MIXED PROGRESS WITH THE 2007-13 PROGRAMMES

REVIEW OF PROGRAMME IMPLEMENTATION
SUMMER 2008 - AUTUMN 2008

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PREFACE

The research for this paper was undertaken in preparation for the 25th IQ-Net meeting held in Attikí, Greece, on 19-21 November 2008. The paper was written by Heidi Vironen and Stefan Kah.

This paper is the product of desk research and fieldwork visits during Summer/Autumn 2008 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium). The field research team comprised:

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**Austria**
- State Government of Niederösterreich, Economic and Tourism Department
- State Government of Steiermark, Economic Policy Department

**Belgium**
- Agency for the Economy of Vlaanderen, Europe Economy

**Czech Republic**
- Ministry for Regional Development

**Denmark**
- Danish Enterprise and Construction Authority

**Finland**
• Alliance of Länsi-Suomi
• Ministry of Employment and the Economy

France
• Délégation interministérielle à l’aménagement et à la compétitivité des territoires (DIACT)

Germany
• Nordrhein-Westfalen, Ministry of Economy, SMEs and Energy, EU Affairs Unit
• Sachsen-Anhalt, Ministry of Finance

Greece
• CSF Management Organisation Unit, Ministry of Economy and Finance

Italy
• Lombardia Region, Presidency, Central Directorate for Integrated Programming
• Ministry of Economic Development and Institute for Industrial Promotion (IPI)

Poland
• Śląskie Voivodeship (Marshal’s Office)

Portugal
• Financial Institute for Regional Development (IFDR)

Spain
• País Vasco, Provincial Council of Bizkaia, Department of Economy and Finance

Slovenia
• Government Office for Local Self-Government and Regional Policy, EU Cohesion Policy Department

Sweden
• NUTEK, Swedish Agency for Economic and Regional Growth

UK
• Department of Communities and Local Government
• ONE NorthEast
• Scottish Government
• Welsh European Funding Office

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# MIXED PROGRESS WITH THE 2007-13 PROGRAMMES - REVIEW OF PROGRAMME IMPLEMENTATION
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EXECUTIVE SUMMARY

European Commission approval of Structural Funds programmes was generally concluded by the end of 2007. Implementation of the new Operational Programmes (OPs) was therefore able to start in earnest during 2008 but has often been progressing quite slowly. The early results appear to be mixed, with specific problems causing delays in several countries and regions.

Among IQ-Net programmes, there is considerable variation in terms of project generation and the commitment of funding. Many partners report a high demand from applicants and are beginning to make sizable commitments. In other cases, commitments remain much more limited or provisional. A common issue for nearly all programmes is that payment requests cannot be submitted to the Commission prior to the approval of the Management and Control Systems. Therefore, spending issues and the n+2 (n+3) rule have become an increasing concern.

The early stages of programme implementation have also proved to be challenging in administrative terms. Many IQ-Net partners have continued to face problems with human resources, as well as delays with the introduction of the monitoring systems. However, more positive progress has been made in areas such as the establishment of new partnership structures, and communication and evaluation activities.

Alongside the implementation of the new programmes, the closure of the 2000-06 programme period is gradually moving centre stage, in the face of approaching closure deadlines. IQ-Net partners are focusing their efforts on ensuring maximum absorption of funds, whilst also preparing for the final closure; the workload involved is causing problems in several cases.
1. INTRODUCTION

Following approval of the Operational Programmes (OPs) by the European Commission, the implementation of the 2007-13 Structural Funds programmes has been underway in earnest during 2008. Over the past six months, the main focus has been on project generation, although this has not always been straightforward. Many IQ-Net partners have been occupied in discussions with the Commission in order to resolve outstanding issues that were not finalised at the time of the OP approval. The early stages of project generation have also been affected by factors such as adaptation to the new regulatory requirements, the set-up of new delivery structures and monitoring systems, as well as the workload involved in the closure of past programmes.

Despite such challenges and delays, many IQ-Net partners have experienced a relatively high demand for funds and are progressing with the commitment of funding. At the same time, performance has been more variable with respect to the quality of the funding applications and, although funding commitments are being made, they sometimes remain provisional. The situation is even further behind on the payment side, leading to spending concerns, especially with respect to the n+2 (n+3) rule. Furthermore, programme implementation has encountered a range of administrative difficulties.

While IQ-Net partners are increasingly occupied with the implementation of the new OPs, the approaching closure deadlines of the 2000-06 programmes continue to demand attention. Indeed, with the final date for eligibility of expenditure due at the end of December 2008, the priority has been to ensure the absorption of funds, although the scope for this has become increasingly limited. Preparations have also started for the submission of closure documents, which is proving to be challenging due to the demanding workload involved.

The objective of this paper is to review recent developments in the implementation of the 2007-13 programmes and also the closure of the 2000-06 programmes in IQ-Net partner countries and regions. Section 2 looks at the progress made since the approval of the OPs and outlines the early stages of project generation activities, including the early results in terms of demand and quality of funding applications. It also focuses on commitments and payments, spending challenges and the n+2 (n+3) rule, and it reviews various administrative and implementation issues, including those relating to: human resources, training and capacity building; partnership; governance; communication plans; coordination with other EU programmes; and monitoring and evaluation activities.

Section 3 focuses on recent developments with the 2000-06 programmes. This includes an update of financial progress, and a discussion on the recent closure activities and challenges that have taken place in the IQ-Net partner programmes. Lastly, there is a short overview of evaluation activities.

Section 4 concludes the paper and raises points for discussion.
2. THE 2007-2013 PERIOD

Despite the official start of the new programme period on 1 January 2007, the Operational Programmes (OPs) were not adopted and ready for implementation until much later. The approval of the OPs was not possible until the adoption of the National Strategic Reference Frameworks (NSRF), which took place between December 2006 (Malta) and October 2007 (Luxembourg). This meant that the approval process of the OPs stretched well into 2008 in some cases. Indeed, in May 2008, the Commission was still processing programmes, although it had already come to an agreement with 429 of the total 455 OPs. In the case of the IQ-Net partner OPs, approvals were, in most instances, granted by the end of 2007 (although the Czech OP for Research and Development for Innovation was not approved until October 2008).

Since then, programme implementation has generally got under way, but there have been many issues requiring further consultation with the Commission. This will be discussed further in the first section of this paper. Subsequently, the section examines progress in terms of project generation and funding commitments, and the challenges related to payments and spending. Lastly, it covers administrative and implementation issues, including human resources, training, capacity building, partnership, governance, communication plans, coordination, as well as monitoring and evaluation.

2.1 Operational Programmes

2.1.1 Outstanding issues and early revisions

The Commission’s approval finalised the programme documents and paved the way for their implementation. However, in many instances, implementation could not be started in earnest due to various unresolved issues, such as Commission requests for further data on indicators or evaluation plans (Sachsen-Anhalt, Sweden) or Member State requests for Commission guidance on a variety of issues. As previously noted, IQ-Net partner correspondence with the Commission covered issues such as: sectoral eligibility issues (Scotland); project generation and selection issues (North East England, Scotland); contingency reserve (Greece); and revenue-generating projects (Střední Čechy).

Many of these issues have now been resolved, although negotiations are still ongoing in the case of Scotland. Here, the Monitoring Committee decided to make some revisions to the OPs, which were consequently submitted to the Commission for further negotiation. They

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1 European Commission, ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the results of the negotiations concerning cohesion policy strategies and programmes for the programming period 2007-2013’, 14 May 2008.

2 The late approval of the OP for Research and Development for Innovation was due to a number of factors, including the inexperience of the responsible Ministry (Ministry of Education, Youth and Sports), internal organisational problems at the Ministry, as well as the complexity of the OP.

involved the inclusion of food and forestry sectors into the ESF OPs, and the relaxation of restrictions under the Priority 4 (rural development) in the ERDF OPs. In addition, plans were put forward to reconsider the calculation of the intervention rate under Priority 2 (enterprise growth) of the Lowlands and Uplands ERDF OP. For its part, the Commission contacted the Scottish partners to ensure that they would not be funding SMEs from other countries and that support would also be provided for large-scale redundancies.

Over the last Summer/Autumn 2008 period, IQ-Net partners have reported some new issues requiring contact with the Commission. Many of these have been (or are expected to be) resolved at the Monitoring Committee meetings, particularly those concerning project selection criteria and other implementation procedures (Greece, Sachsen-Anhalt, Śląskie, Spain, Střední Čechy). Outside the Monitoring Committee meetings, discussions with the Commission have related to the scope of cost-benefit studies for revenue-generating projects in Greece. In the Highlands and Islands (Scotland) and in Střední Čechy, negotiations have focused on large-scale tourism infrastructure projects and State aid notification procedures respectively.

- The partners in the Highlands & Islands OP expect to re-open the debate with respect to large-scale tourism infrastructure projects. Despite the fact that this was initially ruled out by the Commission, the partners perceive that there is now a clear need for such projects.

- In the Střední Čechy ROP, the Managing Authority has contacted the Commission with respect to the notification procedures related to Measure 1.2 (sustainable forms of public transport) and Measure 3.1 (regional centre development), in order to understand whether these involve State aid. The questions have focused on: the purchase of buses and trains; building and extension of ‘Park & Ride’ parking areas near railway stations and important bus terminals; and the construction of CNG (compressed natural gas) and LPG (liquefied petroleum gas) filling stations for the use of public transport. At the time of writing, the Commission’s decision on the ‘Park & Ride’ parking areas and the filling stations was expected to be resolved, while issues related to the buses and trains were still pending.

Although the informal negotiations with the Commission have already lead to limited programme adjustments, further revisions in accordance with the regulations[^4] are expected later. For instance, in Wales, forthcoming expected changes relate to the annual examination process, while in France, changes are likely to happen at the time of the mid-term evaluation, and in Finland as part of the domestic regional governance reform in 2010.

In Denmark, limited adjustments have taken place already. Here, the six Regional Growth Fora have reviewed their strategies in the light of the experiences gained from their first year of operation. In Nordjylland, this has resulted in the thematic focus being

[^4]: As set out in the Article 33 of the General Regulation (1083/2006), OPs can be re-examined and, if necessary, revised, in one or more of the following cases: following significant socio-economic changes; in order to take greater or different account of major changes in Community, national or regional priorities; in the light of the evaluation referred to in Article 48(3); or following implementation difficulties.
concentrated on five of the original seven thematic areas, and, consequently, two areas of support (knowledge institutions and entrepreneurship) have been closed due to their success in attracting bids for funding.

### 2.2 Project generation

Although project generation is now well under way, the early stages have not always taken place without difficulty. The following section provides a brief overview of the early stages of project generation activities, including reasons behind the delays and the challenges that IQ-Net partners have faced in the process. Subsequent sections look at the partner approaches to project generation, as well as at the early results in terms of demand, quality and the applicant groups.

