Structural Fund Synergies – the ERDF and ESF in Objective 2 Programmes

IQ-Net Thematic Paper 2(2)

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IQ-Net
Improving the Quality of Structural Fund Programming through Exchange of Experience

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Preface

*IQ-NET: Networking to improve the quality of Objective 2 programmes*

Launched in early 1996 and managed by the *European Policies Research Centre* (EPRC) at the University of Strathclyde in Glasgow, the network *IQ-NET* facilitates exchange of experience in the development, implementation and evaluation of Objective 2 programmes. Funded by a consortium of 13 Objective 2 areas and the European Commission (DG XVI), the network meets twice a year to examine issues of practical relevance to programme-makers and share examples of good, innovative and distinctive practice from across the EU. The first two meetings were held in Glasgow, in association with Strathclyde European Partnership (February 1996), and in Cardiff, hosted by the Welsh Office and Welsh Development Agency (September 1996). The third and most recent meeting was held in April 1997 in Gelsenkirchen, Nordrhein Westfalen. Meetings provide the opportunity to discuss the results of a structured programme of applied research and debate, steered by the network’s partner regions:

- Steiermark and Niederösterreich, Austria
- Nordjylland, Denmark
- Päijät-Häme and South Karelia, Finland
- Aquitaine and Rhône Alpes, France
- Nordrhein Westfalen and Saarland, Germany
- Ångermanlandskusten and Fyrstad, Sweden
- Industrial South Wales and Western Scotland, UK

*IQ-NET Thematic Papers*

This document contains the second series of thematic papers produced by EPRC in spring 1997 as part of *IQ-NET*’s applied research programme:

- Series 2, No 1: Interim Evaluation.
- Series 2, No 2: Synergy between the Structural Funds
- Series 2, No 3: Environmental integration in Objective 2 programmes
- Series 2, No 4: The Objective 2 Programme of Nordrhein Westfalen

It supplements the following *IQ-NET* papers produced in 1996:

- Series 1, No 1: Managing the Structural Funds.
- Series 1, No 2: RTD/Innovation policies in Objective 2 programmes.
- Series 1, No 3: Generating Good Projects.
- Series 1, No 4: Monitoring and Evaluation.

Focusing on topics selected by the network’s partner regions, each paper places issues in their international context, raises questions for debate and highlights distinctive and innovative practices. For the convenience of readers, executive summaries are included in French, German and English.

Papers are first drafted on the basis of field research (encompassing interviews with Objective 2 programme managers and partners at regional, Member State and Commission levels) and substantial desk research. They are then modified to reflect the discussions of the *IQ-NET* meeting and the comments of network sponsors. The papers are distributed to a wide group of people nominated by the sponsors. The EPRC welcomes comment and feedback on them.

Readers are reminded that the content of the papers does not necessarily represent the official position of either the partner regions or the Commission, and that errors of fact or interpretation are the responsibility of the authors alone.
Acknowledgements

The research team for Series 2 of the *IQ-NET Thematic Papers* comprised:

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Translations were carried out by Ingrid Schumacher (German) and Lexus in Glasgow (French).

Further Information

Additional copies of the papers and further information on *IQ-NET* can be obtained from John Bachtler and Sandra Taylor, managers of the network, at the EPRC. The December 1996 and June 1997 editions of ‘*IQ-NET Bulletin*’, a newsletter co-financed by DG XVI and available from EPRC, contain synopses of the papers.
# Structural Fund Synergies – The ERDF and ESF in Objective 2 Programmes

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Executive Summaries

Structural Fund Synergies –
the ERDF and ESF in Objective 2 Programmes

Les Synergies entre les Fonds Structurels –
le FEDER et le FSE dans les Programmes d’Objectif 2

Synergien der Strukturfonds –
EFRE und ESF in Ziel 2 Programmen
1. STRUCTURAL FUND SYNERGIES - THE ERDF AND ESF IN OBJECTIVE 2 PROGRAMMES

1.1 Introduction

The 1988 launch of multi-fund spatially defined Structural Fund programmes was a major step towards an integrated approach to Structural Fund implementation. The innovation of these programmes - including Objective 2 - was to combine financial instruments acting on both human and physical factors. Objective 2 programmes, for industrial reconversion, draw on two instruments: the European Regional Development Fund (ERDF), which forms the majority of programmes (c75 percent) and is used for economic development projects including infrastructure, technology and productive investment; and, the European Social Fund (ESF), which forms the remainder of programmes’ European resources and supports training and labour market initiatives.

Commission services have emphasised the need to co-ordinate these Funds, to enhance the appropriateness of policies and maximise their economic development impact. Whether synergy has been achieved between the Funds in practice is another question: in particular, there are considerable regulatory and institutional barriers to effective co-ordination. This paper reviews why integration is pursued, some of the problems inherent in achieving it, and ways co-ordination is being managed in practice. It demonstrates that in spite of the institutional and regulatory separation, there are examples where integrated outputs are being achieved. Facilitating this, strategy documents and their development processes are more integrated than before, programming structures are bringing together a wide range of training and other organisations, and integrated projects are being encouraged by co-operation between agencies with related remits. The fact that integration is being achieved in spite of rather than because of the way the Funds are configured has implications for the reform debate.

1.2 Defining integration

Integrating the Funds implies ensuring that a programme’s training and other policies are complementary, even if co-financed by different instruments. The reasons are twofold: first, this ensures opportunities created by one fund can be taken up by the other. Second, and more significantly, it maximises the impact of development initiatives which depend for their success on both human and physical factors being addressed by parallel training and investment actions.

Directly complementary ESF and ERDF policies are most frequently proposed for the following development areas:

- research, technological development and innovation (eg North East England, Poitou Charentes);
- SME development (a widespread policy choice);
- the environment as a source of competitive advantage (Picardie, Bremen, Lombardia);
• tourism (Plymouth, Midi Pyrénées, Nordjylland); and
• community economic development (Industrial South Wales, East of Scotland).

Synergy can be achieved at several scales: between an overall portfolio of broadly complementary ERDF and ESF projects, between the ERDF and ESF projects under a single priority heading, and between ERDF and ESF projects implemented as integral parts of a single development concept. Different actors’ views on which aspect is the most significant are dependent on their exact role and influence. For Commission officials and national authorities, the focus is frequently on demonstrating overall policy coherence, on the basis that policies developed in partnership spawn complementary, if not directly related, projects. At a more local level, however, particularly in Member States where pre-existing schemes are used least to implement programmes, many of those involved consider the interrelationships between separate proposals and actively pursue opportunities for integrated development schemes.

1.3 The regulatory and institutional context

Achieving co-ordinated outputs, at whatever scale, is influenced by how the stages of programming are managed, from policy formulation, to programme marketing, project generation and project selection. These are discussed briefly below, and in more detail in the paper. An initial limitation is how the Funds are configured and managed. The ERDF and ESF are managed by separate Directorates General at Commission level, have different financial regulations and calendars (the ERDF being regarded as more flexible), and have differing overall tasks and priorities. In addition, operating cultures are distinct: the ESF was not established as an instrument for regional development, and although its regional orientation has increased, it has not adapted easily to this. As recently as the 1989-93 programming period, Objective 2 ESF funding decisions still largely involved the application of detailed eligibility criteria rather than an assessment of projects’ ability to contribute to policy objectives.

The separation between EC ERDF and ESF agencies at Commission level is mirrored by institutional configurations at national and regional levels, where the economic and labour market agencies implementing the Funds often operate largely separately (see main paper for details). Some Member States argue that divergent DG V and DG XVI approaches, especially in financial management, have been translated down through national structures, placing new barriers to the co-ordinated operation of labour market and other economic policies and organisations. In this context, effective structures are needed for integrated policy development and implementation.

1.4 Co-ordination through policy

Complimentary policies are more likely to give co-ordinated outputs, and this has implications for the policy formulation phase. It is helpful if co-ordination is an explicit issue at an early stage and wide discussions are undertaken. Developing their 1997-99 programme, the West of Scotland Advisory Groups made several relevant recommendations, including making a parallel ESF
element a condition of approving certain ERDF proposals. More systematic analysis of skills mismatches is a further strategic route to increased co-ordination.

Once formulated, how policies are presented can make the relationship between them clearer, so influencing applicants’ approaches. SPDs increasingly organise complementary training and other policies together under the same priority headings, as ‘packages’ of related initiatives. The main exceptions are small programmes where there are too few measures to do this, and Austria, Germany and Spain, where economic and labour market agencies operate so separately that integrated presentation of policies would have negligible influence on their implementation. Here, it is often argued that integrated strategy formulation is sufficient to ensure complementarity between outputs, even when implementation occurs independently. Separate presentation, however, means complementarities may not be easily apparent. Thus, Saarland has explicitly described the interrelationships in its SPD.

1.5 Programme management and implementation

1.5.1 Programme management structures

SPDs’ opportunities for synergy are realised with the help of integrated programme management structures. The committee structures for programme delivery are the main official forum for interaction between programme partners. While interaction here has led to additional synergies, there are limitations. Monitoring committees track overall progress and guide direction, but tend to have too charged an agenda to launch real discussion on programme integration. At the more operational level, Programme Management Committees often unite decision making on ERDF and ESF projects, but the format is not always fully exploited for open project discussions.

1.5.2 Implementation

Also influential in creating synergies is the day-to-day work of a larger number of agencies which are either applicants themselves or influence applicants’ proposals. Familiarity about how each Fund operates is a pre-condition for effective co-operation between these agencies, and several Member States have highlighted the need for more formal training here. In Wales, secondments enable civil servants to gain practical experience in organisations working with both Funds.

The ESF can be marginalised as programmes tend to be ERDF-dominated, with more ERDF resources, more ERDF-related partners and a management system dominated by ERDF-responsible authorities. Examples from Scotland and Austria indicate that greater sensibilisation to the ESF can give additional overall ‘balance’ to programmes. Familiarity with the programme as a whole is also important. ESF and ERDF agencies need to know what policies their counterparts are pursuing. While this awareness can be fostered at the policy development stage if sufficient consultation takes place, accessible materials summarising the whole programme are also valuable later on for a wider public.
Once implementation has begun, up to date information about what activities are being supported by each Fund can help agencies to identify complementary project opportunities. Computerised management information systems are beginning to make such information available, but a more frequent route to creating integration opportunities is probably still direct contact between the organisations responsible for projects in complementary fields. In areas such as business development, informal, often ad hoc contact between actors whose ERDF and ESF remits are specifically complementary can lead to synergies: in mutual arrangements, agencies notify their counterparts of relevant projects. Such arrangements are favoured by good personal relationships and driven by the additional efforts of those involved. As such, they are fragile and difficult to replicate. Aquitaine is setting up a co-ordinating mechanism to formalise these relationships.

1.5.3 Generating and accommodating integrated proposals

A ‘natural’ source of directly complementary ERDF and ESF initiatives are economic development organisations whose broad remit encompasses both investment and training issues. Monklands Enterprise in the West of Scotland has undertaken various projects with ERDF and ESF elements, including the establishment of an Information Technology Centre within its own Business Centre. ERDF co-financed the equipment, while ESF trained the staff of participating companies. In Nordrhein Westfalen, the Land Development Agency has trained unemployed people in the course of renewing derelict sites. It is important that programmes’ decision making systems can accommodate this type of integrated proposal.

Usually, integrated projects have to be achieved by submitting parallel ERDF and ESF applications, but various approaches minimise the bureaucracy. Bremen has a unique Coherence Fund priority (described in the main paper), which binds the award of a certain sum of ERDF to an equal award under ESF, and vice versa. In most programmes, less ambitious means are used to remove complexity for the applicant, including common application forms for ERDF and ESF applications. In addition, there are often organisations to help those proposing integrated projects to negotiate the administrative complexities, eg. the one-door ‘guichet unique’ in Rhône Alpes.

