innovation technologique et organisationnelle dans les POs FEDER et CPER 2007-2013, Rapport final.

<sup>38</sup> Rapport Stratégique 2009, p. 21.

being carried out on support for business start-ups and financial engineering instruments and loan funds; the main findings to date are that there are several targeted instruments justified in terms of business needs, and that it is reasonable to continue with these instruments and also to establish further instruments. In Sweden, evaluations are being undertaken on clusters and incubators

- **Employment/cohesion:** In Sachsen-Anhalt, an evaluation has been launched on the transition from education into work. In Sweden, an evaluation of the horizontal priorities of integration and diversity has been finalised; among the findings is that the theme is difficult to integrate consistently with the programme objectives producing a recommendation to raise awareness on the theme.<sup>39</sup>

When asked about the challenges of evaluation Lisbon agenda objectives and themes, IQ-Net Managing Authorities provided mixed responses. For some, there are no problems other than those related to any evaluation work (e.g. difficulties with indicators and data). Others pointed to specific difficulties, as follows.

First, the Lisbon objectives are considered to be vague. As noted in a summary of evaluations undertaken in Sweden:<sup>40</sup> *“The overall objective of the Structural Funds programmes is to contribute to the achievement of the objectives of the Lisbon Agenda. Similarly to the Lisbon Agenda, the overall objectives of the Structural Funds are broadly defined and relatively ambiguous. This overall objective entails that the EU should become the world’s most competitive and dynamic knowledge-based economy by 2010. For such a general objective, it is difficult to carry out clear-cut evaluations on the effects or results. Improved competitiveness and employment in the Lisbon Agenda are not just about newly created jobs and businesses, but also about ‘better’ jobs, more innovative businesses, and regional growth.”*

Second, it was argued that the Lisbon agenda, or at least the policy discourse, has a simplistic understanding of growth and jobs. In Wales, the ex ante evaluations did not refer to the significant contributions to jobs and growth expected from the OPs, especially the larger ones, pointing out that the quality of economic development is much more important than a mechanistic job count. In East Wales, for example, there are ‘pockets’ of employment problems but the labour market is generally strong, so it would be unrealistic to expect the creation of many additional jobs. In a rural economy such as the Highlands and Islands, the issue is to maintain rather than create employment. Similarly, in Sweden, the recent programme evaluation of Mellersta Norrland concluded that the answer to whether the results are good or bad depends on one’s perspective: *“If the emphasis is on strengthening competitiveness among firms and industries, then the results are ‘quite good’. If, however, the emphasis is on the rapid and extensive creation of new firms and jobs, then the results are not ‘especially good’.”*

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<sup>39</sup> Brulin G, Jansson S, Andersson M, Svensson L, and Uliczka H (2009) Vad har vi lärt i halvtid?, Erfarenheter från genomförandet av de regionala strukturfondsprogrammen och Socialfondsprogrammet, November 2009, p. 43.

<sup>40</sup> *Ibid.* p. 23.

Third, there are several methodological challenges with the evaluation of RTD and innovation policies. The impact of innovation policies is difficult to measure due to time-lags, with structural effects only being visible in the medium to long-term. Assessing or quantifying intangible investments is also difficult. Related, there can be a lack of experience. In France, for instance, the NSRF monitoring group (ICT sub-group) has recommended that methodological tools should be developed to evaluate ICT interventions (e.g. in terms of reductions of traffic and printouts) in order to establish the carbon footprint of the digital economy.<sup>41</sup>

Last, there is a conflict of rationales between the evaluation of these policies and the administrative framework for delivery. Support for innovation is inherently risky, as the objective is to encourage private and public sectors to take risks, including the risk to fail. However, the administrative system of Cohesion policy does not sufficiently incentivise this, preferring 'safe bets' instead.

