PLANNING FOR PROGRAMME CLOSURE
AND BEYOND

Review of Programme Developments:
Spring - Autumn 2005

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Improving the Quality of
Structural Fund Programming through
Exchange of Experience

Strasbourg, Alsace, 30 November - 2 December 2005
PREFACE

The research for this paper was undertaken in preparation for the 18th IQ-Net meeting (and fifth meeting of Phase III), which is taking place in Strasbourg, Alsace, France, on 30 November - 2 December 2005. The paper has been written by John Bachtler, Carlos Méndez, Tobias Gross and Fiona Wishlade.

This paper is the product of desk research and fieldwork visits among national and regional authorities in Member States (notably among partners in the IQ-Net Consortium) during Summer and Autumn 2005. The field research team comprised:

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This paper is a draft version and will be revised following the Strasbourg meeting in line with the comments of partners and the substance of discussions at the meeting.

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# Planning for Programme Closure and Beyond

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EXECUTIVE SUMMARY

As the penultimate year of the 2000-06 programme period draws to a close, many programme managers face important challenges. In the EU15, most of the Structural Funds programme allocations have been committed, but a sizeable amount of spending remains to be drawn down by beneficiaries. In the EU10, programme authorities still need to commit significant amounts of their allocations, as well as encourage a faster rate of spending since expenditure appears to be running well behind forecasts. There is considerable variation in the commitment/expenditure ratios in the different countries. However, this variation is less evident among IQ-Net partners, where - for the most part - the absorption of funds is considered broadly satisfactory, with no major problems recorded.

Nevertheless, as programme closure draws nearer, steps are being taken to improve financial performance by reallocating expenditure, improving programme marketing, communication and project generation, and ensuring more effective monitoring of progress.

Also, organisational preparations for programme closure are under way. Some Member States have set up ‘closure groups’ to ensure effective management of the closure process and to ensure that past problems do not recur. The draft Commission guidelines on closure have caused some concern, and bilateral consultations are underway with the Commission on specific issues.

One of the main tasks for programme managers over the past year has been the organisation and commissioning of the Updates of the Mid-Term Evaluation (UMTE). Over the past six months, the UMTEs have been carried out across the EU15 and some of the first results have started to appear. The experience of IQ-Net partners indicates a range of approaches in terms of the objectives, perceived utility of each of the components, organisation, research methods employed and the process by which it was planned and carried out.

Where the results have begun to appear, it can be seen that most of the findings relating to programme performance found that programmes were meeting objectives and fulfilling targets. Strong overall financial progress was reported, although in some cases low absorption in specific Priorities or Measures was raised as a concern. A number of partner Updates provide positive assessments of the territorial and strategic focus of the programmes, whilst others note concerns over widening inter or intra-regional disparities. Methodological difficulties were raised in measuring impacts, particularly in smaller programmes, and in disentangling the effects from wider growth trends in other areas.
Amongst the key themes raised in relation to programme management and delivery are monitoring and indicators issues, the need to improve financial absorption, generally good progress with the implementation of the MTE recommendations and issues relating to partnership working, coordination and the publicity and communications strategy. Recommendations for the future strategies included strengthening the territorial dimension, generating greater added value and focusing on specific themes. Finally, the main recommendations for the future implementation of Structural Funds programmes related to issues such as improving monitoring and indicators, greater project animation and decentralised management, enhanced technical capacity for the programme management and the simplification of procedures.

In the absence of a budget agreement, many Member States have been preparing for the next programme period on the basis of the final Luxembourg ‘negotiating box’ discussed at the Brussels European Council in June 2005 and the draft Council Regulations. Most advanced are the National Strategic Reference Frameworks, where analysis and consultation has been undertaken for almost a year in some countries.
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1. INTRODUCTION

As the penultimate year of the 2000-06 programme period draws to a close, many programme managers face important challenges. In the EU15, most of the Structural Funds programme allocations have been committed, but a sizeable amount of spending remains to be drawn down by beneficiaries. In the EU10, programme authorities still need to commit significant amounts of their allocations, as well as encourage a faster rate of spending since expenditure appears to be running well behind forecasts.