In generating a balanced portfolio of complementary projects, one issue is that applicants can be insufficiently aware of ESF training opportunities. Sometimes, the ESF as a component of Objective 2 has simply been insufficiently well publicised, and additional publicity can rectify the imbalance (eg. in Ängermanlandskusten, North Jutland, Niederösterreich and several French regions). A further complicating factor for publicity is that the ESF Objective 3 and 4 programmes are better known to most training applicants, but the projects they support are distinct from those sought under Objective 2.

In some cases, training projects do not arise due to an insufficiently developed training culture among businesses. Facilitating structures can help here: in Austria, the 35 Regional Management Offices provide initial consultancy to potential applicants on the whole programme and actively identify and facilitate opportunities for synergy between training and other activities. In
some cases, a firm only acknowledges the need for training when their investment project is complete. As a result, some programmes give additional priority to ESF proposals which are a follow-up to ERDF ones.

1.6 Future prospects

The logic for pursuing co-ordination between the ERDF and ESF within single programmes is clear, as the success of training and other economic development initiatives is inter-dependent. In practice, integration between the Funds has improved over time in Objective 2 programmes, due to more effective policy formulation and presentation, management structures, and implementation approaches, but the full potential is not yet being reached. Some of the barriers to further co-ordination lie in the regulatory and institutional configuration of the Funds themselves, and the 1999 reform presents an opportunity for the Commission and Member State national and regional authorities to address these questions together. However, it is important that this strategic debate does not divert regional partnerships from their ongoing efforts to define practical steps which can be taken in the short term, at an operational level, to help further enhance the co-ordination being achieved by the current programmes. It is through both these routes that the sum ‘ERDF + ESF’ will in future add up to more
2. LES SYNERGIES ENTRE LES FONDS STRUCTURELS - LE FEDER ET LE FSE DANS LES PROGRAMMES D’OBJECTIF 2

2.1 Introduction

Le lancement en 1988 de programmes des Fonds Structurels à fonds multiples a représenté un pas important vers une approche intégrée de la mise en œuvre des Fonds Structurels. Ces programmes - y compris l’Objectif 2 - ont innové en combinant les instruments financiers sur des facteurs humains et physiques. Les programmes d’Objectif 2 pour la reconversion industrielle utilisent deux instruments: le Fonds Européen pour le Développement Régional (FEDER), qui représente la majorité du financement européen des programmes (environ 75 pour cent) et qui est utilisé pour les projets de développement économique, y compris les infrastructures, la technologie et l’investissement productif, et le Fonds Social Européen (FSE) qui représente le reste des ressources européennes des programmes et soutient les initiatives relatives à la formation professionnelle et au marché du travail.

Les services de la Commission ont souligné le besoin de coordonner ces fonds, d’améliorer l’adéquation des politiques et de maximiser leur impact sur le développement économique. Dans la pratique, la réalisation ou non de la synergie entre les fonds est une autre question: en particulier, des obstacles réglementaires et institutionnels considérables s’opposent à une coordination efficace. Cet exposé examine les motifs de l’intégration, quelques problèmes inhérents à sa réalisation et les façons dont la coordination est assurée en pratique. Il montre qu’en dépit de la séparation institutionnelle et réglementaire, il existe des exemples de résultats intégrés. Cela est facilité par le fait que les documents stratégiques et leurs processus de développement sont plus intégrés que par le passé, les structures de programmation réunissent une grande diversité d’organisations chargées de faire de la formation et d’autres, et les projets intégrés sont encouragés par une coopération entre des organisations ayant des domaines de compétence connexes. Le fait que l’intégration soit réalisée malgré la configuration des fonds et non pas grâce à celle-ci a des implications sur le débat concernant la réforme des Fonds Structurels.

2.2 Définition de l’intégration

L’intégration des fonds implique que l’on assure la complémentarité de la politique de formation et des autres politiques dans un même programme, même si celles-ci sont cofinancées par des instruments différents. Il y a deux raisons à ceci: premièrement ceci garantit que les opportunités créées par un fonds puissent être exploitées par l’autre. Deuxièmement, et de façon plus significative, ceci optimise l’impact des initiatives de développement dont le succès dépend de la prise en compte des facteurs humains et physiques par le biais de mesures parallèles de formation et d’investissement.

Des politiques du FSE et du FEDER directement complémentaires sont le plus souvent proposées pour les domaines de développement suivants:
• la recherche, le développement technologique et l’innovation (par exemple nord-est de l’Angleterre, Poitou-Charentes)
• le développement des PME (un choix politique fréquent)
• l’environnement en tant que source d’avantage compétitif (Picardie, Brême, Lombardie)
• le tourisme (Plymouth, Midi-Pyrénées, Nordjylland) et
• le développement économique de quartier (Région industrielle du sud du pays de Galles, est de l’Écosse).

L’intégration peut intervenir à plusieurs niveaux: entre un portefeuille global de projets de FEDER et de FSE largement complémentaires, entre des projets de FEDER et de FSE regroupés dans une priorité unique, ou entre des projets de FEDER et de FSE mis en œuvre en tant que composantes intégrantes d’un concept de développement unique. Suivant leur rôle et de leur influence exacts, différents acteurs apprécient différemment ce qui constitue l’aspect le plus significatif. Les représentants officiels de la Commission et les autorités nationales ont souvent pour priorité de démontrer la cohésion globale des politiques, en partant du principe selon lequel les politiques développées en partenariat donnent lieu à des projets qui, s’ils ne sont pas directement liés, sont tout au moins complémentaires. Cependant, à un niveau plus local, particulièrement dans les États-membres où les systèmes pré-existants sont les moins utilisés pour mettre en œuvre les programmes, les intéressés considèrent pour beaucoup les relations entre les différentes propositions et exploitent activement les opportunités pour des systèmes de développement intégré.

2.3 Le contexte réglementaire et institutionnel

L’obtention de résultats coordonnés, à quelque échelle que ce soit, est influencée par la façon dont les étapes de programmation sont gérées, de la formulation des politiques à la sélection des projets, en passant par le marketing des programmes et la génération des projets. Ces étapes sont évoquées brièvement ci-dessous, et de façon plus détaillée dans l’exposé. La configuration et la gestion des fonds représentent une limitation initiale. Le FEDER et le FSE sont gérés par des Directions Générales distinctes au niveau de la Commission, font l’objet de différentes réglementations financières et de différents calendriers (le FEDER étant considéré comme étant plus souple), et ont des tâches et des priorités globalement différentes. En outre, le FSE n’a pas été établi en tant qu’instrument de développement régional et, bien que son orientation régionale se soit accrue, il ne s’y est pas facilement adapté. Lors de la période de programmation 1989-93, les décisions de financement du FSE pour l’Objectif 2 faisaient encore largement intervenir l’application de critères d’attribution détaillés plutôt qu’une évaluation de la capacité des projets à contribuer aux objectifs des politiques poursuivies.

La séparation entre les services du FEDER et du FSE au niveau de la Commission se reflète dans les configurations institutionnelles aux niveaux nationaux et régionaux où les organisations économiques et chargées du marché du travail qui exploitent les fonds fonctionnent souvent séparément (voir l’exposé principal pour de plus amples détails). Certains États-membres
affirment que les approches divergentes de la DG V et de la DG XVI, particulièrement en ce qui concerne la gestion financière, se sont répercutées sur les structures nationales, opposant de nouveaux obstacles à l’exploitation coordonnée des politiques du marché du travail et des autres politiques et organisations économiques. Dans ce contexte, des structures efficaces sont nécessaires pour permettre le développement et la mise en œuvre intégrés des politiques.

2.4 La coordination par le biais de la politique

Des politiques complémentaires sont plus susceptibles de donner des résultats coordonnés, et ceci a des implications au stade de formulation des politiques. Il est bon que la coordination soit un aspect explicite à un stade précoce et que de larges discussions soient entreprises. Lors du développement de leur programme 1997-99, les comités consultatifs de l’ouest de l’Ecosse ont émis plusieurs recommandations pertinentes, comme la stipulation d’un élément parallèle de FSE comme condition de l’approbation de certaines propositions du FEDER. Une analyse plus systématique des mauvaises utilisations d’aptitudes est une voie stratégique supplémentaire vers une meilleure coordination.

Une fois les politiques formulées, leur présentation peut éclaircir la relation existant entre elles, et influencer ainsi les démarches des candidats. Les DOCUP réunissent de plus en plus la formation complémentaire et d’autres politiques dans les mêmes priorités, pour constituer des “ensembles” d’initiatives connexes. Les principales exceptions à cette règle sont les petits programmes où les mesures sont trop peu nombreuses, et l’Autriche, l’Allemagne et l’Espagne, où les organisations économiques et chargées du marché du travail opèrent tellement distinctement qu’une présentation intégrée des politiques aurait une influence négligeable sur leur mise en œuvre. Ici, un argument fréquent est que la formulation d’une stratégie intégrée suffit à assurer la complémentarité entre les résultats, même si la mise en œuvre est indépendente. Une présentation distincte peut cependant cacher des complémentarités. La Sarre a par conséquent explicitement décrit les interrelations dans son DOCUP.

2.5 Gestion et mise en œuvre

2.5.1 Structures de gestion de programme

Les opportunités d’intégration dans les DOCUP sont réalisées avec l’aide des structures intégrées de gestion de programme. Les comités pour la mise en œuvre des programmes représentent le principal forum officiel d’interaction entre les partenaires dans le cadre des programmes. Bien que l’interaction ait entraîné ici d’autres synergies, il y a des limites. Les comités de suivi retracent le progrès global et indiquent la direction à suivre, mais leur ordre du jour est souvent trop chargé pour leur permettre de lancer de vraies discussions sur l’intégration des programmes. A un niveau plus opérationnel, les comités de programmation regroupent souvent les prises de décisions sur des projets relatifs au FEDER et au FSE, mais ce cadre n’est pas toujours pleinement exploité pour les discussions ouvertes sur les projets.
2.5.2 Mise en œuvre

Le travail quotidien d’organisations plus nombreuses, soit candidates elles-mêmes, soit influant sur les propositions des candidats, est également important dans la création de synergies. Une bonne connaissance du fonctionnement de chaque fonds est une condition sine qua non pour une coopération efficace entre ces agences, et plusieurs Etats-membres ont souligné la nécessité d’une formation plus formelle dans ce domaine. Au Pays de Galles, des fonctionnaires sont détachés et peuvent ainsi acquérir une expérience pratique auprès d’organisations travaillant avec les deux fonds.

Le FSE peut être marginalisé car les programmes ont tendance à être dominés par le FEDER, avec davantage de ressources FEDER, davantage de partenaires liés au FEDER et un système d’administration dominé par les autorités responsables du FEDER. Des exemples puisés en Ecosse et en Autriche indiquent qu’une sensibilisation accrue au FSE peut conférer un meilleur équilibre global aux programmes. Une bonne connaissance du programme dans son ensemble est aussi importante. Les agences du FSE et du FEDER ont besoin de savoir quelles sont les politiques mises en œuvre par leurs homologues. Bien que cette prise de conscience puisse être favorisée au stade du développement de la politique par une consultation suffisante, des documents accessibles résumant le programme dans son ensemble sont également précieux ultérieurement pour un public plus large.