## 5. EXPERIENCES AND LESSONS FOR EUROPE 2020

The experiences in this new period clearly indicate a much closer alignment of Cohesion policy strategies with the Lisbon agenda, driven by the new strategic planning framework, the earmarking tool and reporting requirements. These governance devices have helped to steer programme objectives, priorities and funding towards Lisbon-related objectives and priorities. In particular, the main benefits of the new framework reported by programme managers are that it has helped to clarify the linkages with the Lisbon agenda, enabled the design of more focused programmes and performance-oriented management systems, and facilitated comparison of strategies.

However, weaknesses in the effectiveness of the new approach have also been identified. The NSRFs were designed broadly with less strategic focus than anticipated and the Lisbon priorities pursued by the strategies and operational programmes were often in line with domestic priorities anyway. The earmarking instrument has certainly encouraged a shift in expenditure towards Lisbon-related thematic priorities, but it has been criticised for being too top-down, increasingly inflexible, administratively demanding and placing too much emphasis on spending rather than outputs and outcomes. Strategic reporting has often been treated as a compliance exercise with limited strategic value due to data limitations, methodological difficulties and the lack of priority placed on the NSRF upstream of programming in many countries. Even though the new strategic approach may have increased awareness and ownership of the Lisbon agenda among programme managers and secretariats, it is less clear whether this is the case among funding beneficiaries or citizens more generally. Programme managers also continue to perceive an excessive burden of administration, which detracts attention from the delivery of programme and Lisbon goals.

Turning to contemporary debates on the future of Cohesion policy and the revised Lisbon agenda, most Managing Authorities are supportive of a close alignment with Europe 2020.

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<sup>41</sup> Groupe de suivi du CRSN (2010) Projet de recommandations du groupe thématique « TIC » au Groupe de suivi du CRSN en vue d'améliorer les résultats de la programmation FEDER, 20.01.2010.

Indeed, many see the ‘new’ EU priorities as being in line with current programmes and/or with domestic policy trends. There are several lessons to emerge from the experience of the Lisbon Agenda.

In the view of IQ-Net partners, the first lesson is **the need for Europe 2020 to have a territorial dimension** with a clearer spatial strategy and commitment to cohesion. Further, Managing Authorities underlined the importance of **securing local and regional understanding and ownership** of EU and National Reform Programme objectives and of the implementation of the strategies. But concerns were raised about the use of conditionalities, especially the idea of linking disbursement of Cohesion policy funding to policy objectives in unrelated policy areas, such as debt levels under the stability and growth pact.

In relation to the **strategic planning framework**, a message to emerge from the research is that **more coherence is needed between Cohesion policy strategies, EU objectives and National Reform Programmes**. As noted, in the current period the links in NSRFs and OPs were often weak or vague, particularly regarding the relevance and contribution of indicators and targets to those included in National Reform Programmes. Coherence is also needed in the timing of the processes, which have tended to function independently - as evidenced by Cohesion policy having to adapt to broader EU objectives (or be seen to do so) after the approval of its governing framework in the previous two policy reforms.

With regard to programming, Managing Authorities tend to agree on **the need for greater concentration on clearer and fewer objectives and thematic priorities**. Firmer EU regulatory requirements are, however, needed to enable Managing Authorities to resist domestic political pressures to disperse funding across different ministries and types of intervention. At the same time, most Managing Authorities also call for sufficient flexibility to adapt EU priorities to local conditions, while others consider that greater concentration will be an inevitable consequence of anticipated funding cuts to their programme allocations.

Greater concentration on objectives can also be achieved by ensuring that the programme planning process follows a **comprehensive and logical framework**, encompassing the identification of priorities, interventions and physical indicators. Problems arise when this process is divided into different components which are governed by distinctive logics (e.g. when the logic of the programme planning or goal-setting process is separated from the process of identifying spending codes and linking these to physical indicators and instruments). More can also be done to encourage integrated territorial strategies. The limited Commission methodological guidance on this topic is considered surprising, given that it is often proclaimed as the main asset of the policy. Related, there is scope for merging programmes in some countries, particularly in the EU12, to support more integrated approaches where there is scope for synergies and to reduce administrative burdens by reducing the number of programmes.

