



# **Taking Stock of Structural Fund Implementation: Current Challenges and Future Opportunities**

***IQ-Net Thematic Paper 12(1)  
with executive summary***

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## Preface

The research for this paper was undertaken in preparation for the first meeting of Phase III of IQ-Net, the exchange of experience network for Objective 1 and 2 Structural Fund programmes. The meeting took place in Dortmund, Nordrhein Westfalen, Germany from 19-21 February 2003. The paper has been subsequently revised in line with the conference discussion and partner comments.

This paper is a product of desk research and fieldwork visits among national and regional authorities in Member States (notably in member regions of the IQ-Net consortium) in Autumn 2002. The field research team comprised:

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For further information about IQ-Net, and access to the full series of Thematic Papers, visit the IQ-Net website: <http://www.eprc.strath.ac.uk/ignet/iq-net/index.html>.



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# Taking Stock of Structural Fund Implementation: Current Challenges and Future Opportunities

## EXECUTIVE SUMMARY

### Introduction

This paper highlights several themes which have informed programme management since the IQ-Net meeting in June 2002, held in Luleå, Sweden. First, it provides an overview of the main developments in programme implementation and the financial execution of programmes, including an exploration of the risks of automatic decommitment faced by the programmes. Second, it describes the progress made with the mid-term evaluations, following on from the IQ-Net thematic paper on this subject presented at the Luleå conference.<sup>1</sup> Third, it presents an overview of the current EU-level debate on simplification, highlighting the views of the network's partners as well as, where available, the Member States.

### Recent development in programme implementation

Since the IQ-Net meeting in Luleå, important developments at the European level have informed programme implementation: first, in May 2002, DG Regional Policy issued a Communication on the 'Application of the "n+2" rule'<sup>2</sup>; second, the Commission produced a 'Note on the simplification of structural policy management' as a background to the ministerial meeting which was held in Brussels on this theme in October 2002.

Programme secretariats have continued to be engaged with the day-to-day implementation of the programmes. This includes the launch of the mid-term evaluations; the adaptation of monitoring systems, indicators and targets; activities to support project generation; the implementation of procedures for accelerating expenditure; the approval of programme adjustment; the launch of new programmes/projects; the participation in the debate over the simplification of Structural Fund implementation; the redefinition of project selection criteria and other activities (eg. specific initiatives for accountability and better programme management performance). All programmes are also implementing their publicity and communication strategies (on this theme see parallel thematic paper).

### N+2 risk

The number of programmes facing some risk of decommitment is significant. This includes programmes from Austria, France, Germany and the UK. Looking beyond current IQ-Net membership, early feedback from the

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<sup>1</sup> Raines P and Taylor S (2002) *Mid-term Evaluation of the 2000-06 Structural Fund Programmes*, IQ-Net Thematic Paper 11(2), June 2002.

<sup>2</sup> Available on-line from Inforegio's website at:

[http://europa.eu.int/comm/regional\\_policy/sources/docoffic/working/doc/c\\_2002\\_1942\\_en.pdf](http://europa.eu.int/comm/regional_policy/sources/docoffic/working/doc/c_2002_1942_en.pdf)

Commission indicates that at least 20 programmes ‘*may be affected in 2002*’<sup>3</sup>, with a sharp increase in decommitment risk for subsequent years.

Problems are attributable to several factors:

- *contextual reasons*, eg. the overall economic slowdown over the past year is having an impact on programmes spending potential, especially as regards business schemes (eg. Austria, Italian OP for Local Entrepreneurial Development) and repercussions in the identification of national match-funding (Nordrhein Westfalen, West of Scotland);
- *strategic reasons*, eg. inconsistency of the programmes’ strategic focus with changing conditions, changes in the strategic environment or shifts of policy direction have also caused spending underperformance (West of Scotland, Italian OP for Local Entrepreneurial Development). Also the character of Structural Fund maps and the treatment of transitional areas, and the difficulties in identifying match-funding are representing a challenge for some programmes (East of Wales, West of Scotland);
- *procedural reasons*, eg. the move away from the previous systems of advance payments in response to the interpretation of the 2000-06 regulations has been a major challenge for programme management in Nordrhein Westfalen. In East Wales, on the other hand, the bottleneck of programme implementation is represented by the partnership system that delivers the programme;
- *measure specific reasons*, eg. in West of Scotland the venture capital/business investment fund is not progressing as forecasted, because of the main applicant being slow to develop its business plan; while in Toscana, some delays were experienced in relation to the pending approval of a number of aid schemes by DG Competition.

All programme secretariats are implementing actions to avoid decommitment risks or, at least, to limit the extent to which it may occur. In some cases, programme managements have identified solutions to tackle specific problems (eg. procedures to speed up expenditure claims were set up for the Italian OP for Local Entrepreneurial Development); while in others, more holistic approaches are being adopted (eg. in France, where the decommitment problem is an issue for many programmes, a wholesale simplification exercise has been promoted by the national government).

The activities undertaken to minimise the risk of the decommitment which are carried out by the individual programmes can be categorised under five headings:

- *actions to stimulate project generation* are being implemented by a number of secretariats, eg. by strengthening ‘animation’ efforts (France), implementing targeted Action Plans (UK) or ‘softening’ project selection criteria (Niederösterreich);
- *procedures to accelerate expenditure* are being implemented in virtually all programmes, ie. also where commitment levels are relatively high, to make sure that the commitments become certified expenditure in due time;
- *programme adjustments* are anticipated or have been made to try to tackle spending problems raised in respect of specific programme areas in Steiermark, Nordrhein Westfalen, Toscana, East Wales and in the Italian OP for Local Entrepreneurial Development;

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<sup>3</sup> Bachtler J (2002) *Aide-mémoire on the simplification debate*, European Policies Research Centre.



- *the launch of new programmes/projects with high spending potential* was undertaken in a number of cases, eg. in Steiermark, Nordjylland and East Wales;
- *the re-allocation of responsibilities for the administration of schemes* such as changes in the administration of particular problem schemes (eg. in Steiermark an ESF co-funded measure) or the introduction of more decentralised allocation of responsibilities for programme delivery (eg. Alsace and France more generally) is also one of the measures implemented by programme managements to contrast decommitment risks.

## Programme mid-term evaluations

Mid-term evaluations have to date been commissioned and launched everywhere.

Despite the fact that the responsibility for the undertaking of mid-term evaluation lies with the programme Managing Authorities, there has in most cases been some national coordination in issuing terms of reference (the most notable exception being represented by Germany).

Steering Groups were created and made operational everywhere at the programme level and/or nationally, by Objective. An interesting example of a national Steering Group is represented by KAP-EVA in Austria, a coordination and working platform which has been set up by ÖROK to coordinate and accompany primarily the process of on-going evaluation of the Structural Fund programmes.

In terms of overall approach, compliance with the Commission Working Paper 8 – which was pursued in all cases - has not always implied that the programme managements are implementing mid-term evaluation in the 'discrete form' which was suggested by the Commission. In some cases - eg. in Austria, Italy and Ireland - the programmes have opted for approaches to evaluation which are more integrated across the programming period, ie. for various kinds of on-going evaluations. However, even where programme evaluations are undertaken according to the approach suggested by the Commission (and in the regulations) some innovative element can be found, eg. the benchmarking exercise included as integral part of the mid-term evaluations of Nordrhein Westfalen, West of Scotland and East of Scotland.

Overall, evaluations appear to be running smoothly for most programmes. However some problems have been met or persist in specific areas:

- *selection of evaluation teams and procurement procedures*, eg. in Scotland, where the adoption of Scottish Executive procurement regulations meant that indicative budgets were not issued, resulting in limiting the pool of potential bids to a small group of 'usual suspects';
- *involvement of project implementers in the evaluation process*, it has been felt by some (eg. Nordrhein Westfalen) that despite the general improvement of evaluation culture, it is still difficult engage project implementers positively in evaluation studies;
- *overall evaluation philosophy*, eg. in Germany due to the subsumed character of Structural Fund implementation, Structural Fund evaluations have a limited scope;

- *evaluation timing and potential for use of the results*, eg. for Nordrhein Westfalen and the Italian Objective 2 SPD the delays in the approval and launch of the programmes are limiting the scope of the mid-term evaluations; in other cases, where programme implementation is very advanced (eg. Swedish programmes) or where resources are concentrated in the first years of programming (eg. Italian OP for Local Entrepreneurial Development) the problem is opposite, ie. the limited impact that mid-term evaluation can have on programme management;
- *the availability and reliability of data and the adequacy of targets* is a problem common to many programmes (eg. Italian OP for Local Entrepreneurial Development, East of Wales); more general problems are also being met in the implementation of the monitoring systems (eg. Norra Norrland, Nordrhein Westfalen).

### **Simplification of the Structural Funds**

Simplification was one of the main objectives of Agenda 2000 and the Berlin Council agreement. However, in practice, the process of implementing the Structural Funds has become more complex. Decentralised management has been accompanied by stricter requirements with respect to financial control, audit, monitoring and evaluation. Based on the experience of the first 2-3 years of the new programming period, Member States have put pressure on the Commission to simplify the implementation process.

In response to such pressures, in autumn 2002 the Commission launched a debate on the simplification of Structural Fund mechanisms, with a view to reforming the operational rules for a more efficient and effective management.

Following high-level discussions within the Commission, which took place in Summer 2002, a Ministerial Meeting was held in Brussels on 7 October 2002 to discuss a wide range of simplification proposals, relating to the following themes:

- procedures for revising the programmes
- procedures for inspections and control
- mid-term evaluations and reviews
- reporting activities
- monitoring indicators (in particular for the purpose of impact assessment)
- Performance Reserve allocation
- annual meetings with the Commission
- Commission's role in Monitoring Committees
- financial management and automatic decommitment procedures.

Not all Member States are dealing with the simplification debate in the same way. The main differences between countries relate to:

- *the way in which the debate has been dealt with nationally*, ie. in some cases there has been widespread involvement of national and regional administrations in charge of managing the funds (eg. Italy), while in others the process is being managed predominantly centrally (eg. UK);
- *the scope of the debate*, while in some cases the debate has largely been concentrated on simplification and Structural Fund management themes

(eg. Denmark), in others this theme has been merged with those of the consequences of enlargement and the future of the funds (eg. UK);

The Commission note was generally received positively by Member States and programme authorities, at least as acknowledgment that a problem exists. There is widespread consensus on the fact that the note does actually reflect the main key issues. While the substance behind the Commission's proposals will only become apparent in the discussions yet to take place, the document has provided a good framework for the debate and demonstrated the Commission's understanding of the Member States' concerns. However a number of perplexities have been raised:

- doubts have been expressed relating to the need to see how (and if) the Commission's resolutions will effectively feed through – and if they will, under what timeframe (Galicia, Nordrhein Westfalen, Norra Norrland, West of Scotland);
- the content of the note appears sometimes too general and not ready to be operationalised, eg. in relation to controls and inspections, (Galicia, Italian Ministry of Productive Activities/IPI);
- there is criticism that the note has omitted one fundamental issue for future Structural Funds to be able to operate effectively and efficiently: the interrelationships between Structural Fund maps and national aid maps (East of Wales);
- concern exists in some quarters about the limited scope of the reform, given that it has to be implemented within the framework of existing Structural Fund regulations (Galicia, DATAR, Ministry of Productive Activities/IPI, Norra);
- the timing for the debate is not considered entirely appropriate (DATAR, Ministry of Productive Activities/IPI) as it may be too late to have an impact on the current programming period, while for the future, a broader revision of the regulations appears necessary;
- concerns have been expressed over the capacity of the Commission to respect the timescales outlined in various parts of the note (Austria, Italy, Sweden). At the same time, it will be interesting to see if the deadlines for the simplification actions outlined in the paper (some of which are already overdue) will prove to be realistic.

# Taking Stock of Structural Fund Implementation: Current Challenges and Future Opportunities

## 1. INTRODUCTION

This paper highlights several themes which have informed programme management since the IQ-Net meeting in June 2002 in Luleå, Sweden. First, it provides an *overview of the main developments in programme implementation and the financial execution of programmes*, including an exploration of the risks of automatic decommitment faced by the programmes. Second, it describes the progress made with the *mid-term evaluations*, following on from an earlier IQ-Net thematic paper.<sup>4</sup> Third, it presents an *overview of the current EU-level debate on simplification*, highlighting the views of the network's partners as well as, where available, the Member States.

In an annex to the main report, several other interesting developments are also illustrated, in particular, a synthesis of the preliminary findings of the *ex post evaluations* which have been carried out for the previous Objective 1 and 2 programmes, as well as a number of programme-level initiatives which have taken place recently.

## 2. RECENT DEVELOPMENTS IN PROGRAMME IMPLEMENTATION

When the update paper for the last IQ-Net meeting in Luleå was drafted (June 2002), two important issues were still unresolved: the application of the N+2 rule and the debate on simplification. On the application of the decommitment rule, the paper reported the positions of the IQ-Net countries and/or regions, considering the interpretation that each gave of the Regulation's text on this matter. It was also pointed out that clarification was needed on the part of the Commission on how the N+2 rule should be applied. On the issue of simplification, on the other hand, the paper referred in particular to a document prepared by the Committee of the Regions (11<sup>th</sup> Annual Report on the Structural Funds) which represented a call for simplification and urged the Commission to reconsider procedures and simplify them in light of cost benefit considerations.

Several important developments with respect to these themes represent the starting point for the current paper.

