



**A BALANCING ACT:  
MANAGING THE PROGRAMMES, CLOSURE AND  
PREPARATIONS FOR 2014-20**

**REVIEW OF PROGRAMME IMPLEMENTATION  
SPRING - AUTUMN 2012**

***IQ-Net Review Paper No. 31(1)***

Rona Michie and Kaisa Granqvist



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

***33<sup>rd</sup> IQ-Net Conference (Phase V)***

***Krems, Lower Austria, 28-30 November 2012***



EUROPEAN UNION  
Investing in our Future  
European Regional  
Development Fund

**European Policies Research Centre**

University of Strathclyde  
Graham Hills Building  
40 George Street  
Glasgow G1 1QE  
United Kingdom

Tel: +44 (0) 141 548 3908

Fax: +44 (0) 141 548 4898

E-mail: [john.bachtler@strath.ac.uk](mailto:john.bachtler@strath.ac.uk)

[laura.polverari@strath.ac.uk](mailto:laura.polverari@strath.ac.uk)

[stefan.kah@strath.ac.uk](mailto:stefan.kah@strath.ac.uk)

[www.eprc.strath.ac.uk/eprc/default.cfm](http://www.eprc.strath.ac.uk/eprc/default.cfm)

[www.eprc.strath.ac.uk/iqnet/default.cfm](http://www.eprc.strath.ac.uk/iqnet/default.cfm)

November 2012

## PREFACE

The research for this paper was undertaken by EPRC in preparation for the 33rd IQ-Net meeting held in Krems, Lower Austria on 28-30 November 2012. The paper was written by Rona Michie and Kaisa Granqvist.

The paper is the product of desk research and fieldwork visits during Autumn 2012 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium). The field research team comprised:

- Stefan Kah (Austria, Slovenia)
- Dr Sara Davies (Germany)
- Dr Arno Van der Zwet (Belgium)
- Victoria Chorafa, Dimitris Lianos (Greece)
- Dr Lucie Jungwiertová (Czech Republic)
- Eleonora Carnevali (Italy)
- Prof Henrik Halkier, Jenny Holm Hviid (Denmark)
- Dr Martin Ferry (Poland)
- Kaisa Granqvist (Finland)
- Carlos Mendez (Portugal, Spain)
- Frederike Gross (France)
- Rona Michie (United Kingdom)

EPRC thanks all those respondents from national and regional authorities and other organisations who participated in the research. EPRC also gratefully acknowledges the financial support provided by participating Member States and regions, whose contributions are co-financed by technical assistance from the European Structural Funds. The authors are also grateful for helpful advice and feedback on earlier drafts of this paper from the IQ-Net research team, and for support with the formatting of the paper from Alyson Ross. The report is, however, the responsibility of the authors alone.

The partners in the IQ-Net network are as follows:

### **Austria**

- State Government of Niederösterreich (Lower Austria), Economic and Tourism Department
- State Government of Steiermark (Styria), Department for Economy, Tourism and Sport

### **Belgium**

- Enterprise Flanders Agency

### **Czech Republic**

- Ministry for Regional Development

### **Denmark**

- Danish Business Authority

### **Finland**

- Alliance of Länsi-Suomi (Western Finland) and the Ministry of Employment and the Economy

**France**

- Délégation interministérielle à l'aménagement du territoire et à l'attractivité régionale (DATAR, Interministerial Delegation of Territorial Development and Regional Attractiveness)

**Germany**

- Nordrhein-Westfalen (North Rhine-Westphalia), Ministry for Business, Energy, Industry, SMEs and the Craft Sector, EU Affairs Unit
- Sachsen-Anhalt (Saxony-Anhalt), Ministry of Finance

**Greece**

- Management Organisation Unit of Development Programmes S.A.

**Italy**

- Ministry of Economic Development and Promuovi Italia SpA

**Poland**

- Śląskie Voivodeship (Marshal's Office of Silesia)

**Portugal**

- Financial Institute for Regional Development (IFDR)

**Spain**

- País Vasco (Basque Country), Provincial Council of Bizkaia, Department of Economy and Finance

**Slovenia**

- Ministry of Economic Development and Technology, EU Cohesion Policy Directorate

**United Kingdom**

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

For further information about IQ-Net, and access to the full series of IQ-Net Papers, please visit the IQ-Net website at: [www.eprc.strath.ac.uk/iqnet/default.cfm](http://www.eprc.strath.ac.uk/iqnet/default.cfm)

To cite this paper, please use the following: Michie R and Granqvist K (2012) A Balancing Act: Managing the Programmes, Closure and Preparations for 2014-20, *IQ-Net Review Paper 31(1)*, European Policies Research Centre, University of Strathclyde, Glasgow.

**Disclaimer**

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.

## **A BALANCING ACT: MANAGING THE PROGRAMMES, CLOSURE AND PREPARATIONS FOR 2014-20**

### **REVIEW OF PROGRAMME IMPLEMENTATION SPRING - AUTUMN 2012**

#### **EXECUTIVE SUMMARY**

- **The rate of financial implementation has improved** across the EU27, with the average payments rate now at 44.1 percent (November 2012). The absorption rate is slightly higher for ESF (46.1 percent) than ERDF (45.0 percent). The payment rate for the Cohesion Fund is 31.4 percent. Yet, there are wide variations between countries, ranging from a total absorption rate of 60.5 percent in Lithuania to 20.7 in Romania.
- **In most IQ-Net programmes, financial progress can be considered to be satisfactory.** Commitments are usually beyond 67 percent and figures reach 100 percent in some cases. Yet, payments are sometimes comparatively slow in spite of high commitment figures.
- **Most programme authorities are not expecting any issues with decommitment in 2012.** Still absorption of EU funding before the n+2(3) rule remains an issue of concern for some programme authorities.
- **In response to implementation challenges, many IQ-Net programme authorities have undertaken programme amendments or adopted measures to speed up the spending.**
- **There have not been any major changes in the implementation structures and procedures** in IQ-Net member programmes.
- **Over the past six months there have been concerns over financial engineering instruments** set up by IQ-Net partner countries and regions, not least because lack of co-financing and demand.
- **IQ-Net programme authorities have continued their evaluation efforts. The next main focus of evaluation is the ex-ante evaluations for 2014-20.**
- **Preparations for the 2012 Strategic Reports have started in all IQ-Net countries, and, in some programmes, preparations are already well advanced.** In many Member States the report is based on Annual Implementation Reports and a similar approach to drafting as in 2009 has been taken.
- **In many IQ-Net programmes, preparations for closure have not started yet in practice.** The Commission guidelines on closure are to be approved by the end of 2012.

- **Turning to preparations for the next programme period**, preparation of Partnership Agreements and operational programmes is proceeding at different speeds across the EU, and the process has been complicated by the wait for clarity on the EU-level financial framework, the regulatory proposals and related decisions at Member State and regional level about future programme architecture.
- **Nevertheless, most IQ-Net programmes have made considerable progress** over the last six months in terms of background and preparatory work, drafting Partnership Agreements and starting to prepare and consult on operational programmes. The ex-ante evaluation process is also at different stages across countries and regions.
- In terms of **programme content, it is still too early for concrete details** to have emerged, and while broad continuity in terms of programme architecture is expected in some programmes, others anticipate more extensive change. In terms of the Commission's 11 **proposed thematic objectives**, the main themes expected to be given an increased focus in future IQ-Net programmes are energy efficiency, renewables and low-carbon economy, RTDI, SMEs and social inclusion. **Use of Financial Instruments is often expected to increase**, or at least stay at the same level. The Commission's proposals in the fields of Smart Specialisation Strategies, Community-Led Local Development and ITIs are being addressed in a range of ways by programmes.
- **Future management and implementation arrangements are also still largely undecided**, but linked to anticipated changes in programme architecture, a degree of rationalisation is already anticipated in a few programmes, along with broad continuity in others.

**A BALANCING ACT:  
MANAGING THE PROGRAMMES, CLOSURE AND  
PREPARATIONS FOR 2014-20**

**REVIEW OF PROGRAMME IMPLEMENTATION  
SPRING - AUTUMN 2012**

**TABLE OF CONTENTS**

<b>1.</b>	<b>INTRODUCTION .....</b>	<b>1</b>
<b>2.</b>	<b>THE CURRENT 2007-13 PROGRAMME PERIOD.....</b>	<b>3</b>
2.1	Financial progress .....	3
2.1.1	<i>Financial implementation in the EU27 .....</i>	<i>3</i>
2.1.2	<i>Financial progress in IQ-Net programmes.....</i>	<i>4</i>
2.1.3	<i>Spending challenges and responses .....</i>	<i>8</i>
2.2	Programme management .....	12
2.2.1	<i>Implementation structures and procedures .....</i>	<i>12</i>
2.2.2	<i>Audits.....</i>	<i>13</i>
2.2.3	<i>Financial engineering instruments .....</i>	<i>15</i>
2.2.4	<i>Evaluation .....</i>	<i>16</i>
2.2.5	<i>Strategic Reports 2012 .....</i>	<i>18</i>
2.2.6	<i>Programme closure.....</i>	<i>20</i>
<b>3.</b>	<b>PREPARATIONS FOR THE 2014-20 PROGRAMME PERIOD .....</b>	<b>23</b>
3.1	New implementation framework .....	23
3.2	Preparations for the future.....	23
3.2.1	<i>Progress with Partnership Agreements.....</i>	<i>23</i>
3.2.2	<i>Consultation processes .....</i>	<i>25</i>
3.2.3	<i>Progress with operational programmes .....</i>	<i>26</i>
3.2.4	<i>The ex-ante evaluations for 2014-20 .....</i>	<i>28</i>
3.2.5	<i>Content of future programmes - early indications.....</i>	<i>29</i>
3.2.6	<i>Future management and implementation arrangements .....</i>	<i>42</i>
<b>4.</b>	<b>CONCLUSION .....</b>	<b>45</b>





# **A BALANCING ACT: MANAGING THE PROGRAMMES, CLOSURE AND PREPARATIONS FOR 2014-20**

## **REVIEW OF PROGRAMME IMPLEMENTATION SPRING - AUTUMN 2012**

### **1. INTRODUCTION**

We are nearing the end of the sixth year of the current 2007-13 programme period. Concerns around the management and implementation of the current programmes centre on ensuring full commitment, maintaining or increasing the level of payments, as well as planning for timely project and programme closure and preparing the 2012 Strategic Reports. Programme managers are balancing these demands with preparing for a new programme period at the same time. The ongoing economic crisis has changed the economic context within which many programmes are operating, and at EU level, there is pessimism over a budget settlement being reached before the end of the year, and as Cohesion policy is 'being placed in the heart of the European Agenda for growth', it is both 'in the spotlight and under high scrutiny at the same time'.<sup>1</sup>

The aim of this paper is to review recent developments in the implementation of the 2007-13 programmes, while also looking at preparations for the 2014-20 period. It draws on a mix of desk research and interviews with staff working on the implementation of Structural Funds programmes in the 14 Member States where managing authorities and programme secretariats are partners in IQ-Net. The surveyed programmes collectively account for about one-third of Cohesion policy spending and encompass a mix of Convergence, Regional Competitiveness & Employment, and Phasing-In/Out regions. The desk-based research has focused on EU-level and programme documents, including financial performance and monitoring data. Interviews were conducted with managing authorities, programme secretariats and national coordination bodies.

The paper is divided into two parts, focusing on the 2007-13 programme period, and proposals and preparations for 2014-20 respectively. Section 2 reviews the state-of-play of the 2007-13 programmes, in terms of progress with absorption, responses to spending challenges, new developments in programme management and preparations for closure. Section 3 turns to the 2014-20 programme period, with a review of progress with preparing the Partnership Agreements and operational programmes, while Section 4 concludes the paper.

---

<sup>1</sup> Hahn J (2012) Regional Policy at the Heart of the EU Agenda. Speech at the Open Days 2012/Brussels. 8 October 2012. [http://europa.eu/rapid/press-release\\_SPEECH-12-700\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-12-700_en.htm?locale=en)



## 2. THE CURRENT 2007-13 PROGRAMME PERIOD

### 2.1 Financial progress

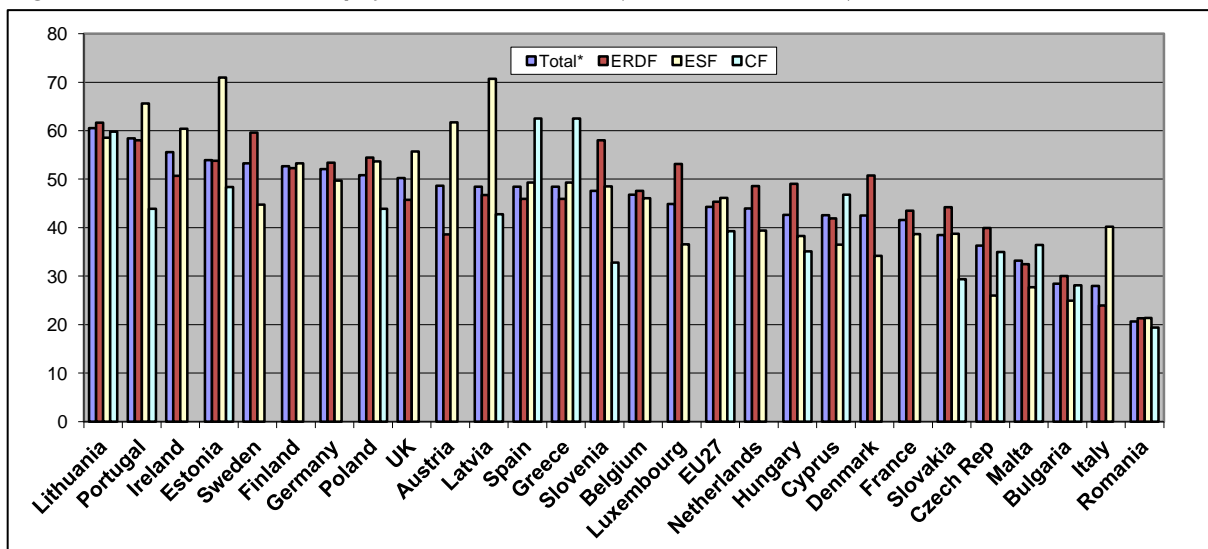
#### 2.1.1 Financial implementation in the EU27

Over the last six months, significant progress has been made with financial absorption in the EU27 in most cases. After increases of about five percentage points every six months since 2010, payments have increased by 6.7 percentage points from 37.4 percent in May 2012 to 44.1 percent (7 November 2012). However, as Figure 1 shows, there are marked differences between Member States and Funds. In November 2012:

- the highest overall payments were reported for Lithuania (60.5 percent), Portugal (58.4 percent) and Ireland (55.6 percent);
- the lowest rates continue to be found in Bulgaria, Italy and Romania, with the latter still below 21 percent;
- there have been very significant increases in some countries, e.g. in Portugal (13.0 percentage points), Latvia (12.1 percentage points) and Lithuania (10.1 percentage points). Yet, in other countries progress has been comparatively slow, e.g. 1.7 percentage points in Romania and 0.0 percentage points in Ireland.

In terms of individual Funds, payments are most advanced for the ESF (46.1 percent), followed by ERDF (45.4 percent), while payments for the Cohesion Fund are slower at 39.3 percent. Particularly high rates can be found for the ESF in Estonia (71.0 percent), Latvia (70.7 percent) and Portugal (65.6 percent), while Cohesion Fund payments are highest in Greece and Spain (both at 62.5 percent) and in Lithuania (59.8 percent).

**Figure 1: Structural Funds payments in 2007-13 (7 November 2012)**



Source: Commission data from 7 November 2012

Note: EU27 excludes EU cross-border cooperation and Interregional cooperation programmes.