#### 2.2.1 Dealing with early-stage project generation challenges

Project generation generally started in earnest after Commission approval of the OPs. However, in some instances, funding applications were accepted beforehand to avoid implementation delays. These so-called ‘shadow rounds’ of applications entailed a certain financial risk as, in the event that the Commission requested major changes to the programme, projects would have to be funded from domestic sources. Although many IQ-Net partners introduced shadow rounds (Czech Republic, France, Italian OP for Research and Competitiveness, Länsi-Suomi, Sachsen-Anhalt, Scotland, Slovenia), some decided not to make funding commitments, but used shadow rounds to get their programmes started and to prepare applications for commitments at a later stage (Czech Republic, France). Others went beyond this, although commitments and payments were often restricted to certain interventions (Länsi-Suomi, Sachsen-Anhalt, Scotland).

Whether project generation started in the form of a shadow round or after the Commission’s approval, many partners were able to get (at least limited) project generation under way by the end of 2007 (Czech Republic, Denmark, Finland, Italian OP for Research and Competitiveness, Scotland, Sweden, Vlaanderen, Wales), as illustrated in Table 1. However, the start did was not always straightforward. In addition to the delays with the approval of the NSRF and the OPs (Střední Čechy, Slovenia), problematic issues have been encountered with adapting to the new Structural Funds requirements, the establishment of new delivery structures and new monitoring systems, and the workload associated with closing the past programmes. These issues are discussed further below.

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## Table 1: Start of project generation in the IQ-Net partner programmes

<table>
<thead>
<tr>
<th>IQ-Net partner</th>
<th>OP approval</th>
<th>Start of project generation</th>
<th>Main challenges/delays</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT - Niederösterreich</td>
<td>May 2007</td>
<td>Limited project generation before 2008</td>
<td>Approval of the MCS; New SF requirements</td>
</tr>
<tr>
<td>AT - Steiermark</td>
<td>May 2007</td>
<td>Limited project generation before 2008</td>
<td>Approval of the MCS; New SF requirements</td>
</tr>
<tr>
<td>BE - Vlaanderen</td>
<td>Oct 2007</td>
<td>In addition to ongoing calls for P3 (industrial dev) and 4 (urban dev), closed call for P1 (innovation) was launched in Dec 2007 and for P2 (entrepreneurship) in Mar 2008.</td>
<td>-</td>
</tr>
<tr>
<td>CZ - Střední Čechy</td>
<td>Dec 2007</td>
<td>First call launched in Oct 2007 for P1 (regional transport infrastructure); further calls after OP approval.</td>
<td>-</td>
</tr>
<tr>
<td>DK - Denmark</td>
<td>Apr 2007 (ESF)</td>
<td>Project generation started in April/May 2007</td>
<td>New State aid regulations</td>
</tr>
<tr>
<td>FI - Länsi-Suomi</td>
<td>Oct 2007</td>
<td>Funding applications accepted since Jan 2007, but calls generally after OP approval.</td>
<td>New laws; monitoring system; new Ministry</td>
</tr>
<tr>
<td>FR - France</td>
<td>Jul-Dec 2007</td>
<td>Project generation started in March/May 2008</td>
<td>Municipal elections of March 2008</td>
</tr>
<tr>
<td>DE - Sachsen-Anhalt</td>
<td>Oct 2007 (ERDF)</td>
<td>Project generation started in some instances in 2007.</td>
<td>Monitoring system</td>
</tr>
<tr>
<td>DE - Nordrhein-Westfalen</td>
<td>Jul 2007 (ERDF)</td>
<td>Some calls launched in 2007.</td>
<td>-</td>
</tr>
<tr>
<td>IT - Research &amp; Competitiveness OP</td>
<td>Dec 2007</td>
<td>Project generation started in some cases before the OP approval in 2007.</td>
<td>-</td>
</tr>
<tr>
<td>PL - Śląskie</td>
<td>Sep 2007</td>
<td>Calls under P2 (info society) and P5 (environment) launched in Dec 2007.</td>
<td>-</td>
</tr>
<tr>
<td>PL - Human Capital</td>
<td>Sep 2007</td>
<td>Project competitions launched in Nov 2007.</td>
<td>-</td>
</tr>
<tr>
<td>PT - Portugal</td>
<td>Oct-Dec 2007</td>
<td>Project generation started after OP approval in 2007.</td>
<td>-</td>
</tr>
<tr>
<td>SI - Slovenia</td>
<td>Aug-Nov 2007</td>
<td>Project generation started in Apr 2007 under Priorities agreed with the Commission.</td>
<td>-</td>
</tr>
<tr>
<td>UK - Scotland</td>
<td>LUPS: Sep 2007</td>
<td>Shadow round in Jan 2007; further calls in Aug 2007.</td>
<td>-</td>
</tr>
<tr>
<td>UK - Wales</td>
<td>Aug-Sep 2007</td>
<td>Expressions of Interest received after OP approval.</td>
<td>New delivery structure</td>
</tr>
</tbody>
</table>
• **New Structural Funds requirements.** In Austria, project generation has been affected by the new Structural Funds rules, which are considered to be more detailed than in the past. The concern is that, as a result of the new rules, the Intermediate Bodies may be required to provide more assistance in the application preparation phase. In similar vein, there are fears in North East England that the bureaucracy attached to the ERDF will push potential applicants to other funding sources. In Denmark, interpreting the new regulatory requirements and notification procedures for State aid has been particularly challenging for national and regional authorities, as well as for the project applicants. Lastly, in Finland, project generation has been hindered by the delayed adoption of relevant domestic laws, which had to be adapted in accordance with the new Structural Funds framework.

• **Establishment of new delivery structures.** In Sweden and Wales, changes to programme delivery methods entailed extensive awareness-raising activities which have, in turn, delayed project generation. In Greece, the setting-up of delivery structures has also taken a long time, not least because all project beneficiaries had to be certified before becoming eligible for funding. In Finland, the creation of the new Ministry of Employment and the Economy (which is also the Managing Authority for ERDF) in January 2008 meant that much of the guidance had to be reissued, which in turn affected the project generation processes.

• **Setting-up of the monitoring systems.** In Finland, partners faced delays with the introduction of the EURA2007 monitoring system. Although the system has been introduced in stages to avoid major delays, project generation activities have inevitably been affected. Similarly, in Austria, the monitoring system (ATMOS) has only been functional for the Intermediate Bodies with respect to the data input module. In Sachsen-Anhalt and Norra Mellansverige, delays in the adoption of their respective data monitoring systems have meant that no project data have been entered. In Norra Mellansverige, there is concern about the increasing backlog of applications and the higher risk of errors when data is input into the system at a later stage.

• **Focus on the past programmes.** In Greece, the delay with project generation is partly due to the extension of the CSF III (see Box 3) and the associated programme management pressures. For instance, in Attiki, the deadlines for the 2000-06 programme have been extended until the end of 2009, which has unavoidably caused delays to the implementation of the 2007-13 programme.

• Lastly, it is also important to note, that start-up problems have not been universal. For some IQ-Net partner programmes, project generation has generally gone to plan (Portugal, Vlaanderen).

### 2.2.2 New project generation and selection systems

The new 2007-13 regulatory framework has not necessarily lead to substantial changes to Member State project generation arrangements. Indeed, for many programmes, the approach to project generation appears to be broadly similar to the previous period,
although some important exceptions to this include Denmark, Italy and Wales. While in Italy and Wales, partners have adopted relatively new approaches to the ways projects are being screened to meet specific criteria, the Danish example illustrates how projects are being generated by using bottom-up and top-down approaches. Lastly, interesting developments can be noted in Norra Mellansverige and in Wales with respect to the use of financial engineering instruments (Box 1).

- **Project screening and appraisal.** In Denmark, several regions operate pre-qualification rounds, which means that well-described project ideas are prioritised by the Regional Growth Fora and their administrative staff before being subject to the full application procedures. In the Italian OP for Research and Competitiveness, a relatively new approach includes the screening and appraisal of scientific-technological interventions. This procedure is included in the Framework Programme Agreement with the four Convergence regions and allows the selection of those interventions that meet the requisite criteria to start early. In Wales, the new framework for project generation initially involves an online application through an Expression of Interest form. This acts as a gateway, as the application has to meet certain criteria before it is allowed into the system. Following this, the application enters a development phase, where the applicant works with Welsh European Funding Office (WEFO) Project Development Officers to get the project to a stage where it can be approved (when that is possible). Therefore, at any one time there will be a number of projects in the pipeline, at different stages of development.

- **Bottom-up and top-down approaches.** In Denmark, some of the EU funding is being used for projects initiated by the Regional Growth Fora, especially as part of their partnership agreement with the national-level, which ties the regional-level into the competitiveness-oriented globalisation strategy of the central Government. In practice, this means that projects are generated both bottom-up by external project champions, and top-down by the regions, in association with other actors.

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**Box 1: Use of financial engineering instruments**

In Norra Mellansverige, partners are targeting funding at SMEs in line with the JEREMIE initiative (Joint European Resources for Micro to Medium Enterprises). ERDF and national co-funding will be used to set up a central holding fund, which will invest capital in SMEs through loans, guarantees or risk capital funds. Approximately SEK75 million (c. €7.5 million) of ERDF has been set aside for this purpose in the Norra Mellansverige OP. Similarly, in Wales, a £350 million (approximately €450 million) Targeted Match Fund (TMF) has been launched by the Welsh Assembly Government to provide central match-funding to Structural Funds programmes. The TMF will provide capital and revenue funding for organisations in all sectors to support eligible activities under the programmes, although this is intended as a ‘fund of last resort’.
2.2.3 Managing the demand for funding

At this stage of implementation, most Structural Funds programmes have started project generation, and some preliminary assessments can be made with respect to the demand for funding. Among IQ-Net partners, the early results of project generation indicate a relatively high demand (Denmark, Italian OP for Research and Competitiveness, Länsi-Suomi, Norra Mellansverige, Portugal, Śląskie, Slovenia, Spain, Střední Čechy, Vlaanderen, Wales). Indeed, in some instances, high levels of demand have lead to cancellation of an application round (Mellersta Norrland), and even to closure of a measure (Norra Mellansverige). There are a number of different factors that explain this demand, including:

- extensive information and awareness-raising activities prior to project generation;
- pro-active and targeted approaches to project generation, such as the use of targeted calls (Denmark), Expressions of Interest (Wales) and pre-award studies (Norra Mellansverige), as well as direct contact with potential applicants (Diputación Foral de Bizkaia, Střední Čechy, Steiermark);
- new institutional arrangements and new types of projects (Denmark, Scotland);
- use of ‘contact points’ to mobilise project applicants (Portugal);
- continuity of programmes, limited funding (Länsi-Suomi, Norra Mellansverige) and the end of micro-zoning (Vlaanderen).

It is, however, notable that the level of demand can vary between Priorities and Measures (Länsi-Suomi, Vlaanderen), or between different regions (Denmark) and types of areas (Střední Čechy).

With respect to the varied level of demand between Priorities and Measures, this may be linked for to: the chosen approach to project generation; the nature of the projects; the requirements of the OP; the delivery structure; or the availability of funding.

- For instance, in Nordrhein-Westfalen, difficulties have been experienced with the competitive call approach, particularly under Priorities 2 (innovation and knowledge-based economy) and 3 (sustainable urban and regional development), while the familiarity with aid and loan schemes under Priority 1 (strengthening the business base) has not shown similar weaknesses.
- In Vlaanderen, Priority 1 (innovation) has attracted many small projects, while Priorities 3 (industrial development) and 4 (urban development) have received fewer project proposals, as they are larger and require longer preparation (linked for instance to permit needs).