- (i) In May 2002, DG Regional Policy, in agreement with the DGs for Employment and Social Affairs, Agriculture, Rural Development and Fisheries, and the Budget issued a Communication on the 'Application of the "n+2" rule under article 31.2 of Regulation 1260/1999'<sup>5</sup>.

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<sup>4</sup> Raines P and Taylor S (2002) *op. cit.*

<sup>5</sup> Available on-line from Info regio's website at:

[http://europa.eu.int/comm/regional\\_policy/sources/docoffic/working/doc/c\\_2002\\_1942\\_en.pdf](http://europa.eu.int/comm/regional_policy/sources/docoffic/working/doc/c_2002_1942_en.pdf)

- (ii) The Commission produced a 'Note on the simplification, clarification, coordination and flexibility of structural policy management in the period 2000-06' as a background to the ministerial meeting which was held in Brussels on this theme in October 2002.

From a programme-level perspective, programme secretariats have continued to be engaged with the day-to-day implementation of the programmes. This has included financial management, project selection and monitoring, implementation of the publicity and communication strategies and evaluation activities. More specifically, programme implementation over the last few months has been concerned with the following main activities:

- Launch of the mid-term evaluations
- Revision/adaptation of monitoring systems/indicators and of targets
- Stimulation of project generation
- Implementation of procedures for accelerating expenditure
- Programme adjustment
- Launch of new programmes/projects
- Accountability initiatives and initiatives for improving management performance
- Participation in national discussion fora on the future of the Structural Funds
- Re-definition of project selection criteria
- Continued implementation of publicity and communication strategies (for more detailed discussion, see IQ-Net Thematic Paper 12(2) on this theme<sup>6</sup>).

### **3. FINANCIAL PROGRESS AND N+2 RISK**

#### **3.1 Decommitment risk**

After the publication of DG Regio's Communication on the application of the N+2 rule, it is now clearer to Member States and programme Managing Authorities on what basis the decommitments will be made (see Box 1).

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<sup>6</sup> Taylor, S and Raines, P (2003) *Getting the Message? Structural Fund Publicity and Communication*, IQ-Net Thematic Paper 12(2), February 2003

*Box 1: DG Regio's note on the N+2 rule*

The "N+2" rule stipulates that the annual financial instalment of a programme co-financed by the Structural Funds must be spent before the end of the second year following the commitment ('n' being the year of commitment). The rule applies for the first time from 31 December 2002. Appropriations not used within this period are permanently lost to the Member State, apart from in exceptional circumstances. In a communication published in May 2002, the Commission attempted to clarify the rule as follows.

- **Date of application:** At the end of each budget year, the Commission will inform the Member States of the dates of the commitments made under each fund during that budget year. Commitments must then be settled by 31 December of the second year following the acceptance of the commitment in the Commission's accounts. Commitments may be settled by payment on account or by submitting an application for expenditure actually paid out to the Commission (various submission methods are acceptable and date of document submission can be used). Member States must also advise the Commission of operations for which automatic decommitment would not apply (see below) by this date.
- **Multi-fund programmes:** For multi-fund programmes, where there may be different dates of commitment for each fund, the date of the last commitment is used for the purposes of the decommitment rule.
- **Subsequent Commission decisions:** Where part of an annual budget tranche is not paid out because further Commission authorisation is required for a measure or operation (eg. for an aid scheme or major project), this amount is left out of the decommitment calculation. The relevant decommitment date for the omitted sum will be the end of the second year after the required decision is taken.
- **Transfers between funds/programmes:** For each programme, there is one commitment (tranche) each year for each fund. Current and future annual tranches for each fund can be modified within any budgetary year (with any increase matched by a corresponding decrease) as long as the annual ceiling is not exceeded. However, there can be no transfers after the end of the year of commitment between fund tranches.
- **Informing the Member States:** The Commission will warn Member States of their risk of automatic decommitment on two occasions per year: once after receiving the updated payment forecast (to be submitted by 30 April n+2, ie. in the second year following the year of commitment); and again after 31 October n+2.
- **Procedures and appeals:** Where payment to a project is delayed due to judicial procedure or appeal, this part of the commitment will not be subject to the n+2 rule. Member States must provide supporting documentation for each such case. Normally acceptable cases include proceedings which: delay the implementation of projects; delay payments on projects; or delay the recognition of payments as eligible for EU co-funding.
- **Treatment of irregularities:** So long as any payment claim containing amounts relating to irregularities is backed up by suitable declarations, there will be no effect on n+2 decommitment.
- **Commission procedures:** Where the Commission undertakes legal proceedings involving a suspension of payments, automatic decommitment will not apply to the corresponding commitment (so long as an otherwise acceptable payment application is submitted on time). Where a payment claim is reduced or refused by the Commission, but the Member State then provides a satisfactory response to the Commission's queries, the initial payment claim will be considered to be an acceptable application.

### TIMING OF PROCEDURES

For example, for payments made to projects in 2002:

**30 April 2004:** deadline for Member State to submit payment forecast for 2002.

**May 2004:** Commission advises Member State about their decommitment risk for 2002 tranche.

**31 October 2004:** last date for Member State to submit payment applications if they are to be paid before December 2004.

**early November 2004:** Commission again advises Member State of decommitment risk.

**31 December 2004:** last date for Member State to submit payment applications.

**end February 2005:** Commission advises Member State about commitments from year 2002 which have not been fully covered by payments made or acceptable applications. Member States have two months within which to contest.

**end April 2005:** deadline for Member State replies and revised financial plan submission.

**end May 2005:** decommitment starts – the Commission advises the Member State of the amount concerned.

Table 3-1 below describes the decommitment situation of each programme. As the table shows, the number of programmes, within the IQ-Net network, facing some risk of decommitment is significant, especially given that the French programmes are globally dealt with in the chart. Looking beyond current IQ-Net membership, early feedback from the Commission indicates that at least 20 programmes *'may be affected in 2002 and a much greater number of programmes (and significant level of resources) could be affected in 2004. If true, it is obvious that the political consequences would be damaging at every level – Commission, Member State and programme'*.<sup>7</sup>

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<sup>7</sup> Bachtler, J (2002) *Aide-mémoire on the simplification debate*. European Policies Research Centre, p. 10.

Table 3-1: Decommitment risk in IQ-Net partner regions.

<b>No decommitment risk</b>	
<i>Denmark O2</i> (budget 2000)	Programme is in line with financial plan. Nordjylland ahead of schedule, with committed resources some 25% higher than originally envisaged.
<i>Italy LED OP</i> (budget 2000)	No risk of decommitment in respect of the budget for 2000. Some problems may arise as regards the application of N+2 in relation to the 2001 and 2002 budget but for ESF only. Recent changes in national accounting procedures may also involve difficulties with match-funding for Law 488/92 which may involve decommitment risk for the budgets from 2001.
<i>Toscana</i> (budget 2001)	No overall risk of decommitment (budget 2001), programme is running smoothly and ahead of schedule although with differences across priorities and measures (some of which have not been launched, awaiting DG Competition's approval).
<i>Pais Vasco</i> (budget 2001)	No risk of decommitment for 2000 budget. No forecasts are made for future years.
<i>Norra</i> (budget 2000)	Very high commitment levels, it is anticipated that some 80 percent of the programme will be committed by the end of 2003, and the balance during 2004. Previous concerns about whether claims would be made too slowly are not relevant anymore as actions taken to encourage project managers to submit claims appear to have worked.
<i>Norra Norrland</i> (budget 2001)	High share of the programme already committed, by end of 2003 the majority of the programme may already be allocated to projects. There is also no serious concern over measures which are experiencing more difficulty. The past problem of projects' slowness to make claims has been resolved.
<b>Limited de-commitment risk</b>	
<i>Niederösterreich</i> (budget 2001)	Programme performance varies by measure and Fund but overall is sufficient to avoid decommitment provided that the 7% advance is included in calculations and/or that O2 and transitional areas are considered jointly.
<i>NRW</i> (budget 2001)	Enough projects have been approved to meet the targets laid down as long as these projects move as expected through to the payments stage. The programme as a whole is in line with forecasts with respect to commitments, but implementation has been slow, resulting in an unsatisfactory payments position.
<b>High de-commitment risk</b>	
<i>Steiermark</i> (budget 2001)	Risk of decommitment because of generally low levels of commitments and payments.
<i>France (overall)</i> (budget 2001)	Significant risks of decommitment across a number of programmes, especially for Objective 1, due to insufficient levels of expenditure.
<i>East Wales</i> (budget 2001)	Objective 2 has had slower commitments and much slower expenditure than desired, resulting in concern about meeting 'N+2' obligations for the end of 2003.
<i>West of Scotland</i> (budget 2001)	At its present rate of project generation, it is estimated that the programme would be able to meet 85 percent of its expenditure targets by the end of 2003.



As can be seen from the table above, the situation is quite diverse across countries, with IQ-Net partner regions in Denmark, Italy, Sweden and, to some extent, Spain not affected by the problem of decommitment while partner regions in other countries, including Austria, Germany and the UK, are experiencing more potential difficulties.

Various factors have contributed to the risk faced by the programmes; these can be categorised as (i) contextual, (ii) strategic, (iii) procedural and (iv) measure specific.

### 3.1.1 Contextual reasons

At a general level, the *overall economic slowdown* over the past year is having an impact on programme spending potential, especially as regards business schemes. Firms are increasingly reluctant to make investments which are not strictly necessary and even the incentive represented by aid schemes seems not to be sufficient to stimulate enterprises towards more active investment policies. This has resulted in some programmes receiving lower rates of applications than expected. In **Austria**, for example, there has been an overall decline in projects involving commercial investment which is related to the current economic climate (exacerbated by the impact of the recent flooding which affected **Niederösterreich**). Many businesses are only undertaking activities which are absolutely necessary and this is affecting the range and quality of projects which are being submitted.

A similar problem is being met in Italy, by the **Local Entrepreneurial Development OP** for example. Whilst no decommitment risk is for the budget for 2000 (current expenditure exceeds the N+2 targets), the OP is registering lower than expected expenditure levels in relation to the budgets for 2002 and 2003. This is primarily due to the recessive economic cycle, which is having an impact on the investments made by firms in the Mezzogiorno and, subsequently, on their demand for aid.

The low growth rates are also a problem in **Nordrhein Westfalen**, where fewer projects than expected have come forward for support. In addition, the economic slowdown has reduced the tax receipts of municipalities in the programme area; in turn, this is causing difficulties in match-funding and subsequent delays in project implementation.

Match-funding is also a concern for a number of programmes in the **United Kingdom**. Difficulties in attracting match-funding (for a number of reasons) have been the overwhelming cause of insufficient project generation in several programmes.

- First, the spending profile of Structural Funds appears to be out of line with the major capital project generation cycles. The development of such projects appears to be 'lumpy': ie. there is rarely a constant stream of new capital projects because of the planning required and the commitment of large domestic financial resources. For **West Scotland**, many major capital projects are still being co-financed as part of the 'tail' of the 1997-99 Objective 2 programme. New projects have been slow to appear: this is unfortunate timing, as there are major capital projects likely to come on line at the end of the programming period (eg. the redevelopment of Glasgow harbour and the regeneration of the old Ravenscraig steel site).
- Second, recent changes in decision-making arrangements in the main public sector co-financing agencies have resulted in less flexibility in local domestic policy spending. For example the development agency, Scottish Enterprise has increasingly centralised its spending decisions, removing

the autonomy of decision-making from the Local Enterprise Companies which used to be an important source of co-financing for Structural Fund projects. Similarly, the Scottish Higher Education Funding Council appears to have put a moratorium on new spending on higher education capital projects in the Glasgow area until the outcome of a series of local HEI mergers of higher education institutions.

- Third, the declining intervention rates permitted by the Structural Funds, together with the tougher eligibility criteria and the higher audit responsibilities and administrative burdens associated with Structural Fund awards have also meant that even when available, resources may be channelled through alternative routes.

### 3.1.2 *Strategic reasons*

In some cases, inconsistency of the programmes' strategic focus with changing conditions or changes in the strategic environment or shifts of policy direction have also caused spending underperformance. For example, in the **West of Scotland**, the declining scope of the programme, its greater geographical focus (especially on Social Inclusion areas) and sectoral emphasis (on growth industries) may have contributed to the lack of projects by narrowing co-funding opportunities too much. In particular, the Scottish Enterprise strategy on which the SPD was based has been recently replaced by a new strategy with different priorities than those of the SPD (eg. a significantly less pronounced emphasis on cluster development, which features extensively in the West Scotland SPD).

In **Italy**, a factor which is contributing to the under-performance of the **LED OP** is the displacement caused by a new aid scheme introduced in 2001 (a tax credit under Law 388/2000). The new scheme is automatic and provides support to firms investing in the designated aid areas, with no other selection criteria (eg. sectoral) or targets. The scheme is much simpler and less demanding for entrepreneurs than Law 488/92 (the main measure of the OP), and for this reason, and also because of more relaxed control procedures, it has been very successful. A number of entrepreneurs are opting out of Law 488/92, resulting in reductions in its expenditure. The new scheme, however, is not consistent with the general framework of incentive and regional policy in Italy and is not clearly targeted toward the achievement of the development goals of the CSF (nor to any goals more generally).