Une fois que la mise en œuvre a commencé, des informations récentes sur les activités bénéficiant de l’assistance de chaque fonds peuvent aider les agences à identifier les opportunités pour des projets complémentaires. Les systèmes informatiques de gestion commencent à permettre l’obtention d’informations, mais le contact direct entre les organisations responsables des projets dans des domaines complémentaires reste la manière la plus fréquente de créer des opportunités d’intégration. Dans des domaines comme le développement commercial, le contact informel entre les acteurs dont les domaines de compétence en matière de FEDER et de FSE sont spécifiquement complémentaires, peut se concrétiser par une intégration lorsque, dans le cadre de dispositions mutuelles, les agences informent leurs homologues des projets appropriés. Ces dispositions sont favorisées par de bonnes relations personnelles et avancent grâce aux efforts supplémentaires de la part des participants. En tant que telles, elles sont fragiles et difficiles à reproduire. L’Aquitaine met actuellement en place un mécanisme de coordination pour formaliser ces relations.

2.5.3 Génération et prise en compte des propositions intégrées

Les organisations de développement économique dont le large domaine de compétence recouvre l’investissement et la formation représentent une source naturelle d’initiatives FEDER et FSE directement complémentaires. Monklands Enterprise dans l’ouest de l’Ecosse a entrepris divers projets ayant des éléments de FEDER et de FSE, y compris la mise en place d’un centre informatique dans son propre centre d’affaires. Le FEDER a cofinancé le matériel, tandis que le FSE a formé le personnel des entreprises participantes. En Rhénanie du Nord-Westphalie, l’agence pour le développement du Land a formé des chômeurs tout en assurant la remise en valeur des sites abandonnés.
Il est important que les systèmes de prise de décision au niveau des programmes puissent prendre en compte ce type de proposition intégrée.

En général, les projets intégrés doivent passer par la soumission de demandes parallèles auprès du FEDER et du FSE, mais il existe diverses approches minimisant la bureaucratie. Brême a une priorité unique de Fonds de cohésion (voir l’exposé principal) liant l’attribution d’une certaine somme au titre du FEDER à une somme égale dans le cadre du FSE et vice versa. Dans la plupart des programmes, des moyens moins ambitieux sont mis en œuvre pour simplifier la procédure pour le candidat, y compris des formulaires de candidature commune pour les demandes de FEDER et de FSE. En outre, il existe souvent des organisations destinées à aider ceux qui proposent des projets intégrés à négocier les complexités administratives, par exemple le “guichet unique” dans la région Rhône-Alpes.

Lors de la création d’un portefeuille équilibré de projets complémentaires, les candidats risquent de ne pas être suffisamment conscients des opportunités de formation offertes par le FSE. Parfois le FSE est tout simplement trop peu connu en tant que composante de l’Objectif 2 et un effort accru pour mieux le faire connaitre peut rectifier le déséquilibre (par exemple en Ángermanlandskusten, dans le Nordjylland, en Basse-Autriche et dans plusieurs régions françaises). Un autre facteur compliquant cette prise de conscience est que la plupart des candidats à la formation connaissent mieux les programmes de FSE des Objectifs 3 et 4, mais que les projets qu’ils aident sont distincts de ceux de l’Objectif 2.

Dans certains cas, les projets de formation ne se matérialisent pas en raison d’une mentalité de formation insuffisamment développée au niveau des entreprises. Les structures d’aide peuvent être utiles dans ce cas: en Autriche, les 35 bureaux de gestion régionale fournissent aux candidats potentiels une consultation initiale portant sur tout le programme et identifient et favorisent activement les opportunités de synergie entre la formation et les autres activités. Dans certains cas, une entreprise ne reconnaît le besoin de formation qu’une fois son projet d’investissement terminé. Par conséquent, certains programmes accordent une priorité supplémentaire aux propositions de FSE qui font suite à des propositions de FEDER.

### 2.6 Perspectives d’avenir

La logique d’une poursuite de la coordination entre le FEDER et le FSE au sein des programmes uniques est évidente, car le succès de la formation et celui des autres initiatives de développement économique sont liés. Dans la pratique, l’intégration entre les fonds s’est améliorée avec le temps dans les programmes d’Objectif 2, en raison de l’efficacité accrue de la formulation et de la présentation des politiques, des structures de gestion et des démarches de mise en œuvre, mais le plein potentiel n’est pas encore atteint. Certains des obstacles s’opposant à une plus grande coordination résident dans la configuration réglementaire et institutionnelle des fonds à proprement parler, et la réforme de 1999 représente une occasion pour la Commission et les autorités nationales et régionales des États-membres de considérer ces questions ensemble. Cependant, il est important que ce débat stratégique ne détourne pas les partenariats régionaux de leurs efforts continus visant à
définir des mesures pratiques pouvant être prises à court terme, à un niveau opérationnel, pour aider à améliorer encore la coordination assurée par les programmes actuels. C’est par ces deux moyens que la somme “ERDF + ESF” donnera de meilleurs résultats à l’avenir.
3. SYNERGIEN DER STRUKTURFONDS - EFRE UND ESF IN ZIEL 2 PROGRAMMEN

3.1 Einführung

Die 1988er Einführung der aus mehreren Fonds bestehenden gebietsmäßig definierten Strukturfondsprogramme war ein großer Schritt vorwärts in Richtung eines integrierten Ansatzes bei der Umsetzung der Strukturfonds. Das Neue an diesen Programmen - einschließlich Ziel 2 - war ihre Kombination finanzieller Instrumente, die sich sowohl auf humane als auch physische Faktoren auswirken. Ziel 2 Programme (für industrielle Umstrukturierung) stützen sich auf zwei Instrumente: den Europäischen Fonds für Regionale Entwicklung (EFRE), der die Mehrzahl der Programme erfaßt (ca. 75 Prozent) und für Projekte regionaler Wirtschaftsförderung verwendet wird, wie Infrastruktur, Technologie und Produktionsinvestitionen; und der Europäische Sozialfonds (ESF), der die europäischen Ressourcen der übrigen Programme bereitstellt und Ausbildungs- und Arbeitsplatzinitiativen fördert.

Die Beamten der Kommission haben die Notwendigkeit für eine Koordination dieser Fonds betont, um die Eignung der Maßnahmen zu verstärken und ihre Wirkung auf die Wirtschaftsförderung zu maximieren. Ob eine Synergie zwischen den Fonds in der Praxis erreicht wird, ist eine andere Frage: insbesondere bestehen erhebliche regulatorische und institutionelle Hindernisse für eine effektive Koordination. Die nachstehende Arbeit will prüfen, warum eine Integration erstrebt wird, einige der damit verbundenen Probleme und wie eine Koordination in der Praxis gehandhabt wird. Es zeigt sich, daß trotz der institutionellen und regulatorischen Trennung es Beispiele gibt, wo integrierte Leistungen erzielt werden. Dies wird dadurch erleichtert, daß strategische Dokumente und ihre Entwicklungsverfahren integrierter als zuvor sind, Programmstrukturen eine ganze Reihe verschiedener Ausbildungs- und anderer Organisationen zusammenbringen und integrierte Projekte durch die Kooperation von Stellen mit verwandten Aktionsbereichen angeregt werden. Die Tatsache, daß eine Integration eher trotz als aufgrund der Konfiguration der Fonds erreicht wird, hat Implikationen für die Reformdebatte.

3.2 Die Definition der Integration


Direkt komplementäre ESF- und EFRE-Maßnahmen werden am häufigsten für folgende Fördergebiete vorgeschlagen:
• Forschung, technologische Entwicklung und Innovation (z.B. Nordost-England, Poitou Charentes);
• KMU-Förderung (eine weitverbreitete Wahl)
• die Umwelt als eine Quelle für Konkurrenzvorteile (Picardie, Bremen, Lombardie);
• Tourismus (Plymouth, Midi Pyrèneés, Nordjylland); und
• wirtschaftliche und soziale Kohäsion (‘community economic development’) (das Industrielle Süd Wales, Ostschottland).


3.3 Der regulatorische und institutionelle Kontext


Die Trennung von EFRE und ESF Agenturen der EG auf Kommissionsebene spiegelt sich in den institutionellen Konfigurationen auf nationaler und regionaler Ebene, wo die Wirtschafts- und Arbeitsmarkttstellen, die die Fonds umsetzen, oft weitgehend getrennt operieren (für Einzelheiten siehe Hauptbericht). Einige Mitgliedsstaaten führen an, daß divergente Ansätze des GD V und GD XVI, besonders im finanziellen Management, sich durch
nationale Strukturen fortgesetzt und neue Barrieren für die koordinierte Operation des Arbeitsmarktes und anderer Wirtschaftsmaßnahmen und Organisationen errichtet hat. In diesem Kontext sind effektive Strukturen für eine integrierte Entwicklung und Umsetzung der Politik notwendig.

3.4 Koordination durch Maßnahmen


3.5 Programmanagement und Umsetzung

3.5.1 Strukturen des Programmanagements


3.5.2 Umsetzung

Ebenfalls einflußreich bei der Schaffung von Synergien ist die tägliche Arbeit einer größeren Anzahl von Stellen, die entweder selbst Antragsteller sind oder
die Anträge von Antragstellern beeinflussen. Vertrautheit mit der Operation eines jeden Fonds ist eine Voraussetzung für eine effektive Zusammenarbeit zwischen diesen Stellen, und mehrere Mitgliedsstaaten haben die Notwendigkeit für eine formellere Ausbildung in diesem Zusammenhang hervorgehoben. In Wales können Beamte dazu abgestellt werden, praktische Erfahrung in Organisationen zu sammeln, die mit beiden Fonds arbeiten.


3.5.3 Die Erstellung und Berücksichtigung integrierter Vorschläge

Normalerweise werden integrierte Projekte durch parallel eingereichte EFRE- und ESF-Anträge erzielt, doch wird bei verschiedenen Ansätzen die Bürokratie auf ein Minimum reduziert. Bremen hat eine einmalige Kohärenzfonds-Priorität (die im Hauptbericht beschrieben ist), die die Vergabe einer bestimmten Summe des EFRE an die Vergabe eines gleichen Betrags durch den ESF und umgekehrt bindet. Bei den meisten Programmen werden weniger ehrgeizige Mittel verwendet, um die Sache weniger kompliziert für den Antragsteller zu machen, wie gemeinsame Antragsformulare für EFRE und ESF. Außerdem gibt es oft Organisationen, die denjenigen, die integrierte Projekte planen, bei der Bewältigung administrativer Komplexitäten behilflich sind, wie durch das Prinzip eines einzigen Zugangs ‘guichet unique’ in Rhone Alpes.


3.6 Zukunftsaussichten

Die Logik für die erstrebte Koordination von EFRE und ESF innerhalb einzelner Programme liegt auf der Hand, da der Erfolg von Ausbildung und anderen Initiativen der Wirtschaftsförderung voneinander abhängig ist. In der Praxis hat sich die Integration der Fonds im Laufe der Zeit in Ziel 2 Programmen aufgrund effektiverer Formulierung und Präsentation der Maßnahmen, Managementstrukturen und Umsetzungsansätzen verbessert, doch ist das volle Potential noch nicht erreicht. Hindernisse für eine weitere Koordination sind u.a. die regulatorischen und institutionellen Konfigurationen der Fonds, wobei die Reform von 1999 eine günstige Gelegenheit für die Kommission und die nationalen und regionalen Behörden der Mitgliedsstaaten ist, um diese Fragen gemeinsam anzusprechen. Es ist jedoch wichtig, daß diese strategische Debatte die regionalen Partnerschaften nicht von ihren laufenden Bestrebungen ablehnt, praktische Schritte zu definieren, die kurzfristig auf Operationsebene unternommen werden können, um die Koordination der derzeitigen Programme weiterhin zu verstärken.
Diese beiden Wege werden zusammen dazu beitragen, daß die Summe ‘EFRE + ESF’ in Zukunft ein besseres Resultat erbringt.
Thematic Paper

Structural Fund Synergies –
the ERDF and ESF in Objective 2 Programmes
1. INTRODUCTION

One of the fundamental principles of the 1988 reform of the Structural Funds was an integrated approach to managing the Funds. It was clear that if this was to work, ‘the projected assistance had to combine instruments which could act on both human and physical factors’. The launch of the multifund Objectives 1, 2 and 5b was a major step towards ensuring that economic development activities financed by different Funds in the same area could be mutually reinforcing. These Objectives were to be implemented through a programming approach, with single, time-limited strategies comprising elements of both ERDF and ESF (and, in some cases EAGGF and later FIFG).