The global figures for individual countries conceal considerable variation between and within programmes. Absorption rates are affected by lower than expected take-up for certain priorities and measures and various administrative complications, with a continued risk of decommitment for some programmes. Among IQ-Net partners, steps are being taken to improve financial performance by reallocating expenditure, improving programme marketing, communication and project generation, and ensuring more effective monitoring of progress. An important input to the management of the remaining part of the current programmes, as well as thinking about future programmes, has been the Update of the Mid-Term Evaluations, now nearing completion almost everywhere.

As previously reported, organisational preparations for programme closure are under way. Some Member States have set up ‘closure groups’ to ensure effective management of the closure process and to ensure that past problems do not recur. The draft Commission guidelines on closure have caused some concern, and bilateral consultations are underway with the Commission on specific issues.

Looking to the next programme period, the budgetary situation remains uncertain. At the time of writing, the UK Presidency was planning to put forward new financial proposals for discussion at the December European Council. In the absence of agreement, many Member States have been preparing for the next programme period on the basis of the final Luxembourg ‘negotiating box’ discussed at the Brussels European Council in June 2005 and the draft Council Regulations. Most advanced are the National Strategic Reference Frameworks, where analysis and consultation has been undertaken for almost a year in some countries. The ‘new start’ for the Lisbon/Gothenburg strategies, agreed at the Spring 2005 European Council, has strongly influenced the draft Community Strategic Guidelines and, through them, national strategic thinking about the shape of future Structural Funds programmes.

The following paper examines these issues in more detail. It begins with a review of recent programme developments, in terms of financial performance, problems of absorption and the preparations for programme closure (Section 2). The paper then explores, at length,
the outcome of the Updates of the Mid-Term Evaluation with respect to their implementation and lessons learned (Section 3). The paper concludes with a brief review of the current budgetary negotiations and preparations for the next period (Section 4).
2. PROGRESS OF THE 2000-2006 PROGRAMMES

2.1 Financial performance - EU25

For the EU25 as a whole, the latest Commission figures for the financial execution of the Structural Funds (18 November 2005) show that 83 percent of the Funds have been committed and 50 percent have been paid out (see Figure 1). All of the EU15 Member States have commitment levels exceeding 80 percent, with a figure of over 90 percent for Ireland. For the new Member State programmes (2004-06), the commitment levels are much lower; only Cyprus and Latvia have committed more than 60 percent of their programme allocations, other countries being in the range of 55-60 percent.

Levels of expenditure are more varied. The EU15 average is around 50 percent of Structural Funds paid out, with expenditure levels of 40-45 percent in Denmark, Greece, Luxembourg and the UK, at one end of the spectrum, to levels of around 60 percent in Germany, Spain, Ireland, Austria and Portugal. In part, this variation reflects different payment systems; Ireland, for example, uses a system of advance payments, whereas the UK makes reimbursements of expenditure undertaken. The situation in the Netherlands, with a payment level of only 33 percent, is of particular concern given that it has suffered considerable decommitment in the past.

In the new Member States, recorded payments average 17 percent, rising to around 20 percent in Estonia, Latvia and Hungary. In most countries, the figures for expenditure are little more than the advance payments made by the Commission to the new Member States. At this stage, it appears that the forecasts for the end of 2005 - anticipating the payment of around 50 percent of programme allocations - may be difficult to achieve.

The variation between Member States becomes clearer by examining the commitment/expenditure ratio (see Figure 2). For the EU as a whole, 60 percent of committed funding has been paid out. In the EU15, the ratio ranges from 40 percent in the Netherlands to over 70 percent in Spain, Austria and Portugal; in the EU10, the range is from 25 percent in Cyprus to just over 40 percent in Estonia.

