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Programmes at the turning point

Challenges, activities and developments for partner regions:
September 2003 - March 2004

IQ-Net Thematic Paper 14(1)

Laura Polverari, Sara Davies and Rona Michie

Improving the Quality of Structural Fund Programming through Exchange of Experience

IQ-Net Phase III Conference Oulu, 25-27 April 2004
Preface

The research for this paper was undertaken in preparation for the third meeting of Phase III of IQ-Net, the exchange of experience network for Objective 1 and 2 programming authorities. The meeting took place in Oulu, Finland from 25-27 April 2004.

This paper is a product of desk research and fieldwork visits among national and regional authorities in Member States (notably in partner authorities of the IQ-Net consortium) in Spring 2004. The field research team comprised:

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# Programmes at the turning point

Challenges, activities and developments for partner regions: September 2003 - March 2004

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1. INTRODUCTION

The second half of 2003 and early 2004 have been characterised by considerable activity in Structural Funds programmes. All partners have been engaged with a range of issues relating to the mid-term of the programmes, with the completion of the mid-term evaluations, the development of proposals for allocating the performance reserve, and the mid-term review. For many partner programmes, the end of 2003 also saw the first application of the n+2 rule, so that attention has been focused on financial implementation and avoiding automatic decommitment. This period has also seen a number of other important events, notably the publication of the Commission’s Third Cohesion Report in February 2003, as well as the finalisation of the Commission’s ex post evaluations of the 1994-99 programming period.

This paper provides an overview of all these issues, with the second section focusing on financial absorption in terms of commitments and payments. It also looks at the application of the n+2 rule, and the steps taken by partners to avoid decommitment. The experience of partner programmes in relation to the n+2 rules varies widely, although even those programmes with strong aggregate levels of absorption have sometimes experienced specific problems due to the complexities of EU systems for managing claims. A related issue in some programmes has been a growing awareness of the need to ensure that steps are taken now in order to ensure that all funds are fully absorbed by the end of the programming period.

The third section of the paper focuses on the mid-term evaluations, notably on the main issues raised by the evaluators, and perceptions of the usefulness of the mid-term evaluation exercise. The mid-term evaluations provided an opportunity to assess strategic and qualitative aspects, and to take steps to ensure that certain key goals were being addressed adequately, as well as to ensure that conditions were in place to safeguard financial absorption.

The fourth section examines the performance reserve, notably the submission of proposals by programme partners to the Commission for allocating the reserve, and views of the usefulness of this instrument. The fifth section briefly outlines the broader mid-term review which is taking place in many programmes, and the wider proposals for revising the financial tables for the second half of the programming period.

The first annex to the paper provides an overview of other core developments in relation to Cohesion policy, in particular of the Third Cohesion Report, as
well as a summary of the results of the Commission’s ex post evaluations of the 1994-99 programmes. The second annex provides a summary of various forthcoming initiatives which may be of interest to partners.
2. FINANCIAL COMMITMENTS AND PAYMENTS

2.1 Programme commitments, expenditure and the n+2 rule

Since the last IQ-Net meeting in Leoben (September 2003), the programmes which were adopted in 2001 have faced their first n+2 deadline, on 31 December 2003. This provided a formal test of the programmes’ ability to commit and disburse Structural Funds allocations.

At the time of the Leoben conference, a contrasting picture of programmes’ experiences was emerging, with levels of commitments and payments varying widely across Member States and regions. For a majority of programmes, there was confidence from an early stage that, while some action might be needed to ensure absorption, there was been no real risk of automatic decommitment. Elsewhere, however, financial monitoring showed that levels of commitment and/or spending were too low to meet targets, and that a significant mobilisation of effort would be required to avoid the possibility of automatic decommitment.

The situation as regards automatic decommitment remains extremely varied across programmes, with some experiencing little or no serious difficulty in meeting the n+2 rule at programme and Fund level, even if there are sometimes specific problems with financial absorption below the level at which the n+2 rule is applied i.e. at the level of individual Measures or sub-Measures (e.g. Niederösterreich, Sachsen-Anhalt, Western Finland, Sweden, País Vasco). For example, overall levels of commitments and payments are high in Norra Norrland, but the absorption of FIFG funds has been low due to the very low levels of demand because of the lack of fishing fleets; a decision was therefore taken towards the end of 2003 to shift finance from the FIFG to the ERDF. In other cases, however, programme managers have experienced serious difficulties (e.g. NRW, Steiermark, UK), and have had to rely on a range of ad hoc steps aimed at avoiding decommitment. In one programme, targets were met only on 23 December 2003, while funds were actually decommitted in three partner programmes, although the amount of money in all cases was very small compared to total funding. Automatic decommitment seems mainly to have concerned the ESF rather than the ERDF, although it is not clear whether this is a more widely observed phenomenon.
Table 2.1: Commitments and payments, as a percentage of total public expenditure allocations, relative to the entire programming period

<table>
<thead>
<tr>
<th>Commitments at programme level</th>
<th>Payments at programme level</th>
<th>Commitments range at Priority level</th>
<th>Payments range at Priority level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark Obj.2</td>
<td>47.0</td>
<td>29.0</td>
<td>31 - 57</td>
</tr>
<tr>
<td>Nordjylland</td>
<td>44.0</td>
<td>21.1</td>
<td>32 - 50</td>
</tr>
<tr>
<td>Nordrhein Westfalen</td>
<td>53.4</td>
<td>26.3</td>
<td>50.7 - 56.7</td>
</tr>
<tr>
<td>Sachsen-Anhalt</td>
<td>77.6</td>
<td>39.7</td>
<td>58.4 - 91.3</td>
</tr>
<tr>
<td>Italian Obj.1 LED OP</td>
<td>128.4</td>
<td>61.0</td>
<td>53.6 - 135.7</td>
</tr>
<tr>
<td>Lombardia</td>
<td>47.7</td>
<td>4.4</td>
<td>20.4 - 29.2</td>
</tr>
<tr>
<td>Toscana</td>
<td>46.1</td>
<td>24.0</td>
<td>n.a.</td>
</tr>
<tr>
<td>Niederösterreich</td>
<td>53.3</td>
<td>30.4</td>
<td>47.4 - 61.5</td>
</tr>
<tr>
<td>Steiermark</td>
<td>57.0</td>
<td>24.6</td>
<td>38.5 - 75.7</td>
</tr>
<tr>
<td>Western Finland</td>
<td>52.3</td>
<td>29.7</td>
<td>43.4 - 83.9</td>
</tr>
<tr>
<td>Norra</td>
<td>91.7</td>
<td>37.6</td>
<td>90.1 - 102.9</td>
</tr>
<tr>
<td>Norra Norrland</td>
<td>97.5</td>
<td>41.0</td>
<td>60.8 - 98.0</td>
</tr>
<tr>
<td>North East England</td>
<td>63.0</td>
<td>28.4</td>
<td>45.8 - 78.8</td>
</tr>
<tr>
<td>West Wales and Valleys</td>
<td>54.0</td>
<td>26.0</td>
<td>30.7 - 61.7</td>
</tr>
</tbody>
</table>

Note: Caution is needed in comparing data across programmes and particularly across Member States. Data are not strictly comparable because the dates range from September 2003 until February 2004. Data at Priority level exclude Priorities for Technical Assistance. Source: EPRC calculations based on programming information.

2.2 Drawing lessons from the application of the n+2 rule

The reasons for difficulties with financial absorption in some programmes have already been extensively examined in previous IQ-Net papers. Some of the main issues are:

- Thematic: Financial absorption may be put at risk if programmes are narrowly focused (e.g. Steiermark, UK), particularly on interventions which are outside the programme managers’ control. For example, the persistently negative economic situation in some Member States has affected both business investment (and thus the uptake of aid schemes) and public finances (Austria, Nordrhein Westfalen).

- Geographical: Absorption is often more difficult when eligible areas are small and fragmented (Steiermark, UK), and may be less of a problem when programmes are focused on large Objective 1 areas with serious economic difficulties (Sachsen-Anhalt, LED OP).

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Administrative complexity: Absorption may be more difficult in ‘differentiated’ administrative systems where projects have long run-in phases due to e.g. staff recruitment, organisational set-up etc (UK). Absorption is also difficult for more soft and innovative interventions in ‘subsumed’ systems, due to insufficient existing implementation mechanisms (Austria, Italy).

Planning: Almost all programme partners have noted that the rigours of n+2 requires significant advance planning and ongoing monitoring by programme managers and other partners, to ensure that commitments and especially payments are on schedule.

Major projects: While major projects can facilitate financial absorption, there are often long run-in phases, not least due to the need to gain explicit Commission approval e.g. for large State aid-related projects, or for the creation of venture capital funds (Nordrhein Westfalen, Steiermark, UK).

Programme managers have taken various steps in order to ensure that programmes meet the n+2 rule, or plan to take further steps in 2004. Some of the most important initiatives are the following:

- Communication (letters, bilateral meetings etc) with actors responsible for different Measures and/or with project-holders on the importance of making timely claims (Nordrhein Westfalen, Steiermark, UK). Some UK programmes have also set up ad hoc working groups to focus on financial absorption.
- Ensuring effective financial management and monitoring, including risk analysis, at project level (Denmark, LED OP, Nordrhein Westfalen, East Wales, West of Scotland).
- Simplifying financial management and control procedures, and taking steps to reduce the time-scale needed to submit claims to the Commission (France).
- The retrospective inclusion of projects which were originally financed outside the Structural Funds programmes, but which in principle fit within the programmes’ eligibility criteria (France, Nordrhein Westfalen, UK). Programme managers have taken care to get agreement in writing from the Commission, confirming that retrospection was permissible.
- Loosening project selection criteria e.g. minimum targets for employment creation (LED OP).
- Ensuring that projects are fully ready to start before they are approved (Kempen).
- Steps to increase domestic co-financing e.g. by bringing forward public spending from 2004 to 2003 for Measures where absorption is strong, or drawing in additional domestic co-financing from other public funding mechanisms (Nordrhein Westfalen).
- Increasing staff resources in implementation (Steiermark).
- Finalising projects likely to result in fast spending, notably venture capital and loan funds, since these can involve a first and final claim (East Wales, West of Scotland, Steiermark).
- Raising the grant level for larger projects which had already been approved, but with lower grants than could potentially have been awarded (East of Scotland, East Wales).
Improving forward-planning for project generation e.g. via ongoing dialogue with key partners (East Wales).

Opinions of the n+2 rule differ widely. Some programme managers regard the rule as a useful tool for enhancing programme effectiveness and efficiency, not least because it provides a means of ensuring that all partners are sufficiently focused on financial absorption. Others, however, perceive the rule to have had a negative impact on project quality and strategic direction, as well as to have undermined staff morale.

2.3 Issues relating to financial absorption in 2004-08

Some of the steps taken over the past year are expected to have positive effects on the programmes’ capacity to meet expenditure targets in 2004, either because of the general acceleration in payments, or because steps have been taken to address obstacles to poor financial absorption. These include, for example, the establishment of better systems for ensuring timely payment claims, more detailed monitoring of project-level progress, and the re-allocation of funds towards Measures and sub-Measures showing stronger progress on financial indicators.

In some programmes (Western Finland, Sweden, Wales, Kempen and Limburg), attention is already turning to programme closure, both in terms of the need to ensure that the remainder of the programme's funds are targeted on 'good' projects, and also in terms of the range of administrative requirements facing programme managers, notably in terms of financial management, control and auditing.
3. **MID-TERM EVALUATIONS**

The Dortmund IQ-Net update paper provided an overview of approaches to the mid-term evaluations (MTE). It noted that, although the evaluation methodologies in all programmes were in compliance with DG Regio’s Working Paper 8, some programme managers had opted for an ‘ongoing evaluation’ approach e.g. in Austria, Italy and Ireland. Some innovative elements could also be found in other programmes e.g. the benchmarking exercise included as an integral part of the mid-term evaluations of Nordrhein Westfalen, West of Scotland and East of Scotland.

The IQ-Net update paper written for the Leoben conference in autumn 2003 continued to monitor the progress of the mid-term evaluations. It noted that the quality of evaluation was seen to be improving, in part as a response to the regulatory requirement to undertake an MTE in the 2000-06 period, but also due to a broader evolution of an evaluation culture and to a more widespread interest in participative and learning-focused approaches to evaluation. The Leoben paper also examined what the programmes were doing to exploit positively the outcomes of the mid-term evaluations, ensuring that, as Working Paper 8 states, the “mid-term evaluation is not an end in itself but a means to improve the quality and relevance of programming.”

The deadline for the submission of the MTEs to the Commission was 31st December 2003 and all reports have now been submitted. This is therefore an opportune moment to comment on the recommendations raised by the MTE reports, on their perceived usefulness, on the weaknesses and strengths of the approaches adopted and on the commonalities and differences in the problems met across the IQ-Net partner regions.

As the processes and methods used in undertaking the MTEs were dealt with extensively in previous research and specifically in the thematic paper for the Luleå conference in June 2002, the discussion here focuses instead on the main points raised by the MTE reports. These relate to the validity of the strategies implemented; progress on effectiveness, efficiency and impacts; management and implementation procedures; the integration of the horizontal themes, and other specific themes addressed by the evaluators. This section also provides a synthesis of the assessment of IQ-Net partners and the Commission of the overall usefulness of the exercise.