Objective 2 programmes, for areas experiencing industrial reconversion, draw on two funds: the European Social Fund, administered by DG V (Employment, Industrial Relations and Social Affairs), which forms c.25% of programmes’ expenditure, and the European Regional Development Fund, administered by DG XVI (Regional Policy and Cohesion), which forms c.75%. Whereas ESF funds human resource development i.e. training and labour market initiatives, ERDF supports other economic development activities, such as infrastructure projects, technology transfer and productive investment. While the Commission has placed some emphasis on the need to co-ordinate the activities of both Funds in Objective 2 programmes, to enhance the appropriateness of policies and to maximise their economic development impacts, the difficulties inherent in achieving this are widely recognised.

This paper examines recent practice in the co-ordination of ERDF and ESF in Objective 2 programmes. Specifically, the aims are:

- to discuss the importance of achieving co-ordination between the Funds in both abstract and practical terms;
- to assess the extent to which the Funds are being co-ordinated in practice at the programme and project level and the determining factors; and
- to examine the (mis)match between aspirations and practice in the co-ordination of ERDF and ESF, and to consider ways in which this gap can be narrowed, drawing lessons from case studies and international comparisons.

The focus of the paper will be on practical examples of ways in which programme design and management can help improve synergy between training and other economic development activities. The research in this paper is based on fieldwork interviews conducted during February and March 1997 with participating regions in IQ-NET, as well as with other Member State authorities, Commission services and researchers.

2. DEFINING AND JUSTIFYING ‘INTEGRATION’

The Structural Funds regulations state that the multi-fund programmes should be ‘implemented in the form of an integrated approach’, but there has been little specific Commission guidance as to what is meant in practical terms. In fact, following almost a decade of experience, there are varied definitions of integration and differing views as to how it should be achieved.

A distinction can be drawn between ‘external’ and ‘internal’ integration and coherence. Arguably, because the programmes are a means of economic regeneration, a critical form of integration is external - ensuring an appropriate match between the actions undertaken by an Objective 2 programme and the needs and opportunities of the eligible area. As required in the regulations, strategies need to be justified in terms of the regional socio-economic situation (especially labour market disparities) and to be linked to the Member State’s own economic, social and regional policies.

At the same time, Commission services place great stress on the internal coherence of programmes, particularly the relationship between ERDF and ESF. Two reasons are commonly noted to justify integrating ERDF and ESF. First, an integrated approach to project design and implementation provides additional opportunities or synergies which would not be achievable if ERDF and ESF measures were implemented separately. In the tourism sector, for example, ERDF-funded projects such as area marketing, may create new tourism jobs, leading to an increase in demand for relevant skills. The logic of complementary policy proposals in such cases is clear. At a more project-specific level, ERDF co-financed construction or physical regeneration projects may open opportunities for complementary training initiatives, perhaps for the unemployed (as in Liège).

A second reason for integrating ERDF and ESF activities is more significant: it may be an essential condition for the project. Many economic development initiatives do not simply create opportunities which it would be desirable to take up, but are actually dependent for their success on both human and physical factors being addressed. The shift in emphasis of ERDF projects away from large infrastructure projects and towards smaller, often intangible, investment projects in which firms are a central focus has increased the frequency of this condition. Such projects often have skills implications, and rely for their success on these being addressed: ‘not all investment is the same: that which is linked to training performs better than that which is not, and the economic value of investing in new technologies depend s on collateral improvements in the skills of workers employing the new technologies’.

External co-ordination may take place without internal: a portfolio of ERDF and ESF projects may complement the wider economic context even if they do

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not necessarily knit with each other. This appears to be outwith the Commission’s main interpretation of co-ordination of the Funds, but in practice it may be as significant as any other type of co-ordination.

In terms of internal synergies, there are several scales at which these can be achieved (see Figure 2.1):

- between the overall portfolio of ERDF and ESF projects,
- between the ERDF and ESF projects in a single priority,
- at the micro level, between directly related ERDF and ESF projects forming complementary aspects of the same development initiative (although not necessarily implemented at the same time), and
- exceptionally, where single projects combining ERDF and ESF elements are encouraged.

**Figure 2.1: Levels at which co-ordination takes place**

<table>
<thead>
<tr>
<th>EXTERNAL CO-ORDINATION</th>
<th>INTERNAL CO-ORDINATION</th>
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<tbody>
<tr>
<td>Projects and the wider economy</td>
<td>Whole Programme</td>
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<td></td>
<td>Single Priorities</td>
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<td></td>
<td>Pairs of Projects</td>
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<td></td>
<td>Single Projects</td>
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</table>

 Actors at different points in the horizontal and vertical partnerships tend to hold differing views of which scale of co-ordination is most important, and these seem to be defined by their own role in programming and the aspects over which they have influence. For example, some Commission officials maintain that it is sufficient for regions to propose broadly compatible ERDF and ESF policies. They are not concerned that integration should be pursued to the micro level of integrated projects, and indeed, this is seen by some as mechanistic and unnecessarily limiting. The different perspectives at Member State level are illustrated by the example of Denmark. Here, the National Agency of Industry and Commerce focuses on co-ordination at programme level. It deals with the strategic framework, but has no position on co-ordination at the project level because it has limited influence on how projects

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are carried out. At the regional level, administrators are concerned both that the strategy is co-ordinated and that, where appropriate, co-ordination is achieved at project level.

Whatever the scale of co-ordination sought, whether it be for two broadly compatible overall ERDF and ESF portfolios, for co-ordination between the activities undertaken under a single priority heading or for the micro level of linked ERDF and ESF project applications, various aspects of programming affect the prospects for achieving co-ordination. Key questions are:

- What is the regulatory context and what is its impact?
- How are strategy documents presented and their policy content developed?
- What is the institutional position at Commission, national and regional levels, and what is its impact?
- How are programmes managed?
- What are the committee and decision making structures?
- How are programmes implemented?
- Who implements them? How much contact is there between ERDF and ESF partners in implementation, and how is this organised? What are the information flows on ERDF and ESF?
- How are programmes marketed to applicants? How is the application process managed? How are projects selected?

All of these factors may influence the form and content of the projects which are finally implemented and so help determine whether synergy is finally achieved on the ground. Given that there are so many points at which co-ordination can occur, co-ordination in some areas - eg. management structures - will not necessarily lead to better integrated final outputs as other factors may ultimately have more influence. Each of the above factors is discussed below to identify how mutually reinforcing outcomes can be achieved.

3. THE REGULATORY CONTEXT

Institutional and regulatory factors have long been recognised by the Commission as a constraint to co-ordination. In its own mid-term review of the 1989-93 programming period, published in 1992, the Commission stated that, ‘certain aspects of the functioning of the system of co-ordination and integration between financial instruments [were] still too inflexible’.

ERDF and ESF differ in important respects. Each Fund supports a largely discrete but complementary set of economic development activities, as set down in the regulations (see below). For complementarity, note especially the mention of SME and technology related actions under both Funds.

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4CEC, 1992, Community Structural Policies Assessment and Outlook, COM(92) 84 final, CEC, Brussels.
### Activities supported by the ERDF

- **Productive investment to permit the creation or maintenance of permanent jobs.**
- **In Objective 2 areas:** investment in infrastructure relating to the regeneration of areas suffering industrial decline, including inner cities, and those whose modernization or laying out is a prerequisite for the creation or development of economic activity.
- **The development of indigenous potential by measures which encourage and support local development initiatives and the activities of SMEs, involving in particular:**
  - services for enterprises, in particular in management, market study and research and services common to several enterprises,
  - transfer of technology, including the collection and dissemination of information and financing the introduction of innovation in enterprises,
  - improvement of access for enterprises to the capital market, particularly by the provision of guarantees and equity participation,
  - direct aid to investment where no aid scheme exists, and
  - the provision of small scale infrastructure.
- **Measures contributing towards regional development in the field of research and technological development apart from measures linked to the operation of the labour market and the development of human resources.**
- **Productive investment and investment in infrastructure aimed at environmental protection, where such investment is linked to regional development.**

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### Activities supported by the ESF

- **In Objectives 1, 2 and 5(b) regions, operations intended to:**
  - support employment growth and stability, in particular through continuing training and through guidance and counselling for workers of either sex, especially those in SMEs and those threatened with unemployment, and for persons who have lost their jobs, as well as through support for the development of appropriate training systems, including training of instructors, and through the improvement of employment services
  - boost human potential in research, science and technology, particularly through post-graduate training and the training of managers and technicians of either sex at research establishments.

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In spite of the complementarity between the Funds’ activities as set down in the regulations, a primary difference is that they are managed separately, by two different Directorates General, with different tasks, priorities and operating cultures. The separate supervision of the Funds complicates Member State authorities’ dealings with the Commission. At every stage from preparing their strategy, to negotiating, implementing, monitoring and evaluating it, Member State authorities have to deal with two, sometimes contradictory or conflicting bodies at Commission level.

One of the more substantive differences between the ERDF and ESF, and one which limits Member States’ ability to take common approaches to the use of each Fund, is in the area of financial management. ESF operates with an annual funding calendar running from 1 January. Each year has to be closed before the next is begun. This leads to additional bureaucracy - with separate applications having to be made for projects spanning all or just part of two calendar years. Vitally, it also causes uncertainty for applicants and managers as projects receiving funding in one financial year may not be guaranteed to receive it in the next. Some regions consider the annual applications round to be highly destabilising and are urgently calling for multi-annual and trans-annual approvals options. In contrast, the ERDF’s financial calendar is more flexible. It is not broken up into annual tranches, and the funding, once committed, can not only be spent in the next years, but also up to two years after the end of the programme.

Further incompatibility arises through the approaches of ERDF and ESF. While the Structural Funds were brought together in 1988 into a true European regional policy in which ‘for the first time, [they were] required to act in a closely co-ordinated manner and with a common set of objectives’ the ERDF and ESF have different histories. The two funds were not created at the same time, nor with the same purpose. Although the ERDF has changed substantially since 1975 when it was first set up, it was established as a regional policy instrument. This is in contrast to the ESF which was originally created in 1957 by the Treaty of Rome with “the task of promoting...employment facilities and the geographical and occupational mobility of workers” (Art.123). Reforms or revisions to the ESF in 1971, 1977 and 1983 increased its regional dimension by introducing a greater commitment to differential assistance for regions with employment problems, but reorientation has been difficult to achieve. Different approaches to the ERDF and ESF are not only taken by the Commission, but also by Member State authorities.

During the 1989-93 programming period, the ESF was found to be governed more by the application of detailed eligibility criteria than by a clear definition of the problems to be solved. As such, the ESF was further revised as part of the 1993 reform of the Funds. ‘The new ESF regulation [was] designed to make intervention of the fund more policy-driven, thus avoiding the restrictions of the former system in which detailed criteria often prevented the funding of suitable schemes’.

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A further inflexibility lies in the fact that each measure may draw upon only one fund. At the same time, this fund cannot be used to finance actions normally only eligible under the other fund. This means that a project which involves investment in training infrastructure, for example, followed by exploitation of that infrastructure for training purposes would only be accommodated by an Objective 2 programme if two applications were made for funding from two measures, each of which was financed by a different fund.