Difficulties have occurred also in relation to the eligible programme areas. This is a crucial problem in the **East of Wales** programme. The map of the Objective 2 area is a patchwork of 'mainstream' and transitional areas, where award rates can vary significantly. Administering a scheme that can adjust to such numerous geographical rules can be off-putting for project managers. This has also been raised as an issue in the East and West Midlands Programmes, where it has even been suggested that it would be preferable to forego Objective 2 money if the State aids maps were more flexible and integrated. In addition, the East Wales programme is suffering a 'shadow' effect from the neighbouring Objective 1 programme (West Wales & the Valleys): more attractive award rates, higher budgets and a greater attention to the Programme at public, political and bureaucratic levels have led to the East Wales Programme being viewed as something of a 'poor relation'. For example, most of the partnership areas in the East Wales Programme border Objective 1 areas, meaning that there has been a strong temptation to place projects under Objective 1 instead.

The treatment of transitional areas has been problematic for some programmes. In certain cases, these areas are seen as having award rates that are low and unattractive (**East of Wales**). In other cases, the share of funding received has been higher than the areas have been able to absorb. This applies to the **West of Scotland**, where transitional areas have received a larger than expected share of funding because the distribution has taken place on a per capita basis, despite the fact that, historically, few Structural Fund applications have come from these areas (in large part due to the reluctance of the public sector to provide match-funding).

### 3.1.3 Procedural reasons

In some regions, it is for mostly procedural, operational reasons that projects and expenditure are not coming forward as forecast.

For **Nordrhein Westfalen**, for example, the move away from the previous systems of advance payments in response to the interpretation of the 2000-06 regulations has been a major challenge for programme management. The previous approach had been useful in helping to speed up payments (by about four months on average). Introducing the new system has inevitably caused delays under the payment regime: first, because payments are now made later; and second, because the increased liquidity problems have caused project implementers to delay some projects.

This change is not yet definite in that the modifications proposed by the Commission at the November 2002 CDCR meeting (to allow advances to be paid out to ultimate recipients) have still to be approved. If this approval process does not end positively, it would be almost inevitable that the **Italian** programmes would lose a very significant amount of resources. Most of the aid schemes which are operating in the country, in fact, are based on advances. In particular, the **OP LED** would be one of the most affected programmes: it is composed essentially of the main Italian aid scheme (Law 488/92) and has a budget concentrated in the first four years of the programming period. The OP is also being affected by difficulties relating to the recent change of national accounting procedures for Law 488/92, and by the recent cuts to national resources allocated to the Law. These may generate problems of match-funding in future.

In some cases, the bottleneck is caused by the partnership system delivering the programmes. In **East Wales**, for example, the locally-based partnerships in charge of delivering parts of the programme and responsible for project decisions have, in some cases, proved incapable of pursuing adequately project generation.

### 3.1.4 Measure-specific reasons

Measure-specific problems have also arisen in various cases. In the **West of Scotland** programme, for example, the venture capital/business investment funds are not progressing as forecast, because the main applicant, Scottish Enterprise, has been slow to develop its business plan.<sup>8</sup> In **Toscana**, some (minor) delays were experienced in relation to the pending approval of a number of aid schemes by DG Competition. For example, by October 2002, all financial engineering schemes were still to be launched. This issue has also led the programme secretariat to modify the financial allocation attributed to some measures, as will be seen in section 3.2.3.

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<sup>8</sup> Part of the problem has been that Scottish Enterprise has been focused on setting up another venture capital fund which is not linked to the Structural Funds.

### 3.2 Actions against decommitment

All programme secretariats are implementing actions to avoid decommitment risks or, at least, to limit the extent to which it may occur. In some cases, programme managements have identified solutions to tackle specific problems, while in others, more holistic approaches are being taken. In the case of the Italian LED programme, for example, some activities have been put into action by the Secretariat to make sure that expenditure runs as forecast and to solve particular problems related to a few measures which are underperforming (namely the training measure co-funded by ESF and the environmental ranking list for Law 488/92).

In other cases, such as in **France** where the decommitment problem is an issue for many programmes (especially Objective 1), there has been a more holistic approach. In Summer 2002, the government launched a package of measures aimed at increasing the pace of commitment and expenditure of the programmes, consisting of a substantial simplification of procedures, the intensification of activities for 'animation' and a greater involvement of local authorities and regions in the management of the funds. Because of the comprehensiveness of the approach, these activities are illustrated in more detail in the case study below (Box 2).

*Box 2: Government initiative in France to accelerate Structural Fund expenditure*

Facing the problem of a lower than expected level of commitment and expenditure of French programmes, the French government launched a programme of simplification of procedures and stimulation of expenditure in the Summer 2002. This programme was outlined in three *Circulaires*:

- On 15 July 2002 the Prime Minister issued a circular on 'Improving the management, monitoring and control systems for the programmes co-financed by the European structural funds' which gave a general framework for new simplification measures'
- On 31 July 2002 the Minister for the Civil Service, the Reform of the State and Spatial Planning presented to the Council of Ministers a communication on 'Improving access to Community regional programmes and simplifying the implementation of structural funds'
- On 7 August 2002, the Prime Minister sent a letter to Regional Prefects to publicise the decisions made during that Council of Ministers. These decisions were detailed in three subsequent interdepartmental circulars of 19 August, 27 November and 24 December 2002 to all Regional Prefects and local paymasters [*Trésoriers-Payeurs Généraux*].

The resulting framework introduced a series of simplifications in the management of Structural Fund programmes which, still within the limits imposed by EC Regulations, embrace all phases of programme implementation:

Modification of programmes: the possibility is introduced of modifying programmes even before the 2004 term, with the aim of opening the funds to new categories of beneficiaries; increasing rates of awards; and, if possible, integrating new eligibility fields (for instance, mobile telephony); making better use of the possibility to support infrastructure projects and to take into account the spatial development strategies put forward by the new *agglomérations* and *pays*.

Strengthen Animation: Setting up animation systems to support the generation of projects and assist project applicants in preparing applications. Specific actions include a study commissioned to define recommendations for the development of such systems in each region; the deployment of animation teams in each region with the task to intervene on the basis of needs identified by Regional Prefects and local partnership; the definition of an animation strategy presented by the programme management authorities; the creation of a national network for regional teams, as part of the National Technical Assistance Programme, to support the exchange of experience and the dissemination of good practice in this area. In addition to these activities, the delegation of certain control functions to external bodies is meant to allow the Managing Authorities (SGARs) to concentrate on their animation function and their role as advisers to project applicants.

Simplification of application procedures: Substantial simplification of applications for subsidies less than €100,000 (standard form to be filled by the applicant and reduced list of required annexed documents); encouragement of application of available maximum award rate; modification of the decree of December 1999 on State subsidies for investment projects to make it possible to subsidise projects whose implementation has started before the application is submitted but which are not completed at the date of the programming committee.

Simplification of commitment procedures: Acceptance of letters of intent from local authorities in lieu of formal deliberations to attest commitments; elimination of the need to provide bank certifications to prove commitment for loan-related subsidies.

Simplification of payments procedures: Creation of local competitive funds, allowing Regional Prefects to receive European funds directly and quickly within a timeframe of one week, without going through the central accounts of Ministries responsible; possibility, for Managing Authorities, to allocate the functions of payment authorities to the Public Revenue Department [*Trésor public*] or, after appraisal, to other competent public body; increase of the amount of the advances paid after the decision to grant a subsidy (their level was limited to 5 percent and will be increased to 20 percent in cases in which the beneficiary does not have sufficient cash flow to start his/her project).

Stronger involvement of local authorities: Decentralisation Pilot Scheme, implemented to experiment the transfer of management authority function to a Region (application of the Alsace Region).

On a more detailed level, the activities undertaken to minimise the risk of the decommitment rule being applied can be categorised under five headings:

- Actions to stimulate project generation
- Procedures to accelerate expenditure
- Programme adjustments
- Launch of new programmes/projects with high spending potential
- Re-allocation of responsibilities for the administration of schemes

### 3.2.1 *Stimulation of project generation*

Programme secretariats have been engaged in activities to generate projects since the launch of the programmes. These activities have been strengthened and intensified in cases where a low level of applications is perceived as a serious threat. Particular examples of this type of activity can be found in the French and UK programmes. As noted above (see Box 2), **French** programme management is enhancing its animation efforts by setting up systems to support the generation of projects and assist project applicants in preparing applications.

A similar effort is being made in many **UK** programmes: all Scottish programmes and several English programmes have set out Action Plans for avoiding the application of N+2 rule, mainly focused on the improvement of project generation. The Action Plans are overseen by task forces led by the Secretariats, and also involve the programme partnerships. Interestingly, these Plans have also been drawn up for programmes which are not at risk of decommitment (for example, Scottish programmes other than the West of Scotland), with the aim of ensuring that they remain on track in meeting their obligations and have a system in place to guarantee adequate monitoring of progress. In Wales, the Objective 2 **East of Wales** programme is making a general concerted effort to improve project generation. The Programme will make a major effort on Priorities 2 and 3 early in 2003, in collaboration with the local partnerships. The Secretariat is also working on a Marketing Plan for release in early 2003 – the equivalent of the West of Scotland Action Plan. The key actions are expected to involve the use of ‘advertorials’ in local newspapers, showcasing projects as a way of inviting further project applications.

As illustration of the activities included in the Action Plans, the case study box below summarises the objectives and activities planned by the **West of Scotland** Programme.

*Box 3: The West of Scotland Action Plan for improving project generation*

In the West of Scotland, the programme Secretariat has established an internal 'N+2' committee, which has drawn up an action plan to improve project generation. The plan has seven operational objectives:

- to improve programme expenditure performance;
- to improve the level of applications to the programme, particularly in the transition areas;
- to assist with the effective implementation of the Business Process Review (the review to be led by the Scottish Executive in 2003);
- to investigate other approaches to resolving N+2 issues;
- to improve communication on N+2 issues;
- to pursue potential EC process improvements through information for ministerial lobbying; and
- to pursue discussions with regards to increasing the availability of flexible co-finance.

Each of these objectives has a set of actions linked to their achievement, along with the timescale and the staff likely to be involved. Selected key actions include the following.

- Improving the speed with which payments are made, in consultation with the Scottish Executive, which handles claims.
- Holding special workshops to showcase projects to potential applicants. The 'Sharing Experience' workshops were singled out in the customer survey as a particularly effective way of showing how projects can be developed and co-financed and successful applications put together through the use of practical, specific case studies, described by the actual participants. Separate workshops were held for ERDF and ESF and about 100 individuals came to each. The success of these seminars has prompted the Secretariat to plan successive ones.
- Initiating intensive consultation with public sector stakeholders in the transition areas to ascertain the scope for more applications and more readily-available co-financing.
- Exploring the scope for encouraging 'specific projects' to meet output targets, such as special property development projects, in which a single major development may lead to a bundle of successive/related project bids.
- Investigating good practice in dealing with the 'N+2' problem in other Member States (particularly through IQ-NET).
- Inquiring whether an extension of the EC expenditure declaration deadline to June 2004 can be secured to maximize 2003 spend.

All the actions were to be completed by the end of 2002, with the 'N+2' Action Group to review the progress of the Action Plan at regular intervals.

Some 'relaxation' of project selection criteria is also being introduced to increase the number of projects generated. In **Niederösterreich**, for example, some funding agencies are softening earlier requirements or targets for funding in order to attract a sufficient number of projects. Under one measure to support new firm formation and relocating firms, for instance, the original intention had been to focus on the promotion of new firms as a way of stimulating genuinely additional economic growth. However, the lack of projects means that it has not been possible to maintain this focus as clearly as had originally been hoped.

Interestingly, the **Swedish** case appears to counter this trend - the large number of incoming applications has meant that project selection has dominated secretariat business over the past few months and selection procedures have been 'tightened' in order to screen project applications more efficiently.

### 3.2.2 Procedures to accelerate expenditure

Delays and slow expenditure are common concerns for programmes at risk of decommitment and also, although less markedly, for those that are not facing particular risks associated with the N+2 rule. In some programmes, for example in the Italian **LED OP** or in **Nordrhein Westfalen**, it is considered that although the commitment levels are generally high, it is still important to take all possible precautions to make sure that these commitments become certified expenditure in due time. Although it is generally acknowledged that it is difficult for officials to influence directly the speed of project payments (which essentially depend on the rate of project progress) several activities are taking place with this aim.

For the Italian **LED OP**, for example, the fact that there has been a very large 488/92<sup>9</sup> call for tenders in 2000 – which committed almost the entire NOP budget - means that there was immediately a high absorption of resources. However, not all commitments become expenditure, as some projects are not brought to completion (because of implementation problems or because the project implementers opt for the simpler and newly introduced tax credit). For this reason, the Ministry of Productive Activities is pressurising the banks and enterprises in order to accelerate the processing of expenditure claims. In addition, consideration is being given to making applicants' spending forecasts on the application forms binding (but this is apparently strongly opposed by the entrepreneurs).

In the case of **Nordrhein Westfalen**, the introduction of the new *ex post* payment system has caused considerable delays. In response to this, programme managers are constantly reminding project implementers of the decommitment rule and that they will lose money if they do not keep to the decommitment rule timescale.

Similarly, in the **Austrian** programmes the programme management and coordination bodies are raising awareness of decommitment issue with the individual funding agencies and encouraging action. Informal contact between funding agencies and programme management is also frequent, so that an overview of the situation is maintained. In particular, funding agencies are being encouraged to ensure that payments are made within an appropriate timespan. The late start of the programmes has not helped in this regard – many of the projects funded by the SFG (Styrian economic development agency) in **Steiermark**, for example, generally run for two years before invoices are submitted. This will cause difficulties in a decommitment context and the SFG is now encouraging project owners to submit invoices as soon as requisite project expenditure has been incurred to allow payments to be made sooner.