### **2.1.2 Financial progress in IQ-Net programmes**

With the programme period now at the end of its sixth year, commitments are above 67 percent in all IQ-Net programmes (except Italy) and figures are as high as 100 percent in Wales or 96 percent in Vlaanderen. In addition, some managing authorities such as Nordrhein-Westfalen have already received more than sufficient project applications to cover the remaining of available funding. Yet, payments are sometimes comparatively slow in spite of high commitment figures. This is not least due to payment interruptions following audit issues and lack of co-financing and demand caused by the current crisis. However, overall, financial progress in IQ-Net programmes can be considered to be satisfactory in most cases.

- **Austria (Niederösterreich, Steiermark).** Financial progress in both Austrian programmes continues to be satisfactory, in spite of now resolved audit issues. In Niederösterreich, commitments increased to 67 percent and payments to 37 percent (10 October 2012). At Measure level, payments are most advanced in the areas of business-related and technology infrastructure (46 percent) and flood protection (55 percent). In Steiermark, commitments stand at 70 percent and payments at 33 percent (18 September 2012). Looking at Measure level, above average payments can be reported for the themes of environment and tourism, while R&D is lagging behind.
- **Belgium (Vlaanderen).** Financial progress is deemed satisfactory in Vlaanderen. In October 2012 a total of 470 projects have been accepted which represents an increase of 8 percent on March 2012. Most projects have been accepted under Priority 1 (the knowledge economy and innovation) (39 percent). The lowest number of projects was accepted under Priority 4 (urban development) (9 percent). ERDF commitments are currently at 96 percent, an increase of three percent from March 2012. Payments are at 53 percent, with a 12 percent increase in recent months. There have been increases in commitments under all Priorities. The largest increase (€3.6 million) was recorded in Priority 4. The majority of available funds are in Priority 4 (18 percent). All other priorities have commitment rates of above 99 percent. In relation to operational goals in each priority, there are some large differences. For every goal the same number of calls was launched but some received a greater response (awareness-raising) than others (internationalisation). This does not cause any technical or legal difficulties, as funds can be reallocated within Priorities. The Managing Authority's strategy has been to maximise the number of projects accepted in each priority, and as such, budgets have been reallocated according to the project response.
- **Czech Republic.** From a national level perspective, financial progress has not taken a great step forward, especially as regards the processes of certification and reimbursement from the EC side. The commitment rate of the NSRF has increased by only five percentage point to 78.1 percent (5 September 2012) and payments are at 46.6 percent. The lowest increase (1.3 percentage point) has occurred in the certification rate, which remains at 19.3 percent. Nevertheless, rates still differ widely across individual operational programmes. Payments range from 74 percent

for the OP Transport to only 26 percent for the Integrated OP, certification has been accomplished at 56 percent in the ROP South-East, while in the OP Research and Development for Innovations reaches only four percent. As concerns the Integrated OP, while commitments are more or less average - at 76 percent - only 11.4 percent of expenditure has been certified. The most unsatisfactory situation remains for Measures 3.1 (social integration) and 3.3 (social services in employment) for which commitments reach only 24 and 44 percent respectively and payments are only at 2.6 and 2.5 percent respectively. In addition, the unfavourable situation dominates also for the Measure 4.1 (support of tourism at national level).

- **Denmark.** Progress with implementation is generally satisfactory in Denmark. In contrast to the previous reviews, commitments for ESF (88.2 percent) are slightly higher than commitments for ERDF (87.9 percent). However, payments stand at 30.0 percent for ESF and 43.0 percent for ERDF. In Denmark, the Regional Growth Fora undertake programme administration at the regional level concerning both ESF and ERDF, and absorption also varies between regions and programmes, although not to an extent that is giving cause for concern.
- **Finland (Länsi-Suomi).** Financial progress is deemed to be satisfactory in Länsi-Suomi. Commitments for ERDF (77.1 percent) and ESF (79.6 percent) are close to the national average of 81.7 percent and 78.7 percent respectively (20 September 2012). However, ERDF payments are behind the national average (49.9 percent), although they increased over the last six months to 44.9 percent for ERDF and 52.0 percent for ESF. Financial progress is slightly behind schedule. Commitments are highest in Priority 2 (promotion of innovation activity and networking, and reinforcing knowledge structures) at 83.3 percent, followed by Priorities 4 (support for large city regions) at 79.5 percent, Priority 3 (regional accessibility and enhancing the business environment) at 77.8 percent and Priority 1 (promotion of business activity) at 76.0 percent. The development of Priorities has been somewhat balanced in comparison to other regional OPs (especially Itä-Suomi), in which Priority 3 has progressed much faster than the others, and with commitment at 100 percent.
- **France.** Overall, commitment rates for ERDF programmes under the C&E objective for 2012 are good, standing at 72.4 percent. However, payments are lagging behind at 32.3 percent of EU funding (figures for 1 October 2012). There is some variation at regional level, with commitments lying between 59.5 percent (Champagne-Ardenne) and 83.3 percent (Midi-Pyrénées) and payments between 23.8 percent (Île-de-France) and 45.1 percent (Rhône-Alpes). Under regional ESF programmes for the C&E objective, figures are higher for commitments (87.2 percent) but also low for payments (32.9 percent). In the Convergence regions, ERDF commitments are at 65.7 percent and payments at 29.5 percent, while ESF commitments are at 79.8 percent and payments lagging behind at 18 percent.
- **Germany (Nordrhein-Westfalen, Sachsen-Anhalt).** The level of commitments in the Nordrhein-Westfalen ERDF OP is strong at 91 percent of the total financial

allocation, and the managing authority has already received more than sufficient project applications to cover the remaining nine percent of available funding. Indeed, the amount requested in outstanding project applications is more than the available funds. However, the level of payments remains lower than would be wished, due to absorption difficulties that relate to the character of many of the projects funded (e.g. many small innovative projects which largely fund staff costs and where there is significant scope for delays and/or errors with payment claims). Absorption is also very good in the Sachsen-Anhalt ERDF OP, which at 31 August 2012 had committed 81.3 percent of funds (€1.57 billion) and had a payment rate of 54.9 percent (€1.06 billion). Performance is less strong in the Sachsen-Anhalt the ESF OP, which by 31 August 2012 had committed 61.0 percent of funds (€393 million) and had a payment rate of 41.6 percent (€268 million).

- **Greece.** With commitments at NSRF level above 73 percent and payments at 40 percent, financial progress is deemed to be satisfactory (29 October 2012). However, financial performance differs widely between programmes. Although regional OPs continue to perform generally better than the national average, there is considerable variation at the regional level, with commitments ranging from 60 percent (Attiki) to 104 percent (Thessalía-Sterea Ellada-Epeiros) and payments between 36 percent (Attiki) and 62 percent (Thessalía-Sterea Ellada-Epeiros). In contrast, figures are lower for sectoral OPs; the Digital Convergence OP and the Reinforcement of Public Administration Efficiency OP have the lowest commitment rates (34 percent and 37 percent respectively) and absorption rates (23 percent and 14 percent respectively). Amongst the sectoral programmes, performance is significant for the Competitiveness and Entrepreneurship OP which includes State aid actions for support to SMEs, R&D and energy saving measures. Commitments for this OP stand at 112 percent and payments at 67 percent.
- **Italy (OP Research and Competitiveness).** There has been no significant financial progress made during the last six months. Commitments have remained at 38 percent and payments at 25 percent of available funding since the end of 2011. Only 'Innovative Investment projects' (IIPs) and the 'Registration, Evaluation and Authorization of Chemicals' showed minor financial progress; for the IIPs, this was due to a number of procedural simplifications introduced.
- **Poland (Śląskie).** At end-September 2012, 84 percent of allocations had been contracted and the certifying authority had approved the statement of expenditure submitted by the managing authority for 42 percent of the allocation. The most advanced Priorities in terms of implementation at all levels are: Priority 9 Health and Recreation (signed contracts at 97 percent, payments at 85 percent) and Priority 4 Culture (signed contracts at 99 percent, payments at 77 percent). Payments in Priority 2 Information Society are the lowest. There is also low use of the allocation in Priority 1 Research and technological development, innovation and entrepreneurship (signed contracts at 59 percent, payments at 40 percent). The low level of payments under Priority 2 Information Society is a consequence of previous legal problems with State aid. There have been some serious delays in the implementation of regional priorities of the ESF-funded human capital OP (that is

priorities 6-9). The best performing priority is currently Priority 9. Spending had previously been slow but there are high levels of demand from schools and a number of projects are now running. Priority 6 is a 'systemic' project organised by the regional labour office on behalf of the ESF unit; Priority 8 on Knowledge transfer is also being implemented by the regional labour office. Absorption has been good but this Priority has substantial funding and there is still significant funding left.

- **Portugal.** The financial implementation of the programmes is progressing well and is reported to be above the EU average. The latest implementation data shows that 85 percent of ERDF/CF funds were committed by October 2012, while payments are running at 45 percent of the total allocation. There are marked variations across programmes. For instance, the lowest commitment rate is in the NOP Territorial Development, although spending in this programme is close to the national average. Most programmes achieved their n+3 targets for 2012 by the end of September and those that had not (Algarve and Technical assistance OPs) were expected to do so by the end of the year.
- **Slovenia.** Financial performance in Slovenia is satisfactory. Overall absorption figures increased to 79 percent (commitments) and 45 percent (payments) (30 September 2012). The ESF OP performs best in terms of commitments (92 percent) and payments are also high at 48 percent. The ERDF OP reports the highest payment rate (55 percent), while commitments stand at 87 percent. Finally, the OP supporting infrastructure, which is co-financed by both ERDF and Cohesion Fund, is slightly behind the average, and commitments are at 63 percent, while payments stand at 24 percent.
- **Spain.** The latest available data shows that the implementation rate was 74 percent at the end of 2011 for the País Vasco ERDF OP. Progress with the Bizkaia component is deemed satisfactory and no difficulties are expected in certifying the remaining funds as all the projects are being implemented. However, co-financing and demand challenges have arisen as a result of the crisis, which is having negative consequences on the spending rhythm of various other regional programmes across Spain.
- **United Kingdom.** The Scottish, English and Welsh programmes are fully committed in practical terms.<sup>2</sup> In Scotland, commitment stands at 96 percent for the Scottish programmes as a whole, while in Wales, the level of commitments have risen to a rate of 100 percent in principle for all four programmes, if the two major projects that are going through the system are included. In England, commitment stands at 73 percent for the ten English ERDF programmes as a whole, and when the project pipeline is added to commitments already made, the figure for all programmes is over 100 percent (all figures for October 2012). There is also good progress with

---

<sup>2</sup> The United Kingdom programmes' budgets are given in Euros, and pound sterling figures are based on estimates and will vary with changes in the exchange rate during the lifetime of the programmes. The percentage rates given for Scotland and Wales are percentages of the pound sterling figures.

regards to payments - payments for the Scottish programmes as a whole have risen by 12 percent to 52 percent; in Wales, payments have risen by eight percent to 38 percent for the programmes as a whole; and in England, payments stand at 44 percent, up six percent.

### **2.1.3 Spending challenges and responses**

In spite of spending challenges in many IQ-Net programmes over recent years, **most programme authorities are not expecting any issues with decommitment** this year (Denmark, Finland, Nordrhein-Westfalen, Portugal, Śląskie, Slovenia, Vlaanderen, United Kingdom). Although a few programmes have encountered payment challenges, they are optimistic about meeting n+2 (Niederösterreich, Portugal, Sachsen-Anhalt ESF OP). In the Czech Republic, the optimistic expectations from the spring that n+3 would not represent any significant challenge in 2012 have turned into pessimistic prospects. Currently, six OPs (including the Integrated OP) are under threat from the n+3 rule for 2012. In France, ten OPs have already certified a sufficient level of ERDF expenditure to avoid automatic decommitment at the end of 2012, but the other twelve still have to achieve this target and therefore need to spend more than €600 million by the end of the year. Also in Italy, the current risk of decommitment will remain high in the near future.

The economic crisis has caused major challenges for regional development policymakers across Europe. With regard to Structural Funds programmes, there have been problems of demand and match-funding in many Member States. Finland and Spain are good examples. Under the Länsi-Suomi programme there have been difficulties with co-financing as the government made a decision in December 2011 that national Finnish level co-financing of Structural Funds will be capped at €30million.<sup>3</sup> The central government expects that the funding shortfall could be replaced by an equivalent increase in local-level co-financing. Given the local governments' economic constraints, this request causes pressures and Länsi-Suomi will not meet their (original) local-level co-financing targets in 2012. Second, demand has fallen, along with companies' investment interest during the summer-autumn 2012. Despite the concerns, payments are expected to increase swiftly in the near future.

While decommitment is unlikely for the current year, **issues with n+2(3) might arise in the coming years** (Czech Republic, France, Länsi-Suomi, Śląskie ESF). In the Czech Republic, there is a risk envisaged for the end of 2013, when both the funds for 2010 (still under the n+3 rule) and for 2011 (n+2) will have to be certified, with the current suspension of payments causing further delays. In Śląskie ESF, reallocation of central level measures and certification issues has created some challenges. In France, the Commission has sent alert letters (September 2012) to 19-20 out of the 26 managing authorities; currently 16 regions are still concerned. The rescue plans for these regions present an additional n+2 risk that had not been anticipated.

---

<sup>3</sup> Kah S (2012) Planning for the future while maintaining focus on spending: Review of Programme Implementation, Winter 2011 - Spring 2012, *IQ-Net Review Paper* 30(1), European Policies Research Centre, University of Strathclyde, Glasgow. [http://www.eprc.strath.ac.uk/ignnet/downloads/IQ-Net\\_Reports%28Public%29/ReviewPaper30%281%29final.pdf](http://www.eprc.strath.ac.uk/ignnet/downloads/IQ-Net_Reports%28Public%29/ReviewPaper30%281%29final.pdf)



**Programme authorities have adopted different strategies** to avoid issues with the n+2(3) rule and speed up absorption. In order to secure due care regarding the n+2 rule, the programme authority in Denmark has focused on ensuring that as much project expenditure as possible is registered and that commitments are executed swiftly. In Wales, the managing authority has approved and will pay a project in Euros rather than £ Sterling to help to manage exchange risk. Italian programmes have made additional allocations to FEIs.

France adopted the European Growth Pact of 28/29 June 2012 with a reference made to the importance of mobilising non-committed Structural Funds. In this context, two government circulars were issued in August 2012 to speed up commitments and spending. The main measures recommended by the government are to make greater use of interventions in the field of energy efficiency and housing following the lifting of the four percent cap on expenditure on this theme (which was initially applied at programme level and of which only 1.5 percent had been used by 1 April 2012), the use of FEIs and the simplification of project management. However, it is still too early to see an effect as most of the suggested measures had already been used by the managing authorities, and discussions with the Commission are still on-going on a couple of points (e.g. on an increase in co-financing rates and flexibility on the earmarking). Also, the Commission response on major projects, of which ten are still on hold, is not seen to be satisfactory.

In order to respond to spending or country/programme specific implementation challenges, **many programmes have recently been revised or are in a process of revision** (France, Greece, Italian OP R&C, Nordrhein-Westfalen, Sachsen-Anhalt, Śląskie ESF, Spain). For example in France, a number of regions (i.e. around half of them) have revised their OPs in order to create or enhance FEIs, often linked to their Regional Innovation Strategies. Further revisions were also made in order to allow for the implementation of the RIS.