Even given these incompatibilities, it should be remembered that how the ESF is used is also dependent on national and regional approaches to implementing labour market and other policies. There are frequently differences in approach at these levels (eg. in France) which would manifest themselves even if the instruments being used were configured and managed the same way.

Beyond the regulatory incompatibilities between the two Funds, there are further complicating factors. In Objective 2 areas, the ERDF/ESF question is just one of the integration issues facing programme managers (see Figure 2.2), the others being coherence between:

- the Structural Funds and other financial instruments, principally the EIB and ECSC;
- Objective 2 and Community Initiatives such as Konver, Retex, Rechar and SME;
- Objective 2 and other adjacent or nearby spatially defined programmes (Objective 5b and, less frequently, Objectives 1 or 6);
- ESF aspects of Objective 2 and the ESF Objectives 3 and 4; and
- Objective 2 and the wider non-European supported economic development framework.

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9 Objective 3 addresses the young and long term unemployed while Objective 4 addresses the reskilling of those in declining sectors. They focus on individuals while Objective 2 ESF elements focus on shortcomings in the regional economy more generally.
In some Member States, there are also incompatibility issues to be addressed between EU and national/regional programmes whose different assistance conditions and guidelines make them impossible to unify (eg. in Austria).

4. STRATEGY DOCUMENTS

The main public expression of how the Structural Funds are integrated in multi-fund programmes like Objective 2 is in the strategy documents, where policy choices are set out. SPDs vary considerably in the extent to which they integrate ERDF and ESF.

4.1 Policy presentation

Comparison of Objective 2 programmes across the EU indicates that many regions have chosen to present related policies in a way which indicates the links between them. The Commission promoted this approach after observing experience with the first multi-fund CSFs - for the 1989-93 period - some of which had employed explicitly complementary ERDF and ESF policies. Paired examples include:

- strengthening the productive sector by supporting capital investment with the ERDF and technical and vocational training for employees with ESF, and
- developing human resources by improving training facilities (ERDF) and undertaking training (ESF).

Building on such examples, the Commission strongly encouraged the 1994-96 programmes to frame training measures so that they complemented other measures and to present complementary groups of policies together under the

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same priority headings. Some programmes were restructured at the negotiation stage to follow this pattern, for example Strathclyde. Most 1994-96 programmes follow this approach (see Figure 2.3).

Figure 2.3: The structure of priorities in Objective 2 programmes

Policy areas where this is most common are:

- research, technological development and innovation (eg. North East England, Nord Pas de Calais, Poitou Charentes)\[11\],
- indigenous development, through realising the potential of local SMEs (a widespread policy choice),
- the environment as a source of competitive advantage (eg. Picardie, Lombardia and Bremen)
- tourism (Plymouth, Midi Pyrénées and Nordjylland), and
- community economic development (eg. Industrial South Wales and East of Scotland)\[12\].

More unusual policy combinations include offering customised training programmes as part of the incentive package for inward investors.

The integrated presentational approach has been continued into the 1997-99 programmes, in line with the Commission’s view that: ‘vocational training should be seen as [a] horizontal aspect... potentially relevant to all measures’\[13\].

\[11\] Also see: Taylor, S. (1996), RTD/Innovation Policies in Objective 2 Programmes - Challenges and Best Practice, IQ-NET Thematic Paper, Series 1, No 2, EPRC, UK.


The main exceptions to the integrated approach to strategy presentation in the 1994-96 period have been the smaller programmes where there are not enough measures to make this approach worthwhile such as Thanet and Ångermanlandskusten; also, most programmes in Germany, Spain and Austria decided against this procedure. Some German regions have argued that, because their social and economic institutions operate separately, such presentation would be cosmetic. Austria followed the ‘German model’ in its SPDs, resisting Commission pressure for more integration.

It is not necessarily the case that the German, Spanish and Austrian programmes (or the smaller ones) are less integrated just because the strategy documents do not cosmetically present ERDF and ESF in an integrated manner. Indeed, both the integrated and separate presentation of policies offer their own respective merits:

<table>
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<tr>
<th>Advantage of integrated presentation</th>
<th>Advantage of separate presentation</th>
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<tr>
<td>Some programmes report that the process of developing ESF measures to stand alongside ERDF ones in a more strategically focused format has made the ESF more ‘programme’ driven. Proposals have been formulated in relation to the wider strategy rather than forming a largely unrelated ‘shopping list’ of projects.</td>
<td>The presentational approach may simply reflect a national policy context in which economic and social/labour market institutions operate separately. Integrated presentation could be artificial when what is being implemented largely comprises pre-existing incentives and structures - as in Austria.</td>
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<tr>
<th>Limitation of integrated presentation</th>
<th>Limitation of separate presentation</th>
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<tr>
<td>If the presentational style has not been supported by a deeper endeavour to develop complementary approaches and the mechanisms required for successful implementation, then efforts may have little effect. In Groningen Drenthe, integration at the strategy design and presentation stage of the 1989-93 programme, (designing a programme with ERDF aimed at firms and ESF at the employed) did not translate into practice because of limitations posed by administrative configurations and the regulatory environment.</td>
<td>These programming areas are arguably losing an opportunity to explore whether further synergies could be achieved using different approaches. Also, even where policies are co-ordinated, the links may not be immediately apparent to those referring to the strategy documents. As such, the ERDF and ESF elements may be perceived as separate strategies, whose common link is that they are being implemented in the same geographic area. To address this in its new programme, Saarland has provided a description of how the two Funds will complement each other.</td>
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One of the better known examples of programmes introducing innovative policy approaches to integrate ERDF and ESF is Bremen, where a coherence fund has been established to aid effective programme management.
The Bremen Coherence Fund

In Bremen (Germany), integration of the two funds is found in the strategic interplay between regional and social funds over the whole Objective 2 programme. A Coherence Fund was set up to go further, not only flanking investment projects with training measures but allowing the direct two-way expansion of ERDF and ESF assistance within individual projects. The award of a certain sum of ERDF is bound to an equal award under ESF, and vice versa. The ERDF is used for investment elements and the ESF for training.

The fund proved its regional strategic efficiency in the 1992-93 Bremen programme, achieving additional co-ordination and increased effectiveness of regional policy activities. As a result, the fund was further developed in the 1994-96 programme, and given status as a fourth priority.

Projects promoted under the ‘Coherence Fund’ fall under the regulations of the Land programme ‘Work and Technology’, which is operated by the Senate for Labour, and this Senate has overall responsibility for the implementation of the measure. Proposals have to be assessed by both the Senate for Labour and the Senate for Economic Affairs, and are only eligible where both economic and employment themes are combined.

5. POLICY CONTENT

More important than the presentation of policies is their substance. It is at the early stages of strategy formulation that a co-ordinated approach can begin to take shape, assisted by a common analysis of the regional situation, and open discussion about policy proposals.

The Commission’s guidance for the 1997-99 round recommended several policy approaches for consideration by programme partnerships. Under the heading of ‘Competitiveness and Development of SMEs’, suggestions for human resource development measures included improving management skills, adapting vocational qualifications to a higher technology environment, and preparing would-be entrepreneurs. ‘Pathways’ to employment could also be created, combining training for new entrants to the labour market with practical work experience. Further recommendations apply to projects strengthening local employment services and their knowledge of skills mismatches and improving the quality of information on the local business sector to create relevant ERDF and ESF policies and projects.

It is evident that several programmes have taken advantage of these options, for instance initiatives enhancing knowledge of skills supply and demand, particularly among small firms. Industrial South Wales has used Technical Assistance to support labour market analyses; and both the Fyrstad and Ångermanlandskusten SPDs (1995-99) stated that an in-depth analysis of the local labour market would be undertaken in order to identify skills gaps in local companies and so target ESF expenditure more effectively. The Ångermanlandskusten SPD also stated that the ‘education and training profile of the local unemployed should be examined...to target ESF training where it will have the most positive effect’.

More systematic and ongoing analysis of skills mismatches reportedly has a higher profile in the proposed 1997-99 programmes following the Commission’s recommendations. The UK provides some examples. In Western Scotland, the review process identified a need for clearer analysis of SME training needs, a requirement likely to be provided (in part) by Scottish Enterprise’s recent review of skills in SMEs. The 1997-99 Finnish SPD likewise states that the development of human resource projects would be based on evaluations of labour market strengths and weaknesses.

The submission of the new programmes gave the Commission an opportunity to further develop integration by pursuing its recommendations. However, with a few exceptions, the outcomes are reported to have been disappointing as negotiation has tended to focus on ERDF issues. Strathclyde was among the limited number of regions which took the opportunity to identify ways to improve policy integration on the basis of experience to date.

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**Policy recommendations for improved ERDF / ESF integration in Strathclyde**

*In preparing the Western Scotland 1997-99 programme, the Strathclyde Advisory Groups identified policy modifications which could further integrate training:*

- **Labour Market Advisory Group**
  
  Integrated joint applications combining ERDF supported business development or infrastructure with ESF projects could improve integration. Approval for some types of ERDF project could be conditional on their having an integral training element.

- **Business Development Advisory Group**
  
  Clearer guidance is needed in areas such as self-employment, business start-up and alternatives to employment on which schemes are ERDF and which ESF. The new programme should continue to focus on ‘business and skills development’ for SMEs.

- **R&D Advisory Group**
  
  Capital projects in firms need appropriate revenue support for business development. Training in technology could be increased and targeted to the community economic development areas to increase the job prospects of these residents. There is a need for continued emphasis on the links between research institutions including in Higher and Further Education, and SMEs, and a stronger focus on human resource development.

- **Tourism Advisory Group**
  
  Fewer vocational training schemes have been supported than was originally hoped. It is difficult to see solutions to some of the problems identified eg. that many tourism bodies are public sector - eg. museums - so their employees are ineligible.

- **Business Infrastructure Advisory Group**
  
  A new environmental priority, should one be included, could incorporate training in environmental skills for both SME employees and the unemployed.
6. INSTITUTIONAL DETERMINANTS

6.1 Relative influence of government authorities

A fundamental factor determining how the Funds are managed in individual regions is the national institutional structure of governance. As at EU level, competences for ERDF and ESF in the Member States tend to be held by different organisations at both national and regional levels. In addition, at all tiers, the authority for ERDF management tends to be synonymous with the authority with overall responsibility for Objective 2 programmes. This has implications for the degree of influence of different actors and for the intensity of operational interaction and information flows between them.

A further defining feature of the interaction between ERDF and ESF authorities is their financial contribution to Objective 2 programmes. ESF authorities frequently see themselves as the ‘poor relation’ as they are by far the minor player financially. On average, only a quarter of EU programmes’ resources come from ESF, with the proportion usually being between 15 and 25 per cent. On average, Germany, Austria and the Netherlands have among the largest allocations to ESF (c. 30 per cent of the programme), while there are lower allocations in France, Finland and Belgium (c. 19 per cent). These patterns are explained as much by the Commission negotiation process as by the varied labour market needs of eligible areas.