The **earmarking instrument provides a useful tool to support concentration efforts**, although it is not a sufficient condition in itself, particularly given the breadth of categories in the classification and the provisions to allow additional categories to be negotiated in

NSRFs. A key lesson is **the need for more precisely defined earmarking categories and uniform reporting of data**. A guidance note could be developed by the Commission on this, which would be particularly important to ensure consistency across Member States and enable more robust comparative analysis across the EU. The current thresholds are generally regarded as being satisfactory and some Managing Authorities would be concerned about the introduction of a stricter approach, e.g. if there was a suggestion that one-third of funding should go to a specific thematic priority. In this respect, it is argued that the regulations should return to the original intentions of categorising spending indicatively/broadly to the Europe 2020 guidelines, avoiding the introduction of unnecessarily restrictive rules that make legitimate activities ineligible for support. Concerns were also expressed about the coherence between Europe 2020 objectives for the digital economy and earmarking provisions on ICTs, which exclude broadband infrastructure from RCE objective regions.

Moving from programming to implementation, the core message from Managing Authorities is **the need for genuine simplification**. Many consider that the main problem with ‘Lisbon’ is that the regulatory framework does not focus sufficiently on the content of the programmes but instead concentrates on bureaucratic rules. There is a need for more discussion at EU-level on how Managing Authorities can ensure that the programmes genuinely contribute to the Lisbon goals and to innovation oriented economic development. One recommendation is to promote the study of best practice projects linked to EU objectives and especially their transferability to other contexts, rather than merely showcasing them as is done at present.

Finally, scope for **improvement in strategic reporting** was identified in three main areas. More coherence and alignment with reporting on national reform programmes is needed. This could be provided by the integration of NSRF reporting within the new ‘European semester’ framework of Europe 2020 reporting. Additionally, there is a need for more proactive involvement of regions in the strategic reporting exercise and to open it up to other interested actors (local authorities, cities, socio-economic partners, NGOs etc.). A coherent and comparable methodological framework of core indicators is required from the start of the next period.

## ANNEX I: EARMARKING CATEGORIES - YELLOW (ALL OBJ), ORANGE (CONVERGENCE ONLY), WHITE (NON-EARMARKED)

### **RESEARCH AND TECHNOLOGICAL DEVELOPMENT (R&TD), INNOVATION AND ENTREPRENEURSHIP**

1. R&TD activities in research centres
2. R&TD infrastructure (including physical plant, instrumentation and high-speed computer networks linking research centres) and centres of competence in a specific technology
3. Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, technopoles, etc.)
4. Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
5. Advanced support services for firms and groups of firms
6. Assistance to SMEs for the promotion of environmentally-friendly products and production processes (introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production)
7. Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)
8. Other investment in firms
9. Other measures to stimulate research and innovation and entrepreneurship in SMEs

### **INFORMATION SOCIETY**

10. Telephone infrastructures (including broadband networks)
11. Information and communication technologies (access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)
12. Information and communication technologies (TEN-ICT)
13. Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)
14. Services and applications for SMEs (e-commerce, education and training, networking, etc.)
15. Other measures for improving access to and efficient use of ICT by SMEs

### **TRANSPORT**

16. Railways
17. Railways (TEN-T)
18. Mobile rail assets
19. Mobile rail assets (TEN-T)
20. Motorways
21. Motorways (TEN-T)
22. National roads
23. Regional/local roads
24. Cycle tracks
25. Urban transport
26. Multimodal transport
27. Multimodal transport (TEN-T)
28. Intelligent transport systems
29. Airports
30. Ports
31. Inland waterways (regional and local)
32. Inland waterways (TEN-T)

### **ENERGY**

33. Electricity
34. Electricity (TEN-E)
35. Natural gas
36. Natural gas (TEN-E)
37. Petroleum products
38. Petroleum products (TEN-E)
39. Renewable energy: wind
40. Renewable energy: solar
41. Renewable energy: biomass
42. Renewable energy: hydroelectric, geothermal and other
43. Energy efficiency, co-generation, energy management