In June-September 2012, the Commission finally **approved changes to the some programmes that were originally proposed in autumn 2011** (Nordrhein-Westfalen, Sachsen-Anhalt). In Nordrhein-Westfalen, the key changes involved several funding reallocations:

- shifts from Priority 1 (Strengthening the business base) and Priority 3 (Sustainable urban and regional development) to Priority 2 (Innovation and the knowledge-based economy), because Priority 2 is showing significantly stronger demand than the other two; and
- the allocation of funding for combined heat and power (CHP) projects, which are prioritised under the *Land's* policy on climate change. However, the level of demand for this type of support remains to be seen, given that the flow of bank credit for private investment in Germany is good at present.

In Sachsen-Anhalt, the changes were not prompted only by n+2 pressures but also to improve the programmes' alignment with *Land* policy priorities. Funds were reallocated towards *Land* policy priorities (mainly to energy efficiency and ICT connections in schools and nursery schools), which are also consistent with the proposed Cohesion policy priorities for 2014-20. In Sachsen-Anhalt ESF OP, funding was reallocated towards:

- the Regional Employment Initiative (*regionale Beschäftigungsinitiative*) which provides advice and support to families in receipt of the lowest level of income support, with the aim to prevent ‘break unemployment cycle’;
- literacy programmes for adults;
- ‘Camp Fit’, which aims to reduce school drop-out rates; and
- the Year of Voluntary Social Engagement for Culture (*Freiwilliges Soziales Jahr ‘Kultur’*).

**Many revisions are still pending** (Greece, Italy, Portugal, Śląskie). In Greece, the national authorities have completed the second stage of the OPs’ revision (with the exception of the Accessibility Improvement OP) and submitted them to the Commission in September 2012. The revisions aim to facilitate financial absorption arising from the Economic Adjustment Programme (Memorandum) and from the automatic decommitments, and involve: enhancing competitiveness and entrepreneurship related measures; facing the impacts from the increased unemployment rates and the recession; addressing overbooking issues and delays in sectors/actions/projects and promoting new development activities and projects; and revising the OPs’ quantified targets and indicators system. In order to resolve absorption problems, also most Spanish regions have put forward proposals to reprogramme funds across or within Priorities during monitoring committees meetings in June/ July 2012.

In the Italian OP R&C, there is a revision connected to the new national Cohesion Action Plan (*Piano d’Azione Coesione*), which aims to boost the considerably delayed Structural Funds programmes. The changes involve a reduction of the national co-financing quota (from 50 percent to 30 percent) and consequently, the overall endowment from €6.2 billion to €4.4 billion. The Śląskie ERDF programme managing authority has applied to the Commission for reimbursement of expenses at the level of 44.9 percent of the current allocation of the OP. In Portugal, the proposed revisions (see Box 1) are part of a general NSRF re-programming exercise, to take account of the Portuguese government’s strategic priorities relating to the process of macroeconomic adjustment and the Program of Economic and Financial Assistance agreed with the Troika in May 2011. The general objectives of the NSRF reprogramming in Portugal are:

- To contribute to the consolidation of public finances by optimising the remaining EU funding available under the NSRF;
- To stimulate the production of tradable goods and services and general financing conditions for firms, in particular those contributing to the improvement of the external balance of payments;
- To strengthen support for human capital formation, particularly in the areas of education, science and training;
- To promote support for young job-seekers and the unemployed.

### Box 1: Proposed programme revisions in Portugal

Proposals for revisions to the OPs were submitted to the European Commission in July 2012 as part of a general NSRF reprogramming exercise. The main financial and technical changes include:

- Strengthening support for employment and the unemployed, particularly youth employability
- Reinforcement of funding to stimulate business investment through the incentive schemes
- Increased resources for dual certification training for young people, particularly in the context of combating early school leaving
- Strengthening support for social inclusion of vulnerable groups
- Strengthening support for R&D, training and advancing higher education
- Adjustment of funds for infrastructure projects to conditions of physical and financial achievement
- Creating conditions for the completion of the investments in the Multi-Purpose Alqueva Project (a major dam/irrigation project)
- Clarification and simplification of the framework for eligibility of OPs
- Increased co-financing rates to speed up the implementation of public investment in a context of strong fiscal consolidation

Only a few IQ-Net programme authorities are planning to revise their programmes further in the near future (Slovenia, Steiermark). Steiermark is planning to amend its OP in the context of action plans related to duplicate funding to universities. Also, the Portuguese government is currently preparing a ‘strategic revision’ of the programme with the aim of reducing national co-financing and to focus on key priorities.<sup>4</sup> As part of this strategic revision, commitments are being reviewed. Also in the Czech Republic, the managing authority has applied some aspects of crisis management to projects that are not implemented as scheduled (i.e. up to 1-2 year delay).

However, financial absorption is monitored closely and many programme authorities are ready to take additional steps to meet n+2 (3), such as transfers between measures or a reduction of the national co-financing quota (e.g. Länsi-Suomi, Śląskie). In Wales, a lot of activity is already taking place checking whether projects have a potential to de-commit funds, so that these can be recommitted elsewhere.

---

<sup>4</sup> Kah (2011) *Op.cit.*

Generally programmes have been moving resources to priorities that are performing best, or have strategic importance. These include for example support for innovation and business (France, Nordrhein-Westfalen, Śląskie) and energy efficiency (Nordrhein-Westfalen, Sachsen-Anhalt). Furthermore the economic crisis and increasing (youth) unemployment has prompted some changes (e.g. Greece, Portugal, Sachsen-Anhalt, Scotland). For example in Śląskie ESF OP, project selection criteria are being revised to respond to the EU focus on youth issues and in Scotland, any underspends remaining in all four programmes (ERDF and ESF) have been refocused into a pot for youth unemployment, accounting for €31 million. Lastly, in Greece a new call for support to enterprises in manufacturing, tourism, trade and services has been launched as a part of implementing actions to tackle the current economic crisis. The scheme will be co-financed by the regional OPs.

## 2.2 Programme management

### 2.2.1 Implementation structures and procedures

With roughly one year left of the 2007-13 programme period, there have not been any major changes to implementation structures and procedures in most IQ-Net countries and regions in the last six months.

Implementation structures have been adjusted as a result of government change (England, Slovenia). In Slovenia, as a result of government change in February 2012, the former managing authority Government Office for Local Self-Government and Regional Policy has been integrated into the Ministry of Economic Development and Technology and became the EU Cohesion Policy Directorate. As part of this, also the Division for the Planning, Monitoring and Evaluation of Development, which is responsible for the planning of the 2014-20 programmes, has been integrated into the EU Cohesion Policy Directorate. The merger of some Ministries has also led to the reduction in the number of intermediate bodies, thereby optimising the implementation structure and enabling stricter financial control by the managing authority over the activities of intermediate bodies. In United Kingdom, the implementing provisions of all English ERDF OPs except London have been amended. This reflects the fact that The Department for Communities and Local Government, the managing authority, took over day-to-day management and delivery of the programmes through locally based Programme Delivery Teams following abolition of the Regional Development Agencies, which had formerly acted as intermediate bodies. Since then, some administrative standardisation has been put in place, including a single application process and full adoption of the standard management information system.

Some adjustments have been made as a response to unsatisfactory performance (Czech Republic, Śląskie ESF, Wales). In the Czech Republic, as a response to unsatisfactory performance of certain measures in the Integrated OP, the managing authority took over responsibilities of the Ministry of the Interior for a number of measures. This change to responsibility is considered not only as a solution for problematic administration but also as a warning for other implementing bodies which have not performed well. In the Śląskie ESF OP, the revision of responsibilities was related to on-going problems with the implementation of national-level priorities. As the regional-level priorities have performed

better than the national, the regional level will take over responsibility of the implementation of some national-level priorities by the end of 2012.

### **2.2.2 Audits**

Over the past six months, audits carried out by both the Member States' domestic audit authorities and EU-level bodies continued to affect the implementation of IQ-Net programmes.

In September 2012, the Commission awarded Portugal's Audit Authority - the Inspection General of Finance (IGF) - a '**contract of confidence**' which guarantees the quality of the AA's work. The contract of confidence is valid until 2016. The IGF is the only Audit Authority in the EU to renew its contract of confidence in two consecutive periods since the Commission initiated this assessment procedure. According to the Commission, the Audit Authorities of Portugal and Sweden were ranked in first position of all EU27 Member State Audit Authorities.

**Recent audits have been carried out by domestic bodies** in many IQ-Net programmes (Denmark, France, Niederösterreich, Śląskie, Slovenia, Steiermark, Vlaanderen). The domestic audits have led to interruption of payments only in France and Niederösterreich. In France, ERDF payments were interrupted January - September 2012, following the annual report by the Interministerial Commission for Coordination of Control, in December 2011. Since then, measures have been taken at national level to allow for the interruption to be lifted, on condition that 'remedial action plans'<sup>5</sup> are submitted for the concerned programmes. Managing authorities have been asked to draw up these plans and, among other things, they may lead to a change in funding allocations for individual interventions. Also in Niederösterreich, the managing authority has prepared an action plan responding to issues identified by the domestic audit authority and the suspension was lifted in October 2012. In both cases, the interruption has caused financial absorption pressure for managing authorities.

**Only minor changes during this period** are expected to result from some of the audits which have been carried out. In Vlaanderen, the results of a recently conducted project audit are being processed and only some minor issues have been noted. The audits are partly carried out by the Audit Authority (the Inspection of the Ministry of Finance in Vlaanderen) and partly by an externally contracted body. The Slovenian Cohesion policy implementation system for 2007-13 (covering all three OPs and the period 2006-10) has been audited by the Court of Audit of the Republic of Slovenia. The final report in September 2012 asked for a more efficient implementation system and therefore argues for improvements during the preparation of the 2014-20 programmes.

**Action plans have been prepared** as a response to Commission and domestic audits that led to interruption of payments (Czech Republic, Niederösterreich, Spain, Steiermark):

---

<sup>5</sup> DG Regional Policy Annual Activity Report 2011:  
[http://ec.europa.eu/dgs/regional\\_policy/document/aar2011\\_en.pdf](http://ec.europa.eu/dgs/regional_policy/document/aar2011_en.pdf)

- As a result of negative audit findings in managing and control systems of ERDF and CF, the Czech Republic adopted an action plan. However, by July 2012 the interruption was lifted only for some (R)OPs and there are still six (R)OPs (including the Integrated OP) affected.
- In Spain's País Vasco ROP, payments were interrupted as the Commission rejected the audit authority's audit report because it had not finalised all of the audits it had planned. The AA has since completed its audits and has submitted a new audit report to the Commission.
- Steiermark is currently finalising two action plans as a response to audit results. The first one, relating to issues with a major intermediate body (the Styrian Business Agency), was finalised in October 2012. The second one relates to issues with alleged duplicate funding for universities; the action plan will be ready before the end of 2012. In the context of action plans, Steiermark is going to amend its OP in 2013.
- Niederösterreich also prepared action plans, resulting in a lifting of the suspension of payments in October 2012.

**The European Court of Auditors (ECA)** has conducted an audit of financial engineering instruments for SMEs.<sup>6</sup> Moreover, the ECA has contacted the Sachsen-Anhalt ERDF/ESF managing authority about a value for money audit that it is planning to undertake of measures that support business start-up centres co-financed by the ERDF. Fourteen relevant projects are now being assessed by the ECA.

Previous audits by the ECA have shown that public procurement is a major source of errors. **Failures in respect to public procurement rules** were identified in one quarter of transactions audited in 2011.<sup>7</sup> Other errors related to the declaration of ineligible costs, and to tendering and contracting procedures. However, the frequency of errors increased for all policy groups except the former policy group Cohesion, energy, transport and Administrative and other expenditure. The Court's testing of its sample of transactions found 59 percent of the 180 payments audited to be affected by error. For the budget heading Cohesion, energy and transport policy, the expected error rate is 6 percent at the EU-level (based on the ECA's sample testing).

Other difficulties reported by programmes related to audit were:

- **Need for a more efficient implementation system:** In Slovenia, the main implementation difficulties were frequent changes of personnel in decision-making positions and repeated changes of the structure of the implementation system and procedures. Also, the integration of European regulations with the domestic legal framework proved to be challenging. Other points noted by the Slovenian Court of

---

<sup>6</sup> <http://eca.europa.eu/portal/pls/portal/docs/1/13766742.PDF>

<sup>7</sup> European Court of Auditors (2012). Annual report on the implementation of the budget. Official Journal of the European Union 2012/C 344/01.

Audit include project selection procedures, the monitoring system and the efficiency of payment procedures.

- **The continuous audit burden:** In the Czech Republic, the IOP is under ‘permanent’ on-going audit from domestic auditors. Currently, there has to be one employee of the IOP managing authority dealing purely with audit findings.

### **2.2.3 Financial engineering instruments**

Over the past six months there have been concerns over financial engineering instruments set up by IQ-Net countries and regions (Czech Republic, Greece, England, Länsi-Suomi, Slovenia, Nordrhein-Westfalen). In Slovenia, the Slovene Enterprise Fund is progressing, but slowly, and in the Czech Republic, if projects are not selected by the first half of 2013, there is a risk that FEIs will not be able to use their allocations (OP Enterprise and Innovation, ROP Střední Morava, OP Prague Competitiveness). In Śląskie ESF, a call for financial engineering projects was launched under P6.2 (aimed at helping young graduates involved in innovation sectors) in August 2012. However only four projects were approved.

Indeed, there have been some concerns over the rate of spend under FEIs, not least because of lack of demand and co-financing. In Länsi-Suomi, the main concern has related to lack of demand largely because of limited markets. Also the managing authority of Nordrhein-Westfalen has noted that there is only limited business demand for these types of interventions at present, because the flow of bank credit to firms is good in Germany. Furthermore, in Greece the economic crisis and the subsequent difficulties faced by the domestic banking system are hindering the expression of high business demand for JEREMIE type products (Art. 44a) and there have been problems with co-funding, as the private sector has been reluctant to be involved in urban development projects as regards to JESSICA (Art.44 b).<sup>8</sup> In England, the issues were related to match funding, procurement and State aid. The national authorities consider that the role of the gap analysis should be strengthened at Member State level and updated regularly to improve implementation. Also in the Czech Republic, some spending challenges are envisaged in relation to Art. 44 b FEIs (urban development) because of lack of experience and launching JESSICA in the middle of the programme period. However, the experience gained for the next period is seen important.

In addition, a recent study on the use of FEIs under the 2007-13 programmes in France and the regions (to be finalised by early 2013) in response to the Commission’s June 2012 request for information revealed some difficulties in implementation of FEIs. Among these were technical issues and the capacity of managing authorities to implement them, the complexity of EU regulations including State aid and issues with monitoring and reporting. In addition, there are difficulties with the French legal system, which does not allow State services to become involved directly in FEIs.

---

<sup>8</sup> Kah S (2012) *Op.cit.*

Despite these difficulties, **the benefits of FEIs have been recognised** (e.g. Czech Republic, France, Greece). For example in France, general awareness of the importance of FEI has increased and actors are conscious that it is crucial to get involved. Currently, around 3-4 percent of ERDF is allocated via FEIs in France (i.e. €140-150 million) and there are now three Art. 44 a (SME support) FEIs (Auvergne, Provence-Alpes-Côtes d'Azur, Languedoc-Roussillon). Moreover, the Czech Republic considers that the absorption capacity of funds under the JASMINE, JEREMIE and JESSICA initiatives is satisfactory (JASMINE) (or good (JEREMIE, JESSICA)).

**Only in Finland, there have been moves to establish a new fund during the 2007-13 programme period.** This regionally-managed fund would invest in Oulu region to compensate for some ICT companies' mass lay-offs and to support new start-ups.