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1 It should be noted that these data are Commission figures for certified payments; the notification and recording process means that they are likely to be running behind the situation 'on the ground'. The current payments level will, therefore, be somewhat higher than shown in the graphs.
At an aggregate level, the differences in financial execution between the individual Funds are relatively small, with ranges of 81-83 percent for commitments (for ERDF, ESF, EAGGF and FIFG) and 47-55 percent for payments. The same is true for the aggregate figures for Objective 1 and 2 programmes (see Figure 3 and Figure 4). In general, the variation between Member State programmes reflects the broader national patterns discussed above, with no clear conclusions emerging on Objective 1/2 differences. In some countries, Objective 1 payment levels are running ahead of those in Objective 2 (Germany, Netherlands), while in other countries the reverse is true (Austria, Sweden, UK).
2.2 Financial performance - IQ-Net partners

From the previous section, it is clear that despite good commitment rates there is considerable variation with respect to expenditure across the different Member States. This variation is less evident among IQ-Net partners, where - for the most part - the absorption of funds is considered broadly satisfactory with no major problems recorded. Previous reallocations of funding, away from under-performing priorities and measures, are generally leading to a convergence in commitment rates among parts of the programmes. The following summary outlines the general situation in each country.
Austria. Progress in the partner regions - Niederösterreich and Steiermark - is regarded as good. In Niederösterreich, Measure 2.8 (investment into environmental protection) which is co-funded by the federal KPC (Kommunalkredit Public Consulting GmbH) has progressed from a ‘moderate start’ to making more rapid progress in terms of absorbing funding. In general, soft measures which are less prone to business cycle developments, such as the Regional Managements and Cluster initiatives are performing better than privately co-funded projects An example is the very successful ‘innovation assistant programme’ (initially funded under an innovative actions programme), which was incorporated into the Objective 2 programme in June 2005. (This seems to be a general trend for all countries that were affected by weaker economic growth rates at the beginning of 2000.)

Belgium. In the Flemish regions, between 80 and 100 percent of funds have been committed. In the province of Limburg, a few measures have already been closed, especially in the phasing-out programme, as well as one measure of the Objective 2 priority ‘rural development in Haspengouw’.

Denmark. Both national and regional programme administrators are confident that sufficient commitments can be made over the lifetime of the programme. Overall, 77 percent of funds have been committed, ranging from 46 to 100 percent across the priorities. Projects will have to be recommended by the regional programme administrations before the end of 2006 and will have to end no later than the end of April 2008 in order to make sure that Commission deadlines can be met.

Finland. In the Western Finland Objective 2 area (Länsi-Suomen), commitments are running at 78.4 percent of the target, some three quarters of the way through the programme. Payments are 52.9 percent of the planned total just over halfway through the payments period. For the transitional Objective 2 areas, commitments are 90.7 percent, while payments are 67.8 percent. Moreover, the Commission’s confirmation that new commitments will be allowed in 2007 provides an extra year to allocate funds (which may be particularly useful if the start of the next programming period is delayed).

France. As noted previously, significant simplification procedures were introduced into programme management practices in 2002, which has had a sustained, positive impact on absorption rates. The regional Objective 2 programmes have continued to progress well, and total commitment rates reached an average of 92.5 percent in September 2005. In comparison, expenditure is still lagging somewhat behind at 57.8 percent, compared to the envisaged optimum rate of 63 percent.

Germany. In the two German partner regions, Sachsen-Anhalt and Nordrhein Westphalen, the situation varies between the different Priorities, Measures and sub-Measures. In general, ERDF measures are performing rather well in Sachsen-Anhalt compared to ESF. The NRW programme has already committed two-thirds of the total funds; however, a spending block by the new government is of concern to the Managing Authority.
• **Hungary.** Commitments range from 64 to 90 percent of allocations for individual priorities in the Operational Programme for Regional Development (OPRD). Expenditure is between 4 and 6 percent. This is because all OPRD payments so far have been made in 2005. There were no payments in 2004, as the management structure was still being established. Also, policy learning processes and managing systems are less advanced than in EU15 Member States. However, by September 2005 the Hungarian Managing Authority was able to contract a significant proportion of allocated resources and payments are starting to be made.

• **Italy.** Overall the programmes are deemed to be progressing well. In Toscana, 72 percent of funds have been committed and it is expected that the last projects will be approved in the second semester of 2007. In Lombardia progress is slightly slower and for the OP Local Economic Development small problems are expected in relation to the expenditure of Technical Assistance.