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6 See section 2.5 of Vironen, H (2008) op. cit.
• In Střední Čechy, demand is considerably lower in local road construction and modernisation interventions within the Measure 1.1 (regional transport infrastructure). This is largely due to the strict requirements of the OP, which, in turn, stems from the strict State aid rules.

• In contrast, in Länsi-Suomi the variable performance across the Priorities is related to the earlier set-up of the delivery systems and the legal framework. The early stages have been dominated by loans issued by Finnvera (state-owned financing company) and business funding awarded by the regional T&E Centres 7 under Priority 1 (promotion of business). This due to the fact that the relevant laws and the monitoring system (TUki2000) for business funding were in place earlier, which in turn enabled the processing of applications and decisions electronically. Also, the level of funding available under the respective Priorities has affected demand. For instance, in the Regional Council of Satakunta in the Länsi-Suomi OP, there is considerably less funding available under Priority 2 (innovation, networks, knowledge structures) than was the case in the past. This situation is difficult, particularly in the face of a high demand (and need for funding) under this Priority.

A varied level of demand between regions and types of areas has been apparent in Denmark and Střední Čechy; a higher demand in the field of education has been noted in towns, as opposed to smaller municipalities. Also, with respect to revitalisation and renewal, towns have been more prominent than smaller municipalities.

It is also important to note that a more difficult start has been experienced in the Highlands and Islands OP and in many programmes in France. In the Highlands and Islands, demand has simply not met the expectations under the project rounds, while in France, the start has been slow, particularly for innovation projects.

### 2.2.4 Varied quality of applications

Although the early rounds of project generation indicate a relatively high demand for funding, the quality of the applications has been variable in some programmes. Indeed, while the actual projects are generally of good quality, problems have sometimes been linked to the technical criteria (Highlands and Islands, Norra Mellansverge, Slovenia, Vlaanderen).

• In Norra Mellansverge, many of the applications have not met the project selection criteria because: they have not been relevant to the programme Priorities (many of the rejected applications have been re-directed to the EAFRD fund, which is under the responsibility of the County Administrative Board); they have not met the co-funding requirements; or they have not met the standard legal requirements.

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7 Technology and Employment Centres (T&E) are one of the regional-level Intermediate Bodies, which cover business support.
In Vlaanderen, many projects have been of good quality in terms of project descriptions and objectives, but have not always fulfilled the technical requirements relating to costs, revenues, public procurement and State aid procedures. In addition, improvements are needed with respect to the use of indicators, particularly concerning the distinction between direct and indirect jobs.

It is largely acknowledged that the quality of the applications depends on the support given during the application preparation phase. For instance, in Střední Čechy, the quality of the project applications is perceived to be considerably higher if the applicants have contacted the Managing Authority for advice and invested time in the preparation stage. The Managing Authority aims to organise more informative workshops for potential applicants and to cooperate closely with the Economic Chamber in its efforts to improve the overall quality of applications. A similar approach has been adopted by partners in the Highlands and Islands, who have responded to the poor quality of applications by organising a number of workshops. In Vlaanderen, a practical guide on issues such as State aid and public procurement has been developed, and more discussions are taking place with the ‘contact points’ in order to make project development processes more efficient. In Greece, the quality of project applications is very much dependent on the certification process of the Final Beneficiaries. In accordance with the law 3614 on ‘Management, Control and Implementation of Development Actions for the Programme Period 2007-13’, every beneficiary applying for project funding is required to be certified. The aim is to produce high-quality project applications.

Lastly, it is important to note that, in some programmes, it is still too early to assess the results in terms of numbers and quality, due to the limited project generation that has taken place (Lombardia).

### 2.2.5 Changing profile of applicants

While the main beneficiaries of EU funding continue to include government departments, development agencies, local authorities and other public bodies, some shifts can be noted in the applicant profiles. Indeed, while factors such as the greater focus on Lisbon-oriented activities, changes in terms of financial resources and geographical coverage, as well as the new regulatory framework, may have dissuaded certain applicant groups from participating, they have also created opportunities for new actors.

In most IQ-Net partner programmes, larger organisations, public bodies and educational institutions are clearly dominant in the application pipeline. This is closely tied to their expertise, resources and relevance to the new (mostly Lisbon-oriented) themes. For instance, in Wales, projects primarily originate from the Welsh Assembly Government (WAG), although many WAG projects will be delivered through other organisations (e.g. the private sector). In Greece, the focus on larger organisations and, in particular, the prefectures, has been adopted in response to difficulties experienced in 2000-06, which was dominated by a large number of smaller beneficiaries. (In the past, there were a total of 12,000 projects which had a budget below €100,000). This has led to a more efficient administration, as the flow of information has improved and controlling the Final Beneficiaries has become easier.
Despite the obvious dominance of larger organisations, smaller organisations, which may previously have bid directly for Structural Funds support, may now be more likely to be involved indirectly, through procurement. As noted earlier, in Wales, larger WAG projects are expected to use smaller organisations in the delivery of the projects (for instance in training). Similarly, in Vlaanderen, smaller organisations or private actors are now mainly targeted indirectly as Final Beneficiaries. In the Highlands and Islands, contrary to expectations, smaller organisations dominated the early phases of project generation. The partners perceive that the lack of larger organisations is partly due to a ‘partner fatigue’ resulting from the complexity and bureaucracy linked to Structural Funds requirements. Yet, it is important to note that the assessment of the size of the applicant groups is somewhat skewed by the new delivery arrangements in place in Scotland. Two organisations which previously would have dominated the open calls for applications, the UHI Millennium Institute (higher education institution based in the Highlands and Islands of Scotland) and Highlands and Islands Enterprise (development agency), now have their own dedicated funding streams through the Strategic Delivery Body arrangements.

There are also some emerging applicant groups. For instance, in Norra Mellansverige, the non-governmental sector has become particularly active in cooperating with the business sector in cluster and R&D-related projects. In Vlaanderen, the end of micro-zoning has meant that new partners, such as the Vlaams Brabant province or certain cities that were not eligible in 2000-06, have started to become active in applying for funding.

2.3 Commitments, payments and spending issues

As well as project generation activities, progress has been made with the commitment of funding to projects, although much less with respect to payments. The next sections look at the early commitments, spending challenges, and the IQ-Net partner perspectives and approaches concerning the n+2 (n+3) rule.

2.3.1 Commitments

Programme implementation has gradually progressed beyond project generation activities to making commitments. At the time of writing, nearly all IQ-Net partners have made commitments (Denmark, France, Italian OP for Research and Competitiveness, Länsi-Suomi, Niederösterreich, North East England, Polish Human Capital OP, Portugal, Sachsen-Anhalt, Scotland, Śląskie, Slovenia, Spain, Steiermark, Střední Čechy, Sweden, Wales). In the remaining programmes, commitments are either provisional (Vlaanderen) or imminent (Greece, Lombardia). However, significant differences can be noted with respect to the level of commitments.

The first section discusses those partner programmes, where commitments are still limited (Nordrhein-Westfalen, Polish Human Capital OP, Śląskie ROP), behind expectations (Denmark, France), or provisional (Vlaanderen).

- Limited commitments. In Śląskie ROP, the level of commitments remains low, with commitments only having been made to specific key projects. Factors contributing to this include delays with the competitive calls and with the technical appraisal of
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projects, not least due to the limited staff resources and the high number of projects. In addition, problems have been faced with the alignment of Polish and EU environmental laws and with the fact that the Polish public procurement laws remain a significant obstacle to streamlining the project pipeline. Nevertheless, it is important to note that, in a regional comparison in Poland, Śląskie is relatively advanced. Similarly, in the Polish Human Capital OP, the level of commitments is low at this stage, largely due to the slow process of signing agreements with the beneficiaries, as well as to the inexperience of staff.

- **Commitments behind expectations.** In France, commitments have been made across the regions, but the level is below expectations. At the time of writing, only six percent of ERDF money had been committed under the Competitiveness and Employment Objective. The low rate of commitments is due to the late start of the programme implementation, as well as to the fact that the focus has been on other procedures, such as communication activities. Similarly, in Denmark, commitments are somewhat behind expectation, at least temporarily, linked mainly to the delays faced by the National Agency for Enterprise and Construction (NAEC) in processing the backlog of projects.

- **Provisional commitments.** In Vlaanderen, commitments remain provisional, since all projects are first required to meet specific conditions. At the time of writing, none of the projects has yet signed the final contract. Considering that the conditions must be met within a six-month period, partners are concerned that the adapted project applications may be submitted at the very end of this period, which in turn would leave very little time for further adjustments. In order to monitor progress more closely, the contact points have been asked to submit bi-monthly progress reports to the programme secretariat in the Agency for Economy.

Although many partners have made only limited or provisional commitments, nearly an equal number of programmes are advancing well with their commitments (Italian OP for Research and Competitiveness, Länsi-Suomi, Norra Mellansverige, Střední Čechy, Wales). In some instances, this is due to the fact that commitments were started early, and they have generally been carried out across all the Priorities (Norra Mellansverige, Wales), while in other cases, relatively high commitments are linked to the performance of a specific Priority or to the nature of the project (Länsi-Suomi, Střední Čechy). These are discussed further below.

- **High commitments across the Priorities.** In Norra Mellansverige, the level of commitments is high under all Priorities and has, to a certain extent, even exceeded expectations. In June 2008, the commitment level for the programme was already 85 percent of the total allocated budget for 2007 and 2008. This has consequently led to the closure of the Measure 1.1 (innovative environments).

- **Relatively high commitments under specific Priorities or projects.** In Länsi-Suomi and Střední Čechy, commitments are relatively high, not least due to the nature of the projects. In Länsi-Suomi, most funding commitments have been made under Priority 1 (promotion of business), although commitments have become more balanced across the Priorities since the beginning of 2008. High levels of
commitments are due to the strong demand for business funding, to the early adoption of the respective laws and to the early set-up of the Monitoring System (TUKI2000) which has allowed the electronic processing of data. In Střední Čechy, commitments have been made to pre-negotiated projects (the Regional Authority being the beneficiary) under Priority 1 (transport). Reflecting the nature of the projects, the level of commitments is relatively high at 73 percent of the total allocation for 2007 and 2008, and 19 percent of the overall allocation to the Priority (September 2008).

Lastly, among the remaining programmes, the level of commitments remains uncertain due to limited data (Austria, North East England, Sachsen-Anhalt). For instance, in Austria, no overview of the commitments made was possible, as the monitoring system was not fully in operation at the time of the IQ-Net fieldwork. Similarly, despite the fact that commitments have been made in Sachsen-Anhalt, the data have not yet been entered into the monitoring system.

### 2.3.2 Payments and spending challenges

Payments across the EU Member States remain limited at this stage of programme implementation, largely due to the pending approval of the Management and Control Systems. This means that payments at this stage are processed either from domestic sources or by using the pre-financing from the Commission. Although overall payments remain limited, many IQ-Net partners have started paying out (Denmark, Italian OP for Research and Competitiveness, Länsi-Suomi, Niederösterreich, Polish Human Capital OP, Portugal, Sachsen-Anhalt, Scotland, Slovenia, Steiermark, Sweden), or are expecting to do so in the course of 2008 (France, North East England, Střední Čechy, Vlaanderen). Only in a few programmes, are payments not feasible or expected in 2008 (Greece, Śląskie).