### **2.2.4 Evaluation**

**Several evaluations have recently been concluded** (Czech Republic, Finland, Nordrhein-Westfalen, Sachsen-Anhalt Śląskie ESF, Slovenia, Wales), **and others are currently underway** (Czech Republic, Greece, Portugal, Finland, Śląskie, Slovenia). The Annex provides an overview of all evaluation activities in IQ-Net countries and regions in the context of the 2007-13 programme period.

Many of the evaluations finalised recently have had a **thematic focus**. For example in Sachsen-Anhalt, four themes were evaluated in 2012 (as part of the on-going evaluation) including: 1) business aid, particularly delivered via the SME loan fund and the risk capital fund, 2) urban development, 3) the labour market inclusion of disabled people, and 4) environmental impacts. In the Czech Republic, many evaluations at the level of the NCA or the IOP concentrated on risk capital and financial instruments.

Some recently finalised evaluations include themes such as **innovation and business support**. In Slovenia, RTDI was evaluated recently ('Evaluation of measures to encourage R&D activities in the economy and institutions of knowledge'), while in Finland, thematic evaluations on innovation and business development are currently being carried out. The mid-term report concluded that networking activities have created added value only to a few companies. However, it is considered natural that companies prefer direct grants over more intangible networking support. The evaluation of the effect of funding on business revealed that the additionality of funding is good, and has had significant impacts on companies' growth and facilitated faster start-up.

Some evaluations concentrated on **improving processes**. In the Czech Republic, many recent evaluations have been process-orientated and in Greece, the on-going evaluation (for all NSRF OPs) focused on the OPs' second stage of revision. In Finland, the evaluation of the ERDF management system was finalised in March and concluded that the number of aid forms, steps in project process, the size of projects and number of intermediate bodies and projects have significant effects on management costs. In Nordrhein-Westfalen, the on-going evaluation of the competitive call approach (which is being used to allocate funds under Priority 2, 'Business innovation') was completed mid-October 2012. This evaluation



took a broad approach, covering both strategic and implementation issues (e.g. relating to commitment and payment processes).

In Śląskie, the managing authority has launched five evaluations funded by the ERDF, taking an **impact assessment approach** (see Table 1).

**Table 1: Impact evaluations underway in Śląskie, Poland**

<b>Evaluation title</b>	The evaluation of the implementation process and impact of the Regional Operational Programme for Silesia Voivodeship 2007-2013
<b>Status</b>	Agreement 7 August 2012; Final report 26 December 2012
<b>Purpose</b>	The purpose is to evaluate how the ROP has been implemented and which objectives have been achieved. The research also includes the appraisal of horizontal policies realisation and the assessment of the management and implementation system. The recommendations will be useful for programming the support and the implementation system of ROPs for the 2014-20 period.
<b>Evaluation title</b>	The impact of the Regional Operational Programme for Silesia Voivodeship 2007-2013 on the development of the information society in the region
<b>Status</b>	Agreement 24 July 2012; Final report 29 December 2012
<b>Purpose</b>	The purpose of the evaluation is to check whether the implementation of projects, which provide on-line services (front-office) and support management systems and transformation of information (including back-office) has affected the development of the information society in the region.
<b>Evaluation title</b>	The implementation of the objectives and priorities of the Lisbon Strategy and the Europe 2020 Strategy in the Regional Operational Programme for Silesia Voivodeship 2007-2013
<b>Status</b>	Agreement 10 September 2012; Final report 10 December 2012
<b>Purpose</b>	The purpose of the evaluation is to analyse of the impact of projects implemented under the ROP on achievement the objectives and priorities of the Lisbon Strategy and the EU Strategy 2020. The evaluation should also identify projects, which are good practises in implementing targets of these strategies.
<b>Evaluation title</b>	The analysis of the possibility of using financial instruments for supporting investments in the programming period 2014-2020 in Silesia Voivodeship
<b>Status</b>	Agreement 10 October 2012; Final report 3 December 2012
<b>Purpose</b>	The purpose of the evaluation is evaluate projects which the ROP have supported by refundable mechanisms and check the possibility of using refundable mechanisms for financing investments in the next period, including types of projects, beneficiaries and the amount of ERDF funds that should be dedicated to financial instruments.

In a few countries, **evaluation activities have been delayed** (Italy, Spain). In Spain, the time-frame for completing the two thematic evaluations on R&I and the Environment has been extended as a consequence of management changes and the delayed launch of the programmes. Additionally, the R&I evaluation will include an impact section, but data confidentiality issues have arisen concerning the use of beneficiary firms data. The impact section is likely to be finished by the end of the year. In Italy, a new evaluation plan was approved in May, reducing the number of evaluations from eleven to nine.

**The next main focus of evaluation is the ex-ante evaluations for 2014-20**, and only few IQ-Net countries or regions have planned further evaluations for the 2007-13 period (Sachsen-Anhalt, Wales). The Sachsen-Anhalt ERDF/ESF managing authority will continue to commission evaluations 2013-2015. Likely evaluation themes for 2013 are two of the new programmes introduced in the ERDF and ESF OP changes in 2012, because the *Land's* proposal to the Commission included a commitment that these new programmes would be

evaluated (especially as they are likely to be seen as possible fields of intervention in the 2014-20 OPs). The two themes are: a) the 'Stark III' programme (which funds investment in energy efficiency and ICT connections in schools and nursery schools) and b) the Regional Employment Initiative (which provides advice and support to families in receipt of the lowest level of income support). It is estimated that a further one or two themes will also be selected for the 2013 evaluation. In Wales, evaluations of territorial cooperation and of cross cutting themes are about to be procured.

### **2.2.5 Strategic Reports 2012**

Member States are required to submit a Strategic Report at national level by the end of 2012. On 19 January 2012, the Commission presented guidelines<sup>9</sup> on the contents (see Box 2), and **preparation of the 2012 Strategic Reports has started in all IQ-Net countries.**

#### **Box 2: Commission guidelines of strategic reporting**

The legal provisions of Article 29 of the Regulation No 1083/2006 require Member States to provide a concise report by the end of 2009 and 2012 the latest. The 2012 Strategic Reports should focus primarily on the following: evidence on the performance and effectiveness of Cohesion policy, as well as analysis of progress against core indicators, and any significant changes in programme targets; assessing the multiple and varied impacts of the economic and financial crisis that started in 2008/2009 on the programmes and on the programming context; providing examples of the contribution of the programme strategies to the Europe 2020 strategy and; provide a useful strategic input to the preparation of the next round of programmes (i.e. identify what has worked well and less well and what needs to be done to improve future programming).

The Commission proposes that Member States retain the indicative structure for the national reports used in 2009, identifying: the socio-economic situation and trends; achievements, challenges and future prospects in relation to implementation of the agreed strategy; and examples of good practice.

Following on the experience with the 2009 national reports, the Commission recommends for the 2012 report that the public version of the Strategic Report should include at least the written text of the report and good practices examples and that the reports should ideally not be longer than 50 pages. This means that the reports should be concise and strategic, while being based on solid analysis and avoiding excessive descriptive material. The aggregate data on programme indicators, financial spend (interim expenditure) and cumulative 'allocations to selected operations' should be presented in the body of the text.

---

<sup>9</sup> European Commission (2012) *Guidance note on indicative contents and structure for the national Strategic Reports 2012*, Working document prepared by the Coordination Committee of the Funds, COCOF\_11-0040-01-EN. Available at [http://www.oerok.gv.at/fileadmin/Bilder/3.Reiter-Regionalpolitik/2.EU-SF\\_in\\_OE\\_07-13/2.9\\_Rechtsgrundlagen/6.COCOF/COCOF\\_11-0040-01-EN\\_Strategic\\_reports\\_2012-final.pdf](http://www.oerok.gv.at/fileadmin/Bilder/3.Reiter-Regionalpolitik/2.EU-SF_in_OE_07-13/2.9_Rechtsgrundlagen/6.COCOF/COCOF_11-0040-01-EN_Strategic_reports_2012-final.pdf)

**Good progress has been made over the past six months with the 2012 Strategic Reports** in many IQ-Net countries and regions (e.g. Austria, Belgium France, Greece, Germany, Spain). Preparations are at different stages and often well advanced. For example in France, it is expected that the report will be submitted by mid-December and in Spain, the report is currently being finalised. In Greece, the draft version is expected by mid-November and in Austria, a draft will be presented to the ÖROK Commission of Deputies in November 2012. On the other hand, in Slovenia, a timeline has been prepared and teams defined. Similarly, in Portugal the structure and timetable has been approved by the interministerial coordination body of the NSRF.

**Responsibility of preparing the Strategic Report largely lies with the national level** (Greece, Finland, France, Germany, Italy, Poland, Portugal, Spain, United Kingdom). While for example in Poland and Finland, the responsibility lies with the relevant ministry, in some countries **programme managing authorities also feed in the preparations** (Belgium, Germany, Greece, Italy, United Kingdom). In the United Kingdom, the Strategic Report is being coordinated by the UK Department for Business, Innovation and Skills (BIS) but the programme managing authorities in England, Scotland, Wales and Northern Ireland each feed in on the performance of their programmes. **Sometimes the drafting or part of it has been outsourced** (Austria, Belgium, Germany). For example Vlaanderen has outsourced the drafting of the regional part of the combined ERDF and ESF Strategic Report. The region of Brussels is leading, and is responsible for combining all the regional reports.

Although many countries have chosen a similar approach to drafting as in 2009, there are some changes:

- As in 2012, Member states are at a more advanced point in programming, there is more to report in terms of delivery;
- The preparations for the 2012 Strategic Report have started earlier than for the 2009 report and drafting is considered easier because of experience with 2009 report;
- Third, as a result of COCOF guidance, the process and the report will be more concise and better structured than in 2009.

In a few countries, there are more fundamental differences in the approach taken in 2012 (Czech Republic, Denmark, Greece). For example in the Czech Republic and Greece, the report has predominantly been drafted internally this time.

**Many countries base their Strategic Reports 2012 largely on Annual Implementation Reports (AIRs)** (Denmark, Finland, France, Germany, Slovenia). As in Finland and France, who will build the 2012 Strategic Report solely on last year's AIRs, in Denmark they are seen as 'extended annual reports', including more strategic and political elements. In Germany, AIRs are completed with additional information collected from managing authorities. In Greece, the Strategic Report will be also based on evaluation material produced especially to feed into it. Portugal is launching a 'global strategic evaluation' of

the NSRF to feed into the process. The objective is to assess four themes (early school leaving, innovation research firms, environment energy efficiency, social inclusion).

**The challenges with the 2012 Strategic Report are mainly related to data** (Czech Republic, Finland, France). In France, the main issue is that the data on EU indicators are not always of good quality and in the Czech Republic, data was provided by the Commission too late and there were inconsistencies in some data. The Czech Republic perceives as a methodical problem that a different time horizon for evaluation of factual and financial progress is required from the part of the Commission. On the other hand, preparations in Finland have suffered from lack of sufficient resources (i.e. personnel).

**Some initial messages from the 2012 Strategic Reports are available.** In Vlaanderen, the most important finding of the ERDF report is that the programme has worked well. The impact of the report will therefore be minimal, as most of the funds have already been allocated. Also the Czech Republic has estimated that the report will not lead to changes in the NSRF. In France, the messages are expected to remain more or less stable, notably regarding the impact of the crisis, the emphasis on the innovation/ entrepreneurship priorities, and payment difficulties.

### **2.2.6 Programme closure**

Programme closure has **often been challenging for managing authorities and partners**, not least because of the difficulty of preparing for closure while still dealing with implementation of the current programmes and preparing new programmes. At programme level, the preparations for closure are just beginning, and are taking the form of guidance, organisational preparations, project checks and certification targets. There is a strong focus on facilitating project closure as a means of avoiding later systemic issues arising. As has been reported in previous review papers, there are mixed perceptions of the challenges of the closure process among programme authorities.<sup>10</sup>

Some **critical issues in programme closure 2000-06** were identified by DG REGIO<sup>11</sup> including: the financial crisis and the extension of eligibility period; problems with reconciling the information on irregularity cases; five percent sample of eligible expenditure for checks under Art. 10 of Reg. 438/2001; conclusion of on-going audits delaying the closure process; closure at measure level-flexibility requirements; overbooking to maximise receipts; unfinished operations and separate closure procedures for Cohesion Fund projects.

The **framework for closure** is being established by Commission guidelines. The first draft of the closure guidelines was presented at COCOF in May 2012<sup>12</sup>, and the second in August

---

<sup>10</sup> Mendez C, Bachtler J, Gross T and Yuill D (2006) The final year of the 2000-2006 period: Review of programme developments: Winter-Summer 2006, IQ-Net Review Paper 18(1), European Policies Research Centre, Glasgow. [http://www.eprc.strath.ac.uk/ignet/downloads/IQ-Net\\_Reports%28Public%29/IQ-Net\\_Thematic\\_Paper\\_18%281%29.pdf](http://www.eprc.strath.ac.uk/ignet/downloads/IQ-Net_Reports%28Public%29/IQ-Net_Thematic_Paper_18%281%29.pdf)

<sup>11</sup> <http://www.asz.hu/professional-event/lessons-learnt-in-2000-2006-and-guidelines-for-the-closure-of-the-current-programming-period/07-busch.pdf>

<sup>12</sup> [http://autorita-audit.interno.it/download/allegati1/draft\\_guidelines\\_on\\_closure.pdf](http://autorita-audit.interno.it/download/allegati1/draft_guidelines_on_closure.pdf)

2012. The final guidance on closure was presented at the COCOF in October and a decision by the Commission is planned for the end of the year. In addition, the Commission will organise seminars, trainings and document questions and answers concerning closure. The final date of eligibility of expenditure is the 31 December 2015, in accordance with Article 56(1) of the draft General Regulation, and the closure documents must all be submitted by 31 March 2017, as stipulated in Article 89(1) of the draft General Regulation.

The **major changes** compared to closure in 2000-06 include exclusion of the ten percent flexibility on the calculation of the final contribution at priority level. This had previously been provided for in closure of the 2000-06 programme period, but is now excluded by Article 77 of the draft General Regulation. Second, the closure of Cohesion Fund projects is addressed in programme closure. Third, the guidelines include a dedicated section both on major projects and financial instrument reporting. Fourth, the Audit Authority is required to check final statements and disclose discrepancies and/or systemic deficiencies, projected error rates by year and a residual error rate for the programme at closure. Fifth, there are changes for reporting for withdrawn/recovered amounts, pending recoveries and irrecoverable amounts (Art. 20, Annex XI of Reg. 1828/2006), recoveries covered by an annual statement submitted on a yearly basis and lastly commitments will remain open for the amounts declared under Annex XI.3, for which the Commission has requested further information or that the Member State continues the recovery procedure.

**COCOF closure guidelines are largely perceived as being useful** (Czech Republic, Finland, Denmark, Śląskie, Slovenia, United Kingdom). For example in Denmark, they have confirmed that the closure strategy initiated by the managing authority is 'on track'. Certain points in the COCOF guidelines have been found to be unclear, mainly relating to flexibility rules, and there is concern over the exclusion of the ten percent flexibility on the calculation of the final contribution at the priority level (e.g. Czech Republic, Finland, France, Niederösterreich, Sachsen-Anhalt, Slovenia, Wales). It is thought that this will lead to a great number of small programme revisions and hence not only to cause a burden for programme authorities but to the Commission as well. In addition, there are concerns over: income generating projects (e.g. France), phasing of major and non-major projects over two programme periods (Greece), lack of guidance for ETC Programmes (England) and availability of guidelines only in English (Sachsen-Anhalt).