Intensive work to speed up expenditure has been undertaken in Sweden over the last few months. For example, six months ago, the main concern of the **Norra Norrland** Objective 1 Programme was the slowness of projects to submit claims, raising fears that the payment criteria of 'N+2' might not be met. This problem has largely been addressed in the intervening period. A combination of the secretariat being more pro-active in sending reminder letters to projects and a better capacity among projects to respond to the payments issue means that the programme is no longer considered at risk of decommitment. The secretariat accelerated the process by holding special workshops for those individuals within projects responsible for processing

<sup>9</sup> Law 488/1992 is the national incentive scheme which, co-financed by the Structural Fund both in Objective 1 and 2 programmes, incorporates about 80 percent of the total budget of the OP for Local Entrepreneurial Development.



claims (not always the project manager). The workshops have targeted new administrators of EU projects as well as those projects which have been 'repeat offenders'. They concentrated on the importance of submitting claims as well as how to fill out the forms (by going through a package of information forwarded to the projects) and appear to have been well received by the c. 40 participants. As a side issue, the secretariat noted its own slowness in processing claims and auditing projects, and considered whether they had perhaps been over-ambitious with their procedures for checking projects: for example, auditing most of them.

As already discussed, the revision of claim procedures to accelerate expenditure is a crucial part of the **French** response to decommitment pressures (see Box 2).

### 3.2.3 Programme adjustments

In some cases, programme adjustments are anticipated or have been made to try to tackle spending problems raised in respect of specific programme areas.

In **Steiermark**, as has been mentioned, the scale of the programme is considered problematic in some quarters. The background to this is partly political, as national funding agencies tried to secure budgets to 2006 by linking them to ERDF co-financing; resulting in a large programme with often low levels of ERDF co-finance being provided. This means that, even with a flow of project applications, the programme volume is not being sufficiently absorbed. One option currently under consideration is to raise of ERDF co-finance rates (which are sometimes as low as 5-10 percent) to absorb more programme resources with the same number of project applications. For both Austrian programmes, moreover, virement of resources between priorities and measures will be considered if necessary even before the completion of the mid-term evaluation process.

In **Nordrhein Westfalen**, a number of programme changes are in preparation. One reason is that low growth rates have led to low levels of new firm formation. To tackle this, the proposal is to shift support from medium-term and long-term measures to encourage entrepreneurship (eg. consultancy support for new firm formation, support to encourage entrepreneurship in colleges) to short-term measures which will have an immediate effect. In particular, the proposal is that the *Meister* start-up premium for SMEs (Measure 1.4) should be given a wider sectoral coverage and that it should have fewer restrictions attached to it. This will imply the transfer of funds between budgetary heads, but it is hoped that the move will improve new firm formation three or four-fold. Changes are also planned in respect of aspects of the phasing-out programme, which has used up its infrastructure funding but has underspent with respect to the development of competences. There is a plan to transfer funds between these priority headings but it is not clear whether the Commission will agree to this.

In Italy, to accelerate spending on measure 1.1 of the **OP LED** (law 488/92), consideration was given to including the *patti territoriali* that are being implemented in the Objective 1 region in the measure. The selection procedures of the *patti* are the same as for Law 488/92, but supplemented with criteria which are defined in each programme. The *patti* have already been launched and are well advanced in terms of expenditure. They represent a financial resource of around €300 million immediately available for claiming. Moreover, introducing co-financing of these projects under Law 488/92 would mean linking the OP more closely to the development needs of

the region, which is one of its strategic objectives. After informal contacts with the Commission, a written procedure was approved in December introducing this modification to the description of Measure 1.1. Another written procedure was carried out for the same programme to solve the problem of ESF under-spending, by re-modulating the resources for each year.<sup>10</sup>

In **Toscana**, one large environmental intervention (measure 3.5 wastes – private implementers) was suppressed with agreement of Monitoring Committee and its resources (€5.5 million) transferred to a parallel measure. The reason for suppressing the scheme was the lack of approval by DG Competition: the Secretariat did not want to risk having the resources de-committed and also risk losing further funds because of the repercussions that the delay would have had on the allocation of performance reserve resources.

Finally, in the programme for **East Wales**, the scope for changing the broad distribution of funding between the Local Action Plans for the Programme is being explored to reallocate funding to those sub-regions that are making better progress in project generation.

### 3.2.4 Launch of new programmes/projects

In some cases, new interventions have been introduced in the programmes to improve the programme spending profiles.

In **Steiermark**, this was done by substituting for an ESF measure (measure 4.2 - innovative qualification in firms) which had experienced extensive problems. This measure is being administered by the SFG (Styrian economic development agency) - the first time that this organisation had been involved with ESF funded initiatives. The SFG drew up a new scheme (*Richtlinie*) for the domestic co-financing entitled “Qualification – sector-specific qualification in networks” which was launched in mid-2001. This scheme has stringent eligibility requirements relating to networking and it has proved extremely difficult to attract project applications despite a targeted marketing campaign. In the light of this, the SFG is continuing this scheme with national money but has drafted two, new, training related schemes to co-finance the ESF measure. One will be available across Steiermark (with ESF co-financing for applicants in the eligible area) and will provide training at a very basic level in firms. The second is targeted at higher level training of individuals in management positions and will be available in the Objective 2 area only.

In **Denmark**, the Secretariat of the **Nordjylland** sub-programme has successfully launched two new programmes in the intervening period. The first is an ‘export programme’ which provides grant support for firms throughout Nordjylland for buying consultancy support such as market intelligence in preparation for export activities. The programme is planned for a three-year period and has already been oversubscribed. Interestingly, the initiatives are run both in the designated Objective 2 and transition areas and (using local and regional government funding) in the un-designated Hjørring district. The programme operates with a separate managing committee, thereby removing the handling of a large number of relatively small applications from the mainstream Objective 2 process, and it uses the *TIC Erhvervscenter Nord* regional development agency (*Business Development Centre North Denmark*) as its main handling agent and thus taps into its firm-

<sup>10</sup> This maintains the total ESF and ERDF as in the financial plan across the six years, and the same funding across funds for each year, but with adjustments between the two funds in each year – eg. in the first year, ESF has been reduced and ERDF increased, while in the last year, the opposite will happen to rebalance the total in the long run.

level business management expertise. The second programme is the *Framework programme for power electronics, new materials, and medico- and nano-technology*. This latter scheme aims at creating links between university research and private firms in order to develop commercial applications of leading-edge knowledge to enhance the long-term legacy of the Structural Funds programmes in Nordjylland and prepare for the decline of the mobile phone market.

The **East of Wales** programme is considering the introduction of 'umbrella' schemes for bundling together a series of related project awards within integrated packages (outside of the Local Action Plans used by the local partnerships).

### 3.2.5 *Re-allocation of responsibilities for the administration of schemes*

In situations where management or administrative problems are considered to be the reason for unsatisfactory payment levels, programme managements have introduced changes to the allocation of management responsibilities of specific measures/schemes. For example, in **Steiermark**, measure 4.1 – (qualification of people threatened with exclusion from the labour market) had a zero commitment level at the end of 2001 for primarily administrative reasons. The measure is now being implemented through a new structure which was set up in the course of 2001. The change in the management of the measure seems to have been able to solve the bottleneck since project applications are now coming forward and no major problems for the future are anticipated.

More generally, as has been seen (Box 2) in **France**, there is a move toward more decentralised administration of the schemes with the launch of a pilot scheme in **Alsace**, to experiment with the transfer of Managing Authority functions to a Regional administration.

## 4. PROGRAMME MID-TERM EVALUATIONS

Mid-term evaluations have to date been commissioned and launched virtually everywhere. Starting from the position described in the IQ-Net thematic paper prepared in June 2002<sup>11</sup>, this section briefly describes the progress made since June 2002 in the mid-term evaluation process, the main differences between programmes in relation to how the process is being undertaken, and the problems faced by programme managers in carrying out this programming task.

### 4.1 Progress in the mid-term evaluation process since June 2002

As illustrated in Table 4-1, mid-term evaluations have been launched for almost all programmes across the IQ-Net regions.

By November 2002, when the fieldwork for this IQ-Net paper was conducted, only two Austrian Objective 2 programmes (Oberösterreich and Wien), some French and Spanish programmes, four Italian Objective 2 SPDs (Abruzzo, Lazio, Trento and Emilia Romagna) and four British programmes (South Yorkshire, Yorkshire and Humber, Gibraltar and the Peace programmes) had still not commissioned the mid-term evaluations. The forecast at the time was that the evaluations for the remaining programmes would be awarded by the end of the year and this seems to have been fulfilled.

In most cases, the tendering process ran relatively smoothly, with programmes being facilitated by the Commission's Working Paper 8. This document was well received by programme secretariats and national coordination administrations; indeed, in many cases it represented the basis for national guidance documents. In **France**, the DATAR elaborated a guidance note on mid-term evaluation, based on the Commission's Working Paper, and presented it to the SGARs and the Regional Councils in a series of seminars which took place in early 2002. In **Italy**, the Ministry of Economy and Finances issued two framework documents in June 2001 to assist Objective 1 Managing Authorities in commissioning and overseeing the interim evaluations. These two documents, which were also disseminated among Objective 2 regions, incorporated templates of terms of reference.<sup>12</sup>

<sup>11</sup> Raines P and Taylor S (2002) *op. cit.*

<sup>12</sup> The documents are: Unità di Valutazione degli Investimenti Pubblici (2001) *Orientamenti per l'Organizzazione della Valutazione Intermedia dei Programmi Operativi*, Rome, June 2001; Unità di Valutazione degli Investimenti Pubblici (2001) *Linee Guida per la Valutazione Intermedia dei Programmi Operativi*, Rome, June 2001. All documents are available on line in the web site of the Ministry of Economy and Finances at [http://www.tesoro.it/web/docu\\_indici/QCS/valutazione\\_intermedia.htm](http://www.tesoro.it/web/docu_indici/QCS/valutazione_intermedia.htm). The two templates relate to the two different procedures available, open procedure – *bando aperto* - and restricted procedures/invitations to tender – *procedura ristretta*.

Table 4-1: Progress in mid-term evaluation in IQ-Net countries

Country	Responsible body	Selection process	Award of contracts
<i>Austria</i>	Managing Authority in each region	July 2002	Seven out of 9 contracts were to be awarded in September 2002.
<i>Denmark</i>	Danish agency for industry and trade	May 2002	September 2002
<i>France</i>	Managing Authority in each region (SGAR)	Public call for tenders between July and October 2002	Between September and December 2002
<i>Germany</i>	BMF for GFK (CSF), sectoral programmes in the individual federal ministries, Länder for the rest	Public call for tenders	For Objective 1 all contracts have been awarded (April – September 2002)  For Objective 2 most contracts have been awarded and all will be awarded by the end of November 2002.
<i>Italy</i> – <i>Objective 1</i>	Italian Evaluation Unit co-ordinating the process	Public calls for tender for OP evaluations in Autumn 2001. CSF call for tender published 19.11.2002 (deadline 13.01.03).	Contracts awarded in December 2001/January 2002 for all regions except Molise which awarded in September 2002.
<i>Objective 2</i>	Each region is responsible	Tenders published in 1 <sup>st</sup> quarter 2002	4 out of 10 awarded. Abruzzo, Lazio and Trento foreseen to be awarded by end October and Emilia Romagna by end year.
<i>Spain</i>	Ministry of Economy	Tendering procedure launched in April 2002	Most contracts awarded in September 2002; the balance will be awarded by the end of the year
<i>Sweden</i>	NUTEK is co-ordinating	Call about to be launched for both Objective 1 and 2. (November 2002)  All four Objective 2 programs will tender together for one contractor to all four evaluations. However, there will be four separate evaluations	Not yet awarded.
<i>UK</i> <i>England</i>	ODPM co-ordinating 12 English Regions	Restricted tenders published in OJ	10 out of 13 contracts awarded. 2 are retendering (South Yorkshire & Yorkshire & Humber) and Gibraltar will be tendered at the end of the year.
<i>Scotland</i>	Scottish Executive co-ordinating 4 regions	Publication in OJ June 2002	All 4 contracts awarded in September
<i>Wales</i>	Welsh European Funding Office (WEFO) co-ordinating two regions	Published in OJ	Contracts awarded in September
<i>Northern Ireland</i>	Dept. of Finance and Planning responsible for the Transitional Objective 1, Special EU Programmes Body for PEACE	Framework Contract used for Objective 1; Publication in OJ for PEACE	Objective 1 - Contract awarded in July PEACE contract to be awarded in November

Source: DG Regio, November 2002.

Despite the fact that the responsibility for the undertaking of mid-term evaluation lies with the programme Managing Authorities, there has in most cases been some coordination in issuing terms of reference (the most notable exception being represented by Germany). Even in the absence of national guidance documents, national coordination administrations have often made efforts to ensure a certain degree of uniformity in the terms of reference issues for the programmes (see Table 4-2).