Reflecting the very low payment situation, many partners have expressed specific concerns with respect to spending. As noted earlier, challenges stem from delays associated with approval of the Management and Control Systems (France, Niederösterreich, Sachsen-Anhalt, Spain, Steiermark), the setting-up of the monitoring system (Länsi-Suomi, Sachsen-Anhalt), and more generally, in relation to unrealistic spending plans (Slovenia), spending problems in specific regions (Spain), co-financing problems (Sweden, Vlaanderen), problems related to the payment processes (Norra Mellansverige, Śląskie, Střední Čechy), controls (France, Slovenia), and currency fluctuations (Czech Republic, Wales).

- **Unrealistic spending plans, spending in specific regions.** In Slovenia, the first payments were made in 2007, but challenges are expected as spending was not planned realistically, particularly for 2008. In Spain, concerns are linked to those regions which have had problems in the past, such as the Andalucía and

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8 In accordance with the Article 82 of the General Regulation 1083/2006, pre-financing is paid by the Commission following the approval of the OP. In the case of the EU15, an advance payment of 5 percent of the total Structural Funds to the OP is made to the designated body (of which 2 percent is awarded in 2007 and 3 percent in 2008). In the remaining EU12, a total of 7 percent is paid in advance (of which 2 percent is paid in 2007, 3 percent in 2008 and 2 percent in 2009).
Extremadura ROPs. It is perceived that these regions have been allocated too much funding (for instance, within the national OP for ‘R&D and innovation in and by firms’) and therefore spending might become problematic, at least in the early stages of implementation.

**Co-financing issues.** In Vlaanderen, problems are related to the co-financing procedures. Co-financing is not always secured at the time of project submission, although this is recommended in the project guidance. This is partly due to the procedures at the level of the Ministries. For instance, the Agency for Economy is the only administration that has earmarked parts of its budget for Structural Funds co-financing, which is only available for specific projects. Securing co-financing from other Ministries is often more time-consuming, although efforts are being made to speed up the processes. Similarly in Sweden, some programmes have experienced problems in securing necessary co-financing.

**Problems related to the payment processes.** A number of partners are concerned with delays related to the submission of the payment applications (Norra Mellansverige, Niederösterreich). Furthermore, in Norra Mellansverige, problems have also been experienced with respect to the poor quality of payment applications. In response, the Managing Authority (Nutek) has organised training for project holders to explain the requirements and highlight the importance of high-quality payment applications. In similar vein, in Střední Čechy, the concern is that many beneficiaries are not familiar with the financial flow under the Structural Funds. The Managing Authority has tried to respond to this situation by allocating a personal financial manager for each project as soon as the contract has been signed. In addition, targeted workshops are being organised in the course of the project. Also, in Śląskie, where payments are not expected during 2008, significant challenges face beneficiaries and managers when processing payments. These include lack of experience, public procurement issues, and the Polish practice of clawing back and subsequently redistributing any project funding that has not been spent by beneficiaries at the end of each financial year. A series of seminars and workshops is planned to give advice and support to beneficiaries on these issues.

**Controls.** In France and Slovenia, some challenges are related to controls. For instance, in France, the concern is that if too few payment declarations are submitted at the end of 2008, it will not be possible to undertake controls on basis of a sample, but, rather, there would need to be an exhaustive control of all operations.

**Currency fluctuations.** In the Czech Republic, fluctuating currency rates represent the most significant challenge. It is estimated that the Střední Čechy ROP has already made a loss, due to the strengthening of the Czech Crown in relation to the Euro. This, in turn, will result in less projects being supported. In Wales, fluctuating exchange rates are creating different challenges. Considering past problems with underspend, the current exchange rate suggests that they will have a further 10 percent to spend.
In the remaining partner programmes, challenges are more limited at this stage. For instance, in Denmark, only around 10 projects have submitted their accounts. However, this is not perceived to cause spending challenges in the long-term, as the delays mainly result from the late start to implementation and from the temporary delays with the processing of applications at the National Agency for Enterprise and Construction. In Portugal, the level of payments is also in line with expectations, particularly considering that partners are still focusing on payments for the 2000-06 programmes. In similar vein, in Greece, payments are not prioritised in 2008, as attention is currently on the closure of the CSF III. The current programme period is perceived to be less challenging, since a large part of the programme implementation has been assigned to the Ministries.

2.3.3 N+2 (n+3)

Experiences with the n+2 (n+3) rule during the 2000-06 period have led to an increased awareness of the possible challenges that could be caused by spending delays. In addition to the more general spending challenges discussed earlier, meeting the n+2 (n+3) rule remains a top priority in IQ-Net partner programmes. Contributing factors include the late start to programme implementation (Austria), but also the nature of the projects (Denmark), new implementation structures (Scotland) and the general economic situation (Střední Čechy).

- **Late start of programme implementation.** In Austria, partners are concerned about meeting the n+2 rule (despite the fact that no overview on payments is yet available) because of the late start of the programme implementation. Similarly, in Länsi-Suomi, the late start with project generation under the other Priorities (other than Priority 1) may lead to possible n+2 challenges.

- **New project types.** In Denmark, n+2 is expected to become a challenge for administrators and applicants, partly because of the greater emphasis on larger and longer-running projects. The Danish Agency for Enterprise and Construction has tackled this by introducing six-month budget cycles, in order to be able to follow projects more closely. Furthermore, the Monitoring Committee is expected to discuss the principles for dealing with n+2 in a situation where the programme is national, but the projects and expenditure are initiated at the regional-level. If problems occur, the question is whether this problem is for the particular region to tackle, or it should affect all regions proportionally.

- **New delivery structures.** In Scotland, the Highlands and Islands OP is expected to struggle to meet the n+2 rule, particularly in 2009. This is despite the new implementation system using Strategic Delivery Bodies (SDBs), which take up approximately £5 million (approximately €6.4 million) of expenditure each (Highlands and Islands Enterprise, and the UHI Millennium Institute). Bidding has been limited under the first and second rounds of applications for different reasons: some project sponsors have been mainstreamed so successfully that they no longer need Structural Funds support; target groups are unsure of the policy frameworks due to the Scottish Government policy changes (e.g. changes to Skills Development Scotland); there is a shortage of match-funding; and there is some reluctance by the main agencies to accept the rigour of financial control.
Current economic situation. As discussed earlier, in Střední Čechy exchange rate changes are affecting n+3, particularly in the current economic context, where the rates may change significantly during the six-month period between the payment application being submitted and payment processed. In Wales, the changing exchange rate may also cause problems, particularly if it contributes to higher underspend.

Despite concerns with the n+2 (n+3) rule, only a limited number of partners have developed specific strategies or plans in response.

- For instance, in Greece, the strategy is to focus on the approval of mature projects, which tend to be more reliable in terms of spending and closing their contracts. Other factors that are expected to contribute to the achievement of the n+3 rule in Greece include the certification of Final Beneficiaries, and the central controlling of the regions by the Ministry of Economy and Finance.

- In Sachsen-Anhalt, the main strategy for meeting n+2 is to ensure consistent monitoring of commitments and payments via the electronic data monitoring system, and to ensure timely implementation at project-level.

- In Vlaanderen, projects are scrutinised thoroughly at the moment of project appraisal, to allow for smooth implementation and help avoid issues with n+2 at a later stage. However, this means that related issues are front-loaded, notably due to the need to adapt projects further (i.e. delays occur before first payments can be made and it is not clear whether initially allocated funding amounts will be spent in full).

- In Sweden, despite the fact that there is no official strategy for n+2, commitments are generally focused on the early stages of the programme period, in order to avoid any future n+2 challenges. For instance, in Mellersta Norrland, the budget strategy foresees commitments of approximately 50 percent of the total allocated budget in the first two years of implementation. Thereafter, commitments will be in the region of 30 and 20 percent respectively. The focus in the latter years will be on the returning funds (i.e. funds that have not been spent) which, on the basis of past experience, may turn out to be relatively significant sums.

- A similar approach has been adopted in Scotland, where partners hope to avoid the experiences of the past by committing as much as possible up-front and then working on spending over the remaining period.

Lastly, it is important to note that a number of partners are not expecting n+2 (n+3) problems, at least at the beginning of the programme period (Italian OP for Research and Competitiveness, Lombardia, Länsi-Suomi, Śląskie, Sweden, Wales). For instance, in Sweden, the high level of demand across the eight OPs is not expected to lead to problems with n+2, at least in 2009. However, this is dependent on the timely implementation of the projects in accordance with the planned schedule.
2.4 Administration and implementation issues

Despite the focus being on project generation, commitments and payments, developments have also taken place on the administrative side. The next sections look at some of the activities that have taken place in the IQ-Net partner programmes since the last review period with respect to: human resources, training and capacity building; partnership; governance; communication plans; coordination with other EU programmes; monitoring and evaluation.

2.4.1 Human resources, training and capacity building

Issues related to human resources are often the most obvious administrative challenge, because they affect the day-to-day implementation activities. Therefore, it is not surprising that many IQ-Net partners have continued to report problems in terms of the insufficiency or quality of the human resources. The level of human resources is under pressure due to workload pressures, caused both by the current demands of programme implementation (Norra Mellansverige, Slovenia), and also by the overlap of the two programme periods (Greece, Niederösterreich, Portugal, Vlaanderen). Partners have responded to the problem in different ways. Some have already managed to recruit the much-needed extra staff (Diputación Foral de Bizkaia, Mellersta Norrland, Śląskie, Slovenia, Vlaanderen) while, for others, this has not been feasible due to the additional training requirements (Niederösterreich) or to the lack of budget (Norra Mellansverige). Another example is Attikí, where the partners are studying the possibility of an internal staff reform.

Although staffing levels remain crucial, some partners are equally worried about the skills and expertise of their staff (Finland, Slovenia). Problems have been encountered at both regional and national levels. For instance, in the Czech Republic, some Managing Authorities have experienced problems in their efforts to attract qualified staff, partly due to the relatively low salaries offered in the central institutions. The situation has improved somewhat as a result of the new Government decree (818/2007), which allows higher salaries to be paid to staff working on Structural Funds’ administration. A different situation has been faced in Finland, where the Structural Funds unit at the new Ministry of Employment and the Economy has not been able to retain all the expertise with respect to business aids. Business support was formerly the responsibility of the Ministry of Trade and Industry, but since its merger with the Ministry of Trade and Industry, Ministry of Labour and the regional and governance unit of the Ministry of the Interior, staff have moved on to work in other units (other than Structural Funds) at the new Ministry. This is a concern, particularly as business aids take up a large share of current resources.