At programme level, **the preparations for closure are just beginning**. In general, the process is expected to be similar to closure of the 2000-04/06 programmes. (Denmark, France, Slovenia, Wales). In Denmark, the programme closure process will be similar to its predecessor, which means among other things emphasising a high payment flow and having all the closure agreements prepared well in advance. If necessary, an extra commitment process will be initiated (depending on the progress of existing projects). In France, there may be scope for developing a more ambitious approach than in 2000-06, particularly to ensure close support for managing authorities based on an action plan and a strict timetable. It is however not clear how far this will be put into practice.

The preparations being taken to date are mainly in the form of **guidance, organisational preparations, project checks and certification targets**. First, with respect to **guidelines**, Finland and Slovenia have already prepared domestic closure guidelines and Poland is in the

process of doing so. Also the Czech Republic, Greece and France are planning to prepare guidelines or circulars upon the finalisation of the EU guidelines.

Second, **organisational preparations** include tours, workshop and recruitment and audit of closure preparations. In Finland, the closure preparations will continue with a regional tour and workshops organised by the Ministry of Employment and the Economy. In the Czech Republic, the National Control Authority is planning to start closure preparations in practice in the beginning of 2013. The managing authority of the Integrated OP has hired a person who will be responsible solely for closure. Also the Welsh managing authority is planning to recruit a Closure Manager by the end of 2012. Further preparations in Wales have included audit of the preparations for closure with the aim of learning lessons from previous closure. A number of United Kingdom-wide closure groups are in operation, including the Closure Practitioner Group (led by DCLG, the managing authority for the English ERDF programmes). This group also operated on closure at the end of the previous period, and the managing authorities for Scotland, Wales, England and Northern Ireland are represented on it.

Third, there has been a focus has been on **facilitating project closure** to avoid later systemic issues later (Bizkaia, United Kingdom). In Bizkaia, local authority projects have been checked to ensure that they fulfil closure obligations at a later stage. In England, the managing authority has taken the opportunity to standardise processes and all sub-national Programme Development Teams will use a standard project closure form. As part of this, there will be new post-closure monitoring requirements, e.g. with regard to State aid, Article 55, and post-closure audit visits to each project. Also Local Monitoring Committees will be looking at their own closure arrangements over the next year and the managing authority will be issuing guidelines to the programme development teams. In Wales and Scotland also the initial emphasis will be on getting the project closure process fully compliant, in preparation for programme closure.

Fourth, some countries and regions have set **targets for certification**. In Sachsen-Anhalt, the cabinet took a formal decision that all EU Funds would be paid out by the end of 2013. However, this will not be possible in practice and a new cabinet decision is being planned which will instead stipulate the end of 2015. Also in Śląskie ESF, there is a target of June 2015 to certify all expenditure.

### **3. PREPARATIONS FOR THE 2014-20 PROGRAMME PERIOD**

#### **3.1 New implementation framework**

After the presentation of the legislative package in October 2011, the Polish Presidency launched the formal negotiations on the draft regulations for the 2014-20 period in the Structural Actions Working Party of the Council of Ministers. The Presidency drafted compromise texts on the blocks of strategic programming and thematic concentration and a first formal exchange at ministerial level took place in mid-December 2011. Negotiations continued under the Danish Presidency in the first half of 2012.

The main focus of the Cyprus Presidency, launched on 1 July 2012, has been the Multiannual Financial Framework (MFF) proposals 2014-20. The Presidency sought to finalise the negotiations at Council level, so that they could be brought to the European Council for final agreement before the end of 2012. A fresh draft of the MFF, called the 'revised negotiating box', reduced the proposed budget by €50 billion from the original Commission proposal of one trillion euros (€1,000 billion). The proposals include a reduction of Cohesion policy funding by 14 percent from the €379.24 billion proposed by the Commission to €326.49 billion.

The next opportunity for Member States to reach agreement on the MFF will be at the extraordinary Summit of EU heads of state and government on 22-23 November 2012. A timely and successful conclusion of the negotiations on the MFF will be needed in order to allow Member States to proceed with the preparation of the new generation of programmes and their launch at the start of 2014. At time of writing (early November 2012), there appears to be considerable pessimism among Member States at the prospect of an agreement at the Special European Council, with real concern that a budget settlement might not be reached until February 2013 or even later.

#### **3.2 Preparations for the future**

##### ***3.2.1 Progress with Partnership Agreements***

It was noted in the Review Paper prepared for the June 2012 IQ-Net meeting that most IQ-Net Member States and regions had made considerable progress with their preparations for the 2014-20 period during the first half of 2012.<sup>13</sup> The process has been complicated by the wait for clarity on the EU-level financial framework, the regulatory proposals and related decisions at Member State and regional level about future programme architecture.

The **timetable of planning is regarded as more challenging** than previously, given the need for broader inter-ministerial consultation on the programming of CSF Funds and the obligations associated with the performance framework and ex-ante conditionalities, and preparation of Partnership Agreements (PA) is proceeding at different speeds across the EU.

---

<sup>13</sup> Kah S (2012) Planning for the future while maintaining focus on spending: Review of Programme Implementation, Winter 2011 - Spring 2012, *IQ-Net Review Paper* 30(1), European Policies Research Centre, University of Strathclyde, Glasgow.

The first drafts are expected towards the end of 2012 and early 2013. **Considerable progress** has been made in Austria, where a first draft of the PA, a so-called 'expert paper' (*ExpertInnenpapier*) was presented in July 2012. A second draft of the PA will be prepared in the first quarter of 2013. Then, after a second round of consultations, a final version will be ready towards the end of 2013.

**Draft Partnership Agreements are expected by the end of 2012** in the Czech Republic, Belgium, Poland and Slovenia, **and within the next six months** or so in France and Poland (March 2013), Italy (first quarter of 2013), Finland - final draft (May 2013) and Denmark (June 2013). In France, the timetable at national level is complex, largely because of the post-election period and on-going discussions about potential decentralisation. At national level, the preparation period is characterised by two closely linked aspects: the preparation of the PA and the decision on the management system of the funds, as the new management arrangements will have an impact on how the PA is conceived and, depending on the degree of (de)centralisation, the approach will be more or less top-down/ bottom-up, and a question remains about what degree of national steering will be required. The development process for the PA was launched in February 2012. In parallel, regional analyses and a separate national analysis are being developed. The results will feed into a synthesis report, which will become a part of the PA.

In Slovenia, two sets of documents are being prepared at the same time: domestic Slovenian development strategies and European strategies, i.e. the PA and OPs. The Ministry of Economic Development and Technology prepared a document outlining the interlinked preparation processes for all strategic documents for 2014-20, and the process was formally launched at the end of June 2012. PA and OPs are being drafted at the same time and a draft PA is expected by the end of 2012, while draft OPs should be ready in early 2013. An online public consultation was launched in September. A number of working groups fed into the PA drafting process in three phases; in the third and final phase, which will run until January 2013, a working group will prepare a macroeconomic and SWOT analysis and define the public financial framework up to 2020, feeding into a second draft PA.

Because the development of ERDF, ESF and EAFRD in Germany is strongly decentralised and led by the individual *Land* authorities (apart from the federal ESF OP), the Partnership Agreement will largely be constructed from the bottom-up, drawing on information and political decisions set out in the *Land* programme documents. Thus the entire package of documents for the Partnership Agreement and the ERDF, ESF and EAFRD programmes in Germany hangs together and will be need to be submitted to the Commission in one block.

Development of the Partnership Agreements is at an **earlier stage** in Spain, Portugal, Greece and Italy, although a significant amount of **background and preparatory work** is being carried out to prepare for the actual drafting process. In Spain, there is a schedule in place for the planning and drafting process, but concrete progress is waiting for a decision on policy architecture. In the meantime, an internal policy options paper is being developed on possible management models, number of programmes and integration of funds.



In Greece, the planning process which will inform the content of the PA and eventually the OPs started in April 2012 with a circular being sent to the bodies responsible for sectoral and regional policies. The regions and ministries were asked to draft a document including strategy proposals and priorities at national, sectoral and regional levels by mid-October. These proposals will contribute to the preparation of the overall national strategic development plan (including both the national development part and the co-financed part) for the 2014-20 period and the PA. A number of national-level preparatory studies will also be carried out (funded through TA from the 2007-13 programme) aiming to identify development needs, threats and opportunities along with the specification of sectoral and regional priorities. These studies will constitute a key input to both the PA and the OPs. Finally, a group will be set up with expertise in issues related to the 11 thematic objectives, and a conference is to be held by the end of 2012. Sectoral and regional conferences will also be held during the first part of 2013.

### ***3.2.2 Consultation processes***

It can be seen that in some IQ-Net countries and regions, there has been an **extensive and in-depth process of consultation** in developing the PAs and/or OPs. These have included consultation with stakeholders, intermediate bodies, potential beneficiaries, thematic experts, civil servants who have been working on the programmes and the general public.

In France, the wider national partnership will be consulted on the draft Partnership Agreement from the end of November 2012. The central State services are currently finalising the basis for the coordination and consultation process, which will be organised at several levels. First, 300-500 national bodies involved in the four Structural Funds will be consulted in writing, based on a consultation document. Second, the emerging thinking will be further discussed in more detail at thematic seminars in January/ February 2013, each involving around 100 participants. At these meetings, a synthesis of the written contributions will be provided and the different themes and target territories will be examined more closely. It is expected that a first draft of the agreement will be ready in March 2013, and managing authorities will be given a first opportunity to feed back. In addition, a publicly accessible website will be set up with a particular focus on potential beneficiaries to raise awareness of the challenges of the 2014-20 period and to consult the wider public on the first draft. A seminar will be held in May 2013 to provide an overview of the progress made and to look at any remaining questions.

In Austria, preparation of the PA involved so-called 'focus groups' in which relevant social and economic partners could get involved. There were been requests for a total of 19 different thematic focus groups, but through mergers this number was reduced to a more manageable 12. The draft PA was then open to a first round of consultations between July and September 2012. In total, 29 comments were received from federal agencies, local authorities, interest groups, NGOs and other stakeholders. In November 2012, ÖROK is expected to publish a reply. A second round of consultations will take place after the second draft of the PA is developed, in early 2013.

To develop the Scottish chapter of the PA, stakeholders developed a series of thematic papers which were drawn together by the managing authority, the Scottish Government.

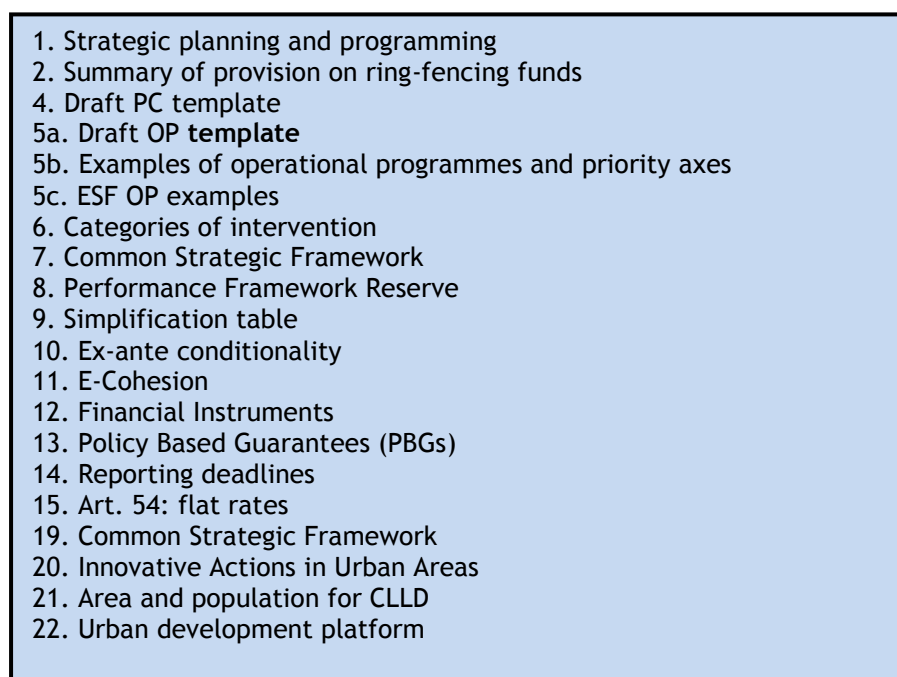
There will then be public road shows in November 2012. In addition, three types of survey have been carried out to help in OP development, among the public, the management team and staff to help rank future programme priorities. There have been interesting staff sessions within the managing authority on drawing lessons from previous periods; this has been quite a wide-ranging exercise and has come up with some very useful responses.

### **3.2.3 Progress with operational programmes**

The Commission produced a number of guidance fiches to support programme development in late 2011 and early 2012 (see Figure 2).<sup>14</sup> Programmes have been going through the drafting process in parallel with the Partnership Agreements in many cases, although final decisions on many aspects remain outstanding and a number of challenges have been identified with the process.

The Commission's **guidance fiches** have largely been found to be quite helpful by IQ-Net programme managers. They have been viewed as providing insight into the interpretation of existing regulations and agreements and thus into the expectations of the Commission regarding various issues, hence it is hoped that taking them into account will help to facilitate approval of the programmes at the European level. They have also been found to provide a useful template, giving a solid base to start preparing the programme drafting process.

**Figure 2: Commission guidance fiches for programme development**

- 
1. Strategic planning and programming
  2. Summary of provision on ring-fencing funds
  4. Draft PC template
  - 5a. Draft OP **template**
  - 5b. Examples of operational programmes and priority axes
  - 5c. ESF OP examples
  6. Categories of intervention
  7. Common Strategic Framework
  8. Performance Framework Reserve
  9. Simplification table
  10. Ex-ante conditionality
  11. E-Cohesion
  12. Financial Instruments
  13. Policy Based Guarantees (PBGs)
  14. Reporting deadlines
  15. Art. 54: flat rates
  19. Common Strategic Framework
  20. Innovative Actions in Urban Areas
  21. Area and population for CLLD
  22. Urban development platform

---

<sup>14</sup> The fiches are available from <http://www.saarland.de/92518.htm>

However, a concern raised with the guidance is that decisions have not yet been taken on the final form of the Structural Fund regulations and so nothing is fixed. Until the guidance fiches are based on the revised regulations, there may therefore be no point in trying to follow the Commission guidance in detail. Indeed, the content is seen as being too old, as they are based on Commission proposals from October 2011. A further criticism is that the introduction of the fiches is not in line with the Commission's plans to simplify the implementation framework, as they introduce additional complexity. It is also not clear whether the structure in the fiches is mandatory or voluntary ('nothing more than opinions [...] that can be later changed'), and formal definitive guidance would be appreciated as soon as possible.

OP preparation is at different stages and has in many cases **been proceeding in parallel with PA drafting**, although **final decisions on many issues are awaiting decisions on the future budget**. Anticipated dates for the preparation of draft OPs range from the end of 2012 (Vlaanderen, Niederösterreich, Nordrhein-Westfalen, Wales), early 2013 (Czech Republic, Italy, Sachsen-Anhalt, Scotland, Slovenia), and June 2013 (Śląskie). While in Finland preparation of the PA has started, work has concentrated on the preparation of the OP. The final version of the PA is expected around the same time as the final version of the OPs - in May 2013. OP drafting is still pending in Greece, País Vasco and Steiermark.

The **emphasis on partnership** in the OP preparation process has been notable, partly as a response to the need to gain consensus among a potentially wider range of stakeholders, as there is increased integration across Funds, or, conversely, the need to manage expectations about what may turn out to be a more thematically concentrated ERDF or ESF programme (with a narrower range of potential beneficiaries). In Denmark, for example, the drafting process at national and regional/local levels has been characterised by a comprehensive partnership process in order to secure a thorough discussion of content and consensus regarding the PA and OPs. The managing authority has placed great emphasis on the partnership process and has allocated many resources to the process in order to secure input/consensus from both national and regional/local levels. Central stakeholders include, among many others, the regional growth fora, the financial committee of the Danish government, the national growth council and interest organisations.