3.1 **Main points raised by the MTE reports**

The content of the MTEs across partner programmes is fairly standard. The programmes have generally drawn on the guidelines of the Commission’s Working Paper 8, and have included a re-appraisal of the validity of the
strategy, an assessment of financial and physical progress; an overview of the anticipated impacts (and sometimes also of efficiency); an analysis of management and implementation mechanisms; and an assessment of the operationalisation of the horizontal themes (equal opportunities, environmental sustainability, the information society). In some cases, for example in Italy’s OP LED, in Kempen and in Limburg, in the West of Scotland programme and in Austria, these general themes were supplemented by thematic or geographical foci (e.g. the themes of competitiveness, SMEs, or on selected sub-areas of the programmes). In other cases, there has been an additional focus on areas of specific national interest. In France for instance, DATAR included several domestic policy priorities in the standard terms of reference which were provided to regional programmes.

3.1.1 Strategic appropriateness

In none of the evaluations of the partner programmes was there a fundamental critique of the appropriateness of the strategies adopted. Most evaluations undertook a thorough assessment of the strategy and core objectives, and concluded that these were still broadly relevant. In other cases, the evaluators were asked not to undertake a thorough review of the strategy but to focus on more operational issues. In the Austrian programmes, for example, the evaluators were asked not to re-assess the basic strategy, but simply to examine ways of enhancing the realisation and implementation of the existing strategy and core goals.

In France, none of the mid-term evaluations questioned the relevance of the analysis of the socio-economic context or the basic strategy, because they felt that the context had not changed sufficiently to justify a radical modification of the programme. This approach was criticised by the reading committee set up by the French authorities to assess the MTEs (see Section 3.3 below).

Although the evaluators were generally positive in their assessment of the overall strategic appropriateness of the programmes, many raised issues which are of relevance to the programme’s strategic orientation, notably in three areas:

(i) the need to narrow and/or re-focus the strategy (the Austrian SPDs, the Italian OP LED, West of Scotland, the Swedish programmes, and some French Objective 2 programmes);

(ii) the opportunity to revise overall targets (Denmark);

(iii) the need to respond to problems emerging from the strategy (Finland).

a. Improved strategic focus

A number of MTE reports noted that, whilst the strategies continued to be coherent with their analysis of the socio-economic context and with the core objectives, there might be a need to re-adjust the emphasis placed on different aspects of the strategies. In Austria, in particular, both the evaluations for Steiermark and Niederösterreich underlined the need to strengthen further RTD and innovation support to businesses, as well as the need to develop more cross-border projects with the new Member States in the form of inter-firm networks and R&D cooperation projects. Interestingly, the evaluation of the Niederösterreich programme includes some strategic recommendations for the 2007+ period, notably to enhance development strategies for small and medium sized towns in the fields of urban renewal and in leisure/culture/retail; a stronger focus on tourism, not least targeted on
visitors from nearby cities, and, more generally, a move away from focusing on narrowly defined eligible areas towards a greater focus on ensuring the participation of structural weak regions in horizontal networks.

Whilst the recommendations above are specific to the Austrian context, the suggestion for a more stringent focus on innovation and RTDI appears to be a theme common to a number of IQ-Net partners, and is relevant also to Italian (OP LED), French (Aquitaine) and British programmes (West of Scotland). For the OP LED, the evaluators found it difficult to suggest any strategic reorientation of the programme, since most of the resources have already been committed. However, some general points were raised which also apply to the post 2006 period, such as the need to focus more on technological innovation, to promote new industrial specialisations with high value added and to attract external investments, adopting a 'global' and not just 'local' logic.

The MTE for the Aquitaine programme proposed two possible scenarios for a strategic reorientation of the programme. The first, ‘continuity’ scenario suggests a rebalancing of the programme within each priority, identifying those measures which represent the strongest potential and shifting budget resources to them, to the expense of less efficient measures. A second, ‘audacious but pragmatic’ scenario sees a rebalancing of resources from one priority to the other. This would move the strategic and financial focus of the programme away from direct aids to companies, to favour the funding of telecommunication infrastructure, thus better taking into account the EU’s horizontal priority of the information society.

The evaluation of Sachsen-Anhalt also presents reflections on the focus of the programme. The evaluators note that the strategy in general remains relevant, but that there is a need for a stronger focus on certain goals, notably to concentrate funds on interventions which directly support business-oriented economic development; to strengthen further the development of infrastructure; to maintain the dual focus of labour market policy on reducing social exclusion and ensuring a high quality supply of labour; and to enhance the thematic and spatial concentration of funding in rural development.

The MTEs of the Swedish programmes note that that the programmes in their present form are both relevant and capable of achieving the desired impacts, but also emphasise that funding should be targeted towards projects with dynamic or longer-term effects in the remainder of the programming period. They argue that these projects should be characterised by: i) openness to the external context to ensure the wide involvement of different actors, (ii) clear mechanisms for follow up and control, (iii) network-building, (iv) potential for catalytic effects, (v) networks aimed at developing cooperation and democracy, (vi) making use of local resources in new ways. However, this view does not seem to be shared by programme managers, who have some doubts over whether these recommendations can be put into practice.

b. 

Revision of targets

In Denmark, the evaluators re-stated the overall validity of the strategy, as it is based on an analysis of structural weaknesses which have not changed since the late 1990s when the strategy was formulated. However, the subsequent economic slow-down and more stringent financial environment, which has affected both private and public actors, mean that the broad indicators are now too optimistic and that the programme may not be able to reach the quantitative targets set ex ante.
c. **Gaps in the background analyses for the programmes**

In the MTE of the Western Finland Objective 2 programme, the core of the strategy was commended as being both reasonable and well-founded, a major improvement on the 1995-99 period, not least in the degree to which it took regional views into account and allowed regional details and features to be respected. On the other hand, a number of issues were raised by the MTE in respect of the strategy. First, Finland it argued that the strategy might have over-emphasised particular sectors which have been experiencing difficulties, and that there was a risk that this could lead to dependence on programme support. Second, labour supply issues have increased in importance since the strategy was developed so that there may be a need to address issues relating to the ageing population and migration. Third, there may be room to focus more strongly on the private service sector, which is under-represented in the programme area and is seen by the mid-term evaluation team as having considerable potential for (female) employment growth. Finally, there seems to have been insufficient weight in practice on measures to promote female employment, in order to compensate for the programme’s focus on traditional (male-dominated) activities.

3.1.2 **Progress and effectiveness**

Most MTEs confirm the good implementation levels achieved, both financially and in terms of physical outcomes. Even when progress is uneven across measures in terms of physical outcomes, as in the West of Scotland, the evaluations underlined that the programme has led to additional funding for certain interventions. Most evaluations present a measure-by-measure detailed analysis of financial and physical targets (e.g. Lombardia). Provisional estimates of gross jobs created are also quite frequent (e.g. Austrian programmes, OP LED). The MTE reports also present some recommendations of improvements needed, notably in relation to the points summarised below.

A common theme across a number of programmes relates to the difficulty of implementing less traditional interventions. In Denmark and Lombardia, this is seen to be due to a mismatch between what the programme offers and the needs of potential recipients. In both programmes, the measures focused on technological innovation were not attractive to the predominantly rural, remote and mountainous areas covered by the programmes. This is leading to a shift of funding towards more traditional forms of support (Denmark) and to a simplification and broadening of actions. In the case of the OP LED, on the other hand, problems related to the selection procedures used for less traditional interventions, rather than to a lack of demand. The OP LED evaluation report suggests some modifications, especially as regards the selection criteria and methods used for measure 1.2 (PIA Innovation), for example a more articulated innovation-related criterion, and separate ranking lists for manufacturing and service sector enterprises.

Issues relating to the ‘innovative’ character of projects were also raised for both the Flemish and Toscana SPDs. In Kempen and Limburg (Flanders), the evaluators emphasised the need to exploit the opportunity to select new kinds of projects, rather than those which are de facto a continuation of the past programme. In Toscana, on the other hand, the evaluators raised some concerns on the quality of the interventions implemented through the so-called *parco progetti*, already discussed in previous IQ-Net reports. The *parco progetti* were used to allow fast spending in the first year of implementation, by funding infrastructure projects that had already fulfilled all administrative procedures required for expenditure to start. The evaluation report suggested
that these projects were not necessarily in line with the programme's objectives. In other words, the report criticised the emphasis given to the need to spend fast rather than well. This view is not shared by the programme's Managing Authority, however, which maintains that the interventions of the parco are carried out within the broader Regional Development Plan (to which the SPD's strategy is linked), and underline that funding the parco progetti projects has encouraged the beneficiaries (the municipalities) to become more efficient in designing and implementing projects. The use of this instrument, moreover, has also allowed the programme to reach its spending targets, without having to fund projects that had already been financed from national funds.

The Western Finland MTE also addresses the issue of effectiveness and programme progress. The programme is considered to have made good financial progress overall. In addition, an analysis of the content of aided projects showed that the projects which had been supported were firmly in line with the objectives of the programme. This view was confirmed by a survey of the members of the Regional Management Committees. They felt that the SPD had been particularly successful in respect of the following objectives: developing research and technological expertise; promoting entrepreneurship; enhancing competitiveness and the attractiveness of regions; improving connections between the education sector and firms and networking business activities. However, other objectives were felt by the MTE to have been less well realised, in particular: improving the business environment for new enterprises; achieving gender equality in the labour market; developing fruitful relationships between urban and rural areas; and enhancing cooperation between regions.

In Austria, the evaluations of both Steiermark and Niederösterreich undertook a thorough assessment of the programmes' effects in relation to the ex ante targets. In Niederösterreich, the evaluators developed a number of tools, drawing on both quantitative and qualitative information to provide a succinct overview of effects. First, they developed a scoring system to reflect the expectations of participants as to whether the ex ante targets for outputs/results would be met for the whole programme, and showed that it is anticipated that the targets will probably be met for 70% of the indicators. Second, they assessed the extent of current evidence of effectiveness. Third, they developed a synthesis of ten core goals, and assessed the contribution of each Measure to these goals.

In the case of the French programmes, there was no assessment of the degree to which initial mid-term objectives had been met by the programmes. The French authorities consider this to be a weakness of the evaluations.

The evaluators of País Vasco's SPD did not make any major criticisms, but commented on the very satisfactory employment creation results; good progress with environmental and equal opportunities principles (which is a common concern for most programmes, as will be seen in section 3); as well as a good level of complementarity with Objective 3 actions and alignment with the European Employment Strategy.

### 3.1.3 Efficiency and impacts

Most MTEs did not carry out an assessment of the programmes' efficiency, in terms of an examination of cost-per-job and/or the opportunity-cost of the interventions (i.e. whether stronger effects could have been achieved with an alternative use of the funds). Cost-per-job estimates were included, however, in the evaluation of Italy’s OP LED, the Danish SPD, the Western Finland
The assessment of cost per job was relatively straightforward for the OP LED, which concentrates about 80% of spending on one measure providing State aid for investment in industrial and service sector firms. The evaluators drew on the forecasts of the numbers of jobs to be created and safeguarded which the applicants have to quantify in their application forms (the performance in terms of job creation of each investment project being one of the elements for selection). Generally, however, Italian MTEs - following the guidelines by the Commission and by the national Ministry for Economics and Finance - were predominantly oriented towards process rather than impacts.

The Danish report also includes some cost-per-job calculations, but stresses the constraints of this exercise, due to the limited number of projects which had been completed when the evaluation was undertaken and the importance of infrastructure and knowledge-oriented projects within the programme, for which cost-per-job assessments were seen not to be very meaningful.

Few MTEs undertook a detailed assessment of the impacts that the programmes are likely to deliver, for example because it was too early in the programmes’ cycle, or due to the methodological difficulties of assessing impacts in programmes involving comparatively small amounts of public spending. Some programmes did, however, attempt to estimate impacts. In the Western Finland MTE, for example, the evaluation team measured the impact of direct programme actions in terms of gross jobs and then made adjustments to take account of deadweight, double counting etc. in order to produce an estimate of the net jobs created by the programme – namely around one third of the gross impact (between 7000 and 9000 jobs by the end of 2002). The evaluators also emphasised the need to bear in mind that, in a number of development projects, the main objective of the project was not always short-term job creation but, for example, longer run business competitiveness.

The evaluation of the OP LED includes an assessment of the programme's initial impact, by means of a survey of 340 supported firms (from a total of 1,615 which had received aid in 2000-03). The results of the survey show that public funds are delivering positive effects on the productive, technological and commercial performance of recipient firms. In more detail, the analysis shows that the aid plays a significant role in the investment decisions of firms, and in the location chosen for such investments, and that the grants played a strong role in the decision of medium-large and labour-intensive firms owned outside the South of Italy to locate there.

A further interesting example of attempts to calculate impacts can be found in the MTE of the Flemish SPD, via a case study analysis of the effects of investment in industrial estates and tourism in the Kempen area. The analysis related spending to outcomes achieved (number of jobs created, size of investments made, etc.). This analysis produced estimates for indicators such as the net cost per job created, the net cost per hectare for new industrial sites and business office locations, and so on. These were used, with some caution, to provide a general estimate of a possible final impact of the programme, not only for the Kempen area but also, via extrapolation, for the whole of Flanders.
3.1.4 Implementation and management

A number of weaknesses in programme management are identified and improvements suggested. As might be expected, most reports raise specific issues on measures which have met problems with financial absorption or other implementation-related issues. Apart from very detailed, measure-specific comments, the most commonly raised issues relate to the following themes:

- Staffing and internal organisation of programme secretariats, particularly the need to increase the number of staff working on programme coordination/implementation.
- The need to improve information exchange between the actors involved in programme implementation.
- Publicity, animation and proactive project development. External communication activities were mostly deemed adequate and appropriate in the MTEs, with evaluators suggesting only minor adjustments. Some evaluations, however, emphasise the need to increase efforts.
- The need to improve coordination between ERDF and ESF and between Objective 2 and Objective 3 programmes.
- Domestic co-financing problems were identified.
- Project selection, including both general and specific improvements to the selection mechanisms of measures with lower than expected take-up of funds.
- Almost all MTEs note some gaps and inefficiencies in monitoring systems and data. Issues raised include: the indicators in use, the system for gathering monitoring information and the usability of information gathered. Specific points were raised also as regards the monitoring of the horizontal themes; this issue is discussed in more detail in paragraph 3.1.5 below.

a. Staffing and internal organisation of programme secretariats.