• **Spain:** Financial progress in the part of the País Vasco SPD managed by the Diputación Foral de Bizkaia is very high with an expenditure rate of 87.2% of total programmed funds in June 2005. Measure 4.1 (roads and motorways), which represents 70% (or €128m) of the IQ-Net partner’s sub-programme, has already spent 90% its total allocation. Accounting for a further 20% of the sub-programme, Measure 2.1 (improving existing water infrastructures and the cleansing and purification of water) also has a high payments rate at 91.2%. As noted in the Toscana review, Measure’s 2.2 and 2.6 had already spent their allocation by the end of 2002, although they only represent a small share of the programme. The slowest performing Measure is ‘professional training centres and local development agencies’ (Measure 5.9) with an expenditure rate of 34.9%, however, the approval of new projects in 2004 and 2005 will increase absorption significantly.

• **Sweden.** Financial progress is well advanced and the two partner programmes - Norra and Norra Norrland - have already committed nearly all the available funds. Even the worst performing measure for the Objective 2 programme of Norra Norrland has a commitment rate of 99.1 percent. Due to exchange rate differentials between the euro and Swedish krone, both programmes have been allocated some additional funds: Norra Norrland (Objective 1) received SEK 40 million (€ 4.2 million); and Norra (Objective 2) received SEK 19 million (€ 2.0 million). Since demand is still significant in both regions, it was seen as particularly disappointing for the programme managements that the exchange rate was lower than anticipated, leading to a reduction of possible funds.

• **United Kingdom.** As noted previously, North East England is the only English region that has met all n+2 targets with a commitment rate of 85 percent. Although spending has slowed down somewhat on some capital expenditure measures, a number of new key projects under business support have been approved recently which should speed spending up again. In Western Scotland the best performing measures are two capital measures which are virtually fully committed; the rest are ‘on target’.
2.3 Challenges of financial commitment

Notwithstanding the generally positive picture, there are some specific concerns about the level of financial commitment in particular areas, which can be illustrated by examples from France, the UK and Denmark. As indicated in previous IQ-Net reports, the prospect of decommitment is an on-going challenge.

In France, the situation varies considerably between regions, Objectives and funds. While it is expected that nine of the 21 Objective 2 regions will not have to decommit any ERDF funding by the end of the year, the projections for other regions is that they may have lose as much as €101 million. The situation is particularly difficult for European Social Fund spending: only two regions will be unaffected by n+2, with decommitment expected to amount to €78.4 million.

Regions in the UK have also found it difficult to meet n+2 targets. North-East England is typical of many; despite relatively good programme progress, there is a longer term risk of de-commitment due to under-spending on many projects. In order to manage this risk better, project teams are reviewing the performance of projects on a regular basis. The region has introduced a ‘de-commitment strategy’ to identify projects which are not performing as well as expected. They have also gone further and launched a re-commitment strategy, trying to pool any ‘leftovers’ and re-allocate them to other high-quality projects. A similar strategic approach is being taken in Western Scotland where an n+2 Action Plan is in operation. Its aim is to transfer funds where necessary, and to encourage new projects under some measures or extend (revenue) projects in scale or timescale.

Decommitment is also a concern in Denmark for the National Agency for Enterprise and Housing. Some regions have been hit by a slower-than-expected take-up of the funding allocated. Although national and regional administrators have taken action to minimise the risk of de-commitment, it seems that three of the five regional Programme Complement areas - North Jutland, Storstrøm and Rest-of-Jutland - are at risk of underperforming by the end of 2005. The estimated total underperformance (taking into account the ‘over-performance’ of Bornholm and Funen) stands at €5.6 million. The Monitoring Committee has laid down rules for the distribution of this decommitment, essentially reducing the allocation for the regions which have underperformed with regard to n+2.

A specific characteristic of financial performance in several programmes relates to spending problems under the European Social Fund. Apart from the situation in France, noted above, several other IQ-Net partners report concerns with respect to ESF co-funded measures which have not yet brought about the expected results. In Germany, the experience of the Land of Sachsen-Anhalt is that ERDF co-funded measures are performing relatively well, whereas ESF measures are having difficulties. The difference in the performance of Funds on payments and commitments is partly due to the different timelines of projects funded by the ERDF as compared to those funded by the ESF.