In addition to human resources, training and capacity-building are important elements for successful programme delivery. Although training and seminars have been organised and guidance issued, particularly at the start of the programme period, this has become more targeted in the subsequent stages of programme implementation. Partners have focused on a variety of themes, including payment processes (Norra Mellansverige, Vlaanderen), monitoring systems (Finland, Sachsen-Anhalt, Steiermark), evaluation (Sachsen-Anhalt, Spain, Sweden), public procurement (Portugal, Steiermark), financial management, control and audit (Greece, Niederösterreich, Sachsen-Anhalt), certification of beneficiaries
(Greece), State aid (Portugal), and new legal frameworks (Greece). The following are examples from Sachsen-Anhalt, Sweden and Wales.

- In Sachsen-Anhalt, the Managing Authority has undertaken a number of different training activities, including: the components of the electronic data monitoring system; links between the Land budget and the Structural Funds financial plan; evaluation; Article 4 (Article 13) controls; closure of the 2000-06 period; the Audit Authority’s conformity assessment and the associated need for each Intermediate Body to produce standardised documentation in relation to each budget line and funding scheme (Richtlinie).

- In Sweden, a credit-bearing course is planned in cooperation with Nutek, the Swedish ESF Council (i.e. the Managing Authority for the ESF fund) and the University of Linköping. The course will aim to provide competences in the context of evaluations of the Structural Funds projects and programmes. It is primarily targeted at evaluators and researchers but is also open to project officers, members of the Structural Funds partnerships, regional representatives and the project owners.

- In Wales, the Welsh European Funding Office (WEFO) has appointed specialist advisers on the horizontal and cross-cutting themes of equal opportunities and environmental sustainability, in order to provide advice and guidance on project development, monitoring and evaluation for project sponsors and WEFO staff. Guidance has been developed to help Project Development Officers and project sponsors mainstream equality and environmental sustainability issues within projects. Furthermore, guidance has been produced on ‘sponsorship, partnership and grants’. This is intended to provide a clearer understanding of the role of a project sponsor in the new programmes, including the importance of procurement, distribution of grants to other organisations and State aid implications. Guidance has also been produced clarifying overheads and the basis on which they can be attributed to Structural Funds projects.

It is also important to note those examples where training has not been on the agenda at this stage. For instance, in the Intermediate Managing Authority of the ROP Attikí, no training has yet taken place, partly due to workload issues. In the meanwhile, the different units within the Managing Authority have exchanged information on issues such as the NSRF, regulations, or the financial management, control and audit systems. Also, in France, where training has not yet taken place, this being planned for the end of 2008 or early 2009.

2.4.2 Partnership

In accordance with Article 11 of the General Regulation (1083/2006), the objectives of the Structural Funds need to be pursued in the framework of partnership, between the Commission and each Member State. Each Member State is required to organise - in accordance with its national rules and practices - a partnership with authorities and bodies, including: regional, local, urban and other public authorities; economic and social partners; and any other appropriate body representing civil society, environmental partners, NGOs, and bodies responsible for promoting equality between men and women. Previous IQ-Net
research has discussed the early perceptions and challenges related to this principle, which were based on the programming exercise and the early phases of implementation. There was generally agreement that the partnership principle had become stronger in 2007-13, despite some specific challenges that had occurred with respect to: the tensions between authorities in the northernmost programmes in Sweden; and the new role of the Regional Development Agency in North East England. The partnerships have continued to function without major problems (Austria, Italian OP for Research and Competitiveness, Länsi-Suomi, Norra Mellansverige, ROP Attiki, Střední Čechy), although some changes have taken place in Nordrhein-Westfalen, North East England, Sachsen-Anhalt, Portugal and Wales.

- In Nordrhein-Westfalen, membership of the Monitoring Committee has been altered to some extent. It now includes political parties (in the form of members of the Land Parliament), universities and (sub-)regional representatives from smaller regions. At the Managing Authority level, the involvement of the political parties is perceived to be a positive development, particularly in terms of the level and content of the discussions on the Monitoring Committee.

- In North East England, the Monitoring Committee has agreed that a Programme Executive Group (PEG) will be set up to take forward the day-to-day management of the new programme. The nine PEG members will meet on a monthly basis and include representatives from the Government Office of North East, local authorities, the voluntary and community sector, Unis4NE (regional association of the North East region’s five universities) and the Regional Development Agency.

- In Portugal, partnerships have been enforced with municipality associations. In some instances, the municipal associations take responsibility for the management of the global grant contracts.

- In Sachsen-Anhalt, there have been two main changes to the partnership structures. First, the OP provides Technical Assistance support for a support centre (with two members of staff) for all the socio-economic partners represented in the Monitoring Committee (e.g. to develop project ideas, or to deal with the administrative requirements and approaches). Second, in 2007-13, the socio-economic partners have voting rights in the Monitoring Committee and they have the same number of votes as the Land government. However, if the two groups vote differently, the Managing Authority, which chairs the meetings, has the deciding vote. To date, the Managing Authority has twice voted with the socio-economic partners against the Land authorities. However, the socio-economic partners cannot make changes to the financial plan (although they can recommend changes).

- In Wales, progress has been made with the setting up of eight Spatial European Teams (SETS) which will play a role in delivery of the Convergence and Competitiveness OPs. The SETs are intended to provide advice, support and to facilitate the partnerships, helping the strategic framework coordinators secure the involvement of existing partnerships at local and regional level.

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9 See section 2.11.3 of Vironen, H (2008) op. cit.
2.4.3 Governance

Governance-related changes have been limited in the last six months. Yet, some challenges with regard to the position of the regional Managing Authorities and their relation to the central government can be noted in the Czech Republic and Poland respectively.

- For instance, in the Czech Republic, the introduction of the regional Managing Authorities as the new actors in regional development has created some challenges. The situation is particularly complex in those NUTS II regions which are composed of several self-governing regions (NUTS III regions). In Střední Čechy, partners are more fortunate, not least because the NUTS II region is identical with the borders of the self-governing region. This has allowed a close cooperation between the regional Managing Authority of the ROP and the regional administration of the self-governing region.

- In Poland, governance issues have related to tensions between the regional and central levels. Despite the fact that the management of the ROPs is now under the responsibility of the regional self-governments, the Ministry of Regional Development has laid out specific guidelines on the content and implementation of the ROPs. These are regarded by the programme managers as rules that have to be followed rather than as helpful advice or guidelines.

Other governance-related issues can be noted in Finland and Scotland. In Finland, the regional governance reform of 2010 will affect the implementation and delivery structure of Structural Funds, due to the reorganisation and division of work that will take place between the regional authorities. Similarly, in Scotland, the Scottish Government’s Economic Strategy has meant that there is some uncertainty regarding the local authorities’ new statutory economic development powers.

2.4.4 Communication plans

As part of the Commission’s efforts to bridge the communication and information gap with the citizens, the Managing Authorities are required to develop a Communication Plan for the programmes, which is expected to include at least:¹°

- the aims and target groups;
- the strategy and content of the information and publicity measures, aimed at potential beneficiaries and the public;
- the indicative budget for implementation of the plan;
- the bodies responsible for implementation of the measures; and,

an indication of how the measures are to be evaluated.

At the time of writing, nearly all Communication Plans have been approved by the Commission, with the exception of the Italian OP for Research and Competitiveness, which is still pending an approval. Although the communication measures are set out in the Plans, implementation is expected to be started prior to approval. Most partners have already organised symbolic programme launch events\(^\text{11}\), as well as carried out a wide range of other actions to disseminate targeted information to potential project applicants and the wider public. The planned communication measures of the IQ-Net partner programmes can be summarised as follows.

- Events, consultation days or training activities, which may be targeted for specific groups.
- Use of the media, including press conferences, press releases, newsletters, posters, inserts in newspapers, and websites. In addition, some partners have used radio (Greece) or television to disseminate information (Greece, France, Portugal), and even developed films on the role of Structural Funds (Greece, Sachsen-Anhalt). A further example can be noted in Střední Čechy, where the Managing Authority organises press trips for journalists to visit successful Structural Funds projects.
- Use of marketing material, including handbooks, targeted information leaflets, case studies, reports, as well as give-aways such as pens or USB-sticks.
- Development of a corporate design and appropriate public appearance, as well as information panels to indicate projects which have been co-financed by Structural Funds. Some programmes, such as the Italian OP for Research and Competitiveness and Steiermark, have developed a visible corporate identity for Structural Funds.
- One-Stop-Shops, which provide a single contact point for information on the OP and funding possibilities. For instance, in Wales, there is a bilingual telephone helpline, which provides professional advice to all prospective and final sponsors/beneficiaries. In Steiermark, a joint email address has been introduced for the Intermediate Bodies in order to make it easier for the project applicants to contact the appropriate body.
- Lastly, in some partner regions, such as Niederösterreich, the new obligation to publish a list of beneficiaries has been integrated into the Communication Plan (see Box 2).

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\(^{11}\) See section 2.4.1 in Vironen, H (2008) \textit{op.cit.}
Box 2: Publication of Beneficiaries

As part of the Commission’s European Transparency Initiative of 2006\textsuperscript{12}, the Managing Authorities are required to publish information on all ERDF beneficiaries. The information provided must include the name of the beneficiary, the names of the operations and the amount of public funding allocated to the operations. Following the low levels of commitments and payments, the information at this stage remains very limited. At the time of writing, the following IQ-Net partners have linked information on their beneficiaries to the Commission’s website\textsuperscript{13}: Denmark, Niederösterreich, Nordrhein-Westfalen, Poland, Portugal (Norte and Centro), Sachsen-Anhalt, Śląskie, Slovenia, Steiermark, Střední Čechy, Sweden and Vlaanderen.

It is notable that the Communication Plans focus on electronic measures, including newsletters and programme-related websites. Despite the fact that, in most programmes, the Internet was already a key channel for communication activities in 2000-06, it has clearly grown in importance in the new period. Indeed, some partners have explicitly mentioned the Internet as the most important communication tool in 2007-13 (e.g. Střední Čechy). Partners have been busy finalising their respective websites and, at the time of writing, activities are still ongoing in the Italian OP for Research and Competitiveness, Lombardia (see Annex I for a list of websites).

In line with more focus being placed on websites, content has similarly become more extensive. For instance, in Wales, the website provides a facility for posting, browsing and sharing project ideas in advance of formal submissions of Expressions of Interest. The Welsh example also provides on-line access to the first stage in the application process and access to a new e-government gateway interface. This covers all communications between the Welsh European Funding Office and the project sponsors in relation to project submissions, claims, payments and performance review. Similarly, in Greece, the website has been developed with new innovations in mind. It provides information customised for the specific needs of the user and enables more interaction to take place, most notably through the forum and the chat room, as well as through the newsletter which is available on free subscription.

2.4.5 Coordination with other EU programmes

While coordination with other EU programmes has not progressed since the past review period, it is perceived to be an important issue, not least to ensure complementarities and to avoid overlap of funding.\textsuperscript{14}

At a very general level, programme coordination activities in IQ-Net partner programmes will be ensured through specific bodies and coordination committees. For instance, in


\textsuperscript{13} http://ec.europa.eu/regional_policy/country/commu/beneficiaries/index_en.htm

\textsuperscript{14} See further info on section 2.13 of Vironen, H (2008) \textit{op.cit.}
Denmark, the new Regional Growth Fora will be the main vehicle for inter-programme coordination, through its role in administering a wide range of economic development activities. In Spain, a specific coordination committee and various other sectoral networks will be set up by the end of 2008. In France, coordination is expected to take place through the multi-fund Monitoring Committees which exist in every region. In Greece, coordination takes place at the central level, namely through the Inter-Ministerial Committee and the Committee for the Presidents, which take a top-down approach to coordination. Finally, in Austria, the Austrian Conference on Spatial Planning (ÖROK) is increasingly engaged in coordination across programmes and policy areas.