In a number of programmes, the evaluations raised the need to increase the number of staff working on programme coordination/implementation (Steiermark, Lombardia, País Vasco). In addition, the MTE for Steiermark also underlined the need to improve local-level implementation structures. In Western Finland, the MTE found considerable satisfaction at the project level with the way the programme is operating and the ability of the programme to spend the available funds was also positively evaluated. There were however criticisms at the regional level, even though there was recognition that regional level cooperation is working well and has been strengthened by the programme. The most significant organisational criticisms were a consequence of the subsumed nature of the Finnish system. Particular mention was made of the following issues: (i) the large size and heterogeneity of the programme area; (ii) fragmented and complicated structure of EU interventions in the area; (iii) varying administrative cultures and practices within different funding bodies; (iv) tension between regional and national (sectoral ministry) influence and power; (v) large number of parties involved in the funding and administration of the programme. It is recognised that most of these issues cannot be dealt with in the short term (that is, within the current programme period). However, looking to any future programming period, the evaluation team felt that the issue of concentrating programme administration within a smaller number of administering bodies should be actively debated within the programme area.
b. Information exchange between the actors involved in programme implementation.

Some evaluators noted the need to improve information exchange (Steiermark, Lombardia, Kempen, Sachsen-Anhalt). In Kempen, the mid-term evaluation noted that the role of the Monitoring Committee was not as strong as it was in the previous programming period. The reason is that there used to be a separate Monitoring Committee for the Kempen region, whereas at present the structure has been reorganised around one Monitoring Committee, which is effectively shared with the other Flemish Objective 2 programme - the different Provinces being dealt with one after the other during meetings (although there is officially a separate committee for each programme). The meetings take place successively in each Province following a rota, but this is perceived to have a negative effect on the involvement of partners, in that the new ‘overall’ Flemish Monitoring Committee is not as strongly connected to the Province as in the past. In West of Scotland, on the other hand, the MTE commented on the working of committees and on the need to review committee membership. These points are being taken on board by the management of the programme.

c. Publicity, animation and proactive project development.

External communication activities were mostly deemed adequate and appropriate in the MTEs, with evaluators suggesting only minor adjustments. Some evaluations, however, emphasise the need to increase efforts. In Lombardia, for example, the evaluators note the absence of a communication plan, whereas in País Vasco, the MTE notes the lack of a website for the programme. Some remarks are more specific. For example, in the Italian OP LED and Toscana SPD, the evaluators recommend an increase in communication and animation activities in support of the gender equality objectives, in particular to respond to the low up-take of funding opportunities for women entrepreneurs.

The MTEs of the French Objective 2 programmes argue that, since the ‘territorial component’ of the SPDs reserves a percentage of funding for complex projects, there is a need to improve the involvement of local government (communautés d’agglomérations and pays i.e. inter-municipal associations, local actors, etc.) in ‘animation’ and in the project development stage. However, very few evaluation reports succeed in demonstrating how this proposal could be taken into practice. Similarly, in Niederösterreich, evaluators stressed the need to further extend the use of local organisations – notably the Regional Managements - to undertake proactive project development in those areas where demand for funding is relatively low, for example due to a lack of information and other barriers.

d. Coordination between ERDF and ESF and between Objective 2 and Objective 3.

The MTE of the Objective 1 programme for Steiermark stated the need to improve links between ERDF and ESF, for example, in terms of their combined use to support specific projects. In West of Scotland, on the other hand, evaluators pointed out that the Objective 2 and Objective 3 programmes are not adequately coordinated, not just as regards potential synergies but also because there are areas of overlap between programmes. This presents a series of challenges to the Objective 2 SPD because Objective 3 is implemented for Scotland as a whole, which makes this programme a more attractive option for many projects. This is one factor which is limiting the absorption of Objective 2 funds for business
development. Further absorption problems are caused by the exclusion of ESF funding from the SPD’s transitional areas.

e. Domestic co-financing problems
Some MTEs note the co-financing difficulties met by programmes. Some measures under the Toscana SPD’s Environmental priority, for example, were delayed due to lack of co-financing from local authorities. These problems were solved, however, before the completion of the MTE, by modifying implementing procedures. For the same problem, the Sachsen-Anhalt MTE suggested increasing the range of domestic co-financing options outside the Land budget. Co-financing problems were also met in Flanders (Limburg).

f. Project selection and follow up
The MTEs contain various comments on project selection criteria and mechanisms, both on general issues Sachsen-Anhalt and specific improvements to the selection mechanisms of measures with lower than expected take-up of funds. For example, the MTE of Sachsen-Anhalt suggests concentrating funding on large-scale Measures, which is argues allow for more efficient financial absorption, and ending the funding of small interventions within the OP. This view is not shared, however, by the managing authority, which prefers to focus on the effectiveness and potential impact of interventions, rather than on their scale. Many problems concerned less traditional interventions of the programmes (e.g. new interventions which have been introduced in the current programmes).

The MTE of the Limburg SPD suggested that members of the Management Committee be given more opportunity to follow up the progress of projects after approval, although the Secretariat only partially agrees that this represents a weakness in programme management. In Denmark, on the other hand, although the division of labour between regional and national authorities is generally considered to function well, the survey of programme administrators conducted for the MTE showed some concern among regional administrators over ‘losing touch’ with projects when, after approval, NAEH becomes the sole contact point in the implementation phase.

g. Monitoring
Almost all MTEs note some gaps and inefficiencies in monitoring systems and data. Issues raised include: the indicators in use (Western Finland, Lombardia, the Swedish programmes, West of Scotland), the system for gathering monitoring information (Pais Vasco) and the usability of information gathered (France, Sachsen-Anhalt). Specific points were raised also as regards the monitoring of the horizontal themes; this issue is dealt with in section 6.

In Western Finland, problems have arisen because monitoring is undertaken by the national ministries which are the funding bodies for the programme. This has led to differences of definition within the administration of the programme and to some ill-defined project selection criteria. The evaluation recommends focusing on fewer but more useful indicators and also suggests that the monitoring system needs to be unified, namely by narrowing down the system to core indicators (mainly, new jobs and new firms). It was also recommended that a study could be funded to address the problem of double counting within the system.

In Lombardia, the system of physical indicators has been criticised by the evaluators (e.g. a number of result indicators specified in the programming
complement should have been considered impact indicators). This is leading to a revision of the whole system of indicators. Equal opportunities indicators were also considered weak with respect to all measures and the MA is taking steps to address this issue.

The MTE of the West of Scotland programme raised concerns about the interpretation of monitoring indicators across project implementers and suggested the need for training on indicators, as well as working on data held in the ‘GM2’ database. In Sweden, the MTE suggested the need to improve the indicators in use. Problems were also met with the national STINS monitoring system, since different project managers have interpreted the indicators in different ways. There are several documented errors related to the system, for example, double counting and overestimated values. As a result of the criticism of the MTE, a Working Group will be set up by the end of the year within the Ministry of Industry to consider how to improve and coordinate current indicators, providing standardised and unequivocal definitions to be applied by all programmes. The group will comprise representatives from the regions, NUTEK and the Ministry of Industry. In addition, NUTEK is currently reviewing the monitoring system with a view to have a new system, NYPS, in place in 2005.

Problems relating to the data gathering system were met in Spain, where the national Fondos 2000 system proved to be inefficient in being too slow to access.

In Sachsen Anhalt, one of the main problems raised by the evaluators related to the usability of physical monitoring data. The Managing Authority sees the problems mainly in terms of the large number of agencies involved in managing the programme, with monitoring undertaken by around 60 different Land departments and agencies. This means that a number of different electronic and paper-based systems are used for monitoring indicators. Monitoring of physical outcomes also depends on a large number of indicators, which means that data is not manageable and that there is little potential for comparisons to be undertaken across the various actions and measures of the programmes. Progress has already been made in simplifying the system of indicators (which were ‘reduced’ from around 2,500 to c. 300), and the managing authority is now taking further steps to ensure a consistent approach across interventions. In France it has proved difficult to make use of the physical data stored on PRESAGE because data are only partial and, even when data are available, their reliability is sometimes considered doubtful. Once again, it seems that indicators, particularly those relating to horizontal priorities, have been understood differently by different departments. It has been recommended that efforts be made at national level to facilitate the processing of data, but also at the regional level, to organise ongoing technical assistance on these matters.

3.1.5 Horizontal themes and other specific thematic foci

Virtually all MTEs commented on the progress made in the integration of the horizontal themes of equal opportunities and the environment, as well as on the need to improve progress on these aspects.

In Austria, both MTEs noted the difficulties in linking all project types with the two goals; they argued that there might be room to consider further the extent to which it was possible to identify clearer causal linkages, and to revise the indicators and systems for monitoring these aspects. In Steiermark, for example, evaluators noted that most of the funding agencies stated that their interventions were ‘neutral’ in relation to the environment, while in
Niederösterreich the evaluators estimated that around two thirds of projects were seen to have no direct impact on environmental improvement. However, under both programmes, the evaluators argued that a significant share of projects and costs was directed towards interventions with positive effects on the environment. Similarly, with the theme of equal opportunities, the evaluators found that policy makers often had difficulties in making direct causal linkages, and both evaluations aimed to put forward suggestions for improving this aspect.

Similar comments were made in respect to the Danish programme, where it was noted that the two themes were not yet adequately internalised. In Denmark, evaluators found that more than two-thirds of all applicants claimed that equal opportunities were not a relevant criteria for judging their projects, although in practice most of the jobs created are filled by men.

In Finland, there are four horizontal themes: sustainable development; gender equality, the information society; and rural development and cooperation between rural and urban areas. The evaluation was particularly critical of the last of these objectives. It concluded that the content of the rural development theme was unclear at the programme level and had had no impact. For the environmental and equality themes, as is the case with other programmes, projects are classified within the monitoring system as having positive, negative or neutral effects. While targets were achieved on this basis, the evaluation team found the approach unsatisfactory. In particular, they felt that the programme had performed inadequately with respect to gender equality. The evaluators stressed that notwithstanding the rhetoric in the strategy with respect to gender equality, in practice insufficient weight was given to specific measures to promote female employment. The programme tended to focus on traditional (male-dominated) activities and did not include sufficient emphasis on interventions which could counter this traditional approach. The post-report discussions have focused, amongst other things, on how the results with respect to gender equality might be strengthened during the remainder of the programme.

In France, the main criticisms made by the MTEs regarding the horizontal themes related to monitoring. The indicators used to monitor progress have been understood differently by different departments. In addition, optional fields are seldom provided and at the same time compulsory fields are often filled in inaccurately, for example, very often projects have been considered 'neutral', but this may simply mean that no appraisal has been undertaken on the implications of the project for the horizontal themes.

In Italy, the most serious problems in relation to the horizontal themes were seen in Lombardia, where the monitoring of equal opportunities was highlighted as a weakness of the programme. The MTE report suggests a list of indicators on this topic which the Managing Authority is trying to include in project selection and monitoring. However, the Managing Authority still finds it difficult to monitor equal opportunities, especially in infrastructure interventions which represent a significant proportion of the programme. The Toscana evaluation found that overall the horizontal themes were well received, but that there was some scope for improvement. For example, local environmental objectives have not always been integrated into selection procedures; however, environmental performance and safety in the workplace are widely included among selection criteria. Gender equality has not been included among selection criteria very satisfactorily. The evaluation also suggests the need to undertake specific publicity work to alert women as to the opportunities presented by the programme. Finally, the evaluation of the
OP LED covers the following themes: environment, SMEs, competitiveness, employment, equal opportunities, information society. The report underlines
that attention is paid to the theme of gender equality, but the relatively weak outcomes suggest the need to improve targeted publicity work, and also for example to reserve 30% of funding for women entrepreneurs and to examine
the possibility of funding nurseries under law 488/92. The environmental theme is strongly emphasised in the OP and the report stresses the effective outcomes produced via cooperation with the environmental authority. The OP finances specific interventions with an environmental component and monitors environmental indicators. Suggested improvements relate mainly to the territorial specification of environmental criteria.

The horizontal themes take up most of the mid-term evaluation in the Swedish programmes because these themes are seen to be insufficiently integrated and quantified in the programmes. Recommendations range from
the need to increase dialogue between experts in the County Administration Boards, to the need to ensure that the two themes of environmental sustainability and gender equality are integrated into projects at an early stage of development and selection. The evaluators suggest also that training be put in place, targeting managers and project implementers. As a response to the recommendations of the MTE, a Working Group has been set up which comprises representatives of NUTEK, the Ministry of Industry, the Objective 1, 2 and 3 Programmes, Interreg IIIA, the National Board of Fisheries, Leader, the Swedish Environmental Protection Agency, and the Swedish National Rural Development Agency. The target group is the whole organisation of the secretariat. The Working Group will organise activities (mainly seminars) at both central and regional levels with the aim of providing project managers' with the necessary knowledge, tools and methods to enable them to enhance the integration of the horizontal themes. The Working Group is further divided into three sub-groups, one of which will focus on managing the indicators and improving quantification of the horizontal goals in the programming documents. The second sub-group is conducting comparative analyses of the work of other Member States and regions on horizontal themes. The last group is organising a series of seminars on the horizontal themes that will take place in the regions with the concluding seminar organised centrally.