The Significance of ESF in 1994-96 Objective 2 Programmes

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportion of Objective 2 allocation which is ESF</th>
<th>Highest percentage of ESF in a single programme</th>
<th>Lowest percentage of ESF in a single programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>19%</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td>Denmark</td>
<td>21%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>France</td>
<td>18%</td>
<td>31%</td>
<td>13%</td>
</tr>
<tr>
<td>Germany</td>
<td>30%</td>
<td>36%</td>
<td>14%</td>
</tr>
<tr>
<td>Italy</td>
<td>21%</td>
<td>30%</td>
<td>3%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>31%</td>
<td>36%</td>
<td>26%</td>
</tr>
<tr>
<td>Spain</td>
<td>23%</td>
<td>100%</td>
<td>12%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>25%</td>
<td>30%</td>
<td>15%</td>
</tr>
<tr>
<td>EU-12</td>
<td>23%</td>
<td>100%</td>
<td>3%</td>
</tr>
<tr>
<td>Austria</td>
<td>30%</td>
<td>35%</td>
<td>20%</td>
</tr>
<tr>
<td>Finland</td>
<td>19%</td>
<td>National programme</td>
<td>National programme</td>
</tr>
<tr>
<td>Sweden</td>
<td>24%</td>
<td>29%</td>
<td>18%</td>
</tr>
</tbody>
</table>

In addition, at regional level, only a minority of the partners are actively involved with using or administering the ESF. At the same time, frequently in the face of personnel limitations, the main priority of these agencies tends to be the single fund programmes under Objectives 3 and 4, which involve greater ESF resources. Finland is a good example: the overriding priority of the District Labour Offices is to manage Objective 3 to meet national targets for schemes for the unemployed, to the detriment of attention to ESF under Objective 2.
While different actors are responsible for the ERDF and ESF at national level, their approaches and the degree of interaction between them are arguably only important insofar as they facilitate the co-ordinated activities of the regional actors.

ERDF authorities at the national level, have tended to have less ‘hands on’ involvement at the regional level than ESF ones, in part because most ESF programmes have tended to be national programmes run from the national level, whereas ERDF programmes have more usually been regionally defined. However, recently, there has been some regionalisation of responsibility for some ESF decision making or financial management aspects in order to make ESF management more flexible and responsive to local conditions.

National level responsibility for ERDF, ESF and Objective 2 Programmes

<table>
<thead>
<tr>
<th>Country</th>
<th>Responsibility for ERDF</th>
<th>Responsibility for ESF</th>
<th>Responsibility for Objective 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Federal Chancellery</td>
<td>Federal Ministry for Labour and Social Affairs (BMAS)</td>
<td>Federal Chancellery</td>
</tr>
<tr>
<td></td>
<td></td>
<td>manages ESF. Also a central federal office of the Labour</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Market Service (guidelines on targets, the overall operation,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>etc)</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>Department of Trade and Industry - through the National</td>
<td>DG for Employment, Placement and Vocational Training (DGEPVT)</td>
<td>National Agency of Industry and Commerce (NAIC)</td>
</tr>
<tr>
<td></td>
<td>Agency of Industry and Commerce (NAIC)</td>
<td>Admin of ESF devolved to the regional level</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NAIC makes final project decisions, undertakes payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>and monitors projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>Ministry of Interior</td>
<td>Ministry of Labour</td>
<td>Ministry of Interior. One national SPD, so this</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>level is more influential than in many Member States</td>
</tr>
<tr>
<td>France</td>
<td>Management: Délégation à l’Aménagement du Territoire et à</td>
<td>‘Mission FSE’ in the Ministry of Employment</td>
<td>DATAR</td>
</tr>
<tr>
<td></td>
<td>l’Action Régionale (DATAR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial affairs: Ministry of the Interior</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>Federal Ministry of Economics</td>
<td>Federal Ministry for Employment and Social Affairs</td>
<td>Federal Ministry of Economics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(BMAS)</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>Ministry of Industry and Trade</td>
<td>Ministry of Labour</td>
<td>Ministry of Industry and Trade</td>
</tr>
<tr>
<td>UK</td>
<td>Department of Trade and Industry</td>
<td>Department for Education and Employment</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>England</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>Scottish Office Education and Industry Department</td>
<td>Scottish Office Education and Industry Department</td>
<td>Scottish Office Education and Industry Department</td>
</tr>
<tr>
<td>Scotland</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Wales</td>
<td>Welsh Office</td>
<td>Department for Education and Employment</td>
<td>Welsh Office</td>
</tr>
</tbody>
</table>

In common with the national level, different institutions at regional level usually have responsibility for ERDF and ESF actions, overall responsibility again resting with the ERDF agency. Among the exceptions are Scotland where the Scottish Office Industry Department is responsible for all functions, while secretariats at the regional level manage them, Wales where the Welsh Office is now responsible for all three aspects, and Denmark, where the Objective 2 programme administrators manage all three aspects. There may be considerable merits to this non-separation, which Denmark maintains was
straightforward to introduce and has avoided artificial barriers arising which may have impeded integrated implementation.

**Regional level responsibility for ERDF, ESF and the Objective 2 programme**

<table>
<thead>
<tr>
<th>Country</th>
<th>ERDF Responsibilities</th>
<th>ESF Responsibilities</th>
<th>Objective 2 Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Land government. Several departments may be involved as individual funding agencies</td>
<td>Labour Market Services (AMS) at Land level (decentralized service of the state) - help determine budgets and main focus. Regional directorates and also sub-regional AMS offices implement ESF.</td>
<td>Economic development department of the Land government</td>
</tr>
<tr>
<td>Denmark</td>
<td>Objective 2 programme administration. Project decisions subject to the approval of NAIC</td>
<td>Objective 2 programme administration</td>
<td>Objective 2 programme administration</td>
</tr>
<tr>
<td>Finland</td>
<td>Regional Council - although national portion still has to be approved by the relevant co-financing agency - eg. regional offices of the Ministry of Trade and Industry</td>
<td>District Labour Offices - although some funding decisions are made by the Ministry of Education which is only represented at national level</td>
<td>Regional Council - overall co-ordination</td>
</tr>
<tr>
<td>France</td>
<td>SGAR - part of the regional Préfecture. Some regions delegate an element of decision making to the département level.</td>
<td>Direction Régionale du Travail, de l’Emploi et de la Formation Professionnelle (DRTEFP)</td>
<td>SGAR - part of the regional Préfecture.</td>
</tr>
<tr>
<td>Germany</td>
<td>Land Economics Ministry - operates largely separately from the Land Employment Ministry - although there is some contact</td>
<td>Land Employment Ministry - operates largely separately from the Land Economics Ministry - although there is some contact</td>
<td>Land Economics Ministry</td>
</tr>
<tr>
<td>Sweden</td>
<td>NUTEK</td>
<td>National Labour Market Board (NLMB) - through the County Labour Market Boards</td>
<td>Usually County Administration Boards. Fyrstad also has an independent secretariat</td>
</tr>
<tr>
<td>UK - Scotland</td>
<td>Scottish Office Industry Department - approve funding decisions, although programmes are actually run by regional secretariats</td>
<td>Scottish Office Industry Department - approve funding decisions, although programmes are actually run by regional secretariats</td>
<td>Scottish Office Industry Department - approve funding decisions, although programmes are actually run by regional secretariats</td>
</tr>
<tr>
<td>UK - Wales</td>
<td>Welsh Office</td>
<td>Welsh Office - since 1996. Now approves proposals - but payments still come from Department for Education and Employment in London</td>
<td>Welsh Office - although a secretariat structure is also being established on the Scottish model</td>
</tr>
</tbody>
</table>

In most countries, different regional institutions manage the ERDF and ESF. Where this is the case, the actual degree of separation between them - and the impact of this separation - vary considerably. Relationships between agencies are contingent upon their historical development, the size and flexibility of the administrative system, the training given to staff and their general orientation, policy remit and approach.

The two Member States with the most distinct divide between ERDF and ESF agencies are arguably Germany and Austria. Here, reflecting the way that other economic development is undertaken, Objective 2 programmes are effectively implemented as two almost separate uni-fund programmes. In
Germany, at regional level, the Land Economics Ministries (ERDF) and Land Employment Ministries (ESF) would be in regular contact over strategic issues, but at the same time, would be developing their own networks, practices and management arrangements, defined by different approaches and different regulatory environments. There is a mature ministerial structure in which each Ministry guards its jurisdiction. In such a context, there is no impetus to reform approaches, and introduce further co-operation mechanisms, especially for the benefit of relatively minor programmes such as Objective 2. The degree of separation of institutions in Germany is illustrated by the strategy development process there: in Nordrhein Westfalen and Saarland (Germany), the ERDF and ESF policies were elaborated largely separately by two sub-groups of partners, led by the Economics Ministry and the Social Ministry, who worked in parallel, but in a context of consultation on the overall content and direction of the strategy. Because the strategies contain complementary policies, co-ordination is still possible between the final outputs. However, this would be achieved without intensive ongoing contact and co-ordination.

Even in the context of separation in Germany and Austria, it is interesting to note that at a sub-regional or local level, ad hoc collaborations do still emerge between organisations with complementary ERDF and ESF remits. This is discussed in more detail below.

In Sweden, while different institutions are responsible for administering training and other elements of economic development, contact between ERDF and ESF agencies has been sought for effective programme implementation. This is because Sweden has drawn minimally upon existing policy instruments in its SPDs and so was not able to predict in advance what opportunities for complementarity would arise. Considerable efforts have been made to create appropriate channels for communication and joint working, which have led to opportunities for synergy.

There are other cases where, although communication is desirable for effective programme implementation, there are limited opportunities for formal contact between ERDF and ESF institutions - and limited prospects of setting up such contact. Organisations may be divided by their ‘cultural’ differences, and have little more than informal knowledge of how their counterparts work.

In Finland, where institutions are new to the Structural Funds, the fact that ERDF and ESF agencies are separate has been problematic in some ways. The Regional Councils, responsible for the ERDF and the Objective 2 programmes as a whole, have found that they have been receiving little detail from the District Labour Offices on projects funded under the ESF and so are unable to adapt the ERDF programme accordingly. In addition, ESF decisions which fall to the Ministry of Education have been being made at national level with an insufficiently detailed understanding of the regional context - and of the ERDF projects being funded at that level. In defining the new national SPD, the opportunity has been taken to reform aspects of implementation to address these constraints:

- ESF co-ordinators have been recruited to work in the labour districts with the task of promoting and co-ordinating the implementation of ESF projects in their area, and
• for major projects, labour districts will contact regional councils prior to making their decision.

Further, it is intended that in August 1997, new Centres for Industry and Labour will be set up in the provinces which merge formerly separate offices - including the District Labour Offices responsible for training measures and the local offices of the Ministry of Trade and Industry which assess applications for most ERDF business development actions.

In France, while decision making for ESF projects takes place at the regional level, the strong vertical lines of communication between the Mission FSE in the Ministry at national level and the offices of the DRTEFP in the regions has been argued to work against the development of stronger collaborative ties at regional level between ESF authorities and those managing ERDF and the overall Objective 2 programmes.

Clearly, there are variations between Member States in the degree to which separate institutions work together. Integration also varies between different regions in the same Member State and also at sub-regional level (eg. in Poitou Charentes). This appears to indicate that, while institutional barriers can be considerable, there are many effective ways in which they can be ‘managed’ to facilitate collaboration if this is deemed a sufficiently worthwhile objective.

7. PROGRAMME MANAGEMENT ISSUES

The previous section examined the influence of structural institutional factors on integrating ERDF and ESF. Evidently, a major problem is that the implementation of EU Funds is not easily accommodated within the governmental administrative structures of some Member States. The following sections look at operational structures set up to manage the Funds. There are two main areas of interest: committee structures and participation, and the arrangements for decision making.

7.1 Partnership and committee structures

The partnership approach to implementing Objective 2 programmes has increased possibilities for interaction between training-related and other organisations at the policy development and implementation phases, and this has arguably led in many cases to synergies being achieved which would not otherwise have taken place. The committee structures set up to ensure the effective delivery of programmes are the main formal forum for contact between partners. Most programmes have at least three tiers or types of committee.