In Austria, the main issue of discussion that continues to occupy federal and *Land*-level bodies is the as yet unresolved question whether there will be a joint ERDF OP for the whole of Austria or whether the current system of *Land*-level OPs will be continued. In the meantime, the OP drafting process in Niederösterreich has been launched and is being carried out by two consultancies. So far, four workshops with stakeholders have been held and a first draft of the OP is expected at the end of 2012. The aim is to have the programme ready by August 2013. In Steiermark, the *Land* Government agreed on a strategic document on in October 2012 setting out priority themes, but work on the OP awaits a decision on the future programme architecture nation-wide. However, preparations for the Programme Complement have already been tendered. The plan is start the drafting of the OP at the start of 2013, and there are already some working groups and bilateral discussions with potential intermediate bodies.

In Finland, there will be only one national OP combining both funds. The OP will be prepared and implemented in two regions (North-East and South-West) containing also a national part. The managing authority proposal on thematic objectives was finalised in June 2012 (as a basis for the regional plans); in addition the managing authority gave guidelines on preparing regional plans and a national plan in July 2012. Second drafts of regional plans were being prepared for October 2012, with final plans expected in March 2013. Final agreement on the OPs and PA are hoped for by May 2013. The Finnish Regional Council of Päijät-Häme is responsible for the coordination and Pirkanmaa for the drafting of the regional plan for Southern and Western Finland. There are some uncertainties at regional level in relation to the national elements of the programme, and the national decisions that must take place before the region can proceed.

In summary, the **main challenges with the process** of preparing PAs and OPs so far identified by IQ-Net managing authorities include:

- the need to proceed with programme preparations under time pressure due to what are seen as the very demanding requirements of the CSF and the potential delay in Member States reaching an agreement on the budget, leaving many key factors as yet undecided (budget, programme architecture etc.);
- uncertainty with regard to final content of the regulations and how prescriptive the Partnership Agreement should be;
- the work involved with coordinating between the different Funds (and the associated issues that come with the extra and new people that are involved in workgroups, meetings etc.) while avoiding overlap,
- related, the difficulties negotiating and reaching agreement with all the required stakeholders and the associated political sensitivities, and keeping up the momentum with the stakeholders that have been involved so far;
- some programme managers view the thematic and general ex-ante conditionalities as challenging.

### **3.2.4 The ex-ante evaluations for 2014-20**

The Commission has issued guidance on the conduct of ex-ante evaluations for 2014-20.<sup>15</sup> Table 2 shows the different stages at which IQ-Net countries and regions can be found in relation to their ex-ante evaluations for 2014-20. The **main differences** identified between the ex-ante evaluation process for 2014-20 and that carried out for the current period are: the inclusion of the strategic environmental assessment from the beginning of the process (Denmark); starting the process sooner and having the evaluation run parallel to OP development, thus playing a stronger role (Finland, Sachsen-Anhalt, Śląskie); and running the evaluation jointly with other funds (e.g. the ex-ante evaluations in Sachsen-Anhalt will cover ERDF, ESF and EAFRD, while the Welsh managing authority has commissioned an ex-

---

<sup>15</sup> [http://ec.europa.eu/regional\\_policy/sources/docoffic/2014/working/ex\\_ante\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2014/working/ex_ante_en.pdf)

ante evaluation that will cover ERDF, ESF, EAFRD, and, potentially, EFF and will encompass delivery of 20 reports: five ex-ante evaluation, eight SEAs, five Environmental Impact Assessments, and two ex-ante studies for FIs.

**Table 2: Stage of ex-ante evaluation in IQ-Net programmes (where discussed)**

<b>Tender process not yet launched</b>	Austria (awaiting structure of programmes to be decided), Czech Republic (ex-ante evaluation of PA), England, Italy, Portugal, Slovenia, Śląskie, Spain
<b>Procurement process initiated</b>	Denmark, Greece (ex-ante evaluation of PA, OP ex-ante evaluations to follow), Scotland
<b>Tender awarded</b>	Vlaanderen, Finland, Nordrhein-Westfalen, Wales
<b>Work underway</b>	Sachsen-Anhalt (socio-economic analysis and SWOT available at <a href="http://www.sachsen-anhalt.de/index.php?id=31457">http://www.sachsen-anhalt.de/index.php?id=31457</a> )

Source: Interviews with IQ-Net programme authorities.

Few managing authorities have decided to carry out separate studies relating to **the use of Financial Instruments (FI)** (only the Czech Republic mentioned this), but many specified that this would be included as part of the main ex-ante evaluation process. In Śląskie, the ERDF managing authority is carrying out an evaluation of financial instruments before the ex-ante evaluation is commissioned, and the results will be taken into account for programming the future OP, especially the recommendations concerning types of projects, beneficiaries, type of funding and the amount of ERDF funds that should be dedicated to FIs. In France, regional actors are currently drafting a strategic inter-fund territorial analysis (i.e. the SWOT analysis) for their OPs, which include consideration of the use and needs regarding FI in the region.

### **3.2.5 Content of future programmes - early indications**

#### *(i) Programme architecture*

How is the shape of future Structural Funds programmes expected to differ among the IQ-Net managing authorities, compared to the current period? Countries fall in to three groups, those where major change is expected, those where broad continuity is likely, and those where future programme content is not yet decided.

The first group consists of countries and regions where there is **potential consolidation of the number of programmes** (Czech Republic, Finland, Scotland). In Finland, instead of the current four regional ERDF OPs and one ESF, there will be only one OP combining both funds. The OP will consist of two regional plans and a national part. The rationale for this is better integration of the ERDF and ESF measures, to increase cost efficiency by integrating programme processes and administration and increasing thematic focus. In the Czech Republic, the expected number of OPs could be significantly decreased in comparison to the current period. Instead of 26 OPs, it is likely that 15 OPs will be prepared. In Scotland,

one possibility might be to have one OP for ERDF and ESF, covering the whole of Scotland (reduced from the current four), potentially with ring-fencing/earmarking for some regions.

In the second group, there is **continuity expected in terms of the number of programmes** (Nordrhein-Westfalen, Sachsen-Anhalt, Wales). In Sachsen-Anhalt, it is expected that the number of *Land* programmes will be the same as in 2007-13 i.e. separate *Land*-level programmes for the ERDF, ESF and EAFRD. There will, however, be a change in the federal programmes: although there will continue to be a federal ESF programme that covers the whole of Germany (currently both Convergence and RCE), there will no longer be a federal ERDF programme for major transport (road and rail) networks in the new *Länder* in 2014-20. Similar to the current period, Vlaanderen will also have one ERDF programme for the whole region. In Wales, the number of OPs is expected to remain the same, with four OPs (two ERDF and two ESF).

Many Member States and regions have **not yet decided on the content** of the next round of programmes (England, France, Slovenia, Spain). The main difference for Slovenia will be the fact that it will be split into two Cohesion policy regions for the first time: the west will fall under the more-developed (RCE) category while the east will remain in the less-developed (Convergence) category. A regional split could be an option as would be a thematic division of OPs based on Funds (as it is currently the case).

#### *(ii) Coordination and integration initiatives*

In terms of **integration and coordination of Structural Funds with other EU Funds**, what practical steps are IQ-Net programme authorities introducing in their programmes to support this? It is too early for much detail to have emerged, as implementation arrangements are not yet decided in many programmes. Some Member States and regions plan to **continue with the current bodies** set up for this programming period (Austria, Poland). For example, Austria would continue its STRAT.ATplus<sup>16</sup> as STRAT.AT 2020. Poland is thinking about establishing a ‘Committee for the Partnership Agreement’, similar to 2007-13, and further committees to coordinate the more decentralised ESF and the new ITIs.

Bodies/arrangements set up for programming tasks for 2014-20 will often be used also for coordination during implementation, more so as strategy development has sometimes taken an all-Fund approach. Examples can be found in Greece, Nordrhein-Westfalen and Portugal:

- In Greece, the Technical Coordinating Committee for PA design comprises the relevant departments of the Ministry of Development, Competitiveness, Infrastructures, Transport and Networks (MDCITN) and representatives of the ministries that coordinate Funds (ESF, Rural Development, Fisheries) and the Management Organisation Unit (MOU) SA, which is responsible for the elaboration of proposals for the 2014-20 design and the provision of technical support to the

---

<sup>16</sup> Kah S (2012) *Op cit.*

Interministerial - Interregional Committee for 2014-20 policy design which has been set up.

- In Nordrhein-Westfalen a joint socio-economic analysis has been undertaken for the ERDF, ESF and EAFRD, including shared core indicators which are then to be developed in more detail at OP level.
- For 2014-20, Portugal set up an Interministerial Committee for Strategic Direction of EU and extra-EU Funds. It was established at the start of 2012 and is headed by the Ministry of Finance. This Committee is responsible for defining and coordinating the strategic guidelines and the strategic budgetary and financial priorities concerning all the Funds. It also provides increased coordination between the application of the Funds and the Economic and Financial Assistance Programme.

**New initiatives include**, in Sachsen-Anhalt, greater alignment between the existing single managing authority for the ERDF and ESF and the separate managing authority for the EAFRD. In particular, the EAFRD managing authority is soon to be moved from the *Land* Ministry for Agriculture to the *Land* Ministry of Finance, alongside the ERDF/ESF managing authority. Moreover, the ERDF/ESF managing authority is leading the preparation of all three OPs for 2014-20 (ERDF, ESF and EAFRD); a single strategy for all three programmes is being developed, based on a single socio-economic and SWOT analysis. In Nordrhein-Westfalen, there are also efforts to improve alignment between the three EU Funds; for example, if the *Land* decides to fund ITIs, all EU Funds (EAFRD, ESF, ERDF) will cooperate in these.

There is no consensus on whether multi-fund or mono-fund programmes are preferred. In Scotland, multi-fund programmes are being considered, for example, but mono-Fund approaches are preferred in Wales and Śląskie. In Poland, The Ministry of Regional Development is proposing the creation of Regional Operational Programmes with ERDF and ESF funding. However, Śląskie supports the preparation of two mono-fund ROPs within the region, separating ERDF and ESF, due to the different characteristics of the projects, activities and intervention logic for the two Funds. The implementation of two separate, mono-fund programmes is not expected to be an obstacle to the complementarity between ERDF and ESF, as complementarity will be ensured at the programming stage and in Śląskie this process has been carried out through a series of joint activities for both funds. These activities have included: the establishment in 2011 of the Regional Territorial Forum, the Regional Territorial Observatory and a special group for programming the project of integrated regional program for 2014-20.

*(iii) Thematic concentration*

The draft Regulations prescribe that the Structural Funds should focus their support on a limited number of thematic objectives in order to maximise the contribution of Cohesion policy to the targets and objectives of Europe 2020. A minimum proportion of Member State allocations will need to be spent on specific ERDF and ESF thematic objectives.

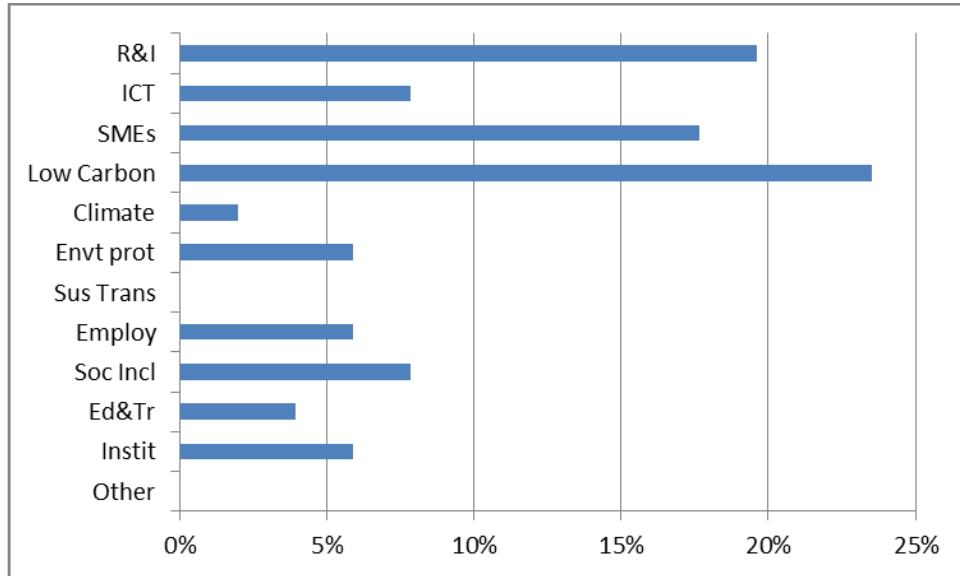
The eleven thematic objectives proposed for 2014-20 are:

- Strengthening research, technological development and innovation
- Enhancing access to, and use and quality of information and communication technologies
- Enhancing competitiveness of SMEs, the agricultural sector (for EAFRD) and the fisheries and agriculture sector (for the EMFF)
- Support the shift to a low- carbon economy in all sectors
- Promote climate change adaptation, risk prevention and management
- Protecting the environment and promoting resource efficiency
- Promoting sustainable transport and removing bottlenecks in key network infrastructures
- Promoting employment and supporting labour mobility
- Promoting social inclusion and combating poverty
- Investing in education, skills and lifelong learning
- Enhancing institutional capacity and an efficient public administration

The rationale for thematic concentration is widely acknowledged by Member States, although there are concerns about the prescriptiveness of the minimum allocation requirements. There has been positive experience with thematic concentration in the current programme period in some countries. France, for instance, points out that they already made a major effort to concentrate funding in the current period, particularly with regard to innovation and the Lisbon Strategy. For the most part, national and regional investment priorities for 2014-20 have yet to be decided. However, looking to the future, some trends can be identified, but for the most part, future investment priorities not yet clear yet (Austria, Portugal, United Kingdom) as discussions on the content of the OPs are ongoing.



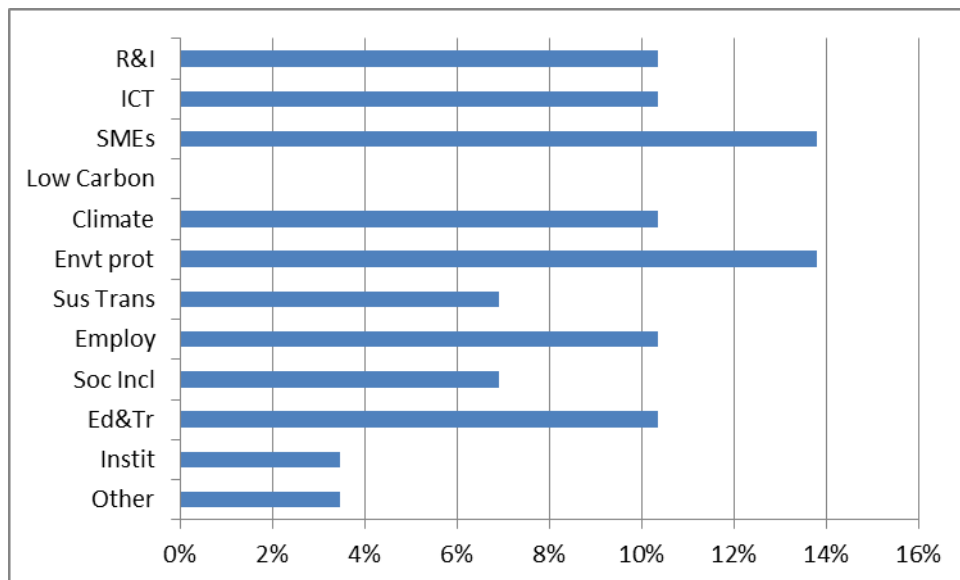
**Figure 3: Themes expected to be given a higher priority in future IQ-Net programmes**



Source: IQ-Net fieldwork interviews

As can be seen from Figure 3 above, the main themes managing authorities are expected to be given an increased focus in their future programmes are energy efficiency, renewables and low-carbon economy, RTDI, SMEs and social inclusion. OPs tend to already have a strong focus on research, innovation and SME support, so many programme authorities are reasonably happy with this aspect of the proposals and do not foresee a major impact. However, the ‘shift towards a low-carbon economy’ is currently a priority in fewer programmes and so may represent a larger shift in priority.