3.2 Overall assessment of the MTE exercise

3.2.1 The views of the partner programmes

The MTE has generally been seen as useful. In a number of cases, partners stressed the real value of this exercise as a management and decision-making tool; as a stimulus to strategic discussion among stakeholders and for partnership-building; and as an instrument for enhancing accountability and transparency.

Table 3.1 below provides a synthesis of the assessment by partners on the MTE on a country by country basis.

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Table 3.1: Partners’ overall assessment of the mid-term evaluations

<table>
<thead>
<tr>
<th>Country</th>
<th>Utility</th>
<th>Improvement suggested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Yes – real management tool</td>
<td>- Timing</td>
</tr>
<tr>
<td>Belgium</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Yes</td>
<td>- Timing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Predictable results</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Little possibility of tailoring to needs</td>
</tr>
<tr>
<td>Finland</td>
<td>Yes – stimulus to strategic discussion among stakeholders</td>
<td>- Timing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Narrow focus (process)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Focus on process/known issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Little possibility of tailoring to needs</td>
</tr>
<tr>
<td>France</td>
<td>Yes</td>
<td>- Timing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Little focus on strategic aspects</td>
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<tr>
<td></td>
<td></td>
<td>- Limits to quality and usability of reports</td>
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<tr>
<td>Germany</td>
<td>Yes – useful management, accountability and political tool</td>
<td>- Timing (Sachsen-Anhalt)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Limits to quality and/or usability of reports (Sachsen-Anhalt)</td>
</tr>
<tr>
<td>Italy</td>
<td>Yes – real decision-making tool, positive effects of participative approach.</td>
<td>- Timing</td>
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<td></td>
<td></td>
<td>- Too broad, little scope for in depth analysis of core issues (Toscana)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Little possibility of tailoring to needs (Toscana)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Too much emphasis on process (Toscana)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Methodological limits implicit in EC/national guidance (Toscana)</td>
</tr>
<tr>
<td>Spain</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Yes – good moment for reflection and confirmation of positive developments delivered through the programme</td>
<td>- Some questions over the quality and usability of reports.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Recommendations may be too vague.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- More issues should have been covered more thoroughly.</td>
</tr>
<tr>
<td>UK</td>
<td>Yes – clear and operational recommendations</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

However, a number of comments have been raised on aspects which *de facto* have hindered the overall usefulness of the MTEs.

These can be categorised as follows (see Figure 3.1 below):

- An issue frequently raised is the *timing* of the exercise, which in many cases was deemed inappropriate due to the delayed start of the programmes;
- Second, IQ-Net partners often emphasised the limits in the *approach and focus* of the MTEs, as defined in Commission and national guidance documents. The evaluations are sometimes seen to be too focussed on processes, with too little emphasis on strategic aspects and impacts;
- Third, some partners noted the *lack of scope for tailoring* the evaluation to programme-specific needs and questioned the *usability and quality* of the evaluation reports delivered (often too long, sometimes with vague and non-operational recommendations); and,
- Finally, some partners underlined that evaluations delivered ‘already-known’ messages and therefore provided little added value.
Figure 3.1: Partners’ assessment of the main limitations of the MTEs

Looking in more detail at the comments of each partner region, both Austrian programmes stressed the usefulness of the MTEs. Most actors involved in the management and implementation of programmes perceive the mid-term evaluation as useful, although some still view them as a burden imposed by EU rules. One key reason for the generally positive views of the MTE is that the Austrian authorities have made considerable efforts to ensure that the MTEs do not simply lead to the production of documents to be delivered to the Commission, but that they feed directly into the programming process and are useful to programme managers. As reported in previous update papers, a coordination group (KAP-EVA) was set up at national level, with representatives of the managing authorities, evaluation teams and other key actors. Moreover, the call for tender was agreed for all programmes, and each team of evaluators was provided with the same monitoring data (at project level) and other information. This led to considerable transparency and comparability between the work of the evaluation teams, as well as the different approaches and different results across Länder. However, each Land was responsible for its own evaluation and set up its own steering group to coordinate the work and to provide direct feedback to the evaluators. This contributed to the emphasis on ensuring that the mid-term evaluations would generate recommendations which were meaningful and practical, and could realistically be implemented by the policy-makers. The evaluators were asked not to revise the strategy, but to consider whether there were ways of making the strategy more effective and efficient i.e. how its goals could better be achieved. Finally, most Länder decided to undertake an ongoing evaluation: the evaluators will continue to provide analysis and advice to the programme managers and steering groups during 2004-2005. This aspect is seen as vital to the capacity of the evaluators to have a direct input into improving the programmes and potentially as more useful than the reports produced at the end of 2003. In a similar vein, KAP-EVA will continue its work, with further meetings scheduled until 2005.

In Denmark, the mid-term evaluation is seen as useful by programme managers and to have made a valuable contribution to the programming process, especially with regard to development strategies and organisation, although its main results were not totally unexpected. Unlike the mid-term evaluations in the previous programming period, this has clearly been more
than just ‘going through the motions’ driven by Commission regulations. Although improvements in strategies and administration might have been made without the MTE, the institution of a formalised process appears to have created a public platform within the programme where criticism could be voiced and constructive action taken. However, due to timing and resources, the Danish mid-term evaluation has been able to shed less light on the factors influencing the success or otherwise of individual projects, and it is therefore to be hoped that additional thematic evaluations will be undertaken before preparations for a (possible) new programming period begin, in order for results to be able to feed into the planning of future activities. Moreover, given the early stage at which evaluation is required according to EU regulation and the relatively small size of the programme, the main focus has been minor adjustment of the strategic focus and fine-tuning of the administrative set-up, and this was also reflected in the evaluation’s methodological approach.

Initially, hopes were not high in Western Finland (and nationally) that the mid-term evaluation would generate any radically new results. It was felt to focus too much on process issues and not enough on added value and regional competitiveness. For this reason, a specific focus on regional competitiveness was inserted into all the Finnish evaluations, even though there was relatively little room for it amongst the Commission’s questions. In the event, the evaluation has been very positively evaluated both at the national level and in the region. In part, this is because it is perceived to be a good professional evaluation. However, even more important, it proved to be extremely useful at stimulating debate and discussion within the programme area. In particular, it has stimulated a process where regional actors are actively considering what could and should be done in future. The focus has been raised above technical administrative issues to consider what should be done – and why – at the programme level. Given the nature of the Finnish system, the evaluation was never likely to result in dramatic change; the fact that it has stimulated strategic discussion about the programme is viewed very positively.

In France, a reading committee was set up to comment on the MTEs, which highlighted a number of weaknesses. A first issue noted was the lack of in-depth analysis and recommendations in some reports, which was seen to be due in part to a failure on the part of the evaluators to adopt an analytical approach, but also due to weaknesses in the terms of reference drawn up by some managing authorities. Second, the presentation and clarity of the reports varied. Third, the evaluations did not always provide an adequate critical assessment of the initial objectives that were quantified ex ante, and the proposals for improving the monitoring indicators were not always useful. Fourth, few reports provided a long-term view based on financial data, or linked this with a qualitative assessment of the difficulties faced by the programmes. Finally, the evaluations rarely included a qualitative analysis which would have compensated for the lack of quantitative data available. It was argued that the methodologies adopted by evaluators should be strengthened for future evaluations. Overall, it was felt that the MTEs could have been more critical, and could have gone further in recommending modifications to the programmes’ strategies. This may in part be because the mid-term evaluation occurred too early in the programme cycle, and that the evaluators did not take a sufficiently questioning approach.

In Germany, the evaluations have been considered to be a useful tool for management, accountability and political decision-making. In Sachsen-Anhalt, the MTE is seen to have allowed informed decisions to be taken to direct funds to those interventions which are perceived as most efficient and
effective (including their potential impact on growth and employment). The MTEs are viewed as tools for introducing changes, both via the information delivered but also via the creation of time-pressure which means that policy decisions have to be taken. They are also seen to provide legitimacy for the programme manager to collect and evaluate data and information. The evaluation was perceived as being particularly useful in Nordrhein Westfalen, where the timing was seen to be good, and the MTE was perceived to be useful in identifying problems and necessary changes. It was also seen as useful in terms of allowing the Managing Authority to develop its approach to monitoring and evaluation, which have not traditionally been important in the region, as well as politically (the good feedback received from the Commission has been useful).

Nevertheless, less satisfaction was expressed with certain aspects of the mid term evaluation in Sachsen-Anhalt, primarily in terms of the capacity of the evaluators to produce useful and useable insights. The MTE report is over 1000 pages long, with rather general conclusions and recommendations which the managing authority has not always found to be useful in its implementation work.

In Italy the MTEs were regarded as highly useful and this is in line with the participative and at times on-going approaches adopted. For Lombardia, the evaluation was extremely useful and a real tool for supporting decision-making for reprogramming. Usability was one of the core elements that the evaluators kept in mind, for example, by concluding each chapter with a synthesis of results and recommendations. The draft final report was discussed with the secretariat to verify if the results of the evaluation matched the views of the secretariat, and to discuss the practical implications of the recommendations produced. The final report is extremely long (over 600 pages), reflecting the bottom-up work done by the evaluators who visited project implementers on a large scale. However, in order to facilitate the use of the findings, the evaluators produced a detailed executive summary which provides a thorough and yet synthethised overview of the main issues. The in-depth measure-by-measure (and even sub-measure) information included in the main report is deemed also to be extremely helpful, especially for the officers responsible of each measure, since the report presents very detailed practical observations and recommendations. The participative approach was another strong element of added value, with the requirements of the evaluation being jointly agreed by the Managing Authority and the various programme managers. A seminar was held to discuss the evaluation, and this led to positive effects in terms of increased understanding of the future usefulness of such exercises among programme managers from the various departments of the regional administration.

For the OP LED the evaluation was also seen to be extremely useful and to provided insights into the need for specific adjustments. However, because significant progress has already been made with financial commitments and expenditure, there was little scope to introduce serious modifications to the programme. In accordance with the guidelines of the Commission and the national Ministry for Economics and Finance, the evaluations were predominantly oriented towards processes rather than impacts. The evaluation for the OP LED did not address in-depth the selection criteria of law 488/92 (which are consolidated and well utilised mechanisms), but instead focused more attention on the more innovative measures of the OP (PIA, environmental ranking list). An assessment was also undertaken of interactions between the OP and similar State aid interventions contained in
the regional OPs. This produced useful recommendations also with regard to
the future programming period.

For Toscana, the mid-term evaluation process was seen as useful, but the
need to cover all actions and measures did not allow all potentially interesting
aspects to be addressed in depth. The secretariat, however, intends to take
the opportunity of the up-date of the mid-term evaluation in 2005 to address
such issues. It is generally considered that the participative approach to the
mid-term evaluation contributed to an increased awareness of the usefulness
of this activity, among the officers responsible of the measures and other
stakeholders. However, some methodological difficulties arose due to the
system of indicators which underpinned the evaluation and which was not
always appropriate.

In Sweden, the MTE was considered useful, as it allowed for reflection on the
work undertaken and confirmed the positive developments delivered by the
programmes. However, in both programmes the managing authorities have
some concerns that it may be difficult to draw operational recommendations
from the conclusions of the reports. It is also felt that the MTEs placed too
much emphasis on the horizontal themes, to the detriment of other more
important aspects.

3.2.2 The Commission’s perspective

The Commission provided feedback to the programmes’ Managing
Authorities during and after completion of the MTE process. In a number of
cases, moreover, the Commission has provided on-going feedback to
Managing Authorities and evaluators, thanks to its involvement in the Steering
Groups that were set up to accompany and guide the MTEs. In some cases,
this feedback was extremely positive, e.g. for Nordrhein Westfalen, in others it
was more critical and targeted at improving the quality of the reports, vis-à-vis
the requirements of Working Paper 8, before their finalisation.

The Evaluation Unit of DG Regio reviewed all evaluation reports for
Objectives 1 and 2, both at draft stage and after finalisation, and is currently
aiming to produce a detailed analysis of the MTEs, including lessons and
eamples of good practice, by the summer. In the meantime, a preliminary
overview on the quality of the MTEs was provided by Veronica Gaffey at this
year’s conference of the Italian Evaluation Society (Associazione Italiana di
Valutazione), which was held on the 25-27th March 2004.

Gaffey concludes that MTEs were undertaken for all programmes, to deadline
and in a vast majority of cases delivering reports of high quality (see Table
below). This is considered as a success by DG Regio and a proof that the
tight obligations set out in Reg. 1260/1999 and in Working Paper 8, as well as
the consultation and dialogue with the services of the Commission, have
contributed to deliver improved results in comparison to past practice.

Gaffey V. (2004), The Mid Term Evaluation of the Structural Funds in 2003 – The Commission’s
perspective on Lessons Learned, Paper for the 7th National Congress of the Italian Evaluation Society,
Table 3.2: Assessment by the European Commission of the quality of MTE draft and final reports across all Member States

<table>
<thead>
<tr>
<th>Quality</th>
<th>Draft Reports (%)</th>
<th>Final Reports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good/Excellent</td>
<td>34</td>
<td>66</td>
</tr>
<tr>
<td>Acceptable</td>
<td>48</td>
<td>33</td>
</tr>
<tr>
<td>Unacceptable</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


At the same time, Gaffey underlines that not all the objectives set out in Working Paper 8 have been unanimously met by the evaluations, and identifies some areas where further improvement is needed. Among the main points raised by Gaffey in her paper are the following:

- evaluations often placed too much emphasis on processes, often due to the late launch or slow start of programmes;
- most evaluations had a weak strategic focus, so that ‘evaluators took programmes as a given and focused on the individual performance of measures’, failing to discuss whether the strategies implemented were the best response to the regions’ needs;
- whilst some evaluations adopted a mix of well-targeted methodologies, a number did not carry out a satisfactory level of primary research, particularly as regards interviews with the beneficiaries;
- many evaluations were hindered by weak monitoring data; this is an area that the Commission considers as one of the main priorities for improvement;
- some evaluations overemphasised financial analysis, leading to purely ‘financially-driven’ recommendations; in addition, efficiency was often considered as simple absorption, with only few evaluations dealing with the issue of unit cost.
- final MTE reports were often too long, too detailed and not sufficiently operational. Recommendations were often vague and at times even imprecise, relying only vaguely on evidence;
- MTEs tended to be more descriptive than analytical;
- Analysis of whether the programmes are likely to deliver forecasted results was often missing.