A universal body, usually organised at regional level, is the monitoring committee (MC), meeting every six months. The MC provides an opportunity for the partnership to be updated on programme progress and for problems to be raised. While contact between ERDF and ESF-related partners at these meetings certainly increases awareness of the activities supported by the two

Funds, it cannot alone guarantee a deeper level of integration. Experience from several countries suggests that the meetings tend to be too short and have too heavy an agenda to launch real discussion and exchange on practical implementation issues.

The second committee used by some regions is the Programme Management Committee (PMC), which meets more frequently at regional or sub-regional level to make programming decisions. In several Member States including Sweden and Denmark, ERDF and ESF project decisions are made in a single PMC. In each case, the regional tier has had the flexibility to shape their own committees in a way which enabled integrated programme implementation. Following the merger of previously separate ERDF and ESF PMCs in Strathclyde in 1994, committee members have found they are better informed about the whole programme. Finnish regions also use a common PMC for ERDF and ESF projects, but this could be exploited more for informing partners. Insufficient information is sometimes provided on the substance of projects: business development proposals are discussed in detail at separate technical committees to protect the confidentiality of the applicants, while training applications are principally dealt with at the District Labour Offices which do not always attend the PMCs.

Other forms of committee, usually meeting in the early stages of project assessment, include Strathclyde’s Advisory Groups. These are organised under thematic headings including Labour Market, Technology and Economic Infrastructure and make initial recommendations on the merits of ESF and ERDF projects. While the structure is apparently fragmented, co-ordination is sought between the Funds by ensuring at least two members of each Advisory Group attend the Programme Management Committees. Groningen Drenthe had similar working committees for ERDF and ESF in its 1989-93 programme, but this time with overlapping membership.

There is a further innovative committee-style approach in Fyrstad, where groups of partners with common interests - such as supporting business start-ups or SME growth - are brought together to develop specific integrated ‘framework projects’ and then to implement them, making common funding decisions. One such project is Foretagsutveckling Fyrstad, which aims to develop SMEs through consultancy support in five main areas, four of which are funded by the ERDF (new product development, business development, marketing and internationalisation and environmental technologies) and one by the ESF (competence development).

While the above examples demonstrate that partnership approaches can intensify communication between the ERDF and ESF partners, this is not always the case. In Germany the ESF partners, including private training agencies, Kommunen, employers, church groups, Volkshochschule, chambers of commerce and unions do not on the whole seem to influence the level of integration because they largely accept the established divide between economic and social/labour issues.

Besides committee structures, a further important programme management issue is where and how funding decisions are made. There has been a trend towards the decentralisation of some decision making and financial management functions for ESF in several Member States including Denmark.
and the UK. While this decentralisation may bring additional bureaucracy (in Denmark more detailed financial information is now required from ESF applicants), it does mean that regional level decision makers have fuller information on the whole programme and can work more closely and actively together and take a more strategic, region-specific view.

8. IMPLEMENTATION

Four aspects of implementation are highlighted here for discussion, each of which has an influence on the degree to which co-ordination might be achieved between the ERDF and ESF parts of Objective 2 programmes: knowledge and awareness of the Funds among implementers, information on programme content and progress, contact between implementing agencies, leading possibly to joint actions, and management of the application process.

The familiarity of the partners with the operation and remit of both Funds influences the degree of co-ordination which may be achieved. Several Member States, including France, raised the need for more formal training to be available in both. Key figures such as programme managers are particularly important. In illustration, the direct DG V experience of a Scottish programme manager and an Austrian regional manager have increased the overall prominence given to ESF in their respective programmes. In Wales, secondments are used to ensure that there are always staff in the secretariat with experience of both Funds. In Nordrhein Westfalen and Saarland, while programme managers know the operation of both funds, there is no active encouragement for other personnel to develop expertise in both, because contact is so limited that this is not seen as worthwhile.

A second factor influencing whether programme implementers can facilitate the emergence of synergies is the availability of up to date information on programme progress. Computerised management information systems enable progress to be monitored on an increasingly detailed and constant basis, and their form influences the flow of information among partners. Some regions and Member States have co-ordinated all programming information onto a single system, while others have developed discrete systems for the ERDF and ESF (eg. Austria).

- Finland’s integrated system (REUHA), set up by the Ministry of Interior, collates information on all the Finnish Structural Fund programmes. However, its full potential to support integration has not yet been achieved because of technical problems.

- In Aquitaine, the system monitoring all the Structural Fund operations in the region is networked to all partners, who can use it to carry out their own analyses. As the regional ESF-related authorities have begun to use it, they have become more conscious of how their work fits into a broader context, and have focused more on the economic development rationale for their proposals. Activities as a result are more policy driven. The system is

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16 Kearney, C (1996) Monitoring and Evaluation in Objective 2 Programmes: Progress and Challenges, IQ-NET Thematic Paper, Series 1, No 4, EPRC.
17 Kearney, C (1996) op cit
now being adapted to enable ERDF / ESF complementarities to be monitored more systematically: the sector in which ERDF and ESF projects are implemented will be recorded using a standard classification system. Analysis of this data will enable sectors to be identified in which there may be unexploited opportunities for complementary ERDF or ESF projects.

- In contrast to the above, the Swedish authorities responsible for ERDF and ESF in the regions - NUTEK and the National Labour Management Board - use separate data management systems. This has not proved a barrier to integration because the agencies have frequent contact and have worked together to present a common approach to applicants.

Alongside the issues of knowledge about the Funds and the projects they are supporting, is the degree of ongoing, practical interaction between organisations dealing with each of the Funds. Synergy between projects may be achieved because of informal, often ad hoc contact between actors whose ERDF and ESF remits are specifically complementary (eg between the DRIRE and DRTEFP in France, the former offering business development schemes to firms and the latter in-company training). Those involved tend to build the personal contact networks they require to facilitate co-ordination.

- ‘Link marketing’ of opportunities to firms is often used (eg. in Rhône Alpes (France) and Niederösterreich (Austria)). In a reciprocal arrangement, representatives of ERDF or ESF related-organisations visiting firms to discuss Structural Fund related projects look for opportunities which are relevant to their counterpart’s remit.

### Link marketing in Niederösterreich Süd

A ‘link marketing’ arrangement exists between the ERDF manager and ESF consultant in Niederösterreich Süd. For them, successful co-ordination of their own day to day activities has been built on:

- **Proximity of offices and so ease and frequency of contact, making formal meeting time unnecessary.**
- **Quality of personal relationship.**
- **Participation in joint information seminars and/or workshops in which they have both presented their own areas and funding possibilities. The presentations and subsequent discussion sessions have helped each to understand the other’s work and the rationale behind some of the approaches they have taken.**
- **Growing knowledge of each other’s remit and activities, which makes it easier to recognise co-ordination and co-operation opportunities.**

The ESF representative has been working with a group of nine firms (c.700 employees) to define training needs which will be addressed on a joint basis at the local level. The ERDF representative has contacted one of these firms already and plans to hold discussions on whether this existing co-operation network could also be used to address business development issues. This would then represent a genuine cluster of firms co-operating both in production and training.

- The influence of proximity on interaction is further illustrated in Finland where the physical distance between some of the regional partners has impeded co-ordination. In Päijät-Häme, the nearest Regional District
Labour Office to Lahti, the seat of the regional council running the Objective 2 programme, is in Tampere, two hours’ drive away. This has impeded operational interaction. In August 1997, fifteen new centres for industry and labour will be set up in the counties, merging the former offices of separate administrative units (in a similar way to the UK Government Offices), and it is hoped that this will help to facilitate and intensify networking.

- Collaboration at the implementation stage tends to be dependent on the additional efforts of individuals so is both extremely variable between regions (and even sub-zones of the same eligible area) and fragile. It may be short-lived if main actors change their post or lose heart because the regulations place too many barriers in their path.

- ‘Link marketing’ has been formalised in Aquitaine to address these problems. A ‘Pôle de Compétence Industrie’ is being set up in the SGAR which will enable all the deconcentrated services of the state working with firms to better co-ordinate their contact with businesses. This will both formalise and intensify interaction between them and should thereby improve co-ordination between the Funds.

To date, the services have concerned themselves with their own remit - which is unhelpful for firms wishing to discuss their development prospects in global terms. Thanks to the pôle, firms which would previously have had to deal with several people, will initially have a single contact who will refer them to other colleagues as appropriate.

The final aspect of implementation discussed here is how the programme is presented to applicants and how their applications are managed: it is important that the technical issues associated with the use of two separate Funds, administered by separate organisations, do not impede either the effective communication to applicants of complementary opportunities or the pursuit of these opportunities.

- In Austria, while ERDF and ESF aspects of programmes are presented and managed largely separately, the 35 Regional Management Offices which will support the implementation of the Structural Funds at local level should facilitate co-ordination between projects at the implementation stage. They are likely to provide initial consultancy to potential applicants on the whole programme and to be active in identifying and facilitating the exploitation of opportunities for synergy between training and other activities. Experience to date has been variable.

- Particularly in the areas of company development and technology promotion, synergy is sometimes not achieved between ERDF and ESF policies at the implementation stage because applicants are insufficiently aware of the training opportunities available under Objective 2. This has been the case in Ångermanlandskusten (Sweden) and North Jutland (Denmark). In the latter case, the problem was in part addressed during the last programming period by the introduction of joint application materials for the two funds. Moreover, the launch meeting for the new period was used to present the opportunities provided by both funds, and to highlight examples of particularly innovative projects combining ERDF and ESF.
Likewise, in France, it has sometimes been difficult to commit funds because there has been insufficient publicity about Objective 2 ESF measures - and how they differ from Objective 3 and 4 type opportunities. In response, the Commission has encouraged Technical Assistance to be used to publicise opportunities to businesses. Nord Pas de Calais is among the regions which have produced specific promotional materials.

In Niederösterreich Süd, workshops have been organised to present the regional level ERDF and ESF organisations and the Structural Fund possibilities they offer to local firms. These workshops, which have been well received, take place periodically, with the benefit that firms not only become more interested in the Objective 2 programme, but also network amongst themselves. It is hoped that this will lead to joint projects with Structural Funds support in fields such as product development, and that later, options to integrate training measures will also be explored.

Many programmes, including that in North Jutland and those in Sweden, argue that applicants have no need to be aware of the full ‘mechanics’ of the Structural Funds - but merely to be enabled to use them effectively in constructive projects, and application procedures are managed accordingly. In North Jutland, the fact that both Funds are administered by the same organisation immediately helps them to simplify the application process. Other more widespread techniques include the use of common application forms. In some cases, the integration is so effective that project managers are not aware that their project is in fact two parallel projects supported by two different funds.

In Poitou Charentes (France), separate forms are used for the two funds, but administrators facilitate the application process, especially where complex projects are involved. Integrated ERDF/ESF projects, such as the La Rochelle Engineering School proposal to develop an electric vehicle, are especially welcomed, and the system is managed to accommodate them. This project, associating several firms and research bodies, was integrated from its conception, and was welcomed at the committees for that very reason. ERDF has been used for research equipment and ESF to train applied researchers.

In Rhône Alpes (France), while separate application forms are used, certain practical arrangements such as the one-door ‘guichet unique’ system are helpful. Applicants deal with the same people at the same place to get basic information about Structural Fund applications and submit their forms.

In Germany, application forms for ERDF and ESF tend to be different, but this is reflective of the clear divide between ERDF and ESF authorities.

A more institutionalised approach to project integration may be achieved where public sector economic development organisations have a broad remit and are involved in initiatives which are relevant to both Funds, these often being part of their own pre-existing strategies. These partners are valuable to

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18 Préfecture de la Région Nord Pas de Calais (c.1994) Le Fonds Social Européen dans la Région Nord Pas de Calais.
the programme more generally because they have insight into the practical integration of training and other economic development actions on the ground. Integrated initiatives proposed by such organisations tend to be schemes delivered to smaller organisations, usually firms. The size of these projects helps make the additional administration required to achieve ERDF and ESF co-ordination worthwhile.