**Figure 4: Thematic objectives which are expected to be given the same priority in future IQ-Net programmes**

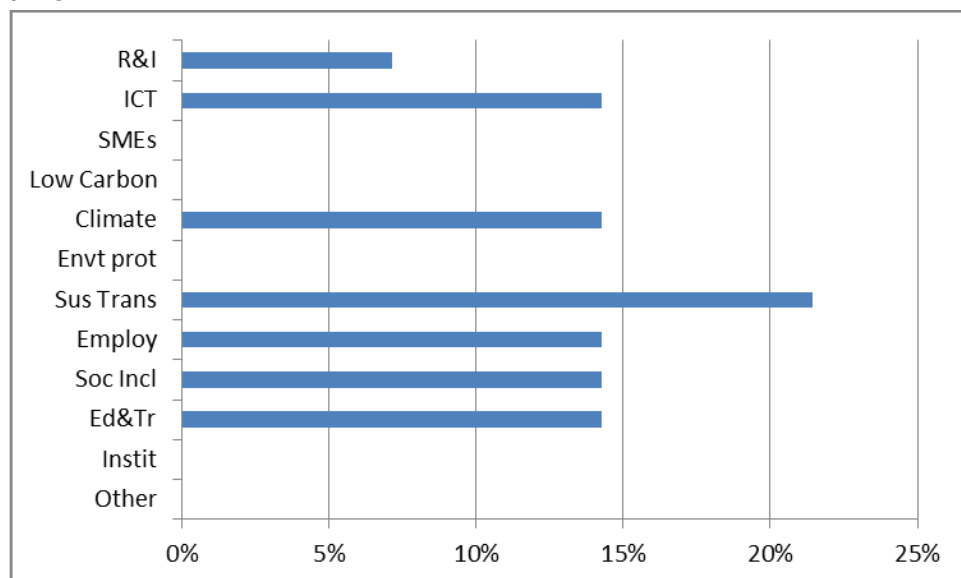


Source: IQ-Net fieldwork interviews

Figure 4 illustrates the thematic objectives which programme managers expects to be accorded roughly the same priority in their future programmes: support for SMEs and environmental protection were frequently mentioned here as being expected to receive

roughly the same level of support. In fact, all the thematic objectives except low carbon (which featured strongly in the list of themes expected to be given higher priority) were mentioned by at least one interviewee as being expected to maintain about the same priority.

**Figure 5: Thematic objectives which are expected to feature less in future IQ-Net programmes**



Source: IQ-Net fieldwork interviews

Few interviewees were able to state which themes they expected to receive less attention in future programmes (see Figure 5) but among those who could, the 'least popular' thematic objectives were sustainable transport, climate change and ICT, as well as the three 'ESF' themes.

Reservations about a more thematic (or potentially sectoral) approach remain. For example, the Danish programmes have proven to be quite robust during the financial crisis and according to the managing authority, one of the reasons for this might be that the Danish programmes, to some extent, do not operate with specific target groups or sectors. Enhancing thematic concentration has been found to be very difficult in practical terms in Finland. Due to cuts in national funding, sector ministries have been very keen on lobbying their interests. On the other hand, the Ministry of Education and Culture has been keen on including basic research. Furthermore, the interest of some stakeholders in East and North Finland is to allow infrastructure projects, such water and road infrastructure.

Additional themes not covered by the Commission's proposals include urban development, for example, Vlaanderen intends to maintain this priority but further analysis will be required to show how it is to be integrated in the Commission's thematic framework. In Nordrhein-Westfalen, the managing authority may also propose sustainable urban development incorporating social issues as a theme (where at least some funding would be channelled through ITI, and which would relate to the domestic policy field of '*kein Kind zurücklassen*' - leave no child behind). Furthermore, in the responses received to the broad consultation with partners in March-September 2012, partners identified a number of other

themes and the managing authority is assessing whether funding for these themes could be incorporated into the future programme under the existing three/four proposed priority axes. These additional themes include: demographic change; business parks and the regeneration of old military and coal areas; broadband in rural areas; and tourism.

In terms of the ring-fencing proposals, one concern of the Sachsen-Anhalt ERDF/ESF managing authority in relation to thematic priorities concerns the proposed allocation of 40 percent of ERDF/ESF funding to the ESF (assuming that Sachsen-Anhalt will be classified as a 'transition region') - compared to 25 percent in 2007-13. It has already proved more difficult to commit and spend funding under the ESF programme than the ERDF programme in 2007-13 and it is likely that this will also be the case in 2014-20, unless the *Land* takes a different approach to the ESF e.g. by funding larger projects rather than the relatively small projects typically funded in 2007-13. The absorption difficulties in 2007-13 have been partly due to an improving labour market situation in Sachsen-Anhalt (and other eastern *Länder*) which implies less demand for some types of intervention. A further reason is that some types of ESF intervention are instead co-funded by the federal ESF OP.

*(iv) Financial instruments - update*

The Commission is keen to encourage the use of financial instruments (FIs) in Cohesion policy and the regulatory proposals for 2014-20 attempt to address some of the issues which have arisen during the current period. How FIs will be used in future programmes is being discussed widely among IQ-Net programme authorities, although few concrete decisions have yet been made. Many expect use of FIs to increase in their programmes in future, although there are still a number of concerns.

In terms of developments on the regulatory proposals, a compromise text (partial general agreement)<sup>17</sup> for the financial instruments block of the Commission's proposals was published by the European Council in June 2012. The Commission's proposals for FIs are now being discussed with the European Parliament, and its vote and proposed amendments are expected during November 2012. On this basis, for the FI block, the trilogue discussions between the Commission, the Council and the Parliament are scheduled to start at the beginning of 2013 in order to agree and finalise the provisions.

The secondary legislation to the Common Provisions Regulation (CPR) (i.e. the envisaged Delegated Acts and Implementing Acts) concerning FIs are currently being discussed among the various Commission services. This discussion is expected to result in a solid draft text by the end of 2012. As a next step, DG REGIO plans to facilitate stakeholder consultations concerning the draft Delegated Acts and Implementing Acts during the first quarter of 2013.

As mentioned above, few concrete decisions have yet been made on how FIs will be used in future programmes. The mandatory ex-ante evaluations relating to FIs will be an important factor in forming decisions on the size and shape of future instruments, but some are supplementing this exercise. In France, for example, a study has been commissioned on the

---

<sup>17</sup> Council of the European Union (2012) *Cohesion Policy legislative package - Presidency compromise on financial instruments*, 11027/12 ADD 2 REV 1, 20 June 2012, Brussels.

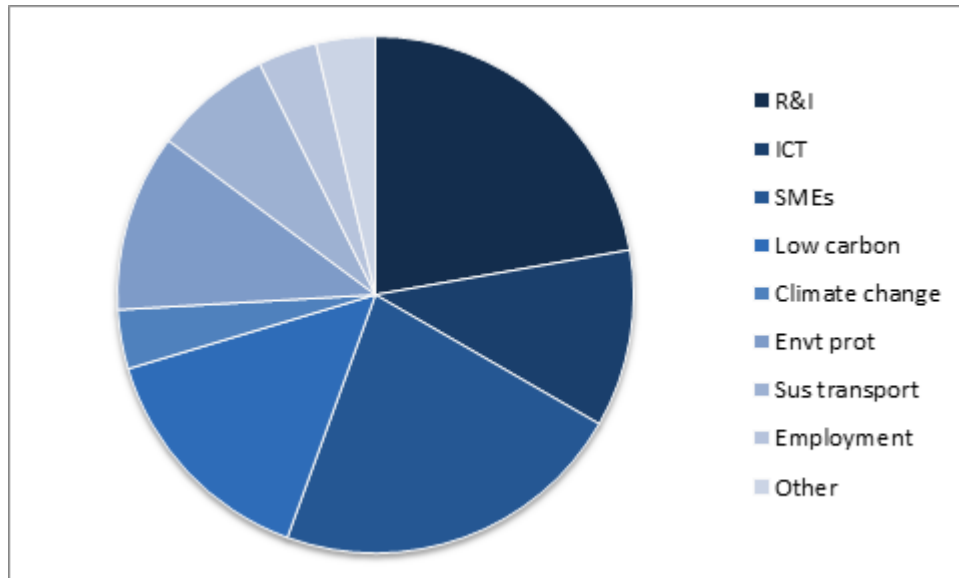
use of FIs under the 2007-13 programmes, with a final report due at the end of 2012/ beginning of 2013, while in the Czech Republic, the managing authority organized round tables on FIs where the current 'state of the art' of using FIs was presented, and the attitude to the period 2014-20 was also discussed.

The use of FIs is often expected to continue at least at the same level, or, more often increase, in future programmes (in the case of Śląskie, Poland, the managing authority for ERDF foresees a potential increase from 4.5 to 14 percent). This increase can be partly attributed to the economic crisis and continuing cuts in the provision of direct aid (e.g. Spain).

The managing authority in Denmark noted that the revolving nature of FIs can complicate predicting how FIs will fit within future programmes, because the revolving FIs already created will outlive the Structural Funds programmes under which they were established. These difficulties notwithstanding, several managing authorities commented that discussions are ongoing exploring the potential for developing larger, national FIs in future (Austria, Denmark, England, Finland, Scotland - where a Fund of Funds structure covering different thematic and geographic areas is one possibility under discussion), sometimes potentially in place of smaller regional funds, as well as the potential for multi-fund FIs (Scotland, England).

In the case of Finland, future options are quite well-developed, and significant changes are planned. There is interest in introducing up to four new national equity funds, managed by Tekes, the Finnish Funding Agency for Technology and Innovation. Tekes is currently responsible for grant and loan-based aid for innovation projects, and will take over management of equity funds from Finnvera at the start of 2014. The rationale is to centralise all risk funding for start-ups in one organisation. The new national equity funds are likely to focus on supporting research and innovation, competitiveness of SMEs and access, use and quality of information and communication technologies. There is also interest in setting up more regionally-managed funds (in addition to the fund proposed for Oulu in the current period, see Section 2.2.3) in other parts of Finland for the next period, in addition to national funds managed by Tekes. Further, interest subsidised loans (currently provided by Finnvera) will no longer be offered in the next period.

The use of FIs to pursue the eleven thematic objectives proposed for Structural Funds intervention has been encouraged by the Commission. In Nordrhein-Westfalen, the ERDF managing authority's discussions about whether to fund FI in 2014-20 and, if so, which themes and types of instrument to fund, have included ideas such as co-financing a fund for energy efficiency in the construction sector (although it is acknowledged that this could present State aid issues). The managing authority is also examining the innovation chain (i.e. from R&D to the market) in order to assess whether there are any gaps in the *Land* authorities 'existing instruments, whether it would make sense to use FI to address these gaps, and whether there is demand for loans and other FI-type support that is not already being met by private sector funding (e.g. bank loans and venture capital).

**Figure 6: Anticipated use of FIs to pursue thematic objectives in IQ-Net programmes**

Source: IQ-Net fieldwork

As can be seen from **Figure 6**, IQ-Net managing authorities who were able to predict where FIs might be used in future in support of the thematic objectives (and most were not) foresaw research and innovation, ICT, competitiveness and SMEs, low carbon and environmental protection as the most likely themes. In addition to the thematic objectives covered in the above chart, the Czech Republic managing authority foresees that there may be possibilities to use FIs for regeneration of brownfields, retirement homes or regeneration of housing (although they considered that these themes could probably be integrated into the existing thematic objectives). In Scotland, there is interest in providing support to agriculture/fisheries areas, especially the food and drink sector, and this could be part of the thematic objective for SME support.

Interest in use of FIs for urban development was also noted in Vlaanderen, where FIs are not currently being used in this period. Some concerns remain in relation to the potential use of FIs in future. Firstly, the managing authority considers that the ERDF programme in Vlaanderen is too small to effectively implement FIs, and lacking in sufficient critical mass to effectively implement such funds. Secondly, FIs are considered complex and the programme authorities have no experience in terms of implementing these funds. Staff will need to be trained if FIs are introduced. Thirdly, domestic funding streams in Vlaanderen offer an array of FIs which include risk financing, risk capital and subsidies for starters. Therefore, there are doubts on whether there is a need for another FI in Vlaanderen. Fourthly, FIs mostly target SMEs, and the current SME priority does not provide direct financial support for SMEs, but rather focuses on the softer aspects of SME development. Which do not lend themselves very well to FIs support. However, there is political support for implementing FIs as the advantages in terms of having revolving funds that can be recycled is, from a political point of view, very attractive.

In terms of the management of FIs, it is too early to comment for most programme authorities, but some envisage continuity and a continued emphasis on domestic

management arrangements (Austria, Slovenia), while Finland has announced significant changes (see above).

(v) *Smart specialisation - update*

The thematic paper prepared for the last IQ-Net meeting in Tampere (Finland) in June 2012<sup>18</sup> discussed the approach IQ-Net Member States and regions were taking to the preparation of 'smart specialisation strategies' (SSS), the preparation of which is proposed as an ex-ante conditionality for receiving Structural Funds in 2014-20. There are two main types of approach being taken: those countries and regions where their approach is considered to already be close to what is required; and those which are developing a new strategy based on the Commission's requirements. This section provides a brief update on these approaches.

Many managing authorities consider that they already take an approach to regional innovation which is close to that required by the Commission (Czech Republic, Denmark, Finland, France, Niederösterreich, Nordrhein-Westfalen, País Vasco, Sachsen-Anhalt, Scotland, Spain, Steiermark, Vlaanderen, Wales,). However, many have nevertheless launched the process of developing new strategies or updating existing strategies. Recent developments among these programme managers include development of a national guide on RIS3 in France in autumn 2012 in cooperation with the Association of French Regions, concerned ministries, research agencies etc. and intended to provide operational support to the future managing authorities. This was followed by a seminar with regional and State representatives. RIS evaluation exercises have also been launched in a number of French and English regions in preparation of the 2014-20 period.

In most cases the SSS will be a separate document from the OP (Czech Republic, Finland, Slovenia, Śląskie, Wales). In Śląskie (Poland), the RIS will be a 'stand-alone' document but closely linked to the OP in several ways - it will be a beneficiary of the OP (for instance it will seek co-financing for studies it wants to carry out through the regional statistical observatory and for so-called 'meta-projects' such as Design Silesia), and the OP will draw on the RIS in its guidance for project development and selection.

In other IQ-Net Member States and regions, the Commission's requirements are leading to development of a new strategy based on the identification of specialisation areas, for example in Slovenia, in Śląskie and in Greece. In Greece for example, in September 2012, the first draft of the National Strategy for Research and Technology 2014-20 was issued, which includes the development of smart specialisation strategies by the regions.

In terms of issues arising, the following points were raised:

- There are concerns over risk of duplication: In England, for example, the UK Department for Business, innovation and Skills (BIS) is keen to ensure that there is

---

<sup>18</sup> Charles D, Gross F and Bachtler J (2012) 'Smart Specialisation' and Cohesion Policy - A Strategy for All Regions?, *IQ-Net Thematic Paper 30(2)*, European Policies Research Centre, University of Strathclyde, Glasgow.

not a proliferation of sub-national SSS which all specialise in the same things, while in Denmark a separate national SSS would have considerable overlaps with the various existing strategies, to the point of making a new strategy bordering on being superfluous.