Table 4-2: National role in the preparation of Terms of Reference

Country	Terms of reference
<i>Austria</i>	Core ToR text prepared by ÖROK and used by Managing Authorities. Programme-specific text added in some cases.
<i>Denmark</i>	ToR prepared mainly by national agencies (the National Agency for Enterprise and Housing in particular) and then agreed within the national SG (which suggested only minor amendments).
<i>France</i>	Standard terms of reference elaborated by DATAR in cooperation with representatives from regional authorities. Each region has adapted the ToR in relation to specific needs.
<i>Germany</i>	ToRs prepared independently by each <i>Land</i> .
<i>Italy</i>	Standard terms of reference elaborated by the Ministry of Economy and Finance's Evaluation Unit for Objective 1 and sent to Objective 2 SPDs Managing Authorities too. However, not all Objective 2 programmes adopted them (also for timing reasons).
<i>Spain</i>	ToRs elaborated centrally by the Ministry of Economy and applied by the regional administrations in charge of the management of the programmes.
<i>Sweden</i>	NUTEK largely responsible for drawing up the ToRs (one for Objective 1 and one for Objective 2), working with Managing Authorities and Monitoring Committees in the framework of Working Groups. Inputs also by Ministry of Industry. Very similar basis of both ToRs, drawing strongly on the recommendations of Working Paper 8. Little regional differentiation within the individual calls.
<i>UK</i>	ToRs relatively standardised across the UK, largely based on the original Department of Trade & Industry interpretation of the Commission's WP8. Programmes have been encouraged to add local issues of relevance to the TOR. Territorial coordination for the constituent parts of the UK by: Office of the Deputy Prime Minister (England and NI), Scottish Executive (Scotland) and Wales European Funding Office (Wales).

As anticipated in the thematic paper discussed at the Luleå IQ-Net conference, Steering Groups were created and made operational everywhere at the programme level and/or nationally, by Objective. More details on this can be found in the table below.

Table 4-3: Programme specific and national evaluation Steering Groups

Country	Programme Level Steering Groups	National Steering Groups
Austria	Yes	KAP EVA (see case study box 4 below)
Denmark	√ Programme Steering Group for the Objective 2 SPD is national and comprised administrative representatives from the region and national authorities	
France	Yes	No
Germany	Yes	No
Italy	Yes	Only with respect Objective 1 CSF
Spain	Yes	Yes
Sweden	Two separate Steering Groups for Objective 1 and 2	
UK	Yes	No

The roles and functions of the evaluation Steering Groups have already been described in the previous IQ-Net paper.<sup>13</sup> In this paper it is worth highlighting a particularly good experience in this area which is being experimented in Austria (see Box 4).

KAP-EVA is a coordination and working platform which has been set up by ÖROK to coordinate and accompany primarily the process of on-going evaluation of the Structural Fund programmes in Austria (see section 4.2). Despite some concerns on the part of programme managers and evaluators on this new initiative, primarily because they saw it as a source of additional work and commitment, it is now felt that it has the potential to become a useful and more efficient forum for addressing common issues and problems and potentially raising the quality of the evaluation process. A potential positive effect of the group, for example, would be to encourage coordination between the evaluators, also outside the framework of the formal meetings. Now that the contracts have been awarded, the evaluators are not in direct competition with each other, and there may be more potential for genuine exchange of methods and experience which could increase the overall quality of the evaluation process. An initial point of contact is also created through the academic institutes accompanying the process and the evaluators can contact them for inclusion of particular items in the meeting agendas.

<sup>13</sup> Raines P and Taylor S (2002) *op. cit.*

**Box 4: KAP EVA**

A coordination and working platform has been set up by ÖROK to coordinate and accompany the evaluation of the Structural Fund programmes in Austria. This group is called KAP-EVA (Koordinierungs- und Arbeitsplattform Evaluierung) and is organised by ÖROK with expert input from two academics/researchers from the ÖIR and a university institute. These experts chair the meetings, provide background ideas and thinking as well as an overall assessment of the process at its conclusion (wissenschaftliche Begleitung). Participants in the KAP-EVA include mainly the managing authorities, the evaluation teams, ÖROK and the Federal Chancellery. In addition, representatives from the Objective 3 programme and evaluation team are invited, together with representatives of the Community Initiatives (Federal Chancellery themselves as Managing Authority for Interreg III B programmes and a representative from Urban). A DG Regio representative was also at the first KAP-EVA and will be invited periodically to future meetings.

The overall goals of KAP-EVA as distributed at the first meeting are: (i) to facilitate exchange of experience and opinion; (ii) to exploit the knowledge and experience of all participants; (iii) to identify horizontal themes and establish approaches to dealing with them; (iv) to allow cross-programme comparison and establish approaches to achieving this; (v) to provide expert input to support decision-making and assessment ability; (vi) to allow common strategy development; (vii) to establish common understanding about evaluation; (viii) to exploit synergies; (ix) to avoid duplication and redundant work; (x) to secure the quality of the evaluation process as well as individual evaluations; (xi) to discuss the evaluation reports; and, (xii) to solve open problems together.

Overall, six meetings are planned in line with the timetable for the mid-term evaluation. The core text for the calls for tender prepared by ÖROK detail the six meetings as follows:

- October 2002 – discussion of evaluation concepts; agreement on reporting structure; briefing of the evaluators on the requirements of the Commission, national managing authorities etc; identification of focus themes (cross-regional, thematic, cross-programme)
- March 2003 – exchange of experience on evaluation activities and initial findings; consultation regarding next steps
- Mid-April 2003 – drafts of the interim reports for the mid-term evaluation
- June 2003 – presentation of the interim reports
- Mid-October 2003 – drafts of the final reports for the mid-term evaluation
- Spring 2004 – presentation of the final reports.

Each meeting will have a common agenda as well as a specific topic such as, for example, the horizontal themes or how to address the value added of the Structural Funds. It is also a forum where the approach to the on-going evaluation can be debated given that this is a new initiative and there remains some uncertainty among the evaluators and managing authorities on what is possible/ desirable. In some cases, there is still some suspicion that it is a form of on-going control rather than a forum for mutual learning.

The first KAP-EVA workshop took place in mid-October 2002 and ran over two days. Basic information on common themes (eg. monitoring, federal structures etc) was given on the first day while the second day looked in more detail at the evaluation concepts, the report structure for the mid-term evaluations and other open issues. While some participants would have liked a more structured presentation of the different evaluation approaches as a starting point, the meeting was structured more along the discussion of common or cross-cutting topics – which also revealed interesting diversity in approaches. Given that KAP-EVA is a new initiative, and that there was some uncertainty as to the aims and expectations, overall the first meeting was judged a success. There was a change of atmosphere over the two days from initial scepticism to a sense that it could be a useful coordination and discussion forum. While many of the evaluators were also more negative about the function of KAP-EVA at the start of the workshop, the feedback afterwards has also been more positive.

**4.2 Approaches**

In terms of overall approach, it should be stressed that compliance with the Commission Working Paper 8 – which is pursued in all cases - has not always implied that the programme managements are implementing mid-term evaluation in the 'discrete form' which was suggested by the Commission. In



some cases, the programmes have opted for approaches to evaluation which are more integrated across the programming period. These are taking the form of various kinds of on-going evaluations and are being operated in Austria, Italy and Ireland.

In **Austria**, efforts are being made to integrate the mid-term evaluation of the larger programmes in a process of on-going evaluation. The terms of reference which were issued to select the evaluation teams for the interim evaluations have in fact covered both the mid-term and on-going evaluation work. Only some of the programmes, mainly the smaller ones, have not included the on-going evaluation in their calls and will focus on the requirements of the mid-term evaluation only.

The on-going component of evaluation will relate mainly to the following areas:

- assessment of coherence of strategy and programme objectives;
- analysis of effectiveness and efficiency of implementation (*Vollzugsanalyse*);
- analysis of the physical and financial implementation of the programme at measure and priority level based on the most recent monitoring data;
- impact analysis:
  - summarised qualitative assessment of programme implementation related to the aims of the measures, priorities and overall programme;
  - qualitative assessment of selected case study projects related to the objectives of the programme, the impact on the region or selected thematic foci;
- process-oriented analysis of programme implementation and steering
  - analysis of the cooperation among partners involved in the implementation of the programme including project owners in the form of expert interviews and formulation of recommendations for improvement

It is likely, however, that the main focus of the on-going evaluation will start to emerge in 2004 following the completion of the more formal requirements of the mid-term evaluations for the Commission.

The approach to on-going evaluation is slightly different in the two Italian cases described below. Based on periodic contacts between secretariats and evaluators, a programme of thematic studies is being carried out on agreed themes of particular relevance to the programmes. In both LED OP and Tuscan SPD cases, the evaluators have produced some thematic reports, on the basis of such programmes. The evaluation team in charge of the evaluation of the **OP LED** has produced two intermediate thematic evaluation reports in 2002 and are planned for 2003 (see case study box below). In this context it is worth noting that since the OP has a budget which is heavily concentrated in the years up to 2003, the scope of utility of the mid-term evaluation to introduce changes in the programme is rather limited. Creating an evaluation system based on on-going and targeted inputs by the evaluation team seemed to the programme secretariat a good solution to make maximum profit of the evaluation and of the expertise of the selected evaluation team.

The **Tuscan** approach to on-going evaluation is similar. In this case the evaluator has presented an 'analysis of pertinence of the selection criteria in

use up to 31 October 2002'. The report highlighted that there is an overall coherence of selection criteria with the objectives of the interventions to which they are related, and therefore a potential capacity of these interventions to deliver the expected outcomes.

*Box 5: The plan of on-going evaluation for the OP LED*

The evaluation of the OP LED is being undertaken on the basis of a plan which was elaborated jointly by the evaluation team and the programme secretariat. The plan foresees a series of intermediate deadlines, preceeding the submission of the mid-term evaluation report, for the evaluators to submit specific reports on agreed themes.

The evaluators presented two thematic studies at the Monitoring Committee of June 2002:

- a study on the role of the OP LED in the context of all policies implemented in Italy in support to productive development, and
- a document on the completeness of the indicators outlined in the programme's programming complement.

A further report is currently being completed on the strategic integration between OP LED and regional OPs in the context of the strategies for innovation.

In November 2002, during a series of meeting of the evaluation Steering Group, a second working plan was agreed which foresees the following thematic reports to be submitted by the evaluators in 2003:

- A document on the validity of the OP's indicators system for evaluation purposes
- A document on the unit average costs of the interventions implemented, differentiated by type of projects and types of enterprises
- An analysis of the innovative profile of the OP (to describe the results of the most innovative measures of the programme)
- A report on the first results and impacts, ie. an analysis of the effectiveness and efficiency of the programme, preliminary to the mid-term evaluation
- A study on the management system based on a number of selected case studies agreed within the Steering Group
- An assessment of the monitoring system in use
- A verification of the functioning of partnership mechanisms and of the efficiency of the functions of strategic direction and control that these should fulfil
- An analysis of the efficiency of Technical Assistance measures implemented and on their capacity to respond to the needs of the OP.

Among the reasons that have led programme managements to adopt an on-going and more holistic approach to evaluations is the desire to ensure continuity and comprehensiveness in the evaluations undertaken. Entrusting all or most evaluations for a certain programme to the same evaluator - as in the case of the two Italian cases illustrated - is believed to be beneficial in that it ensures that the evaluation team have an in-depth knowledge of the programme, that they can build trust and cooperation with programme and measure managers, and that they have a better opportunity to influence the programming process throughout its development.

In **Ireland**, on the other hand, the evaluation of the NDP and its constituent Operational Programmes is organised under *ex ante*, interim and *ex post* evaluations, complemented by a set of thematic evaluations as part of an organic programme of on-going evaluation. The NDP/CSF Evaluation Unit has been set up to coordinate the evaluations undertaken under the NDP and to provide support to Managing Authorities and evaluators in the commissioning and operationalising of evaluations. Supplementing the periodic evaluations with thematic studies allows the programmes and NDP

Managing Authorities to deepen specific themes as needed. Also, the existence of a well-coordinated and coherent plan ensures that these specific evaluation efforts are not fragmented, and that they are followed up once completed.

Whether these approaches are viewed positively or not by the Commission is not clear. The input from the Commission representative at the first KAP-EVA meeting in Austria made it clear that the Commission is not very interested in the on-going evaluation approach and emphasises the production of more standardised, and shorter 'quick check' reports which can be used for comparison and overview purposes.

Finally, it is worth highlighting that even where programme evaluations are undertaken according to the approach suggested by the Commission (and in the regulations) some innovative element can also be found. As mentioned in the last thematic paper, one such element is represented by the benchmarking exercise included as integral part of the mid-term evaluations of **Nordrhein Westfalen, West of Scotland and East of Scotland**. The case study box below summarises the progress of this exercise since the IQ-Net meeting in June 2002.

*Box 6: Benchmarking exercise for the mid-term evaluations of Nordrhein Westfalen, West and East of Scotland*

**Background**

Nordrhein Westfalen (NRW) and two of the Scottish Objective 2 programmes (West and East of Scotland) are conducting their mid-term evaluations with an explicit benchmarking and cooperation component, sharing evaluation results on a variety of topics. In particular, the benchmarking will look at the horizontal themes of gender mainstreaming and sustainable development. The integration and implementation of these themes present significant challenges to programme managers and therefore mutual learning has the potential to be particularly beneficial. The benchmarking will add a comparative view to the more detailed assessment of the horizontal themes taking place within the individual evaluations.

**Methodology**

The raw material for the benchmarking of the horizontal themes will be drawn from the mid-term evaluation studies which are currently on-going in each of the programmes. Links have been established between the German and Scottish evaluation teams and, on this basis, it is hoped that the evaluations will generate integrated outputs. The specific benchmarking analysis will then lead to the identification of common issues, problems and potential solutions.