### **ENVIRONMENTAL PROTECTION AND RISK PREVENTION**

44. Management of household and industrial waste
45. Management and distribution of water (drinking water)
46. Water treatment (waste water)
47. Air quality
48. Integrated prevention and pollution control
49. Mitigation and adaptation to climate change
50. Rehabilitation of industrial sites and contaminated land
51. Promotion of biodiversity and nature protection (including Natura 2000)
52. Promotion of clean urban transport
53. Risk prevention (including the drafting and implementation of plans and measures to prevent and manage natural and technological risks)
54. Other measures to preserve the environment and prevent risks

**TOURISM**

- 55. Promotion of natural assets
- 56. Protection and development of natural heritage
- 57. Other assistance to improve tourist services

**CULTURE**

- 58. Protection and preservation of the cultural heritage
- 59. Development of cultural infrastructure
- 60. Other assistance to improve cultural services

**URBAN AND RURAL REGENERATION**

- 61. Integrated projects for urban and rural regeneration

**INCREASING THE ADAPTABILITY OF WORKERS AND FIRMS, ENTERPRISES AND ENTREPRENEURS**

- 62. Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation
- 63. Design and dissemination of innovative and more productive ways of organising work
- 64. Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills

**IMPROVING ACCESS TO EMPLOYMENT AND SUSTAINABILITY**

- 65. Modernisation and strengthening labour market institutions
- 66. Implementing active and preventive measures on the labour market
- 67. Measures encouraging active ageing and prolonging working lives
- 68. Support for self-employment and business start-up
- 69. Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons
- 70. Specific action to increase migrants' participation in employment and thereby strengthen their social integration

**IMPROVING THE SOCIAL INCLUSION OF LESS-FAVOURED PERSONS**

- 71. Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace

**IMPROVING HUMAN CAPITAL**

- 72. Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy
- 73. Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training
- 74. Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses

**INVESTMENT IN SOCIAL INFRASTRUCTURE**

- 75. Education infrastructure
- 76. Health infrastructure
- 77. Childcare infrastructure
- 78. Housing infrastructure
- 79. Other social infrastructure

**MOBILISATION FOR REFORMS IN THE FIELDS OF EMPLOYMENT AND INCLUSION**

- 80. Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders

**STRENGTHENING INSTITUTIONAL CAPACITY**

- 81. Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.

**REDUCTION OF ADDITIONAL COSTS HINDERING THE OUTERMOST REGIONS**

- 82. Compensation of any additional costs due to accessibility deficit and territorial fragmentation
- 83. Specific action addressed to compensate additional costs due to size market factors
- 84. Support to compensate additional costs due to climate conditions and relief difficulties

**TECHNICAL ASSISTANCE**

- 85. Preparation, implementation, monitoring and inspection
- 86. Evaluation and studies; information and communication



## Improving the Quality of Structural Funds Programme Management 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 has been running from 2007 to the end of 2010.

### IQ-Net Meetings

27 partners' meetings and a special 10<sup>th</sup> anniversary conference have been held in twelve European countries during 14 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/ignet](http://www.eprc.strath.ac.uk/ignet)). 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, 26 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

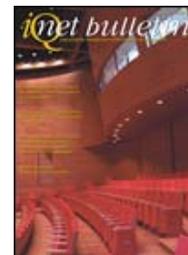
similar number of papers have also been produced to review developments in the implementation of the Network's partner programmes.

#### IQ-Net Thematic Papers

- The Reform of Cohesion Policy after 2013
- New Partnership Dynamics in a Changing Cohesion Policy Context
- Pandora's Box and the Delphic Oracle: EU Cohesion Policy and State Aid Compliance
- The Financial Management, Control and Audit of EU Cohesion Policy: Contrasting Views on Challenges, Idiosyncrasies and the Way Ahead
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#### IQ-Net Bulletin

The IQ-Net Bulletin promotes the dissemination of the Network's activities and results. Fourteen issues have been published to date, over the period from 1996 to 2009. 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.



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