- The Sachsen-Anhalt managing authority sees the requirement to develop a new regional innovation strategy as rather demanding, particularly as the *Land* already had an innovation strategy - but Commission staff said that the existing strategy did not include all the elements in their guidance document and so insisted that a new strategy be developed. The Commission's requirements on the regional innovation strategy relate not only to the Structural Fund programmes but also to broader *Land* policies - and there are concerns that this approach could potentially interfere with *Land* Sachsen-Anhalt domestic policy-making. Further, the regional innovation strategy is very narrow from a Structural Fund perspective and does not facilitate endeavours to draw up holistic Structural Fund strategies. The *Land* authorities have had to take steps to ensure that there is no conflict between, on the one hand, the outcomes of the study for the regional innovation strategy and, on the other, the outcomes of the ERDF/ESF/EAFRD socio-economic and SWOT analysis - which include a detailed assessment of which types of intervention should be supported by the three programmes in 2014-20 and thus is feeding into the comprehensive strategy being developed by the *Land* for all three EU co-financed programmes (ERDF, ESF and EAFRD). In order to ensure that the regional innovation strategy study and the broader socio-economic analysis do not conflict with each other, the *Land* decided to treat the theme of innovation relatively briefly in the ERDF/ESF/EAFRD socio-economic and SWOT analysis. Last, issues have arisen in Sachsen-Anhalt in relation to the timing of the preparation of the innovation strategy and the preparation of the Structural Fund programmes, in that their preparation are running in parallel, whereas ideally the regional innovation strategy would have been completed before work started on the ERDF/ESF programmes.

(vi) *Strengthening the local agenda through ITIs and CLLD - update*

As reported in the last Review Paper<sup>19</sup>, the draft regulations propose that the Community-Led Local Development (CLLD) concept will be introduced for all CSF Funds. In line with the LEADER approach, local actions groups should be responsible for the implementation of local development strategies.<sup>20</sup> Integrated Territorial Investments (ITIs) represent another new regulatory instrument with a sub-regional focus, but are specific to the ERDF, ESF and the Cohesion Fund. ITIs are urban development strategies or other territorial strategies/pacts involving integrated investments under more than one Priority of one or more OPs. The key programming requirements are the identification of ITIs in OPs, including planned financial allocations, and the subsequent monitoring of ITI outputs during

---

<sup>19</sup> Kah S (2012) *Op cit.*

<sup>20</sup> European Commission (2012) *Factsheet Community-led Local Development*, March 2012. Available at: [http://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/community\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/community_en.pdf)

implementation.<sup>21</sup> IQ-Net programme managers are at very early stages in terms of thinking about how the proposals will be implemented in practice in their programmes for 2014-20. Options include using small pilot projects to test approaches, and building on existing arrangements and structures where possible.

There is cautious support for the concept of it is among a number of programme managers. The proposals are particularly attractive to local authorities in a number of Member States and regions (e.g. Denmark, England, Nordrhein-Westfalen) and consequently consultation processes are already playing or will play an important role in deciding the approach to be taken.

- In Denmark, the managing authority stresses that issues regarding strengthening of local agenda are addressed via the partnership process. In preparation, a study will be launched on integrated territorial approaches. The aim is to provide clarification and an objective assessment of existing instruments of integrated territorial development (i.e. LEADER, integrated urban projects, Art. 4 of the Fisheries Fund) and to see how these relate to the proposed new instruments. On this basis, a decision will be made on whether and how these instruments (or a combination) can be used in the context of greater coordination of the funds.
- In England, also, the managing authority is keen to see that the ERDF programmes are aligned with the proliferation of local delivery models that have been introduced under domestic policy initiatives in recent years, including Local Enterprise Partnerships, City Deals and Enterprise Zones. However, the UK Department for Business, Innovation and Skills (BIS), which leads on negotiation of the Funds for the United Kingdom, as well as DWP, the managing authority for ESF, are keen to ensure that future programmes also reflect national policy opportunities.

The possibility of introducing **smaller pilot projects** instead of large ITIs is being considered in Nordrhein-Westfalen, although this approach would then raise the question of which type of pilot project and how these could add value. One issue on which there is consensus in the *Land* (including with partners) is that any funding for ITIs should be awarded via competitive calls, rather than allocated automatically to particular local authorities. Similarly in Finland, one alternative being considered is to implement community led small projects, which are already piloted in some city regions, although strengthening of the local agenda is perceived to be more a concern for ESF than ERDF. However, the community led local development component is treated with a great deal of caution in some programmes and there are mixed views about the utility of adopting LEADER-type approaches.

In Finland, the initially proposed enlargement of LEADER working group-model from rural regions to urban regions is perceived to cause an unnecessary administrative burden, while the Vlaanderen managing authority regards the local lead development method as more

---

<sup>21</sup> European Commission (2012) *Factsheet Integrated Sustainable Urban Development*, February 2012. Available at: [http://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/urban\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/urban_en.pdf)



useful for rural-type activities. In the Czech Republic, local action groups (LAGs) are considered as relevant potential partners for ERDF, but there is concern about a number of potential aspects of practical implementation. It would be a very difficult task coordinating the huge number of LAGs which could act as Intermediate Bodies (currently 150 in the Czech Republic and they vary greatly in terms of functioning); uncertainty over whether there will be uniform conditions and rules for both 'agricultural' and 'regional development' 'sections' of LEADER (and it is considered very important that uniform conditions and rules will be in place for LAGs in all programmes they are part of); risks associated with a substantial increase of disposable finance for LAGs; and lack of experience of cities with the LEADER method, thus cumbersome application of community-led local development through LAGs in urban areas, at least at the beginning of the period. This leads to questions about their added value in comparison to, for example, integrated urban development plans.

These concerns about the difficulties in integrating a number of funds are echoed in Sachsen-Anhalt, where the EAFRD will continue to fund the local agenda approach in 2014-20, following positive experience with LEADER in 2007-13. No decision has yet been taken in relation to the use of other EU Funds to co-finance local interventions in 2014-20; this decision will depend on the outcomes of the programming and strategy-building process at *Land* level. However, the ERDF/ESF managing authority has a number of concerns about this approach, relating to:

- the potential for an additional administrative burden for applicants;
- If this approach involved giving individual local authorities a specific budget to manage, the *Land* and the ERDF/ESF managing authority could face difficulties because they would remain responsible for the funding *vis-a-vis* the European Commission but would not be able to intervene if, for example, a local authority allocated funding to non-eligible projects;
- Although local authorities in Sachsen-Anhalt would like to obtain additional funding from the EU programmes, they also realise that they lack the capacity to deal with all EU rules and so in the end might prefer to apply for project funding rather than use the new 'local' approaches.

These types of potential difficulties have persuaded the managing authority in Niederösterreich that their implementation will not be worth the effort in such a small programmes.

Building on existing community-led approaches is an option also being considered in Scotland, where the Community Planning Partnerships may have a role linking the local level skills pipeline with growth opportunities. This approach is also being followed in Śląskie, where the managing authority plans to build on current experience of implementing Sub-regional Development Programmes, four sub-regional platforms based around the region's main agglomerations. Communities from particular sub-regions will have the power to select projects, but their responsibility for realising projects will also increase. Additionally, each sub-region will be obliged to prepare an integrated Sub-

regional Development Strategy, which will cover all sources of funding, not only EU support.

Several managing authorities would like further clarification to help them assess the potential usefulness of the proposals, for example, on whether there is any kind of demarcation between community-led local development ITIs, e.g. territorial, the Commission should make this explicit.

### ***3.2.6 Future management and implementation arrangements***

Again, it is rather early in the planning process for many concrete details about future management and implementation arrangements to emerge, and the balance between continuity and change is undecided. **A degree of rationalisation of administrative arrangements** is anticipated due to proposed changes in programme architecture in Finland, France, Niederösterreich, Slovenia and Spain. In Finland, as a consequence of there being one OP, there will be only one Monitoring Committee, instead of the former five. Also the role of Regional Management Committees will be strengthened. In France, in September 2012, future managing authority responsibilities of the regional councils was confirmed, although the impact of the decentralisation of the fund management is as yet unknown. In Slovenia, reorganisation of the Slovenian Government means that all roles relevant for Cohesion policy are now under the same roof. Some Ministries have been merged, which reduces the number of intermediate bodies. Also, the managing authority is considering outsourcing some functions in the future. In Spain, there have been discussions about the possibility of devolving some more responsibilities to regional managing authorities and/or reducing the number of implementing bodies, but no decisions have yet been taken.

The desire to provide a seamless **experience for applicants** may drive future changes in implementation procedures in Wales and England - one idea in Wales is to have a single portal/central point for project sponsors. Work is ongoing on a joint set of eligibility rules but these cannot be finalised until more detail has been agreed on programme content. Alongside these activities, the managing authority has commissioned an external independent review of Structural Funds implementation arrangements (see Box 3).

**Box 3: Review of Implementation Arrangements for 2014-2020 European Structural Funds Programmes in Wales**

WEFO, the managing authority in Wales, has commissioned an independent review of the arrangements for implementation of the European Structural Funds Programmes 2014-20. The review (known as the Guildford Review) will assess how things have worked in the current and previous rounds, and identify lessons learned and recommend improvements. The review will also address the integration of European funding streams (including the Structural Funds, Horizon 2020, Life+, Rural Development and Fisheries funds). The review will be split into two phases, with an interim report in late 2012 and the final report due for publication before negotiations on the detail of the new programmes gets underway in the Spring 2013.

After an initial phase inviting views from stakeholders in August 2012, a discussion paper has now been issued inviting contributions on specific issues. These issues include the project selection process, how to support sponsors in delivering their projects and governance and reporting arrangements.

Source: Interviews, WEFO website:

<http://wefo.wales.gov.uk/programmes/post2013/Guildford/?lang=en>

<http://wales.gov.uk/docs/wefo/publications/publicity/121025reviewdiscussionen.pdf>

**Broad continuity in management and implementation arrangements** is expected in the Czech Republic and Vlaanderen, where, for example, the programme is considered to have worked well and there is little impetus to change its structures. In Śląskie, there may be broad continuity or there may be considerable change, depending on whether the mono-Fund ROP approach is taken. If the Ministry of Regional Development's plans for joint, ERDF/ESF funded regional OPs are accepted, there will be numerous changes required to the current system, with, potentially, associated administrative costs implications. Wales have also found it easier to continue using mono-fund OPs. In the Czech Republic, although there will be broad continuity, a more complicated system in general is expected, given the reduction in the number of OPs and thus more complicated structure of management (for example more implementation bodies), and introduction of an Integrated Regional OP.



## 4. CONCLUSION

We are now nearing the end of the sixth year of the current 2007-13 programme period. Concerns around the management and implementation of the current programmes centre on ensuring full commitment, and maintaining or increasing the level of payments, as well as putting into place plans for timely project and programme closure and preparing the 2012 Strategic Reports.

At the same time, managing authorities are balancing these demands with preparing for a new programme period. The ongoing economic crisis has changed the economic context within which many programmes are operating, there are public sector budget constraints, uncertainty about the availability of match funding and concerns about rising unemployment.

The budget pressures at Member State and regional level are accompanied by the pressure Member States are exerting at EU level on the future EU budget and the MFF. Uncertainty about future financial allocations and about the final content of the Structural Funds regulations mean that programme authorities are preparing programmes under considerable uncertainty, with many variables still unknown. Nevertheless, considerable progress is being made in the drafting of the Partnership Agreements and operational programmes, and indications about future focus and priorities, as well as implementation arrangements is starting to emerge.





## Improving the Quality of Structural Funds Programme Management through Exchange of Experience

IQ-Net is a network of Convergence and Regional Competitiveness programmes actively exchanging experience on practical programming issues. It involves a programme of research and debate on topical themes relating to Structural Funds programme design, management and delivery, culminating in twice-yearly meetings of members. IQ-Net was established in 1996 and has successfully completed four periods of operation: 1996-99, 1999-2002, 2002-07 and 2007-10. The fifth phase was launched on 1 January 2011 (Phase V, 2011-13).

### IQ-Net Meetings

32 partners' meetings and a special 10<sup>th</sup> anniversary conference have been held in 13 European countries during 16 years of operation of the network. Meetings are held at approximately six-month intervals and are open to IQ-Net partners and to observers interested in joining the network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.



### IQ-Net Website

The IQ-Net Website is the network's main vehicle of communication for partners and the public. The launch of Phase V has been accompanied by an extensive redesign of the site which comprises two sections:



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

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

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

### IQ-Net Reports

The IQ-Net Reports form the basis for the discussions at each IQ-Net meeting. They present applied and practical information in a style accessible to policy-makers, programme executives and administrators. The reports can be downloaded, at no charge, from the IQ-Net website. To date, 31 thematic papers have been produced on both 'functional issues' (e.g. management arrangements, partnership, information and communication, monitoring

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

#### IQ-Net Thematic Papers

- The Promise and Perils of the Performance Turn in EU Cohesion Policy
- ‘Smart specialisation’ and Cohesion policy - A strategy for all regions?
- New financial instruments in Cohesion policy
- Taking stock of programme progress: implementation of the Lisbon Agenda and lessons for Europe 2020
- The Reform of Cohesion Policy after 2013: More Concentration, Greater Performance and Better Governance?
- New Partnership Dynamics in a Changing Cohesion Policy Context
- Pandora’s Box and the Delphic Oracle: EU Cohesion Policy and State Aid Compliance
- The Financial Management, Control and Audit of EU Cohesion Policy: Contrasting Views on Challenges, Idiosyncrasies and the Way Ahead
- From Environmental Sustainability to Sustainable Development? Making Concepts Tangible in Structural Funds Programmes
- Making sense of European Cohesion Policy: 2007-13 on-going evaluation and monitoring
- Turning ideas into action: the implementation of 2007-13 programmes
- The New Generation of Operational Programmes, 2007-13
- National Strategic Reference Frameworks and OPs, 2007-13
- Preparations for the Programme Period 2007-13
- Territorial Cohesion and Structural Funds
- Cohesion Policy Funding for Innovation and the Knowledge Economy
- The Added Value of Structural Funds
- Information, Publicity and Communication
- Mid-term Evaluation of the 2000-06 Programmes
- Mainstreaming Horizontal Themes into Structural Fund Programming
- The Structural Funds: Facilitating the Information Society
- Information into Intelligence: Monitoring for Effective Structural Fund Programming
- At the Starting Block: Review of the New Programmes
- Tourism and Structural Funds
- Preparations for the New Programmes
- The New Regulations and Programming
- Strategic Approaches to Regional Innovation
- Effective Responses to Job Creation
- The Evolution of Programmes and Future Prospects
- Equal Opportunities in Structural Fund Programmes
- The Contribution of Meso-Partnerships to Structural Fund Implementation
- Regional Environmental Integration: Changing Perceptions and Practice
- Structural Fund Synergies: ERDF and ESF
- The Interim Evaluation of Programmes
- Monitoring and Evaluation: Principles and Practice
- Generating Good Projects
- RTD and Innovation in Programmes
- Managing the Structural Funds - Institutionalising Good Practice
- Synthesis of Strategies 1994-96



## IQ-Net Bulletin

The IQ-Net Bulletin promotes the dissemination of the Network's activities and results. 16 issues have been published to date, over the period from 1996 to 2012. Bulletins are published using a standard format, with each providing summaries of the research undertaken and reports on the discussions which take place at IQ-Net meetings. The Bulletins can be downloaded from the IQ-Net website.



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