The specific deliverables of the exercise take the form of reports and two workshop events. At a more fundamental level, the ultimate aim is to use the practical experience of other regions to promote genuine impacts in terms of the ability of programme actors to successfully meet the significant and complex demands associated with the Structural Fund programmes and with the horizontal themes in particular.

**Progress**

The first Workshop for the benchmarking exercise was held in Gelsenkirchen, in NRW, in October 2002, bringing together relevant German and Scottish partners and their evaluators for the first time. The workshop had three aims: (i) to establish the contacts which will be the basis for exchange during the study; (ii) to agree the scope and methods of the study; and (iii) to initiate the process of learning and exchange, including through case study visits and initial discussions. The following points arose from the discussions:

- - A *process-oriented approach* was considered most beneficial for the benchmarking work, exhibiting the greatest potential for outputs of practical use within different regional and programme environments.
- - Linked to the emphasis on process, the main focus of the comparative study was considered to be *issues which could make a difference within the practical implementation* of the programmes. This may also include learning at project level. The aim would be to generate usable results rather than simply a better knowledge of a different region.

- - The *clarification of definitional issues* with regard to the treatment of the horizontal themes in each programme was considered important – although primarily as a ‘scene-setting’ exercise rather than as a central focus of the benchmarking work.
- - Given the innovative nature of the comparative/benchmarking exercise, it was considered useful to *maintain some flexibility* in the coverage of the work to allow for amendments or new elements emerging from the mid-term evaluation results.

Efforts have been made to ensure that the issues and questions identified as important for the benchmarking study are reflected, as far as possible, in the methodologies of the mid-term evaluations in each of the three regions. On-going, regular contact between the evaluators (facilitated by their location in Glasgow), will try to ensure that key issues of comparison are covered as comprehensively as possible throughout the evaluation process and relevant project or case study material is identified. Once draft final results have been delivered by the evaluators in the three regions, the more in-depth comparative analysis, focusing on the horizontal themes, will be undertaken. Practical examples will be drawn out wherever possible and the resulting report will be discussed at the second Workshop, to be held in Scotland probably in September 2003. Any necessary follow-up work will be carried out thereafter, with the final dissemination of results taking place at the end of 2003.

### 4.3 Problems and issues

Overall, evaluations appear to be running smoothly for most programmes. However some problems have been met or persist in specific areas:

- selection of evaluation teams and procurement procedures;
- involvement of project implementers in the evaluation process;
- overall evaluation philosophy;
- evaluation timing and potential for use of the results;
- availability and reliability of data.

#### 4.3.1 Selection of evaluation teams and procurement procedures

A number of problems were met in Scotland in the process of selecting the evaluators. For the **West of Scotland** secretariat, for example, the tendering process was more difficult than expected. The Scottish Executive has assumed a wider coordination role in the design and award of the mid-term evaluations than has traditionally been the case. Initially, and relatively smoothly, this involved the Scottish Executive setting the core terms of reference for the five key programme evaluations in Scotland (three Objective 2s, the H&I Special Transition programme and Objective 3). As reported in the last IQ-Net thematic paper, this mainly entailed adopting the core terms of reference drawn up by DTI for English programmes (itself closely based on the Commission’s own guidance for the mid-term evaluations). Individual programmes were allowed to ‘add’ issues/activities of key local importance to these core ToR – eg. the West of Scotland programme included the above-mentioned benchmarking element with the Objective 2 programme for Nordrhein Westfalen. Overall, this appears to have been a fairly straightforward process, although it has been remarked that the terms of reference did appear rather piecemeal as a result, with the additional ‘local’ issues not fully integrated into the core/common tasks.

The main problems have arisen with the award process itself. In particular, new, Scottish Executive procurement regulations meant that there was a stronger value-for-money steer in the process than hitherto. It was decided that indicative budgets should not be issued, as a result of which the profile of

bids differed by highly unusual amounts (up to four times for one of the Scottish programmes). This had the effect of limiting the pool of potential bids to a small group of the 'usual suspects' – despite the efforts of the programmes to encourage new tenderers to participate – many of whom had submitted multiple bids to other programmes. A game of 'musical chairs' ensued, as programmes found that their shortlists were reduced as consultants took contracts for the evaluations (in England as well as Scotland) that were decided early. In a few cases, this led to programmes being left with only one bidder to be interviewed.<sup>14</sup> While concerns about having 'enough consultants to go around' did not finally arise, the final selection process involved a degree of informal coordination within the Executive to ensure that the programmes were all properly covered and that no one bidder had taken on more programmes than it had the capacity to evaluate.

#### 4.3.2 *Involvement of project implementers in the evaluation process*

In some cases, for example in **Nordrhein Westfalen**, it is felt that, while the evaluation culture has improved, it is still difficult at times to engage project implementers positively in evaluation studies. This is becoming even more complex because of the increased prominence given to financial control and has contributed to a climate of mistrust which has spread unhelpfully into the evaluation field and created some problems for the evaluators. Even if the evaluation culture overall has improved significantly over the programming period, and evaluation is no longer viewed simply as a 'control' by project implementers, they sometimes find it difficult to distinguish between the two.

#### 4.3.3 *Overall evaluation philosophy*

A more general difficulty met by the **Nordrhein Westfalen** Secretariat in managing the mid-term evaluation process is related to the subsumed character of the programme. A particular problem with subsumed systems (such as the system in NRW, although more differentiation has been introduced during this period) is that those charged with implementing the programme, often located in sectoral departments, have a whole range of objectives to meet over and above those laid down in the programme. The fact that Objective 2 goals form only one part of these wider objectives means that there are genuine and very difficult problems of reconciliation between evaluation and programme objectives.

#### 4.3.4 *Evaluation timing and potential for use of the results*

The timing of the mid-term evaluations appears to be a concern of various programme managements in Germany, Italy and Sweden.

For the SPD for **Nordrhein Westfalen**, as well as for the **Italian Objective 2 programmes**, it is evident that the delays in the approval and launch of the programmes are limiting the scope of the mid-term evaluations. It is also understood, however, that delaying the evaluations would have made them scarcely able to influence future implementation.

In the Swedish case, the problem seems to be the opposite. For the **Norra Norrland** programme managers, it is difficult to anticipate how evaluation results will be able to have an impact on the implementation of the OP,

<sup>14</sup> There are significant differences of opinion on this, depending on whether Programme or Scottish Executive officials are consulted. The Scottish Executive view appears to be that the tendering process was relatively straightforward, adequate competition existed for all the different programme evaluation tenders and that strong bids were ultimately selected.

considering that the evaluation intervenes at a stage where almost all the resources available to the programme have been allocated. It should not be forgotten, in this respect, that the secretariat has commissioned its own mini-evaluation of key project areas in order to inform the current call for proposals.

#### 4.3.5 *Availability and reliability of data*

In a number of cases, problems with the availability of data and adequacy of targets have generated some concerns about the possibility of effective mid-term evaluations. In other cases, more general problems have been met in the implementation of the monitoring systems.

In Italy, the **OP LED** is carrying out an overall review of the indicators and targets which are specified in the OP's programming complement. Work is being undertaken with a view to reducing the overall number of indicators, in line with the simplification note prepared by the Commission, and to re-estimate the programme's targets which are now considered not fully realistic. For this purpose, the programme secretariat and evaluation Steering Group have agreed to include, as part of the on-going evaluation plan, a check of the indicators used in the programming complement. Interestingly, specific attention is also being devoted to the theme of environmental sustainability: the programme management has been engaged in a revision of the environmental *ex ante* evaluation for the programme (which was due for completion by the end of 2002). This work has been conducted under the joint supervision of the Ministry for Productive Activity and the Ministry for Environment and has also built in an involvement of the evaluation team in charge of the programme. In **East Wales** also, the output targets of the Programme Complement have been recently revised, because the initial targets were felt to be hastily calculated and in need of revision.

Technical problems with new monitoring systems are still being experienced in some regions. In **Norra Norrland**, for example, difficulties were experienced with the national STINS monitoring system in terms of drawing out necessary statistics for the Annual Implementation Reports and the region had to supplement the outputs with manual data collection. Although it is generally considered that the system should be robust enough to address the information needs of the evaluators, there are plans to introduce a more modern system in 2004. In **Nordrhein Westfalen**, initial technical difficulties have been experienced with the introduction of the new monitoring database and the old and new systems have been required to run in tandem. However, it is expected that the new system will be operational in the very near future and will provide a much improved coordinated monitoring database and programme management tool.

Some minor difficulties in respect to the use of monitoring data are also being encountered in **Austria**. The new monitoring system is considered to provide a strong basis for the mid-term evaluations and should reduce the amount of work which was required in the last programming period in bringing necessary data together. The new system has many advantages with around 60 different categories of data programmed into the system. However, in the last programming period, there were some problems with misinterpretation of data and for this reason different hypotheses are now being assessed as to which data should be provided to evaluators and how. One proposal is that the ERP Fund, which coordinates the centralised monitoring system, should provide the evaluators with data based on these 60 categories rather than allowing them all free access to the monitoring data. If individual evaluator teams

require additional information or calculations, these could be requested from the ERP Fund.

One of the good practice examples of a monitoring system which is capable of serving evaluation needs, on the other hand, is represented by the **Tuscan** SPD where on-going collaboration is sought between the evaluation team, the programme secretariat and the consultants in charge of supporting the secretariat with the management and implementation of the monitoring system. This collaboration was launched in the early stages of the programme and fed the process of definition of indicators and targets for the programming complement. While the regional, programme-specific monitoring system is working efficiently, some problems are being met by the secretariat in complying with the national monitoring system, Monit 2000. The latter was designed for the Objective 1 programmes and was subsequently adapted for Objective 2. It is not very accurate in reflecting programme needs; for example, it does not include specific fields for the interventions implemented in the phasing-out areas. Another problem is that procedural monitoring has been planned for aid schemes, and this is difficult to comply with because of the large number of projects related to aid measures. The idea underlying the adaptation of the national Monit 2000 to Objective 2 programmes was that a core set of standard indicators would be included which the regions could integrate with their own. However, this integration has not worked and, as a result, national and region-specific physical monitoring indicators often do not match. To solve this set of problems, which is common to a number of Objective 2 programmes, a national Working Group was set up and is delivering some results, for example, in relation to procedural monitoring it has decided that it would apply only to aid schemes for projects of longer than 18 months duration.

## 5. SIMPLIFICATION OF THE STRUCTURAL FUNDS

Two parallel debates have been launched by the Commission during the past year: first, a debate on the simplification of Structural Fund mechanisms, with a view to reforming the operational rules for a more efficient and effective management; second, a debate on the future of structural policies post 2006, in consideration of the challenges represented by the enlargement of the Union eastwards. The two debates are clearly interlinked, but this paper deals only with the first.

### 5.1 The Commission's note<sup>15</sup>

Simplification was one of the main objectives of Agenda 2000 and the Berlin Council agreement. However, in practice, the process of implementing the Structural Funds has become more complex. Decentralised management has been accompanied by stricter requirements with respect to financial control, audit, monitoring and evaluation. Based on the experience of the first 2-3 years of the new programming period, Member States have put pressure on the Commission to simplify the implementation process.

The United Kingdom took a lead role in the debate by producing a paper on simplification which was discussed at a meeting of the CDCR in March 2002. Subsequently, the Commission undertook its own consultations and analysis, which identified the need to address the question of simplification at both political and technical levels. Among the proposals was the need to engage in high-level discussions on simplification within the Commission (which took place in Summer 2002), and with Ministers, leading to the organisation of a Ministerial Meeting on 7 October 2002.

The agenda for discussion contained a wide range of simplification proposals, relating to the following themes:

- (i) procedures for revising the programmes
- (ii) procedures for inspections and control
- (iii) mid-term evaluations and reviews
- (iv) reporting activities
- (v) monitoring indicators (in particular for the purpose of impact assessment)
- (vi) Performance Reserve allocation
- (vii) annual meetings with the Commission
- (viii) Commission's role in Monitoring Committees
- (ix) financial management and automatic decommitment procedures.

The problems identified in the note and the solutions proposed by the Commission are summarised in the table below (Table 5-1).

At one level, some of the issues of concern are relatively minor and could be addressed speedily by more information, clarification of requirements by the Commission or a revision of guidance to rationalise administration. Other aspects are more substantive, notably the amount of audit, the application of

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<sup>15</sup> This section draws on Bachtler, J and Downes, R, *The reform of the Structural Funds. A review of the recent debate*. Paper prepared for discussion at the twenty-third meeting of the Regional Policy Research Consortium, Ross Priory, Loch Lomondshire, 7-8 October 2002.



the performance reserve and the decommitment rule (N+2), where current problems, and potential changes, have major political and administrative implications for the implementation of the Funds.

Table 5-1: Simplification issues as highlighted in the Commission's 7<sup>th</sup> October note.