The Commission is working through the lessons to be learnt from the recently completed MTEs with a view to improving future Structural Funds regulations and building capacity for future evaluations at both Member State and regional levels.

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8 Gaffey, ibid, p. 7.
4. ALLOCATION OF THE PERFORMANCE RESERVE

4.1 The design of the reserve in different Member States

The performance reserve was introduced under the 1999 Structural Funds Regulation 1260 (Article 44) and was intended as a positive incentive mechanism for effective programme management. Four percent of the value of funds was withheld at the start of the programming period, to be allocated at mid-term to those interventions which met a set of agreed targets in three areas: effectiveness, management and financial implementation. Member States submitted their proposals for allocating the reserve to the Commission by December 31 2003, and the Commission is required to provide a formal response by March 31 2004.

The design of the reserve varies across Member States. Some (e.g. Spain, France, Italy, Sweden and Finland) chose to set the targets, and to apply the assessment, at the level of entire programmes, so that the reserve involved a comparison of performance between different programmes under single Objectives. For example, in Finland, comparisons were made between the Objective 1 programmes (in the east and the north) and the Objective 2 programmes (in the south and the west). In other Member States (e.g. Germany, Austria), the targets were set at the level of Priorities, so that the comparison took place within individual programmes. The situation in the UK was particularly complex, as the reserve’s funding allocations were ring-fenced separately for England, Scotland and Wales, and also by type of programme. This meant that wherever there was more than one programme of a given type, e.g. Objective 2 in Scotland and in England, there was competition between these programmes for resources. Where there was only one programme of a given type in a given area, for example in Wales, there was competition between the priorities in each relevant programme.

In accordance with the Commission’s Working Paper 4, the indicators and targets selected often differed between programmes or priorities, in order to reflect the particular features of different interventions. All indicators were however supposed to cover a significant share of total funding under each programme/priority. In principle, comparability across programmes/priorities is ensured by quantifying the percentage of the target which is reached, with the Commission recommending that a minimum of 75 percent of the ex ante target should be reached (within each of the three sets of indicators) in order for a programme to be judged successful.

An additional national reserve was set up under Italy’s Objective 1 Community Support Framework with a further six percent of funding, to be allocated according to national criteria, which focused only on implementation issues. The aim was to stimulate an efficient approach to financial absorption and management.

4.2 The technical assessment process

Each Member State, together with the managing authorities of individual programmes as well as other actors, has examined the performance of interventions in relation to the ex ante targets. The mid-term evaluations provided an assessment of progress towards the targets and usually made some specific recommendations on the allocation of the reserve. However, although Member States drew on the analyses of the mid-term evaluators, in many cases they also undertook their own assessment of the performance of
Programmes at the turning point: September 2003 - March 2004

programmes or priorities. The Commission advocated that a small expert group be involved in making the final recommendations for allocating the reserve. Member States submitted their proposals to the Commission by the end of 2003, and should receive a formal response on the acceptability of these proposals by the end of March 2004. Formal final decisions on the allocation of the Reserve, notably at the more disaggregated Measure level, will take place at the Monitoring Committee meetings following the Commission's official response.

In many programmes, the technical assessment of the performance of the programmes/priorities was based on the method proposed by the Commission in Working Paper 4, with actual performance being compared to the ex ante targets (e.g. Nordrhein Westfalen, Austria, Finland, Sweden, Italy). A programme/priority was thus assessed to be performing well if it met the ex ante targets, or attained at least 75 percent of the level of the ex ante targets.

In other cases, additional technical mechanisms for assessing performance were also used. In England and Scotland, for example, an equation was applied to the results for all indicators, and this was used to generate a composite performance score. All interventions which scored above a certain value were eligible for funds from the reserve. In France the reserve will be allocated in two stages. The first part of the reserve – or the ‘absolute performance reserve’ - will be allocated to those programmes which meet the effectiveness, management and financial targets, with one third of the four percent awarded for each set of criteria programme. For the second part of the reserve – or the ‘premium for the absorption of funds’ – any remaining funds in the reserve will be allocated to regions in accordance with their progress on financial absorption.

In some cases, these technical assessments were complemented by broader systematic assessments of the programmes. In Niederösterreich, for example, the mid-term evaluators were asked to assess, not only technical eligibility, but also expectations of future performance and absorption capacity. In Sachsen-Anhalt, in addition to the assessment of performance in relation to the reserve’s indicators at priority level, a more detailed technical assessment was undertaken via a scoring system, which was developed by the Managing Authority, together with two teams of evaluators. Each sub-Measure was given a score, taking into account its potential contribution to economic growth and employment, as well as financial absorption. These scores then formed the basis for a discussion and decision-making by the Land’s Ministries. The scoring system is seen to have increased transparency and allowed comparisons to be drawn across all Priorities, Measures and sub-Measures, and thus facilitated the difficult political decisions on reallocating spending.

In all programmes, the results of the technical assessments have also been the subject of political discussions over the optimal allocation of the reserve’s funds. In some cases, Monitoring Committees have decided not to follow strictly the results of the technical assessment, or the recommendations of the mid-term evaluators. This is generally because the outcome of the technical assessment is perceived not to meet the actual needs of the programme, either due to specific expectations of financial absorption, or for more strategic reasons. These issues are explored in the following section.
4.3 The Member States’ proposals for allocating the reserve

The Commission’s Working Paper 4 proposed that the reserve should be allocated to all programmes/priorities which were judged to have performed well in relation to the ex ante targets. In particular, it recommended that the reserve be allocated in proportion to the initial budgetary allocation of each programme/priority. It also stated that those programmes/priorities which did not meet the targets should not be eligible for any additional funding.

In some cases, a strict version of this approach has been adopted, with Member States proposing to allocate the reserve to performing programmes/priorities in proportion to their original funding. In other cases, the allocation of funding proposed is broadly proportional to the ex ante allocations, but some minor adjustments are also introduced. In a third set of programmes, political decisions have been taken to focus the financial allocation more strongly on some interventions than on others. Sometimes this was because all priorities met the ex ante targets, yet there were differing expectations over future performance. In all cases, only those programmes/priorities judged to have met the technical criteria will be eligible for funding from the reserve.

a. A strictly proportional allocation of funds

In some partner programmes (e.g. England, Spain, Italy’s Objective 2 regions, Scotland and Finland), Member States have proposed allocating the reserve’s funds proportionally to all those interventions which performed appropriately. For example in Spain, each programme that is considered to have performed successfully will be allocated four percent of its initial financial allocation. If funds remain due to the poor performance of some programmes, these are distributed among the successful programmes in proportion to their relative weight within the Objective, which must not exceed 10 percent of the initial budgetary appropriation for the programme.

In Finland, all programmes were considered to have performed well, so that it was seen to be inappropriate to propose an allocation of funds which would favour some more than others. There were some differences in the performance of programmes in relation to the target for payment rates, but it was felt that this was not a sufficient reason for switching funding between programmes, particularly as the payment rates in all programmes were reasonably good.

In the Swedish regions, the comparison was applied, respectively, between the Objective 1 and Objective 2 regions. In both cases, all regions received the full four percent of funds because they were judged to have made sufficient progress towards all targets. Under Objective 1, for example, Norra Norrland achieved the goals for new jobs and individuals in further skills training but did not achieve its goal with regards to new businesses. The situation is the opposite for the other Objective 1 region, Södra Skoglänsregionen, which achieved their goals for new businesses and individuals in further skills training but not for new jobs. The evaluators recommended that there were not sufficient grounds to differentiate between the two programmes and argued that the performance reserve should be divided proportionally between the two programmes.

b. A broadly proportional approach, with some adjustments

In other partner programmes, the approach taken was largely based on the proportionality principle (with only performing interventions being eligible for funding), yet some detailed adjustments were also made on financial or strategic grounds.
In some cases, the adjustment related only to the funding which remained after the initial allocation of funds to performing interventions had been made. In Steiermark, for example, the proposal is to allocate the funds proportionally to those Priorities meeting the targets, so that each gains a four percent increase. However, one Priority did not meet the targets, and it is proposed that the funds remaining for this reason should be allocated only to Priority 2, and focused on technology-oriented projects where there is perceived to be good scope for absorption.

Similarly in Italy’s Objective 1 regions, the Italian authorities have proposed that all those programmes with a sufficient performance (i.e. 11 out of 13 programmes) should receive the full additional four percent, while the remaining two programmes would receive a partial allocation. The remaining funds in the reserve were split in two, with half allocated proportionally to the 11 performing programmes, and the rest allocated by the Monitoring Committee, and focused on two regional programmes and two thematic programmes.

In France, all Objective 1 and 2 regions have at least partially met the targets, so that the French authorities’ have proposed that all programmes should receive an additional allocation of funds, ranging from two to six per cent of the initial budget allocations.

In Nordrhein Westfalen, the mid-term evaluators found that only Priority 2 had met all the targets. However, it had been decided ex ante that, if only one Priority met the targets, funds would be allocated to the best two performing Priorities – which caused a further problem as Priorities 1 and 4 were joint second, each failing to meet three criteria. The mid-term evaluators recommended allocating the reserve to Priorities 1 and 2. In the end, the Monitoring Committee decided to propose allocating the reserve’s funds under the mainstream programme only to Priority 2 (Innovation and cluster development), where they will contribute to the creation of a new Measure aimed at cluster development in the health sector, including funding for infrastructure, SME support and knowledge transfer. Under the phasing out programme, the proposal is that funds mainly be allocated to two Measures under Priority 2, although it is also proposed that a small amount of funds be allocated to Priority 1 for business support measures.

c. A stronger focus on some interventions than on others

In some programmes, the authorities are proposing that funds should not be allocated proportionally but that some should benefit more than others, either because of comparatively better performance to date, because of better future prospects, or for strategic reasons. In all cases, however, only those priorities which have been assessed as performing well will be eligible for funding. It is also the case that the allocation of funding is not strictly proportional, rather than that a well-performing intervention receives no funds.

In Niederösterreich, for example, all Priorities met all the targets. However, the proposal is to not allocate funds proportionally, although all three Priorities will receive some funds. The proposal is thus to allocate a disproportionately high share to Priority 1 (Endogenous potential, economic infrastructure, regional projects) where there are seen to be stronger prospects for future absorption.

In Sachsen-Anhalt, the MTE stated that only Priorities 1 (Aid to enterprise) and 5 (Rural development) fully met the criteria, but that Priority 4 (Human resources) met all targets except the number of on-the-spot financial controls, and should therefore also be considered eligible. This broad proposal was
confirmed by the Monitoring Committee, but the proposed allocation between these three Priorities was unequal, based on a set of technical analyses and political considerations at the level of the 260 sub-Measures which make up the programme. The result is the proposal that Priority 1 should benefit disproportionately but that all three eligible Priorities would receive additional funds.

In Denmark, the proposal is to allocate funds only to Priority 1 (Infrastructure) and Priority 3 (Training), due to the availability of domestic co-financing for these interventions but not for Priority 2 (Business support).

4.4 Views on the usefulness of the reserve

Some partners voiced doubts over the usefulness of the reserve, particularly in the light of the relatively complex mechanisms required. Some doubts related to the philosophy underpinning the reserve, while others were of a more practical nature.

Some Managing Authorities (e.g. Sachsen-Anhalt, UK) agreed with the underlying philosophy of the reserve, of encouraging programmes/priorities to perform more strongly by increasing transparency and by allowing comparisons to be made between different kinds of interventions. Others, however, did not see this approach as useful. For example, in Niederösterreich the goal of promoting competition between interventions was seen not to fit well with Austria’s consensus-based approach to policy-making, arguing that there may be a fine line between stimulating competition between programmes/priorities and generating conflicts.

There were also widespread doubts as to the practical features of the application of the reserve, notably the selection of indicators and setting of targets (Finland, UK). Questions were raised over the use of financial indicators, given that the n+2 rule already provided incentives to ensure that these targets were met. Similarly, the management indicators were perceived as rather unsophisticated and relatively easy to achieve. Finally, it was argued that, while the effectiveness indicators could in principle have provided meaningful insights, it was too early in the programmes to assess physical achievements.

A further criticism raised related to the choice of indicators and the setting of targets, and notably to the difficulties in generating indicators and targets which were both clear and measurable. Because indicators and targets differed between programmes/priorities, it was not always clear that they allowed for transparent and fair comparisons to be drawn. It was not easy to assess whether the targets were equally difficult for all interventions. Finally, the application of indicators and targets is seen to depend on the advance agreement of all participants, and it is often difficult to obtain such agreement, particularly given the technical difficulties of target-setting.
5. MID-TERM REVIEW OF PROGRAMMES

5.1 The basis for the mid-term review

Regulation 1260/1999 (Article 14 §2) states that, after the MTE and the allocation of the performance reserve, the programmes shall be re-examined and, if necessary, adapted further. In general, the Commission has emphasised that the mid-term review should involve relatively limited changes, and that any proposed shifts in financial allocations should be fully substantiated on the basis of evidence from the MTE and/or the assessment of performance reserve criteria.