However, more targeted activities to the specific EU programmes remain limited. Most IQ-Net partners have not made any progress in recent months in ensuring a transfer of ideas from the Territorial Cooperation Objective to the mainstream Structural Funds programmes (as recommended by the Community Strategic Guidelines). The current phase of implementation has not allowed time to focus on such issues. In some partner programmes there is no need for further coordination mechanisms (Niederösterreich, Steiermark). In some instances (e.g. Greece) this is partly due to the centralised management system. Only in a few programmes, are activities being planned (Italian OP for Research and Competitiveness, Slovenia, Wales), with the Slovenian partners expected to carry out a study on this specific topic.

More progress has been made with respect to the coordination activities with the ESF fund (Finland, Śląskie). For instance, in Śląskie, partners hope to improve coordination between ERDF and ESF funds at the regional level. One possible option to find complementarities is in the project selection criteria, for instance by using a thematic approach. However, the challenge is to define these complementarities, and the approach is also thought to put significant pressure on the experts appraising the projects. Another potential instrument for coordination is the Monitoring Committee, although the disadvantage is that the members may have a tendency to defend their own territories or sectors. ERDF and ESF links have also been discussed at the ESF unit in the region. Indeed, the ESF unit has attempted to draw in the Katowice Academy of Economics and Polytechnics through evaluation studies, where the region has substantial funds. There are sectors, such as SMEs where the two funds could work together. There is also scope to work together on information and publicity, attempting to produce innovative activities to change the region’s image.

Lastly, partners in the Highlands and Islands programme have experienced specific challenges with respect to the rural development programme. The Monitoring Committee has asked the Programme Review Group, together with the Rural Affairs Division of the Scottish Government, to consider how the provisions of the ERDF programme can be better distinguished from the provisions of other European programmes. For example, all the elements covered under ERDF Priority 3 (enhancing peripheral and fragile communities),

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15 The Community Strategic Guidelines note that success under the Territorial Cooperation Objective is dependent ‘on shared development strategies of the territories concerned at national, regional, and local level and on networking especially to ensure the transfer of ideas to mainstream national and regional cohesion programmes’.
are also available to some degree under the Scottish Rural Development Programme, either via the rural priorities section of the land management contracts or through LEADER. Furthermore, Axis 4 under the fisheries programme also covers similar territories and activities.

2.5 Monitoring and evaluation

While many IQ-Net partners have finalised their monitoring systems, or are at least expecting to do so in the course of 2008 (Austria, Czech Republic, Denmark, France, Greece, Lombardia, Sachsen-Anhalt, Scotland, Spain, Sweden, Vlaanderen, Wales), this has not always been unproblematic. Partners have often faced delays (Czech Republic, Denmark, Finland), and many have chosen to introduce their systems in phases.

For instance, in Austria, the ATMOS monitoring system has been in use by the Intermediate Bodies for the input of data since the early stages of programme implementation, while the module for the Managing Authorities was not finalised until at the end of September 2008. Similarly in Finland, the project application functions of the EURA2007 monitoring system were finalised by the end of 2007, while project decisions, the payment process or the follow-up of indicators were not in use until later in 2008. Although the Finnish system was expected to be fully finalised by the end of September 2008, it is being continually adapted to the needs of the users.

In other instances, the outstanding issues relate to the data extraction components which are essential, not least for reporting purposes. In Denmark, the monitoring system has been in use since the start of the programme implementation in terms of data collection, but the system remains to be developed for the extraction of data. Similarly in Sweden, the NYPS monitoring system was expected to be finalised in the course of October 2008 with the last stages focusing on the data extraction functions. Other problems have been reported by partners in the Highlands and Islands, where the Eurosyst monitoring system is perceived to lack flexibility. Particular problems have occurred with the processing of claims covering a long period (i.e. longer than three months) which have become more common, particularly in the face of n+2 pressures.

Progress has also been made with respect to evaluations.16 In line with the Commission’s recommendations17, many Member States and OPs have chosen to draft an Evaluation Plan to provide the overall framework for the on-going evaluations. This is also the case with most IQ-Net partners, whose Evaluation Plans have now been mostly approved (Denmark, Finland, France, Greece, Italian OP for Research and Competitiveness, Sachsen-Anhalt,


Scotland, Śląskie, Slovenia, Střední Čechy, Sweden, Wales). However, even where an Evaluation Plan as such has not been considered necessary (Niederösterreich, Steiermark, Vlaanderen), evaluation activities have often been started.

To enable the evaluations to take place, partners have set up the necessary structures (Greece, Finland, France, Italian OP for Research and Competitiveness, Nordrhein-Westfalen, Portugal, Sachsen-Anhalt, Slovenia, Sweden). In most instances, these include Steering Groups, evaluation groups and committees, as well as networks (Greece, Finland, France, Italian OP for Research and Competitiveness, Nordrhein-Westfalen, Sachsen-Anhalt, Sweden). Examples from Greece, Finland, Italy, Střední Čechy and Sweden are illustrative.

- In **Greece**, the evaluations are supported by an evaluation network and a Steering Group. The evaluation network, consisting of the heads of evaluation of each OP, aims to exchange good practices and tackle problems, as well as carry out the tendering process for the evaluations. The central-level Steering Group involves representatives from all the OPs, the Commission, as well as other experts, to oversee the evaluation work.

- In **Finland**, an evaluation group representing the different Ministries and the regions was set up to oversee the evaluation work, including the drafting of the Evaluation Plan and the annual implementation plans, the tendering process, as well as the selection of the evaluators. It aims to steer and support the evaluation work, and to plan the utilisation of the evaluation results.

- In the **Italian OP for Research and Competitiveness**, responsibility for the Evaluation Plan rests with the Ministry of Education, University and Research, which is the Managing Authority for the programme. Within the Ministry, a responsible person has been appointed for the Evaluation Plan, whose role is to ensure coordination and oversight of all evaluation activities, chair the Coordination and Steering Group, organise the input of partners to the evaluation activities (e.g. identification of themes and evaluation questions), update the Evaluation Plan, and report back to the relevant committees. The actual evaluation process is managed by the Coordination and Steering Group and by the Steering Groups that are set up for the individual evaluations. The former is responsible for a number of functions that relate to the direction, coordination and oversight of the evaluation process. The Steering Group for the individual evaluations will, in turn, launch evaluations, interact with the chosen evaluators and agree with the methodologies, verify the coherence of the activities with the tenders and ensure conformity of the evaluation reports with mandates and agreed timetables.

- In the **Czech Republic**, a working group at the national level focuses on the exchange of good practice and the dissemination of experience and information. In the ROP Střední Čechy, a specific department is in charge of monitoring and evaluations, with its being a member of the national-level working group. The regional department prepares the Evaluation Plan, which is then dealt with by the national-level working group and the National Coordination Authority, and finally approved by the Monitoring Committee of the ROP.
In Sweden, the evaluation group is composed of representatives of the Nutek development agency (separate from the programme implementation) and takes responsibility for the management and coordination of evaluations. Linked to the evaluation group, there is a reference group composed of representatives from the three Monitoring Committees. In addition, there is an internal Steering Group at Nutek. The organisation of the evaluation activities is illustrated in Figure 1 below.

Given the fact that many partners are expected to start their evaluations in the course of 2009 (e.g. Finland, Portugal, Steiermark), tendering processes have in many instances already been launched (Finland, Lombardia, Sachsen-Anhalt, Scotland, Slovenia). The content of the thematic evaluations is generally set out in the partners’ Evaluation Plans (where these were developed), although in some instances, the exact nature of the evaluations has still to be developed (Denmark, Niederösterreich, Vlaanderen). Some partners have already started (or are expecting to start) with the process-oriented evaluations, covering themes such as effectiveness of the implementing organisations (Austria, Sweden), impact assessments (Wales), experiences of the project applicants (Střední Čechy) or shadow round projects (Scotland). Some further examples of forthcoming evaluation activities can be noted from the Italian OP for Research and Competitiveness, Lombardia and Sweden.

In the Italian OP for Research and Competitiveness, €10 million has been allocated for evaluation activities. This will cover: scenario evaluation; strategic
• In **Lombardia**, the aim is to evaluate the regional policy implemented in the region, rather than just the OP. Each programme will have its own evaluation. The region’s Presidency, through its Evaluation Unit, will coordinate and control the individual processes and then harmonise and elaborate the results from the evaluations into a comprehensive overview.

• In **Sweden**, the Evaluation Plan sets out activities until 2010 and includes three thematic evaluations. The first one (evaluation of the implementing organisation) is currently under way. It started in April-May 2008 and is being carried out in cooperation with the ESF fund. Initially, this evaluation is focusing on the effectiveness of implementing organisation (effectiveness of project handling, preparation and prioritisation). In the second half of the programme period, the evaluation will also look at learning and strategic orientation. The ongoing project- and programme-level evaluations are also set to start soon. At the project-level, there will be on-going evaluation, particularly for the larger projects, and self-evaluation for the smaller projects. These activities will be carried out by the projects with the help of Nutek. Lastly, there will be a parallel on-going evaluation for the eight regional ERDF programmes and for the eight regional plans of the ESF programme.
3. THE 2000-2006 PERIOD

Across the EU, programme managers are increasingly occupied with the final procedures of the 2000-06 programme period. With the final date for eligibility of expenditure in sight, programme managers are finalising the last payment claims, and many have also started to prepare for the final programme closure. The following sections review the financial progress in the IQ-Net partner programmes, highlight recent operational issues, and examine the progress with programme closure.

3.1 Financial progress in the EU25

Despite the record level of payments in the EU25 in 2007, challenges lay ahead for 2008, the last eligible year for payments. In January 2008, Commissioner Hübner noted that nearly €36 billion in commitments and over €30 billion in payments remained to be executed.\(^{18}\) Data from September 2008 reveal that commitments stood at €223.7 billion and payments at €197.4 billion (88 percent) respectively. However, approximately €26.3 billion has still to be reimbursed.\(^{19}\)

Based on the Commission’s financial data from 28 October 2008 (see Figure 2), the majority of the Member States have payment rates in excess of 80 percent. Overall, Structural Funds payments range from 94.2 percent (Austria) to 75.2 percent (Cyprus). Better performances can generally be noted under ERDF, where payment levels vary from 95 percent (Estonia, Slovenia) to 78.8 percent (Latvia). Only in Latvia, Lithuania, Malta, Portugal and Spain, do ERDF payments remain below the total average. It is also notable that in many instances, the payment levels are lower under ESF. Indeed, in a number of Member States, this remains below 70 percent (Cyprus, Czech Republic, Hungary, Luxemburg, Slovakia), although there are also examples where this exceeds the current ERDF payment rates (Finland, Ireland, Latvia, Lithuania, Malta, Portugal).