Area of simplification	Issues	Commission Proposals	Comments
<i>Adjusting the programmes</i>	<ul style="list-style-type: none"> <li>➤ Need for greater flexibility in modifying programmes. Some adjustments currently possible (to programme document and complement) but MSs would like more scope for practical management-related changes (eg. responding to unexpected variation in take-up rates)</li> </ul>	<ul style="list-style-type: none"> <li>➤ De facto and regulatory context determine scope for possible adjustments</li> <li>➤ Adjustments have to be approved by Monitoring Committees in advance with subsequent EC decision within 4 months - EC committed to deciding well within this deadline</li> </ul>	<ul style="list-style-type: none"> <li>➤ Practical experience shows that programme adjustments take longer than stated</li> <li>➤ Options for further expediting process include shorter target times for EC or ability of Managing Authorities to get preliminary approval from EC prior to final Monitoring Committee decision</li> </ul>
<i>Inspections / Controls</i>	<ul style="list-style-type: none"> <li>➤ Control requirements on MSs considered too prescriptive and detailed</li> <li>➤ MS concern of number of audits by Commission and other bodies (eg. OLAF, Court of Auditors) and lack of coordination.</li> <li>➤ Controls still necessary – evidence of irregularities at all levels (variation between MSs)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Provision of clearer reference/best practice guides for MS controls</li> <li>➤ Series of detailed suggestions to improve coordination between SF audit departments, OLAF, Court of Auditors and MS audit activities. Include: improved planning/ transparency /coordination of activities, and timely feedback; annual statement of assurance for programmes; streamlined reporting</li> <li>➤ Ultimate aim of 'total audit concept'</li> </ul>	<ul style="list-style-type: none"> <li>➤ Given number of bodies involved, extent to which increased coordination can genuinely be achieved in short- to medium-term is uncertain</li> <li>➤ Lack of strong commitment by EC to creation of single audit service for all SFs</li> <li>➤ More immediate potential in certain specific EC suggestions – although some would require legislative change and effectiveness would be influenced by coordination with audit activities of other bodies</li> </ul>
<i>Mid-term review</i>	<ul style="list-style-type: none"> <li>➤ Requirement for comprehensive exercise bringing together various elements with sometimes incompatible timing</li> <li>➤ Need for rapid operationalisation of any agreed changes</li> </ul>	<ul style="list-style-type: none"> <li>➤ Simple guidelines, streamlined consultation and decision-making (eg. single EC decisions on revisions; modification decision by EC in 2 months if request well prepared)</li> <li>➤ No renegotiation of interventions</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commission proposals positive, particularly on timescale of decision-making</li> <li>➤ Timing of Monitoring Committee meetings to approve modification proposals could be autumn 2003 - early than EC indications</li> </ul>
<i>Reports</i>	<ul style="list-style-type: none"> <li>➤ Too many reports required based on overly detailed and sometimes retroactive EC guidelines with unclear added value of some information</li> </ul>	<ul style="list-style-type: none"> <li>➤ Standardised presentation of information, option for combined annual report, reduction in level of detail</li> </ul>	<ul style="list-style-type: none"> <li>➤ Positive EC proposals – potential for proportionality to be stressed more and clarification on areas where minimum levels of information could be provided</li> </ul>
<i>Result and Impact Indicators</i>	<ul style="list-style-type: none"> <li>➤ Quantification problems given range of indicators, programme levels and objectives</li> <li>➤ Complex data collection and monitoring systems with insufficient distinction between areas of primary/secondary importance</li> </ul>	<ul style="list-style-type: none"> <li>➤ Shake-up of systems counter-productive</li> <li>➤ Potential for assessment of options for individual programme (esp. multi-Fund ones), reduction of data required in annual reports, revision of timing of data collection</li> </ul>	<ul style="list-style-type: none"> <li>➤ Correct assessment of EC regarding shake-up – considerable investment already made and general changes difficult due to variety of indicators/systems in place</li> <li>➤ Changes possible on bilateral MS:EC basis</li> </ul>

<b>Area of simplification</b>	<b>Issues</b>	<b>Commission Proposals</b>	<b>Comments</b>
<i>Performance Reserve (PR)</i>	<ul style="list-style-type: none"> <li>➤ New requirement with unpredictable consequences (including political) and concern that early programme difficulties will not be sufficiently reflected</li> <li>➤ Processes (defined by MSs) sometimes very complex</li> </ul>	<ul style="list-style-type: none"> <li>➤ In light of proportionality, focus on selection of simplified parameters and avoidance of overly complex systems</li> <li>➤ Reduce number of indicators to 8-12</li> <li>➤ Single decision at mid-term point on programme/PR adaptation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Wide variation between MSs on impact of PR (full competition only in some MSs)</li> <li>➤ Principle of PR (encouraging good management) sound and EC proposals for simplification positive. Still need to address issue of whether justification/qualification for 'under-performance' to be permitted</li> </ul>
<i>Annual Meeting</i>	<ul style="list-style-type: none"> <li>➤ Useful for EC as opportunity to influence progress but potential for duplication with Monitoring Committee meetings. Meetings insufficiently strategic and retrospective.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Realise an effective annual review (avoid duplication, sharper strategic focus)</li> <li>➤ Greater efficiency (option for letter exchange instead of meeting, video conf.)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Constructive suggestions from EC, particularly on option for review without physical meeting. Central objectives of annual meeting could be clarified further.</li> </ul>
<i>EC Role in Monitoring Committees</i>	<ul style="list-style-type: none"> <li>➤ Advisory role of EC and discretionary powers of MS bodies should be clarified</li> <li>➤ Number and range of meetings (including annual meeting – see above) too large</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improved preparation of Monitoring Committee meetings, including greater EC inter-departmental coordination to increase consistency and enable binding commitments to be made</li> <li>➤ Clarify strategic objectives of meetings</li> </ul>	<ul style="list-style-type: none"> <li>➤ Advisory role welcomed in some MSs but lack of formal intervention on technical/ administrative issues lacking as result</li> <li>➤ Positive EC proposals, although advocacy of greater exchange of experience impractical</li> </ul>
<i>Financial Management</i>	<ul style="list-style-type: none"> <li>➤ Range of financial management issues relevant targets for simplification including n+2, part-financing rules, treatment of advances in declarations of expenditure.</li> <li>➤ Specific issues affect MSs differently – key concern is the widespread implications of n+2</li> </ul>	<ul style="list-style-type: none"> <li>➤ Range of technical suggestions associated with simplifying administration of n+2 rule related to eg. selection of dates, time calculations and programme amendments</li> </ul>	<ul style="list-style-type: none"> <li>➤ n+2 effective in encouraging financial efficiency but inhibited innovation in some programmes</li> <li>➤ Early programming difficulties suggest likely n+2 impact on high number of programmes with damaging political consequences at all levels. EC suggestions positive but may make little real difference - consideration should be given to n+3 option</li> </ul>

Notes: MS = Member State; SF = Structural Fund

Source: Bachtler and Downes (2002) *op. cit.*

## 5.2 National and regional involvement in the debate

The 7<sup>th</sup> of October note was generally received positively by Member States and programme authorities, at least as acknowledgment that a problem exists. As a matter of fact, this initiative by the Commission is significant in that,

*by contrast with some previous discussions over simplification (eg. the seminar on 19 March 2002), when the Commission reacted defensively or with ad hoc responses, the present approach recognises both the political and technical aspects of the debate and adopts a constructive, systematic process of clarifying the nature of the problems and putting forward possible solutions.*<sup>16</sup>

Not all Member States are dealing with the simplification debate in the same way. The main differences between countries relate to:

- a) ***the way in which the debate has been dealt with nationally***, ie. in some cases there has been widespread involvement of national and regional administrations in charge of managing the funds (eg. Italy), while in other the process is being managed predominantly centrally (eg. UK);
- b) ***the scope of the debate***, while in some cases the debate has largely been concentrated on simplification and Structural Fund management themes (eg. Denmark), in others this theme has been merged with those of the consequences of enlargement and the future of the funds (eg. UK);

As regards the first theme, it should be stressed that the debate on simplification has an immediate effect on the life of programme managements, which (in some cases) have an active role in the formulation of national positions. This having been said, the degree of awareness and involvement in the debate varies significantly from country to country, ranging from Member States where interaction has been substantial, to others where the programme managements made no input to the debate. Table 5-2 below illustrates in synthesis the national and regional/programme level roles in the debate in IQ-Net countries.

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<sup>16</sup> Bachtler, J (2002) *Aide-mémoire on the simplification debate*, European Policies Research Centre.

Table 5-2: The debate on Structural Fund simplification at the national level in IQ-Net partner countries and regions.

Country	National role	Regional/Programme level role
<i>Austria</i>	National document prepared by ÖROK as a result of consultation of Structural Fund programme managements highlights the main issues.	Programme Managements involved in discussion of priority themes and definition of national position.
<i>Denmark</i>	Simplification debate dealt with predominantly centrally, by the Danish government and kept separate from post 2006 debate for political reasons (Danish presidency semester and enlargement)	Interest on the debate at the regional level, but no real involvement in formulation of country position.
<i>France</i>	National simplification exercise promoted and led by DATAR in Summer 2002. Internal simplification actions substantiated in a series of letters and circulars in the second half of 2002.	Clear steering role of the national level.
<i>Germany</i>	Federal-level debate with the involvement of Land authorities.	Länder involved in the national debate, among them NRW which participated in the discussions.
<i>Italy</i>	National debate coordinated by Ministry of Economy and Finance and involving national and regional administrations in charge of Structural Fund management. Formulation of common observations to the note by the Commission.	Regional and national administrations in charge of SF management involved in the debate, but degree of pro-activity and interests varied. MAP/IPI produced a document with observations on EC note more detailed than national synthesis, other Managing Authorities (eg. Toscana) mainly agreed with Commission's document.
<i>Spain</i>	National debate led by the Ministry of Economy with some involvement of regional authorities. Formulation of national position by the Ministry of Hacienda.	Diputaci3n de Bizkaia not involved in debate.
<i>Sweden</i>	National response to EC note currently under preparation within national administration, but with programme level consultation. NUTEK in charge of setting up and managing national working group.	Differing degree of awareness on the simplification note within programme managements. Only those involved in the national working group are following the matter.
<i>UK</i>	Debate lead nationally by DTI, Treasury and Office of the Deputy Prime Minister which are currently involved in the preparation of a document on core themes.	Devolved regional administration and programme managements not yet actively involved/interested. Scottish Executive and Welsh European and External Affairs Division to be involved in consultation to take place in first trimester 2003.

The degree of overlap between the simplification debate and the broader debate on the future of the Structural Funds varies significantly in response to national political priorities. For example, while in most countries the two debates generally overlap, in **Denmark** the two issues have been kept separate to concentrate efforts on the future of Structural Funds and on enlargement, to strengthen the chances of a successful resolution of the enlargement debate at the Copenhagen summit. In other cases, the theme of the simplification of the Structural Fund overlaps more markedly with that of

their post-enlargement future. For example, discussions on simplification have largely been bundled into the wider future of Structural Fund debate in the **UK**. This debate has been conducted ‘behind closed doors’ in the UK Government up until now, as the DTI, the Treasury and the Office of the Deputy Prime Minister agree a common paper setting out the UK Government’s view on three sets of issues: (i) how the Structural Funds could better address the Lisbon agenda (effectively, incorporating their reaction to the prospect of diminished Structural Funds for UK regions under the current rules); (ii) how to improve the effectiveness of the Structural Funds; and (iii) how to reduce the bureaucracy surrounding them (the proper simplification debate). This paper was due to be published in January 2003 and be followed by up to three months of consultation (including with the territorial administrations).

### 5.3 Content of the debate: national and regional priorities

The Commission’s note created some consensus not just on the character of the initiative, but also in respect to the diagnosis made in identifying the critical aspects of Structural Fund implementation. Some countries and programme managements have however expressed some reservations in relation to the too general character of the solutions proposed and in respect to how some specific themes have been dealt.

Some of the national documents on the simplification of the Funds are very detailed and highlight specific amendments to be made to the text; but the following section concentrates on the main themes raised by national and programme level authorities.

#### 5.3.1 General assessment of the debate

The spirit and content of the note are considered to be positive by IQ-Net countries and/or partner regions. There is widespread consensus on the fact that ***the note does actually reflect the main key issues***. Overall, it appears that a general feeling is that while the substance behind the Commission’s proposals will only become apparent in the discussions yet to take place, the document has provided a good framework for the debate and demonstrated the Commission’s understanding of the Member States’ concerns.

However a number of concerns have been raised:

- doubts have been expressed relating to the need to see how (and if) the Commission’s resolutions will effectively feed through – and if they will, under what timeframe (***Galicia, Nordrhein Westfalen, Norra Norrland, West of Scotland***),
- the content of the note appears sometimes too general and not ready to be operationalised, eg. in relation to controls and inspections, (***Galicia, Italian Ministry of Productive Activities/IPI***). The commitments made by the Commission are considered very general and unspecific in some cases eg. ‘the Commission will try to take a decision well before the statutory deadline’, p. 13). Some countries, such as **Italy**, have proposed amendments to the note to make these deadlines more imperative.
- there is criticism that the note has omitted one fundamental issue for future Structural Funds to be able to operate effectively and efficiently: the interrelationships between Structural Fund maps and national aid maps (***East of Wales***);
- concern exists in some quarters about the limited scope of the reform, given that it has to be implemented within the framework of existing

Structural Fund regulations (**Galicia, DATAR, Ministry of Productive Activities/IPI, Norra**);

- the timing for the debate is not considered entirely appropriate (**DATAR, Ministry of Productive Activities/IPI**) as it may be too late to have an impact on the current programming period, while for the future, a broader revision of the regulations appears necessary;
- concerns have been expressed over the real capacity of the Commission to respect the timescales outlined in various parts of the note (eg. two months to adopt a decision when this is thoroughly prepared), given the past record of Commission activity (**Austria, Italy, Sweden**). At the same time, it will be interesting to see if the deadlines for the simplification actions outlined in the paper (some of which are already overdue) will prove to be realistic.