In some programmes, the main goal of the mid-term review is to enhance conditions for financial absorption. In other programmes, an additional aim is to focus interventions more strongly on strategic goals. Finally, some programmes have decided not to make additional changes, either because progress on financial absorption has already been rapid, or because no changes are seen as necessary, or because of negative experiences with the Commission in previous attempts to modify the financial table.

While the Monitoring Committee has the authority to make changes in the funding allocations which only affect the programme complement (notably shifts in funding between Measures), a Commission decision is required if there are to be changes to the OP or SPD (e.g. shifts in the financial allocation between Priorities or Funds, or the creation of new Measures). Partners are taking different approaches to the mid-term review, with some proposing only small shifts of funds between Measures, while others propose to move funds between Priorities, even though this is a more complex administrative process.

5.2 Changes in the programme complements

Many programmes are introducing relatively small changes at Measure level, primarily aimed at ensuring financial absorption and facilitating implementation (e.g. Sweden, East Wales, Lombardia, Toscana, Flanders).

These relatively minor adjustments may also be aimed at improving the detailed focus of programmes. For example, the Toscana programme will introduce changes in the following areas: (i) stronger integration of ICT interventions; (ii) more emphasis on innovation and technological transfer; (iii) strengthening of measures for integrating non-EU workers in urban peripheral areas; (iv) aids targeted on particular sectors in crisis; (v) strengthening the TA measure to ensure adequate support for provinces and social partners in implementing the PISL. Similarly, there are efforts to further sharpen the focus of the OP LED programme in Italy’s Objective 1 regions, by strengthening of the ‘special ranking lists’ of law 488/92 (Measure 1) and of the PIA (Measure 2) that represent the most innovative aspects of the programme. Efforts are also being made to ensure that this programme and related regional Priorities are coherent with the CSF’s objectives as regards the cluster policy.

5.3 Changes in the OP or SPD documents

Some partner programmes are proposing to move funds between Priorities (e.g. Nordrhein Westfalen, Western Scotland, North East England, Steiermark and Finland), although in most cases the amounts of money being shifted are not very large relative to total financial allocations. Some are also proposing
to create new Measures, for example in Toscana, Lombardia and Nordrhein Westfalen. Some are also introducing changes aimed at rationalising interventions by merging existing Measures, for example in order to facilitate financial absorption, to favour instruments which are proving simpler and more effective, and to reduce overlaps (e.g. North East England, Sweden, Steiermark and Lombardia).

In most cases, these changes are based on an assessment of the overall situation of the programme as a whole, in terms of its strategic focus and financial absorption. In Western Finland, however, the proposed reallocation of funds between Priorities is not based on a top-down strategic shift but rather on decisions taken on funding reallocations by the seven individual regions within the eligible area.

In Nordrhein Westfalen, the main aim of introducing changes in financial allocations is to facilitate financial absorption at Measure level, but these changes would have some implications at Priority level. For example, it is proposed that further funding (in addition to the allocation from the reserve) be allocated to a new Measure aimed at developing a health sector cluster. This involves a shift in funds from Priority 4 (Funding for specific target groups), where some Measures are not performing well, to the new Measure in Priority 2. Similarly, some funds will be moved between Measures on environmental protection, even though this partially involves a shift between Priorities (from Priority 2 to 3) and between Ministries. A further proposal with a certain strategic weight is the shift of funds from Measure 1.1 (Direct aid to enterprise) to Measure 1.2 (Loan funds for SMEs).

In Sachsen-Anhalt, the situation across Priorities was assessed after the proposals on the allocation of the reserve had been finalised. This led to a political decision to shift €20 million from Priority 1 (Aid to enterprise) to Priority 2 (Infrastructure). There was then a detailed assessment at the level of sub-Measures, on the basis of the scoring system developed for the allocation of the reserve. It was decided that budget-lines would only be eligible for additional funding if they scored 2 (the highest score). The Managing Authority asked the 60 Land departments and agencies responsible for different sub-Measures whether they wished to increase funding for those budget-lines scoring 2 – and also to identify compensating cuts elsewhere in the programme. Overall, the process took around four weeks for an agreement to be reached.

In Nordjylland, the proposed changes are regarded as evolutionary rather than as affecting the structure of the programme. A first change is the reallocation of funding from Priority 2 (Business support) to Priority 1 (Infrastructure) because initial estimates of the availability of central government co-financing for business support have turned out to be too optimistic. A related issue is the decision to establish venture capital funds within the programme, although this will require an adjustment in Danish State aid notification, which currently does not include this type of support, as well as Commission approval for the individual funds. Nordjylland aims to launch a venture capital fund in autumn 2004, and to shift all remaining funds in Priority 2 to the new fund (€5.7 million), except for funding under the high-tech sectoral framework programme and the export promotion programme, where grants will continue to be allocated. In relation to the ESF, an additional focus will be interventions to raise numeracy and literacy levels among citizens with very limited education, in order to ensure that efforts to promote technological innovation do not become socially and spatially divisive.
5.4 Obtaining Commission approval for changing financial allocations

As noted above, Commission approval is required for proposed changes which affect the OP or SPD. In a number of programmes (e.g. Niederösterreich, Sachsen-Anhalt, UK), problems are being, or have been, experienced in gaining Commission approval for proposed changes in financial allocations. The problems usually relate to proposals sent to the Commission at the end of 2003, including changes for the financial year 2003. DG Regio says that changes in the year 2003 cannot be made because this would involve ‘retroactive’ changes in the financial plan – even though the proposals were sent to the Commission in 2003.

Some programmes had already revised their financial tables before the mid-term review. For example, Sachsen-Anhalt revised the tables in 2002 following the serious floods in Central Europe, and in that case it took seven months for the Commission to approve the changes (November 2002 until June 2003). In June 2003, Niederösterreich proposed changes in financial allocations between Measures for the years 2000, 2001 and 2002. This was due to concerns over the Phasing-out programme, where some Measures had already having committed over 100 percent of total funds, and others had committed little – and where there was seen to be a need to act quickly due to the programme’s phasing-out by 2005. Although the proposal left the financial allocations at Priority level unchanged (and also made no changes in co-financing rates at the level of the SPD as a whole, or in the annual profile of each Fund), it did imply changes in national co-financing rates at Priority level – and DG Regio argued that that it was not possible to make such changes retroactively. A solution was finally found but the experience has left a negative impression with the programme managers.

A number of programmes are concerned that delays in obtaining Commission approval for changes in financial allocations under the mid-term review may endanger progress on commitments and payments (UK, Sachsen-Anhalt). Until Commission approval is ensured, programme managers and partners are unable to increase levels of commitments and payments in line with the proposed additional financial allocations.
6. CONCLUSIONS AND THEMES FOR DISCUSSION

The period under review (September 2003 – March 2004) has been a crucial one for Structural Funds programmes. Partners have been engaged in a number of activities relating to the improvement of a series of programming functions, including financial implementation, control, monitoring, communication and so on. Partners have also been undertaking the final stages of the MTEs, and are in the process of reviewing the programmes’ strategies and implementation procedures. All these activities are aimed at ensuring that the funds are fully absorbed by the end of the programming period and also that programmes meet their targets and have a positive impact on economic development. A number of partner programme managers, moreover, are already thinking forward, either to the steps needed to ensure a smooth closure of the current programming period, or also to the possibilities for future Structural Funds programmes after 2006.

The paper has reviewed recent developments in relation to the spending performance of the partner programmes and their experiences of the application of the n+2 rule. It has also examined the main messages of the mid-term evaluations, as well as the partners’ opinions of the mid-term evaluation process. Finally, it has provided an overview of the allocation of the performance reserve and the mid-term review which is currently being undertaken by programme managers. The paper has thus highlighted a number of issues for discussion which are outlined below.

6.1 Progress on commitments and payments

A first set of issues relates to programmes’ progress on commitments and payments in the context of the application of the n+2 rule, which occurred for the first time in 2003 in many partner programmes. Programmes’ experiences and views of the n+2 rule vary widely. Some partner programmes show very strong levels of commitments and payments at an aggregate level, even if there are sometimes problems at Measure or sub-Measure level (i.e. below the level where the n+2 rule is applied). Even in these programmes, however, steps have often been taken to ensure that automatic decommitment is avoided, notably by improving communication with partners and detailed financial monitoring. Other programmes have experienced more serious difficulties, and have had to introduce a range of ad hoc steps to raise levels of payments. Important questions include:

a. Has the n+2 rule had a negative effect on the quality of some programmes, for example via the retrospective inclusion of projects originally financed from domestic sources, or via the loosening of project selection and eligibility criteria?

b. Has the n+2 rule had some positive effects in terms of stimulating improvements in areas such as financial management, communication, monitoring?

c. Are programmes likely to face similar problems in coming years, and to require further ad hoc responses?

d. Should the n+2 rule be maintained after 2006? Should other mechanisms be introduced to promote efficient financial management?
6.2 Mid-term evaluation

A second group of issues concerns the mid-term evaluation, which provided an opportunity to review the programmes’ strategies, their progress on financial indicators and physical outputs/results, and various aspects relating to programme implementation. The MTEs have highlighted a number of improvements to be made to Structural Funds programmes, in relation both to financial absorption and to the implementation and design of the programmes’ strategies. Perceptions of the MTE process among partner programmes generally seem to be good, although a number of criticisms were also voiced, notably in relation to the usability of the outcomes of the evaluations. Some key questions on the MTE include:

a. How can the usefulness and usability of evaluation reports and recommendations be enhanced?

b. How can Structural Funds evaluations be better tailored to the individual needs of programmes?

c. Is there a need for further efforts to develop appropriate methodologies for assessing outcomes and impacts?

d. Should greater emphasis be placed on assessing the efficiency of interventions (e.g. on examining outputs relative to costs, or the opportunity costs of Structural Funds programmes)?

e. Do partners see the current ‘periodic’ approach to evaluation (based on an ex ante, interim and ex post cycle) as appropriate to the programmes, or is an on-going approach preferable?

6.3 Performance reserve

Third, a number of questions are raised by the experience of programmes in applying the performance reserve mechanism. Although all Member States broadly followed the Commission’s recommendations, there were significant differences, notably as to whether the comparison took place between programmes or between priorities. Moreover, while some applied the outcomes of the technical assessment relatively strictly, others also introduced an element of strategic or political consideration into the proposals for allocating the reserve. Opinions of the usefulness of the reserve vary, although a number of partners noted difficulties over the selection of indicators and the setting of targets. Questions include:

a. Has the performance reserve proved to be a useful mechanism for improving programming efficiency? Do its benefits outweigh its costs (e.g. in terms of increased administrative complexity)?

b. Does it matter whether the comparison is applied between programmes or between priorities?

c. How could the selection of indicators and targets be improved?

d. How can the support of all partners for such a mechanism be ensured?

e. What other possible mechanisms could be used to encourage good practice and better performing programmes?

6.4 Mid-term review

Finally, feedback from partners on the mid-term review suggests that most programmes are intending to introduce some changes in the financial tables,
in addition to those to be implemented via the allocation of the performance reserve. Funds are being shifted between Measures, and also often between Priorities, while some programmes aim to set up new Measures or to merge existing ones. A number of the programmes are using the mid-term review to develop non-traditional forms of business support (e.g. venture capital funds and other loan instruments rather than direct aid), as well as to redirect funds to support for technological innovation. However, the amounts of funding involved are usually relatively limited in relation to the scale of the programmes as a whole. This is generally because the broad strategic objectives of the programmes, as well as their core priorities, are still perceived to be relevant. It may also, however, reflect the administrative complexities which would be involved in making more fundamental programme changes. Key questions include:

a. Are the changes being introduced via the mid-term review seen as appropriate and adequate?

b. Is the move towards the use of venture capital funds and other loan schemes positive, or do partners still see the need for direct aid schemes? Are partners encountering difficulties in implementing these ‘newer’ forms of business support?

c. How are partners managing the mid-term review process in programmes where Commission approval is required? Are back-up plans in place in case Commission approval is delayed?
ANNEX I : LEGISLATIVE AND POLICY OUTLOOK

This section contains information on recent Commission-level legislative and policy-related developments and reports which may be of interest to partners. Publication of the Third Cohesion Report (3CR) in February 2004 is one of the most significant developments; its main findings are summarised below. A further section presents a brief review of the results of the Commission’s ex post evaluations of the 1994-99 programmes, and some of the results of the ESPON project 2.2.1, on the territorial effects of the 1994-99 Structural Fund programmes.

7.1 The Third Cohesion Report

The Third Cohesion Report (3CR) was published by the Commission on 18 February 2004. As required by Article 159 of the EU Treaty, the Report examines the progress made by the EU towards achieving its objectives of economic and social cohesion and the contribution made by EU structural policies as well as other Community and Member State policies. Importantly, the 3CR also sets out the Commission’s proposals for the future of EU cohesion policy after 2006.

7.1.1 Financial resources

The 3CR’s proposals for funding future cohesion policy have to be seen within the wider financial framework proposed for the 2007-2013 period. This envisages keeping the current ‘own resources’ ceiling of 1.24 percent of the EU’s Gross National Income (GNI), with appropriations for payments averaging 1.14 percent over the period. In cash terms, the EU would commit an average of €146 billion per year over the 2007-2013 period. This compares with a figure of €121 billion for the final year of the current period and represents an increase of 31 percent in planned EU spending.