- In Nordrhein Westfalen, the Land Development Agency (Landesentwicklungsgesellschaft - LEG) has brought together the two funds in related projects - eg. using unemployed people in the renewal of old industrial sites, or using the ERDF to convert former industrial buildings for training purposes, then calling upon ESF to co-finance the training.

- Monklands Enterprise in Strathclyde has undertaken a series of projects involving ERDF and ESF elements, including the establishment of an Information Technology Centre in its own Business Centre. Firms can be connected to the centre via modem, and access facilities which enable them to do business with large firms which now prefer to operate on-line and have instant communication. ERDF co-financed equipment, while ESF has been used to train the staff of participating firms.

While there are successful examples of integration, with parallel ERDF and ESF projects being undertaken, either at the same time or consecutively, these tend to require a considerable management effort to implement successfully because of the basic incompatibilities of the two Funds. In Bergslagen (Sweden), an integrated proposal to set up a centre for entrepreneurs (involving buildings, equipment, courses and advice for young people) proved extremely difficult to manage because of Commission regulations. Likewise, in Austria, sophisticated aid schemes which offer a package of funding tailored to SMEs are difficult to co-fund under the present arrangements. Given such examples, it must be asked whether integration in spite of rather than because of the Funds is a satisfactory way to go forward.

9. **DISCUSSION**

9.1 **Review**

This paper has reviewed the question of co-ordination between the ERDF and ESF in the context of Objective 2 programmes, first exploring what is meant by co-ordination and why it is sought. The basic distinction was drawn between external synergies - where projects are favoured which match needs of the wider regional economy - and internal synergies - between the ERDF and ESF projects implemented by the programme. Internal synergies are sought both to ensure that opportunities created under one Fund are taken up by the other, and also to gain better ‘value for money’, in company development and technology initiatives in particular, by developing human capital in parallel with investment projects.

In considering how successfully ERDF and ESF are actually co-ordinated in Objective 2 programmes, regulatory and institutional aspects were reviewed, as well as strategy documents and implementation arrangements. The main
observation relating to the institutional environment was the separation of the ERDF and ESF at all levels from the Commission down, and the cultural, historic and regulatory divides between them. At the same time, Member States were found to vary in the degree to which ERDF and ESF organisations worked together. Austria and Germany, at one extreme, are characterised by a large degree of separation, with parallel committee and decision making structures guided by the overall co-ordinating influence of a common strategy. In Sweden, in contrast, while different organisations manage the ERDF and ESF, there is more intensive interaction between them. Exceptionally, as in Denmark, the same organisation manages ERDF and ESF, at the regional level at least, so removing an institutional divide.

Approaches to implementation are arguably the most influential in determining whether co-ordination will be achieved between the projects funded by a programme. Factors facilitating this include integrated programme presentation, balanced marketing of both ERDF and ESF opportunities and the wide availability of comprehensive up to date programming information. More important, however, appears to be the extent of interaction between ERDF and ESF partners. This takes two forms: formal contact in the context of committee structures, and informal, more ad hoc interaction, usually between actors whose ERDF and ESF roles are directly complementary and who have made a conscious decision to collaborate. As a result of such decisions, many innovative, effective approaches are being pursued. However, because these are often dependent on the additional efforts of single individuals at the regional or sub-regional level they tend to be fragile, and the extent to which they exist varies considerably even within single regions. The regulatory and institutional environment is highlighted by those involved as a key constraint to their success.

9.2 Issues

Three main issues for discussion arise from the preceding description of integration of the Structural Funds in the context of Objective 2: ESF-specific problems which impede the integration of the two Funds, institutional constraints and cultural issues. A final question concerns prospects for the future organisation of EU regional development instruments.

There are three main problems specific to the ESF which impede the successful implementation of this portion of Objective 2 programmes: the difficult definition of eligible Objective 2 projects, the way ESF projects are managed and the presence of a weakly developed ‘training culture’ which limits demand for the integrated opportunities available.

Although the remit of the ERDF has changed over time (with increasing involvement in revenue rather than capital type projects), its role is reasonably clear. Determining the legitimate role of ESF in Objective 2 is more problematic. Policies and projects must be found which are not only complementary to ERDF elements of the Objective 2 strategy but also do not duplicate what is being co-financed by Objectives 3 and 4 (usually national initiatives for the long term unemployed and those in industrial sectors undergoing change). The difficulties are illustrated in Finland, where, of the 790 Objective 2 projects approved by the end of June 1996, only 32 were ESF.
Objective 3 and 4 actions are intended to target the needs of specific at groups, while Objective 2 initiatives should be designed to facilitate the economic development of a geographic area. There have been considerable difficulties both in defining training projects that are ‘Objective 2’ in type and in communicating the distinction to applicants. In Rhône Alpes, training applications continued to be passed between committees without resolution until a policy decision was made on the distinction between the three Objectives. In Finland, in turn, many training projects implemented in Objective 2 areas under Objectives 3 and 4 have contributed to the aims of the Objective 2 programme and could as easily have been funded under this latter programme.

The second issue concerns the very real practical difficulties some organisations face in using the ESF. These arise both from the configuration of the Fund itself and the types of project coming forward. Problems which limit the ability of small firms and voluntary sector organisations to get involved include the late payments which characterise ESF and the degree of professionalism required to manage these projects (especially their financial aspects). For the programme also, the weight of bureaucracy for ESF projects is disproportionately large.

The availability of co-financing is another issue impeding the use of ESF. This appears to be most difficult in France and Denmark. In France, it is difficult to raise co-financing for training projects beyond the regional councils which are the main co-financers but tend to deliver standard schemes. Tailored projects meeting the needs of specific firms through customised training packages tend to be difficult to support. It is expected that the private sector will contribute more in future, and this could extend the range of feasible projects of greater relevance to the regional development needs of Objective 2 areas.

Turning to institutional problems, an important issue is that integration is impeded by the different rules and timetables applied to the Funds. The separate administration of ERDF and ESF at EC level sends a mixed message about the seriousness of the request for integration. The image of the Commission is further harmed by territorial ‘position taking’ on the proportion of each programme which should be formed of each Fund. Sweden argued that they needed a minimal ESF component because their training systems were already comprehensive and well funded, but DG V insisted that ESF should form a similar proportion of the Swedish programmes as it did those of other Member States.

EC structures may influence integration in more fundamental ways. The Swedish Ministry of Trade and Industry has argued that weaknesses in ERDF/ESF co-ordination in Sweden are in part a result of the structures at EC level filtering down through the whole Swedish policy making infrastructure. Further, there are many examples of integrated projects which have arisen ‘naturally’ from economic development needs at the regional level but which have then been extremely difficult to implement because of the incompatible operating systems and timetables of the ERDF and ESF.

The financial management approach of DG V has been criticised as requiring an excessively resource intensive response; regions report that the effort
required to administer ESF is disproportionate to the percentage of the programme which it forms. Further, ESF payments for projects are systematically slower to arrive than ERDF payments. In Aquitaine, the fast and efficient ‘paiment alternatif’ approach to the financial management of the programme at regional level\(^{19}\) has not been employed for ESF projects because regulations, possibly as interpreted at national level, have precluded this.

The third difficulty in implementing ESF policies is a cultural one. There is low demand for some Objective 2 ESF measures targeted towards firms because of an underdeveloped training culture. This has been one of the constraints in North Jutland, and means that better publicity for opportunities will not alone be sufficient. In order to encourage latent demand, the forthcoming programme will aim to raise awareness of training in firms by funding training needs audits.

9.3 Future prospects

Experience to date in pursuing the integrated use of the ERDF and ESF in the context of Objective 2 programmes (and the other geographically defined initiatives) is certain to have some influence on the form the Structural Funds take following the 1999 reform. Looking to the future, regional actors have advocated several options for reform.

The first option is to retain the current structure of multifund programmes, possibly making Objective 3 and 4-type actions an integral part of the programmes as well, rather than operating them separately. In order for this approach to achieve greater co-ordination, it would be desirable to reform the administration of the Funds so that they were more similar in terms of funding calendars, information requirements, et cetera. This would remove many of the technical difficulties which artificially impede integration on the ground. However, this approach would not resolve all the barriers to integration, some of which arise from the divergent approaches of some labour market and economic development organisations in the Member States themselves. It may also not be reasonable to harmonise the European Social Fund with the ERDF for the sake of the effectiveness of geographically defined programmes if these remain a minor part of the ESF’s activities.

The second possibility would be to operate a single fund for the spatial Objectives. This would be especially useful in richer Member States where there are, currently at least, many small programmes. Under this option, there would be three possible approaches to managing labour market aspects:

- **Training could continue to form a similar proportion of spatially defined programmes** and be implemented by both ERDF and ESF-type organisations, although now using the same Fund.

- **Programmes could have a scaled-down training and labour market element** which was only called on in support of specific ERDF actions - eg. to train employees in the use of new technologies being installed. Under this scenario, the majority of training and labour-market elements would continue to be funded outside the programme - eg. through the national

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Objectives 3 and 4 should these continue. There could be different Objective 3 and 4 award rates for projects taking place in Objective 2-type areas.

The main disadvantage of this proposal is the possibility that labour market organisations would not bring their expertise to bear in the training projects developed. A French example indicates what may happen: under the SME Community Initiative, training projects which are below a specific size threshold can be funded by the ERDF. This offers enormous flexibility but at the same time means that there is no obligation to consult the relevant training authority - the DRTEFP - on the content or quality of these projects.

- There could be no labour market actions in the spatially defined programmes. Instead, the programme’s ERDF-type actions would be co-ordinated with ESF-type actions supported outwith the programme, possibly by a continued ESF.

An advantage of this approach would be that labour market organisations could focus their efforts more exclusively and thus effectively on a strategic approach to Objective 3 and 4-type actions. At the same time, it could be useful for ESF to continue with the more policy driven approaches to project definition which have been promoted under Objective 2.

Without detailed reforms, the compatibility of the Funds could remain an issue under this option: there are already examples of attempts to achieve complementarity between Objectives 2 and 3 projects which have been abandoned because of the administrative burden this co-operation has entailed.

A more positive example in Sweden, however, indicates the possibilities. Complementarity has been achieved in Ångermanlandskusten between Objectives 2 and 4 in the field of competence development in local firms. The Objective 2 programme has established a fund to support training needs audits in firms. These help to identify areas where Objective 2 money can be utilised, but are also a prerequisite for Objective 4 funding.

Of course, the integration of ERDF and ESF is not the most important or urgent issue facing programme managers or economic development organisations in Objective 2 areas, especially when they are already struggling to meet the Commission’s core requirements for implementation in the tight timescales available. However, it is increasingly clear that true ‘value for money’ will only be gained from a growing number of ERDF projects if there is a parallel investment in the quality of human capital. A further persuasive argument in favour of continued efforts is the changing nature of business. The more flexible, innovative, technologically led and quality driven organisations of the future will be dependent for their competitiveness on the capacities of their employees. ESF provides a valuable additional instrument to support Objective 2 areas in acting now to develop the necessary flexible, highly qualified, multi-skilled workforce and to instil a training culture at the heart of firms. Some of the barriers to enhanced co-ordination between the Funds lie in the regulatory and institutional configuration of the Funds.
themselves, and the 1999 reform presents an opportunity for the Commission and Member State national and regional authorities to address these questions together. However, it is important that this strategic debate does not divert regional partnerships from their ongoing efforts to define practical steps which can be taken in the short term, at an operational level, to help further enhance the co-ordination being achieved by the current programmes. It is through both these routes that the sum ‘ERDF + ESF’ will in future add up to more.