In relation to the specific themes dealt within the note, there appears to be broad consensus too. The note seems to have genuinely reflected the concerns expressed by the Member States during the consultations that were made within the CDCR between March and September.<sup>17</sup> The following paragraphs describe some of the main points which have been raised, on each specific theme, by IQ-Net partners or that were highlighted in national policy documents made available to the research team.

### 5.3.2 *Revision of the programmes*

A general comment is that whilst the note acknowledges that there is a *need for increased flexibility* in modifying the programmes and their financial plans, it does not suggest any simplifications or increased possibilities for making modifications to the programmes - without the amendment of the decisions of approval - than those already foreseen by the regulations (eg. **Austria, Ministry for Productive Activities/IPI, Norra**). According to the Austrian memorandum, for example, only fundamental programme changes should be approved by the EC and these should be formally simplified, increasing the room for action at Member State level. Increased flexibility in modifying the programmes is a need which has been emphasised in **France**, too. As has been seen, French authorities have sent an official request to the European Commission for the authorisation to modify SPDs before the 2004 review (Box 2, in section 3.2).

With reference in particular to the theme of adjustments required in the interests of sound management, the proposed simplification relates only to the indicative commitment of the Commission to decide on changes approved by the Monitoring Committee 'well before' the four month regulatory deadline. 'Notwithstanding the Commission's intention, in practice, adjusting a programme in this way is likely to involve at least one year in shifting spending from part of the programme to another'<sup>18</sup>. For this reason, for example, the document prepared by the **Italian** authorities suggests that instead of the indicative commitment to decide before the deadline, the Commission should make a definite commitment to respect the statutory deadline and that the note should make explicit that the agreement between the Member State and the Commission can be reached during Monitoring Committee meetings.

<sup>17</sup> For example, the document on simplification submitted in July 2002 to the CDCR by the Swedish delegation is reflected quite extensively in the Commission's note. This document too was prepared in consultation with Objective 1, 2 and 3, and Community Initiatives (particularly Interreg IIIA) Managing Authorities.

<sup>18</sup> Bachtler J (2002), *op. cit.*, p. 5.

It has also been underlined that the criteria for which a socio-economic change could be considered as 'significant' are not made explicit by the note. Programme managers also stressed that, in practice, even when the possibility of modifying the programmes' financial plan has been utilised (based on the note of 27 May 2002) the Commission has been very slow to respond with the needed approval (**Ministry of Productive Activities/IPI**).

In addition, according to some programme managers, the note does not deal adequately with the theme of the subdivision of roles between SPDs and programming complements. This should be made clearer in consideration of the fact that the attempt made by the new regulations to distinguish between strategic aspects - SPDs - and operational/technical aspects - programme complement - has *de facto* been vanished by the Commission's insistence for detailed information to be included in the programmes, limiting, as a consequence, the scope of action of the Monitoring Committee (**Niederösterreich**).

### 5.3.3 Inspections and Controls

This subject seems to be one of the main concerns across IQ-Net countries and partners, with concerns regarding the following themes.

- The depth and scope of the inspections of the EC. The view has been expressed that the EC should limit itself to a strategic management role and should not specify project-related requirements; it has also been stressed that the note does not tackle adequately the issue of the lack of proportionality with regard to financial control requirements for projects. The same requirements apply to large and small projects (**Austria**).
- Audit. There are overlapping demands made on programme managements by parallel auditing. There is a need for increased coordination between the Community actors in charge of controlling upon national and programme-level authorities. However, the note does not present clear solutions which could immediately be operationalised, but limits itself to the discussion of vague options (**Ministry of Productive Activities/IPI, Norra, Norra Norrland**). The two hypotheses expressed in the note for improved control procedures, for example, – the single audit service and the annual statement of assurance - are considered ambiguous and in need of clarification (eg. by **Ministry of Productive Activities/IPI**).
- Finally, the frequent reference to the supposed scarce reliability of national control bodies in the note has been considered quite disrespectful and irritating by some (again by **Ministry of Productive Activities/IPI**).

### 5.3.4 Mid-term review and Performance Reserve Allocation

The part of the note on the mid-term review and on the performance reserve does not seem to have generated particular concerns by national and programme level authorities, however the formulation of the section on mid-term review has sometimes been considered unclear by some (eg. **Ministry of Productive Activities/IPI**).

### 5.3.5 Reports and indicators

Again, this theme appears to have been addressed by the Commission in line with the views of IQ-Net partners. Observations relate to the difficulty in some cases (**Austria**) of bringing together the programme annual reports and the national annual control report. Also, it has been underlined (**Italy**) that, while a



harmonisation of the information provided within the reports is desirable, the idea of including the annual control report in the annual implementation report as an annex is not helpful, in that the annual control report has to be approved by the Commission.

Similarly, the note's suggestion of reducing the number of indicators and collection seem to be viewed favourably to the extent that, as has been seen (see paragraph 4.3.5), some programmes are already implementing a revision of their monitoring system.

### 5.3.6 *Annual Meetings with the Commission*

This part of the note does not appear to have raised particular concerns among IQ-Net partners and countries.

It has been emphasised (eg. **Ministry of Productive Activities/IPI**) that there is a need to clarify the nature of the meetings which would precede the annual meetings with the Commission. The **Austrian** view, on the other hand, underlines that Monitoring Committees should not deal with technical, administrative questions but focus on content and strategic related issues; technical questions should instead be dealt with at the annual meeting of the Commission with the managing authorities.

It is quite striking, in general terms, that while the distinction between annual review and annual meetings is very useful – in that formal annual meetings may be avoided when programmes are implemented without specific problems – the content of the themes to be discussed at the annual meetings could be clarified further. As underlined in past work<sup>19</sup>,

*[...] the Commission could be encouraged to clarify further the purpose of the annual meetings. It foresees representation at such meetings being at a high level with a small number of items on the agenda, and priority given to strategic issues. However, in practice it is difficult to see how overlap with Monitoring Committee meetings can be avoided, since (as with experience hitherto), it is likely that a discussion on programme problems and solutions will invariably involve consideration of detailed, technical issues. It is therefore not immediately evident that separate annual meetings have an added value which could not be provided more efficiently by having extended Monitoring Committee meetings.*

### 5.3.7 *Commission's role in Monitoring Committees*

In many cases, it is felt that the note does not address the fundamental issue of the need for the Commission's representative at Monitoring Committee meetings to be able to take decisions (**Galicia, Norra Norrland, Nordrhein Westfalen**). Programmes have frequently been surprised to find the EC claiming to be an observer in these meetings and then operating a veto on reports coming out of the meeting. It has also been underlined that Commission representatives from different DGs interpret their role quite differently and that Commission representatives are not always coordinated with other Commission officials in expressing their views (**Swedish memorandum**). This has led to requests for increased internal coordination within Commission services, which the 7 October note does reflect - for example, by proposing improving inter-service consultation and consistency of approach between Commission services - but perhaps not sufficiently. On a more general level, it has also been underlined that, in the note, the

<sup>19</sup> Bachtler J (2002), *op. cit.* p. 9.

attribution of competences to Managing Authority and Monitoring Committee is not clear (**Ministry of Productive Activities/IPI**).

#### 5.3.8 *Financial management and automatic decommitment procedures*

The issue of the treatment of advances in declarations of expenditure would seem to have been solved, in the October note, in favour of the position strongly supported by the Italian government: the note states in fact that '*all advances to ultimate beneficiaries should be eligible*'. However, various IQ-Net Member States and/or partner regions have expressed concerns about this matter. For example, for **Nordrhein Westfalen** the change from the previous advance-based payment system to an *ex post* payment system – which was made to comply with the 2000-06 regulations and to pressures by the Commission - has caused significant problems in terms of capacity of absorption of the funds. However, it is now too late to go back to an advance payment system, even with respect to new projects.

In a similar vein, **Sweden** has have also expressed concern that, if advances are allowed, this may diminish the n+2 rule and have implications for Structural Fund management in the new CEE Member States.

#### 5.3.9 *Other issues*

Other issues noted by IQ-Net partner regions/programme managements or Member States relate to the need to revise the duration of programmes which should be matched with the objectives, strategies and implementation conditions (**Austria**); to the need for real and increased application of the subsidiarity principle, also within countries (**Austria, France, Italy**); and the scope for increased overall transparency and exchange of information (**Austria, Sweden**).

## 6. ANNEX 1: OTHER INITIATIVES OF SPECIFIC INTEREST

### 6.1 Ex post evaluation of past Objective 2 programmes

Preliminary results are now available from the *ex post* evaluations that the Commission procured on past Objective 2 programmes. The studies were undertaken in 2002 by the Centre for Strategy and Evaluation Services, supported by a team of national evaluators, and are now at a finalisation stage: the cross-country and respective country reports are being reviewed by a working group composed by DG Regio officials and international experts and will be made available to the public in early 2003.

A summary of the key findings of the draft synthesis reports for Objective 2 programmes is as follows.

**Financial aspects.** A total of €16.5 billion was made available to Objective 2 regions during the period (a 61 percent increase on 1989-93). This higher allocation alongside a reduction in the size of eligible population resulted in a tripling of aid intensity to €266 per capita. Many regions faced difficulties absorbing the higher levels of aid, with variations between country, Fund and type of intervention. The ERDF had a significantly higher absorption rate; R&D support, innovation and technology transfer were the intervention types with the highest absorption rates. The absorption rate for environmental measures was relatively low, though it improved in the second period. Financial outcomes reflect problems generating good quality project applications, the nature of local partnerships and complications over match funding.

**Nature of programmes.** There has been a significant shift in the financial weight devoted to different type of intervention, away from physical infrastructure (down from 36 percent of total allocations in 1989-93 to 27 percent in 1994-99) with more emphasis on productive environment (40 percent to 61 percent). Business Support accounted for the single largest expenditure item (27 percent). There has been a steady (although patchy) growth in the use of financial engineering measures. Promotion of R&D, technology transfer and innovation have become increasingly prominent, although not without complications. The ESF has increasingly been used to support the promotion of knowledge-based activities. The fairly limited action taken under the horizontal themes of environment, equal opportunities and information society was mainly considered to have laid the foundations for more substantive action in the next programme period. With regard to programme management, a key development was the introduction of more decentralised structures for programme delivery in many regions. Although practices varied across the EU, in general terms improvements have been made in the appraisal, monitoring and evaluation of interventions.

**Outputs and impacts.** The report estimates that Objective 2 interventions during the period led to some 2.2 million gross jobs being either created, saved or redistributed., achieved at an estimated €14,000 per job. The figure for jobs created is estimated at 658,000/525,000 net – the report argues that this is the most reliable guide to the scale of Objective 2 employment effects. Programmes with financially significant priorities for R&D, innovation and technology transfer, and also business support measures, performed especially well in terms of job creation. Although a number of overall programme outputs were calculated (e.g. c. 300,000 SMEs received assistance, c. 3.6 million people benefited from ESF), generally poor target

setting during the period constrained evaluation of the achievement of specific objectives. However, the report suggests that Objective 2 had a significant impact on regional development, estimating that unemployment rates would have averaged 1.2 percentage points higher in assisted regions in the absence of intervention. More generally, the report suggests that programmes helped advance the process of structural adjustment by focusing on strengthening the capacity of regions to support new knowledge-based activities.

**Added value.** The report suggests that programmes have significant 'Community added value', bringing about a greater strategic focus, continuity of programming, greater partnership working, a stimulus to improved management practices, and a strong emphasis on priorities which differ from domestic objectives. Less positive features identified included a higher workload on regional authorities and partners.

## **6.2 Acting towards accountability: SEP's Customer satisfaction survey (West of Scotland, UK)**

A 'customer satisfaction' survey has been completed for SEP's stakeholders and project 'clients'. It was run by an independent agency with the participation of circa 60 stakeholders, circa 160 project applicants and SEP staff. Overall, the survey suggested generally favourable views of the Secretariat's performance. Its key findings suggest that stakeholders in committees would be keen to participate more actively in meetings and agency decisions and that there is widespread project applicant interest in more workshop-based activities to cover relevant aspects of programming and good practice in project development/implementation.

The survey also investigated the problems encountered in project generation. The survey found that a third fewer applications have come from its stakeholder group, citing the declining scope of the programme to fund certain types of projects and the rising level of 'red tape' associated with the SF. With regards to the former issue, the programme's greater geographical focus (especially on Social Inclusion areas) and sectoral emphasis (on growth industries) may have contributed to the lack of projects

### 6.3 More effectiveness in the implementation of financial engineering schemes

On the 18<sup>th</sup> of December a technical seminar was held in Rome on the theme of financial engineering schemes. The seminar was organised as part of the activities of the Task Force composed by representatives of the Ministry of Economy and Finance, Ministry of Productive Activities and Institute for Industrial Promotion, for the support of Objective 1 regions in the implementation and coordination of economic development initiatives.

The meeting was attended by representatives from the Objective 1 and 2 Managing Authorities (from both regional administrations and national ministries), representatives from DG Regio (European Commission) and of course from the Ministry of Productive Activities and IPI, who organised the event.

The seminar, starting from a review of all existing guarantee funds and risk capital funds in Italy, aimed obtaining, through discussions between intervened actors, an overview of the main difficulties and problems met in implementing such schemes, and identify ways for a more effective future implementation.

At the end of the seminar, the working plan was agreed for a subsequent meeting, planned for the month of March 2003.

*Figure 1: The seminar held in Rome on the 18.12.2002 on financial engineering schemes*