\(^{18}\) Professor Danuta Hübner, EU Commissioner for Regional Policy, Exchange of views with the Committee on Regional Affairs, European Parliament, 22 January 2008, Brussels.

Mixed Progress with the 2007-13 Programmes – Review of programme implementation
Summer 2008 – Autumn 2008

Figure 2: Structural Funds payments in 2000-06 (28 October 2008)

Source: Commission data from 28 October 2008, EPRC calculations
* Includes ERDF, ESF, EAGGF and FIFG
3.2 Commitments and payments in the IQ-Net programmes

With the approaching deadlines for the eligibility of expenditure, commitment levels are understandably close to, or in excess of, 100 percent. Indeed, at the time of writing, most IQ-Net partners have reached full commitment (Czech Republic, Greece, parts of the Italian Local Entrepreneurial Development OP, Länsi-Suomi, Lombardia, Niederösterreich, Portugal, Sweden, Vlaanderen), although some remain just below 100 percent (France, North East England, Sachsen-Anhalt, Scotland, Slovenia, Steiermark, Wales).

The situation is more varied on the payment side, although the levels have been improving. In Sweden, payments have almost reached 100 percent, and many other IQ-Net partners have exceeded the EU average of 88 percent (September 2008), including: Sachsen-Anhalt (95), Länsi-Suomi (94), Integrated Regional Operation Programme of Poland (92), Steiermark (92), Portugal (90), Niederösterreich (89) and Slovenia (89 percent). Other partners have more significant payments to execute - e.g. France (85), Vlaanderen (84), Greece (83) and the Joint Regional Operational Programme of Czech Republic (71 percent).

Recent challenges with respect to payments have related to ESF (Czech Republic, France, Italian LocalEntrepreneurial Development OP, Länsi-Suomi, Poland), and to the fluctuating exchange rates (Czech Republic, Wales).

- **ESF-related challenges.** Many partner programmes have faced particular problems with the ESF, often due to factors such as complexity, longer timeframes and the more demanding administrative procedures associated with ESF-funded projects. For instance, in the Polish Integrated Regional Operational Programme, payments under Priority 2 (human resources development) have been particularly low because the activities are often complicated and involve the coordination of several partners, many of whom have limited experience of programme implementation and also less secure sources of co-funding. Similarly, in the Czech Joint Regional Operational Programme, payment problems have mainly related to ESF-funded measures, which are considerably lower than those under ERDF; the average payment levels for ESF measures stand at 58.3 percent, while the respective figure for ERDF measures is 88 percent (August 2008).

- **Exchange rate fluctuations.** As noted earlier, some IQ-Net partners outside the Euro zone have faced specific spending challenges due to the sometimes drastic changes in the exchange rates (Czech Republic, Poland, Wales). For instance, in the Czech Republic, over-commitments have exceeded CZK 800 million (approximately €32 million) because of the significant increase in value of the Czech Koruna in comparison to Euro\(^{20}\). As a result, the Managing Authority has had to find additional resources to pay for the over-commitments. This has been achieved mainly through savings in project costs, but also by cancelling some of the planned calls for project proposals. In contrast, in Wales, there is an exchange rate windfall of £44 million (approximately €57 million), caused by the drop in value of Sterling. Welsh partners have reacted to this by extending the timetable for certain projects, particularly...

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\(^{20}\) The exchange rate changed from CZK 32.75/€ in May 2004 to CZK 23.9/€ in August 2008.
for those that are expected to deliver more outputs. This has already resulted in the approval of £33 million (approximately €43 million) of extra expenditure.

### 3.2.1 Absorption

High absorption of funds is an important goal for policy makers in all Member States, not least in order to maintain or to create a high level of public acceptance of EU policies. While the challenges for absorption vary and are often country-specific, Commissioner Hübner has identified some common reasons behind the absorption challenges, which include:

- the lack of administrative capacity of the responsible organisations (Managing Authorities, Intermediate Bodies, Beneficiaries), such as the lack of sufficient number of staff, lack of sufficiently qualified and trained staff, as well as the high turnover of staff;

- the lack of timely planning; and

- the unpractical and unnecessary approach to implementation procedures, which is evidenced particularly in many of the EU12 Member States, where rules and procedures often exceed the Commission’s requirements.

Despite the challenges, most IQ-Net partners are generally positive about reaching absorption rates close to 100 percent (Italian Local Entrepreneurial Development OP, Lombardia, Nordrhein-Westfalen, Slovenia, Steiermark, Portugal). To ensure maximum absorption, many partners have continued to implement adjustments to their financial tables (Attikí ROP, Italian Local Entrepreneurial Development OP, Länsi-Suomi, Sachsen-Anhalt, Slovenia, Vlaanderen), although the scope for this is becoming more limited in the face of the approaching deadlines (Niederösterreich).

Yet, in accordance with the regulations, reallocation of funds at the measure level, addition of new measures, or transfers between difference sources of national public financing are possible until the final date of eligibility of expenditure. For instance, in Sachsen-Anhalt, partners have continued to carry out quarterly changes to the financial plan at a measure level, and in Slovenia this has even lead to new calls for project proposals. New projects have also been launched in other partner programmes, particularly where there have been problems with the Commission’s audits (Vlaanderen), or where reserve projects have been used to replace difficult projects (Steiermark, Vlaanderen). In some instances, there has been no need to look for new projects due to large overbookings (Italian Local Entrepreneurial Development OP, Lombardia). During the late stages of programme implementation, many IQ-Net programmes have also generally intensified their monitoring and awareness-raising activities. For instance, in Sachsen-Anhalt, partners have carried out project closure checks to ensure that projects can be included in the

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programme. These checks have ensured that all project documentation is completed correctly and that all project data in the electronic data system is correct. Similarly, in Portugal, the CSF III Managing Commission has increased its monitoring activities and carried out a detailed analysis of the OPs’ state of implementation. With respect to awareness-raising activities, the Managing Authority of the CSF III in Greece has organised regular consultations with the regions, workshops, meetings, as well as developed action plans and circulars in order to facilitate the programme progress.

### 3.3 Progress with closure

As set out in the Commission’s Guidelines\(^\text{23}\), the key deadlines with respect to the closure of the 2000-06 programme period include the final date for the eligibility of expenditure on 31 December 2008 (and 30 April 2009 for aid schemes), and the submission of closure documents on 31 March 2010 (or 31 July 2010 for aid schemes). An extension to these deadlines is possible in cases of *force majeure*, *which have serious repercussions for the implementation of operations supported by the Structural Funds or manifest error attributable solely to the Commission*. Requests for an extension will be examined by the Commission on a case-by-case basis; amongst the IQ-Net partners, only in Greece have the deadlines been extended (see Box 3).

#### Box 3: Extension of closure deadlines in Greece

In Greece, the fires in the summer of 2007 caused significant destruction to the forests, agricultural land, villages and infrastructure. Approximately 250,000 hectares of land were damaged (mainly in the Peloponnese). In financial terms the cost of the damage was estimated to be around €4 billion.\(^\text{24}\)

As a result, the Commission took specific measures to help Greece with reconstruction efforts. On 8 April 2008, Greece was granted support worth of €89.7 million from the EU’s Solidarity Fund. In addition, a one-year extension to the eligibility deadlines for the 2000-06 programme period was granted for the regional programmes of Dytiki Ellada, Peloponnisos, Attiki and Sterea Ellada, and for the thematic programmes ‘road axes, ports, urban development’ and ‘railways, airport, urban transport’. The new deadline for the eligibility of expenditure of 31 December 2009 mitigates the delays caused by the natural disaster. Similarly, the deadlines for submission of closure documents have also been extended by one year, with the new deadline set for 31 March 2010 (31 July 2010 for aid schemes).

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In order to respect the Commission’s timetable, partners have set internal deadlines for payments and for the formal closure procedures. Final payment claims have been requested well in advance of the December deadline (31 August in Finland; 30 September in Niederösterreich; 31 October in Steiermark). In Scotland, two out of four programmes had received all final claims by the end of July 2008. After the closing date for the eligibility of expenditure, the main focus will be on preparation of the closure documents. These include: a certified statement of final expenditure with final payment application; a final report on implementation; and a declaration on the winding-up of the assistance.

In general, the drafting of closure documents is expected to start in 2009 (the Czech Joint Regional Operational Programme, Niederösterreich, País Vasco, Portugal, Slovenia) although, in some instances, it is already underway (France, Sachsen-Anhalt) or being planned for 2008 (Finland, Steiermark). Although the closure documents are not due to be submitted to the Commission until 31 March 2010 (or 31 July 2010 for aid schemes), many partners are expecting to finish in the summer of 2009 (Czech Republic, Denmark, Finland, Niederösterreich, Steiermark). However, in other cases this has not been as straightforward. In Scotland, the internal deadline of 30 June 2009 for the closure documents was initially considered to be too tight and was consequently extended to 30 June 2010. However, the partners decided to keep to the initially-scheduled date because they prefer an early closure and do not want to experience again past difficulties with audits, risks of financial losses and the reputational damage. Furthermore, the change of delivery arrangements and the simultaneous implementation of the two programme periods have meant that there is not the same flexibility for prolonged closure as was the case in the past.

In order to facilitate the timely submission of closure documents, activities have been undertaken both by the Commission and the Member States. In addition to the Closure Guidance, the Commission organised a seminar for the Managing and Paying Authorities and winding-up bodies. The seminar, entitled *Towards a Successful Closure of Structural Funds 2000-2006 Programmes* and held in Brussels on 15 September 2008, was attended by approximately 650 representatives from the national and regional authorities of all Member States and the Commission. At Member State level, partners have set up specific working groups and committees, issued relevant guidance, and organised training for the responsible authorities. These are discussed in the section below.

(i) Working groups and committees

Many IQ-Net partners have set up specific working groups or committees for closure (Czech Republic, Finland, France, Greece, Sachsen-Anhalt, Slovenia, Wales), while others discuss closure issues within the existing bodies (Austria). The composition of the working groups and committees varies. In some cases, partners have adopted a more centralised approach, where the closure groups do not include any regional authorities (Finland, Slovenia), while in others the national-level working group also incorporates representatives from the regional Managing Authorities (Austria), or exists solely at the Land-level (Germany). With respect to the recent issues covered by the working groups and the committees, some

examples can be noted from Finland and Greece. In Finland, discussions at the working
group level focused on possible inconsistencies with the indicators and overlaps with the
commitment and payment information (i.e. where there may have been more payments
than commitments). In Greece, the working group has gone through the project lists to
identify which projects contribute to the CSF III and which can be passed on to the new
programmes. Another interesting example can be noted in the Czech Republic, where the
working group has covered domestic closure issues, and the Ministry for Regional
Development has also exchanged experience with authorities in other Member States, most
notably with the other Visegrad Group members of Hungary, Poland and Slovakia.

(ii) Guidance and training

Although the Commission’s Closure Guidelines have generally been regarded as useful,
many IQ-Net partners have also issued specific domestic guidance (Czech Republic, Finland,
France, Greece, Sachsen-Anhalt, Scotland, Slovenia, Wales) or expect to do so (Portugal).
This is intended to adapt the Commission’s guidelines to the national and regional
conditions, particularly where the Commission’s guidance has not been perceived to cover
all the practical issues (Czech Republic).