With respect to the components of the EU budget, the EC has reorganised and rationalised the budget into five main headings in the interests of simplifying budgetary management. These are: sustainable growth (including competitiveness and cohesion); conservation and management of natural resources; citizenship, freedom, security and justice; the EU as a global partner; and administration. Despite some sleight-of-hand in the presentation of the figures, the basic trends are clear. Comparing planned spending in 2007-2013 with 2006:

- cohesion policy spending (excluding rural development) would increase by 31 percent, from €38.8 bn in 2006 to €51 bn in 2013;
- agricultural spending would remain virtually static over the period, averaging €43 bn per year;
- a new budget sub-heading called ‘competitiveness’ has been created to implement the Lisbon agenda with planned spending on areas such as

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10 It is not readily apparent how the current budgetary headings relate to the headings in the new financial framework. For example, Commission administrative expenditure has been integrated into the main expenditure headings.
as R&D and trans-European networks etc rising three-fold from €8.8 bn in 2006 to €25.8 bn in 2013;

- increased resources have also been allocated to EU internal policies (citizenship, freedom, security and justices) and external relations (EU as a global partner).

The financial resources for cohesion policy (Structural and Cohesion Funds) would comprise €336.3 bn over the 2007-2013, representing around 0.41 percent of GNI in an EU-27. A further 0.05 percent of GNI (€37.8 bn) would be spent on rural and fisheries measures under the CAP.

7.1.2 Policy approach

The Commission is proposing to change EU cohesion policy in several important respects: a broader rationale; a new architecture of Community priorities; a different implementation system; and radical changes to State aids.

a. A broader rationale

As in previous reports, the Third Cohesion Report emphasises the iniquity of regional economic and social disparities as a justification for EU cohesion policy. However, the 3CR also places much more stress on the links between cohesion and the Lisbon agenda, arguing (as under many national regional policies) that promoting regional competitiveness will boost the growth potential of the EU economy as a whole. This is particularly evident in the arguments put forward for continuing with EU intervention outside the least-developed countries and regions.

A further aspect of the 3CR is the importance accorded to territorial cohesion. Continuing the line of argument employed in the Second Cohesion Report, the 3CR maintains that intervention in support of economic and social cohesion needs to be complemented by action to promote balanced development of the EU territory. The EC is keen to broaden the remit of EU cohesion policy beyond spatial imbalances in income and employment to address issues such as the polycentric development of urban areas, infrastructure endowment in educational, health and social services, and the specific problems of areas with geographical handicaps (eg. islands, mountain areas).

Taken together with the proposal that all regions should be eligible for future EU support, the 3CR’s objectives would represent a significant change in the rationale for EU cohesion policy. Whereas in the past, EU intervention has been conceived as being time-limited and geographically focused, in order to assist with economic convergence, restructuring or diversification, the EC’s proposal would lead to EU cohesion policy becoming a permanent, horizontal policy pursuing the goal of balanced territorial development.

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11 This takes account not just of cohesion policy spending in the EU15 and 10 new Member States but also anticipated expenditure in Bulgaria and Romania from the date of their accession to 2013. A further €8.6bn is included under this heading for expenditure on the Solidarity Fund and Commission administrative expenditure.

12 The draft EU Constitution proposes that the promotion of territorial cohesion should become one of the Union’s objectives (Article 3) and should be addressed as an area of competence shared between the EU and Member States (Article 13).
b. **A new architecture of Community priorities**

The Commission is proposing that future EU cohesion policy should focus on a limited number of Community priorities, reflecting the Lisbon and Gothenburg agendas. The future regional programmes would be targeted on a limited number of key themes:

- innovation and the knowledge economy,
- accessibility and services of general economic interest'
- environment and risk prevention.

These themes would be complemented by employment programmes focusing on the themes of employment, training and adaptation, and social inclusion under the European Employment Strategy.

The current Objectives 1,2 and 3 would be superseded by three new Community priorities:

- Convergence: supporting growth and job creation in the least developed Member States and regions;
- Regional competitiveness and employment: anticipating and promoting change;
- European territorial cooperation: promoting the harmonious and balanced development of the Union territory.

The use of financial instruments and the allocation of the cohesion policy budget to these priorities would be as follows:

<table>
<thead>
<tr>
<th>Priority</th>
<th>Financial instruments</th>
<th>Budget (%)</th>
<th>Budget (€ bnl)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convergence</td>
<td>ERDF, ESF, Cohesion Fund</td>
<td>78</td>
<td>262.0</td>
</tr>
<tr>
<td>Regional competitiveness &amp; employment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Regional competitiveness programmes</td>
<td>ERDF</td>
<td>18</td>
<td>60.5</td>
</tr>
<tr>
<td>• National employment programmes</td>
<td>ESF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European territorial cooperation</td>
<td>ERDF</td>
<td>4</td>
<td>13.5</td>
</tr>
</tbody>
</table>

Under the EC proposals, the current instruments linked to rural development policy (EAGGF Guidance Section, FIFG) would be grouped in one single instrument under the Common Agricultural Policy. The Community Initiatives (INTERREG, URBAN, EQUAL, LEADER+) would be discontinued as separate initiatives and integrated within the mainstream programmes.

**Priority 1: Convergence**

The main focus of Community intervention after 2006 would continue to be the less-developed Member States and regions. This priority would encompass three elements:

- Least-developed regions with a GDP per head less than 75 percent of the EU average (Objective 1 regions). As previously, these regions would be strictly defined at the NUTS II level and, on the basis of current data would encompass about 27 percent of the EU-25 population – most of the new Member States (except some capital cities) and significant parts of Greece, Portugal, Spain, Italy and eastern Germany.
• Statistical effect regions, which would qualify for Objective status in an EU15 but, because of the ‘statistical effect’ of enlargement, would not qualify in an EU25. Encompassing about three percent of the EU-15 population, this provision would apply mainly to regions in Germany, the UK and Spain, and is regarded as transitional support to enable them to adapt to the loss of full Objective 1 eligibility. The relatively generous transitional support would be provided for the entire seven-year period on a degressive basis.

• Support under the Cohesion Fund for countries with GNP below 90 percent of the EU25 average. This would include all of the new Member States as well as Portugal and Greece. There is no recognition of a statistical effect to compensate for loss of Cohesion Fund status (Spain).

The EC is also proposing to set up a special programme for the outermost regions which are not otherwise covered by one of the above categories, ie. Canarias (Spain) and Madeira (Portugal).

Priority 2: Regional competitiveness and employment

The EC is proposing a twofold approach in providing support under the regional competitiveness and employment priority.

• Regional programmes funded by ERDF to help regions anticipate and promote economic change in industrial, urban and rural areas. This would cover: (a) ‘phase-in regions’ - current Objective 1 regions which would become ineligible for Objective 1 status even in an EU15 because of their economic growth; and (b) all other regions not otherwise designated under the convergence priority or as phase-in regions.

• National programmes funded by ESF to reinforce the introduction and implementation of structural reforms in the labour market and strengthen social inclusion in line with the objectives and guidelines of the European Employment Strategy.

It is estimated that the phase-in regions would be allocated about one sixth (€9.5 bn) of the competitiveness and employment allocation, with the remainder divided 50:50 between the regional competitiveness programmes and national employment programmes. In effect, it could be said that the ‘new Objective 2’ and ‘new Objective 3’ would each be allocated about €26 bn.

For the regional programmes, the eligible areas would not be determined at EU level. It is anticipated that the EC will allocate ‘financial envelopes’ to Member States potentially on the basis of criteria such as GDP, unemployment and population density. The Member States would then have the responsibility for allocating resources within countries. In the 3CR, the EC indicates that it would be expecting the funding to be concentrated in three ways:

• thematic concentration – targeting resources on the three themes of innovation and the knowledge economy, accessibility and services of general economic interest, and environment and risk prevention;

• geographic concentration – the EC refers to programmes addressing the problems of industrial, urban and rural areas (with more cities being specifically targeted than currently under the URBAN initiative), as well using ‘territorial criteria’ to recognize the relative disadvantage of regions with geographical handicaps;
resource concentration – to avoid excessive fragmentation of resources, the EC expects to introduce rules on “the minimum financial volume of programmes and priorities.

The 3CR recognises that current Objective 2 areas may have suffered from excessive ‘micro-zoning’ and suggests that future regional programmes may need to be based on larger regions to enable the development of a coherent strategy.

Priority 3: European territorial cooperation

The third priority, which is effectively an expanded version of the INTERREG initiative, is intended to promote the ‘harmonious and balanced integration’ of the EU territory by supporting cooperation at cross-border, transnational and interregional level. The priority would be funded by ERDF with two elements:

- Cross-border cooperation along external and internal borders, including both land and sea borders, to promote joint solutions to common economic problems. A New Neighbourhood Instrument will be created to facilitate more effective actions on the external borders.
- Transnational cooperation, operating in zones to be agreed between the EC and Member States, to support strategic priorities with a transnational character such as R&D, information society and the environment.

The third element of the existing INTERREG initiative – inter-regional cooperation would, under the Commission’s proposals, be integrated within the mainstream regional programmes which would be expected to dedicate a certain amount of resources to exchanges, cooperation and networking.

c. A new delivery system

The EC is proposing to make significant changes to the way that EU cohesion policy is implemented. The new system would retain the key principles underlying the Structural Funds – multi-annual planning, integrated development strategies, partnership, co-financing and concentration – but aims to simplify and decentralise the process. Several features of the proposals are worth noting:

- A new planning framework would be introduced. At EU level, the European Council would adopt an overall strategic document for cohesion policy, defining priorities for Member States and regions. This would be reviewed annually on the basis of progress reports by Member States.
- Each Member State would draw up a policy document on its development strategy as a framework for thematic and regional programmes. At operational level, Member States would draw up programmes – defined at an “aggregate or high priority level” - for adoption by the EC.
- The current multi-Fund programme would be replaced by ERDF and ESF interventions operating on the basis of one fund per programme. The procedures for financial management, financial control and additionality would be rationalised and decentralised (within limits).
- Partnership would be enhanced by requirements to involve social partners and civil society representatives to a greater degree. Tripartite agreements between Member States, regions and local authorities are proposed.
• Performance and quality would be ensured by retaining the principle of decommitment (N+2). The EC would also be expecting a more rigorous approach to monitoring and more results-oriented evaluation.

d. **State aids**

Although the Third Cohesion Report is primarily about the future of EU cohesion policy, it contains some important proposals for the future of State aids. Specifically, DG Competition would approve aid on the following basis:

- regions with GDP per capita below 75 percent of the EU average would be eligible for state aid under Article 87 3(a);
- regions affected by the 'statistical effect' would be eligible under Article 87 3(a) in 2007 but with a degressive reduction of State aid limits to bring them down to Article 87 3(c) by 2013;
- other regions (ie. those regions eligible for the competitiveness and employment priority) would not have regional aid maps approved but would have to operate aid schemes in line with general State aid rules.

This could radically reduce the ability of Member States to operate regional aid schemes providing support to medium-sized and large investment projects. In order to reduce the impact, the Commission has undertaken to provide more flexibility for Member States to provide lower-level aid. It has produced two draft communications proposing a new framework (LASA) for the assessment of lesser amounts of State aid (30 percent of project costs up to €1 million over a three-year period) and a new framework (LETS) for the assessment of State aid which has limited effects on intra-Community trade.

7.2 **The results of the ex post evaluations for the 1994-99 programmes**

This section presents a brief review of the results of the Commission’s ex post evaluations of the 1994-99 programmes and some of the results of the ESPON project 2.2.1, on the territorial effects of 1994-99 Structural Fund programmes.

7.2.1 **The Objective 1 1994-99 programmes**

In the 1994-99 programming period, the Structural Funds and the Cohesion Fund contributed an estimated €114 billion (in addition to a match-funding of national public and private resources of a further €95 billion) to regional economic development, covering a population of about 92 million inhabitants, one quarter of the total population of the EU as a whole. This has been assessed as having contributed to narrowing the gap in GDP per capita between the Objective 1 regions and the rest of the EU from 64 percent of the EU average in 1993 to 69 percent in 2000.

Reflecting its lack of focus as a policy priority, there is little evidence that the interventions have significantly reduced spatial disparities within the Objective 1 regions. In some cases at least they have contribute to the generation of growth within capital city and other relatively strongly performing regions.... Reduction of internal disparities tended not to be an important explicit objective, with priority...
implicitly given to the achievement of overall improvements in national and regional performance.\(^{15}\)

The main objectives of Structural Fund programmes in the 1994-99 period were those of reducing the disparities in GDP and unemployment between the regions of Europe, primarily by identifying market failures and existing growth constraints. These objectives were primarily targeted through investments in the following priority areas:

- **Business development** – this was the main area of spending, especially as regards industrial investment support and SME development. This area of intervention accounted for almost half of the whole spending carried out in the period (45 percent). In some programmes, especially in Austria and the Netherlands, emphasis was placed on R&D.

- **Physical infrastructure** – this represented a significant portion of spending in Objective 1 programmes across Europe, accounting for about 11 percent of the funds. Spending was concentrated mainly on transport infrastructure, energy and environmental projects. This category of spending was particularly dominant in the strategies implemented in the Cohesion Countries.

- **Human resources development** – the resources spent under this heading varied widely from country to country; particular emphasis on these themes was placed in Ireland and the UK.

- **Agriculture and rural development** – this was also an important element of most Objective 1 strategies and figured especially in Germany and Austria.

### 7.2.2 The Objective 2 1994-99 programmes

Among the strategic aims of the 1994-99 Objective 2 programmes, job creation is the most common overall objective. Strategies have mainly been focused on the types of intervention used by regions tackling industrial decline and reconversion. This has included support for the business environment (mainly aid to business for industrial investments and business infrastructure), investment in infrastructure, land recovery, environmental protection, and human resources development. Many programmes have also included interventions for R&D and technology transfer, tourism development and, in some cases, improvement of rural areas (eg. several French programmes).

Table 6.1 below provides a brief country-by-country overview of Objective 2 strategies during the 1994-96 and 1997-99 programming periods.