- In Finland, new closure guidelines were issued in June 2008 following the creation
  of the new Ministry of Employment and the Economy at the beginning of the year.
  This was because the new Ministry also became the new Managing Authority for
  Objective 1, 2, 3 and Equal, as well as the Paying Authority for ERDF and ESF.

- In France, closure guidelines were issued by the Ministry of the Interior in July
  2008. They focus on the monitoring indicators, including: the rate of closed and
  archived projects; the total certified expenditure in relation to the eligible
  expenditure. They also contain a list of projects with potential difficulties. Each
  Secretariat of the Managing Authority is required to report on these issues to the
  Ministry of the Interior.

- In Wales, a closure pack has been tailored specifically for each Fund and
  Programme. There will be a phased approach to testing and implementing the
  guidance and it has been agreed that the partners will start with the Urban
  initiative and then move on to the EAGGF and other funds.

Although closure working groups, committees and guidance documents have been sufficient
for some partners (Czech Republic), others have also organised workshops (Greece) or
relevant training for the responsible authorities (Sachsen-Anhalt, Sweden).

3.3.2 Recent operational issues and closure challenges

Reflecting the late stage of programme implementation, operational issues have been
limited. Most IQ-Net partners do not anticipate any problems with the closure procedure
itself (Czech Republic, France, Sachsen-Anhalt, Sweden). Some, however, are concerned

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26 The Visegrad Group is an alliance of the Czech Republic, Hungary, Poland and Slovakia set up for
the purpose of cooperation and furthering their European integration.
about the demanding workload that this entails (e.g. Vlaanderen). At this stage, partners are also discovering problems with respect to the data in the monitoring systems (Finland) or the indicators (Greece). Control issues have also been a concern, not least due to the large number of projects (Sachsen-Anhalt) or the inconsistency with the domestic and EU laws (Italy). Lastly, many partners continue to face human resource challenges, most notably due to: the dual implementation of two programme periods (e.g. Slovenia); the workload attached to the drafting of the closure report (Denmark, France); the loss of staff (Wales); or lack of qualified staff (Czech Republic, Slovenia).

- **High number of projects to be closed.** In Sachsen-Anhalt, the main problem in relation to programme closure is that some projects were approved and implemented too late, and therefore a high number of projects remain to be closed. Similarly in Wales, there are still over 1,000 projects to close. In response, the partners have developed a plan, which sets out targets for a monthly project closure until June 2009.

- **Monitoring data and indicators.** In Finland, data verification problems have arisen with respect to the monitoring system of the 2000-06 period (FIMOS2000). In Greece, problems have emerged as a result of the unrealistic indicators that were set at the beginning of the programme period. It was recently discovered that some of the indicators were not changed despite the recommendations of the mid-term evaluation. There is concern that this may lead to financial sanctions, and that the indicators will stop playing the role of a strategic monitoring and evaluation tool. Revisions to the indicators are also expected in the Italian Local Entrepreneurial OP as part of the changes that will be implemented to the programme complement.

- **Control activities.** In the Italian OP for Local Entrepreneurial Development, the Managing Authority is planning controls that go beyond the requirements of the regulations. This will involve around 400 inspections, including on-the-spot-checks on projects, to be undertaken with the support of external experts. External experts are used on the basis of the recommendations of the Audit Authority, to strengthen the functional independence of the on-the-spot checks. In the Lombardia SPD, work is also underway to sample projects for on-the-spot controls. Challenges have arisen particularly with respect to projects involving infrastructure investments which were assigned through public procurement procedures. One problem related to this is the fact that there are currently inconsistencies between the new domestic legislation on public procurement and the respective EU rules.

- **Human resource challenges.** As in the new programme period, many partners are facing human resource-related challenges, not least due to the simultaneous implementation of two programme periods, which is creating pressure on staff (e.g. Slovenia). Furthermore, problems have been encountered due to the loss of staff, (particularly when this has involved those with previous closure experience (Wales)), or the lack of qualified staff (Czech Republic, Slovenia).
3.4 Evaluations

For differing reasons most IQ-Net partners are not planning to carry out their own ex post evaluations. Some have found the contributions of the MTEs or UMTEs (or other earlier evaluations) to be sufficient for informing the 2007-13 period (Finland, North East England). Others consider that it is too late to evaluate the past programme period, particularly as the 2007-13 programmes have already been approved (Greece). Nevertheless, a number of IQ-Net partner programmes are planning to proceed with their own evaluations, although these are not necessarily formal ex post evaluations (Austria, Czech Republic, Italian Local Entrepreneurial Development OP, Lombardia, Poland, Portugal).

- The Austrian programmes have been evaluated in the context of a larger scale study. As part of the post-NSRF process (STRAT.AT plus), the Austrian Federal Coordination Body (ÖROK) has commissioned a study on the 12 years of Structural Funds in Austria - drawing a conclusion, which focused on ESF, EAGGF and ERDF. The results are expected to be published early in 2009.

- In the Czech Republic, the Commission’s approach to ex post evaluation is not considered to meet entirely the needs of the Managing Authorities, particularly as the thematic ‘work packages’ of the Commission may not cover all the programmes. Partners are therefore planning to carry out more detailed evaluations at the level of the programmes or the CSF. Although the scale and timetable for the evaluations have still to be decided, these are expected to be more extensive than the mid-term evaluation.

- In Italy, the Managing Authority of the Local Entrepreneurial Development OP will carry out an ex post evaluation focusing on the following issues: competitiveness factors; territorial aggregations; human capital; and mechanisms used by firms to transfer research results into practical applications. Lombardia does not plan any formal ex post evaluations, but is implementing a wide range of activities which build upon experiences from the past programme period. For instance, the region published a booklet of best-practice examples and has disseminated these results through a series of events.

- The Polish approach is different. The authorities at national and Śląskie regional levels are planning to study the 2004-06 and the 2007-13 programme periods together. The evaluations are carried out together, because the aims of both the IROP and the ROP are closely related, and it would be difficult to disaggregate their impacts.

- Portugal is planning to carry out an evaluation in the course 2009, which will have a thematic focus on major projects.
4. CONCLUSIONS

IQ-Net partners have clearly progressed with the implementation of the 2007-13 programmes since the June 2008. Yet, the results are very mixed. Although project generation is generally well under way, and many partners are also advancing with making commitments, various challenges have affected project generation. The demand for funding is generally high, but the results vary in terms of the quality of the funding applications. Furthermore, progress with payment has been particularly limited due to the pending approval of the Management and Control Systems. As a result, many partners are increasingly facing spending difficulties, partly due to the n+2 (n+3) rule. While the main focus has been on project generation, commitments and spending, the early stages have also proved challenging on the administrative side. Issues relating to human resources, training and capacity building continue to keep programme managers busy, while some programmes have also faced specific issues with respect to governance, coordination, and monitoring arrangements.

The approaching closure deadlines have also kept the 2000-06 programme period firmly on the agenda. During the past six-months, partners have focused their efforts on the absorption of funds before the final date of eligibility of expenditure at the end of December 2008. At the same time, progress has been made with respect to the submission of the final closure documents. The main operational problem is the workload associated with the closure.

On the basis of this paper, some starting points for further discussion at the IQ-Net meeting are:

- the approach to ensure a high demand and quality of funding applications, and the key challenges in this process;
- the progress, targets and challenges with funding commitments;
- the strategies to ensure sufficient spending;
- the key administrative issues affecting the programme performance over the last six-month review period and the response to these; and
- the anticipated activities to ensure a timely closure of the 2000-06 programmes.
ANNEX I: IQ-NET PROGRAMME WEBSITES

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<th>IQ-Net partner</th>
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<td>Austria</td>
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Source: EPRC research, October 2008
IQ-Net is a network of Convergence and Regional Competitiveness programmes actively exchanging experience on practical programming issues. It involves a programme of research and debate on topical themes relating to Structural Funds programme design, management and delivery, culminating in twice-yearly meetings of members. IQ-Net was established in 1996 and has successfully completed three periods of operation: 1996-99, 1999-2002 and 2002-07. The fourth phase was launched on 1 July 2007 (Phase IV, 2007-10).

IQ-Net Meetings

25 partners’ meetings and a special 10th anniversary conference have been held in ten European countries during 12 years of operation of the Network. Meetings are held at approximately six month intervals and are open to IQ-Net partners and to observers interested in joining the Network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.

IQ-Net Website

The IQ-Net Website is the Network’s main vehicle of communication for partners and the public (www.eprc.strath.ac.uk/iqnet). The launch of Phase IV has been accompanied by an extensive redesign of the site which comprises two sections:

Partner Intranet Pages available exclusively to IQ-Net members.

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

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

IQ-Net Reports

The IQ-Net Reports form the basis for the discussions at each IQ-Net meeting. They present applied and practical information in a style accessible to policy-makers, programme executives and administrators. The reports can be downloaded, at no charge, from the IQ-Net website. To date, around 25 thematic papers have been produced on both ‘functional issues’ (e.g. management arrangements, partnership, information and communication,
monitoring systems) and ‘thematic issues’ (e.g. innovation, enterprise development, tourism). A similar number of papers have also been produced to review developments in the implementation of the Network’s partner programmes.

### IQ-Net Thematic Papers

- From environmental sustainability to sustainable development in Structural Funds programmes?
- Making sense of European Cohesion policy: 2007-13 on-going evaluation and monitoring
- Turning ideas into action: the implementation of 2007-13 programmes
- National Strategic Reference Frameworks and OPs, 2007-2013
- Preparations for the Programme Period 2007-13
- Territorial Cohesion and Structural Funds
- Cohesion Policy Funding for Innovation and the Knowledge Economy
- The Added Value of Structural Funds
- Information, Publicity and Communication
- Mid-term Evaluation of the 2000-06 Programmes
- Mainstreaming Horizontal Themes into Structural Fund Programming
- The Structural Funds: Facilitating the Information Society
- Information into Intelligence: Monitoring for Effective Structural Fund Programming
- At the Starting Block: Review of the New Programmes
- Tourism and Structural Funds
- Preparations for the New Programmes
- The New Regulations and Programming
- Strategic Approaches to Regional Innovation
- Effective Responses to Job Creation
- The Evolution of Programmes and Future Prospects
- Equal Opportunities in Structural Fund Programmes
- The Contribution of Meso-Partnerships to Structural Fund Implementation
- Regional Environmental Integration: Changing Perceptions and Practice
- Structural Fund Synergies: ERDF and ESF
- The Interim Evaluation of Programmes
- Monitoring and Evaluation: Principles and Practice
- Generating Good Projects
- RTD and Innovation in Programmes
- Managing the Structural Funds - Institutionalising Good Practice
- Synthesis of Strategies 1994-96

### IQ-Net Bulletin

The IQ-Net Bulletin promotes the dissemination of the Network’s activities and results. Thirteen issues have been published to date, over the period from 1996 to 2007. Bulletins are published using a standard format, with each providing summaries of the research undertaken and reports on the discussions which take place at IQ-Net meetings. The Bulletins can be downloaded from the IQ-Net website (public pages). A printed version is also sent out to the IQ-Net mailing list.

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