Almost all the Objective 2 SPDs have clearly presented, explicit strategic objectives, averaging four per programme. The translation of objectives into actions is based around priorities and measures, with programmes each incorporating an average of four priorities, focusing on areas such as: industrial development; services, tourism and other specific sectors; inward investment, RTD/innovation; environmental issues; community economic development; human resources; physical planning-related action; and technical assistance.

There is considerable national (and regional) variation in the use of Structural Fund expenditure. For example, there is a strong concentration on aid direct to firms in Denmark, Austria, Sweden and Italy. Community economic development measures only really feature in the UK and French SPDs, while economic infrastructure is significant in Germany and urban regeneration in France. Basic infrastructure support is most prominent in Spain, Finland, the Netherlands and the UK, and the highest allocations for environmental measures are in Spain, France and Germany.

At the priority level, the majority of programmes contain some sectoral targeting, particularly explicit in the case of the Netherlands strategies which identified key industries as a focus for the priorities: transport and distribution (logistics), producer services and tourism. Many of the UK strategies also contained sectoral priorities, sometimes called ‘drivers for change’.

For the 1997-99 ‘re-programming’, strategies were in many cases ‘rolled over’ from the first period; with the main categories of intervention remaining broadly the same. However, in some cases, the relative weight of the different areas of intervention changed significantly from 1994-96 to 1997-99. The most significant changes in the strategies was at measure level, as the new programmes contained increasing numbers of measures, covering a wider range of actions. Increased attention was given to business development, RTD/innovation and environmental issues, mainly at the expense of investment in economic and other infrastructure. Although many of the Objective 2 areas are highly heterogeneous regions, and in some cases comprise geographically discrete sub-areas, relatively few of the SPD strategies contained a spatial dimension. Only in the UK was there a fairly consistent geographical orientation incorporated into some of the priorities. Here, the focus of targeting was on need rather than opportunity, with additional resources being directed at the areas of greatest disadvantage.
### Table 6.1: Strategies of the 1994-96 and 1997-99 Objective 2 programmes

<table>
<thead>
<tr>
<th>Country</th>
<th>Key Features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austria</strong> 1995-99</td>
<td>€293 million (Structural Funds and national): Styria over 60%, Lower Austria (19%), Upper Austria and Vorarlberg (8% each). Priorities: support for restructuring and modernization of economic structures in industry, tourism (72% of total, mostly business support) and HR development (28%).</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td><strong>Wallonia</strong>: €196 million, of which 99% concentrated on Meuse Vesdre. Approach centred on the restructuring of industrial sectors and the development of large infrastructure, plus development of endogenous capacities for the economic conversion of the area. Main instruments: aid to enterprises, SME support infrastructure, territorial attractiveness (improvement of sites, port and airport transport infrastructure), HR development and productive diversification (tourism). Flanders: €442 million for Limburg and Turnhout (€171 million from the Structural Funds). Similar strategies for both: promotion of employment, competitiveness of local firms, improvement of the environment, and technology and innovation. Priorities: industrial development, services and environment.</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>€119 million for North Jutland and Lolland (plus €134m national resources). Different strategies for the two regions: - <strong>North Jutland</strong>: Overall strategy changed during programme period from ‘internationalisation’ (with a focus on exporting) to ‘globalisation’ (taking a wider view of competitiveness). Emphasis on technological innovation was also downgraded in favour of market and organisational development. - <strong>Lolland</strong>: main objective was job creation and maintenance. Emphasis on making better use of the area’s own potential. Focus on longer-term objectives such as the development of knowledge and qualifications, the use of new technology, and the environment.</td>
</tr>
<tr>
<td><strong>Finland</strong> (1995-99)</td>
<td>Strategy focused on the increase and renewal of jobs, diversification of productive structure, raising competitiveness of companies and labour force know-how, and increasing interregional international cooperation.</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>19 O2 programmes with similar objectives, with specific aims reflecting local priorities. In most regions key aims included: strengthening the business fabric, mainly by supporting investment in production equipment; improving infrastructure for enterprises and major capital works; HR development; improving urban areas, local amenities and public facilities; investment in applied research and technology transfer; developing activities promoting diversification (mainly tourism); and environmental measures. The nature of the eligible areas affected the type of programmes with, for example, the modernisation of port operations being a key aim in several areas. Direct aid to businesses was a key feature of nearly all the programmes.</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>€1.6 billion Structural Fund monies and €3.9 billion national resources for 9 SPDs. Significant variation between regions. By far the largest programme was Nordrhein-Westfalen which received more than half of total German Objective 2 funding during the period. Regions shared the main goal of creating a competitive economic structure as a prerequisite for the creation of employment. Most programmes designed in a similar way with 4-6 priorities tackling issues relating to physical infrastructure; promotion of R&amp;D, innovation and technology transfer; investment in industry and promotion of SMEs; environment, HR development; and other measures such as tourism and regional networking. Business support measures accounted for the largest category of allocations.</td>
</tr>
<tr>
<td>Country</td>
<td>Funding and Strategies</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Italy</td>
<td>€1.4 billion allocated to the 11 O2 SPDs. Structural Fund aid accounted for 63% of overall resources. The larger Objective 2 programmes were in Piedmont, Liguria and Toscana - accounting for half of the total Objective 2 allocations. Three main types of strategy (often combined in the same regions): the concentration of instruments aimed at the reinforcement of industrial structures, often through the strengthening of SMEs; diversification from large-scale industry or SME structure through tourism and/or promotion of other sectors; and the rebalancing of eligible areas through investment in infrastructure, land recovery, and environmental protection.</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Limited resources: €16.8 million (plus €49.2 million national public and private resources). Priorities: innovation measures, support infrastructure for SMEs, environmental management and territorial attractiveness. Predominance of direct aids to businesses, reclaiming of industrial sites, diversification of productive activities towards tourism etc.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>€669 million from the Structural Funds plus €1,535 million from national sources. With the exception of Arnhem/Nijmegen, all regions put the highest priority on industrial development. Several regions – (Groningen/Drenthe, Twente, South Limburg) combined this with measures for the commercial service sector plus support for diversification of economic structures. Promotion of tourism also common. Shift away from direct business support towards improving the business environment.</td>
</tr>
<tr>
<td>Spain</td>
<td>€2.4 billion from the Structural Funds for the 7 regions. ERDF resources mainly devoted to infrastructure and business aid. ESF mainly used for the development of training facilities and schemes under certain priorities.</td>
</tr>
<tr>
<td>Sweden (1995-99)</td>
<td>Total of €576 million (21% from the Structural Funds, 44% from Swedish public funds, 35% from private sector sources) for the five programmes Creation of new job opportunities was the most important strategic aim. Gender equality also prioritised. About two-thirds of O2 resources were used to promote small businesses employing fewer than 200 workers. Significant allocation also for competence development, development of the industrial environment and local development.</td>
</tr>
<tr>
<td>UK</td>
<td>£3.4 billion from the Structural Funds plus £4.1 billion from national sources. Similar overall strategies: to help eligible areas diversify away from declining economic activities. Most programmes designed in a similar way with 4-5 priorities and c. 16 supporting measures. Community economic development introduced as a new Priority in most programmes. Also, ‘horizontal’ themes an important feature of the 1997-99 programmes. Reduction in the proportion of funds allocated to physical infrastructure (from 36% to 27%) and increased focus on interventions to assist SMEs (from 8% to 17%) to promote innovation and technology transfer, and other ‘softer’ forms of support.</td>
</tr>
</tbody>
</table>

ANNEX II : FORTHCOMING INITIATIVES

Future events which may be of interest to partners include the following:

**INTERACT Information Day on Second Call for Proposals**

Brussels, Belgium: 29 April 2004

The Information Day on the forthcoming Call for Proposals under the INTERACT programme is aimed at all those involved in cross-border, transnational and interregional cooperation programmes. The Information Day will provide: (i) detailed information on the application process for the Second Call for Proposals; (ii) up-to-date information on the activities of the five newly contracted INTERACT Points; (iii) the outcome of the Needs Assessment for INTERREG programmes conducted by the INTERACT Secretariat; (iv) the opportunity to discuss INTERACT Project ideas with the European Commission and the INTERACT Secretariat; and (v) networking opportunities and partnership building.

The registration form is available on the What's New section of the INTERACT website: [http://www.interact-online.net](http://www.interact-online.net).

**EU Enlargement: a major opportunity for European territories**

Paris, France: 3-4 May 2004

This Third International Conference on Territorial Development, jointly organised by DATAR, the *Caisse de dépôts and consignations* and OECD, will focus on the political, economic and social implications of enlargement. The conference will discuss ‘the collective future’ that the 453 million EU citizens are going to build and the resources that are necessary to make this successful. Speakers will include Valéry Giscard d’Estaing, Michel Barnier and others. Further information and on-line registration are available at [http://www.eiadt.com/2004/index_us.php](http://www.eiadt.com/2004/index_us.php).

**Cohesion Forum**

Brussels, Belgium: 10 - 11 May 2004

The forum will involve over 1,000 delegates from the 25 EU Member States and the two candidate countries. The works will be opened with a session involving Romano Prodi, President of the European Commission; Pat Cox, President of the European Parliament; Bertie Ahern, Irish Prime Minister (Presidency of the Council); Peter Straub, President of the Committee of the Regions, and Roger Briesch, President of the Economic and Social Committee. Following the opening sessions, the theme of ‘a new partnership for cohesion’ will be addressed, followed by two panel discussions on the following topics: “Setting a new agenda: future priorities for cohesion policy” and “Reforming the delivery system: simplification and decentralisation”.

The Forum will be concluded by a final session led by Mario Monti, Commissioner for Competition Policy.

Key questions for the panel discussions are also available from the website at http://www.europa.eu.int/comm/regional_policy/debate/document/forum2004/questions_en.doc, these have been reproduced in the box below.

**Box 1: Themes for discussion at the two panels of the Cohesion Forum, May 2004**

<table>
<thead>
<tr>
<th>PANEL 1 - SETTING A NEW AGENDA: FUTURE PRIORITIES FOR COHESION POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Convergence</strong></td>
</tr>
<tr>
<td>(i) Appropriate balance between infrastructure investment, human resources and business development; (ii) needs of institutional (administrative) capacity building in the new Member States</td>
</tr>
<tr>
<td><strong>Regional Competitiveness and employment</strong></td>
</tr>
<tr>
<td>Achievement of thematic and geographical concentration</td>
</tr>
<tr>
<td><strong>On both objectives</strong></td>
</tr>
<tr>
<td>(i) Steps for greater public and private investment in the programmes; (ii) Issues of most concern to the urban areas and implementation method for these</td>
</tr>
<tr>
<td><strong>European Territorial Cooperation</strong></td>
</tr>
<tr>
<td>(i) Most cost-efficient trans-border cooperation types, themes and institutions; (ii) relevance and/or need for adjustment to existing trans-national programmes and main future priorities; (iii) future relationship between “cooperation” objective and New Neighbourhood Instrument</td>
</tr>
<tr>
<td><strong>Regions with geographical handicaps and Outermost regions</strong></td>
</tr>
<tr>
<td>(i) Specific needs and responses to handicapped areas (islands, mountain areas and sparsely populated areas); (ii) future support for outermost regions.</td>
</tr>
<tr>
<td><strong>Issues concerning all three new Objectives</strong></td>
</tr>
<tr>
<td>(i) Coordination between the Structural Funds and the new Rural Development Fund and the Fisheries Fund; (ii) coordination and integration between Structural Funds and other Community policies.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PANEL 2 - REFORMING THE DELIVERY SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>More strategic orientation on the priorities of the Union</strong></td>
</tr>
<tr>
<td>(i) Respective roles and value added of Commission, national and regional levels; (ii) proposals for Commission’s more effective strategic role</td>
</tr>
<tr>
<td><strong>Simplification and subsidiarity</strong></td>
</tr>
<tr>
<td>Right balance in the distribution of responsibilities between Member States and Commission</td>
</tr>
<tr>
<td><strong>Financial Control and proportionality</strong></td>
</tr>
<tr>
<td>Operationalisation of the proportionality principle</td>
</tr>
<tr>
<td><strong>Programming</strong></td>
</tr>
<tr>
<td>Coordination and creation of synergies between mono-fund programmes within a single region</td>
</tr>
<tr>
<td><strong>Partnership, cooperation and decentralisation</strong></td>
</tr>
<tr>
<td>(i) Involvement of regional and local authorities in Structural Fund programming and implementation (eg. increasing responsibilities?); (ii) role of the local level in programme preparation and implementation, especially in an urban context; (iii) development of public-private partnerships; (iv) increased use of private finance (incl. EIB)</td>
</tr>
<tr>
<td><strong>More concentration</strong></td>
</tr>
<tr>
<td>(i) Best way to ensure geographical and thematic concentration of resources; (ii) need for financial critical mass; (iii) future role of the Union (just that of promoting larger-scale projects with demonstrable individual impact?)</td>
</tr>
<tr>
<td><strong>Stronger accent on performance and quality</strong></td>
</tr>
<tr>
<td>(i) Changes to programmes’ delivery systems for improved effectiveness and efficiency; (ii) future of Performance Reserve; (iii) hypotheses of other forms of incentives.</td>
</tr>
</tbody>
</table>
Committee of the Regions/DG Regio Open Days and Regional Policy Management Workshops

Brussels, Belgium: September 2004

DG Regio of the Commission and the Committee of the Regions (CoR) are jointly organising a number of 'Open Days' in September 2004, on the theme of 'The Practice and Reform of Regional Policy'. Some ten offices of Europe's cities and regions will be partners for the event, which will be accompanied by a series of Regional Policy Management workshops, conferences, exhibitions on exchange of best practice and discussions on the changes in regional policy expected post-2006.
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