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2 Problems with ESF also help to explain the low payment rate in the Netherlands (as well as decommitment problems) although the situation is said to be improving.
Under the Italian Operational Programme for Local Economic Development (LED), the risk of decommitment is also mainly related to the ESF resources. Although it was thought that the ESF measure of the OP (Measure 3) was well-targeted on the needs of firms, in practice it appears that corporate investment in training programmes has been limited, and a large number of projects are not being completed or are being cancelled. Given the lack of spending, it has been accepted that the resources should be shifted elsewhere, but a decommitment loss of c. €7 million is still anticipated. Although the LED OP is the only multi-regional OP which might be affected by decommitment, the problem of low take-up of ESF training resources for firms is also affecting other national and regional OPs.

Similar concerns have been raised in the region of Western Scotland where reallocations away from the ESF Measure for Developing a Competitive Workforce might become necessary. By mid-2005, the low level of claims received under the Measure, and thus the slow rate of conversion of commitment into expenditure, was causing concern, although it is normal for a greater volume of claims to be received in the second half of the year than the first.

Lastly, in Finland, the ESF has always proved to be more challenging in n+2 terms than the ERDF. One reason is that the ESF authorities tend to focus first on Objective 3 (the national horizontal priority which operates everywhere outside of Objective 1), with Objective 2 use of the ESF being a second-level priority receiving fewer administrative resources.

Apart from the problems associated with ESF, there are some other country/region-specific issues influencing absorption. In Belgium, the size of some projects has recently been a challenge in Flanders where decommitment has never been a problem so far. During 2005, there has been a greater number of large projects, which tend to find it time-consuming to receive the necessary planning and other official permissions to implement project activities. In some cases, project promoters are having to wait so long that it becomes necessary to take up loans and pay related interest charges. At the other end of the project scale, in the Austrian Land of Steiermark, the bureaucracy of EU funding means that smaller projects are usually not ERDF co-financed, limiting the number of potential applicants. However, it is hoped that simplification - such as less strict audit procedures - will also allow smaller projects to be co-financed in the next period.

In France, there is a particular problem related to expenditure verification. The Commission declared that expenditure on ESF measures under Objectives 2 and 3 was not reliable for the period between 2000 and 2004, requiring renegotiation of the financial tables. The problems generally relate to the certification of expenditure and the verification of ‘accomplished services’ which seem to be particularly difficult to measure. These tasks necessitate good-quality monitoring which could not be met in all cases, which may partly be related to the lack of direct access by the Regional Councils to the ESF application information (via the computerised system used by State services for Objective 3). Although the situation is improving, there remain some difficulties at regional level which need to be addressed.

Finally, financial progress in the North-Rhine Westphalia was affected by the change in government following elections earlier this year. Initially, a spending freeze was introduced...
by the incoming Land government which meant that no new commitments could be made, causing potential problems for meeting n+2 targets.

2.4 Improving financial performance

A feature of the current programme period has been the continued need for programme measures to take strategic and operational steps to improve financial performance, in response to the kind of problems outlined in the previous section. Among recent developments in IQ-Net partner programmes have been reallocations of expenditure, improved programme marketing/communication and more effective monitoring.

2.4.1 Reallocation of expenditure

Given the above challenges with respect to absorption, improving financial performance has been a key issue for many Managing Authorities. Over the past six months, several IQ-Net partner programmes have reallocated funds in order to ensure full absorption.

- In Sachsen-Anhalt (Germany), the Programme Monitoring Committee agreed a set of changes between priorities (reallocating €25 million from Priority 2 Infrastructure to Priority 1 Business support) and is now awaiting formal Commission approval. More significant changes have been made at the sub-measure level where €200 million of funds have been reallocated.

- As recommended by the Mid-Term Evaluation, several reallocations have taken place between the priorities in the Objective 2 and Phasing-out programmes of the Austrian region Steiermark. These should ensure that de-commitment will not occur. Further small reallocations may be necessary in 2006. Moreover, a strategic increase of federal government co-finance for Measure 1.5 (Environmental Support) of the Objective 2 programme has attracted some additional funds from other Measures. In Niederösterreich, programme changes have involved only minor adjustments, since the strategic shifts undertaken in 2004 have proved to be successful.

- In the region of Alsace (France), transfers between measures were carried out in a number of fields and at different stages. The ERDF measure B10 ‘quality of life in the rural environment’ (cadre de vie en milieu rural) has been exceptionally successful, allowing actors to receive finance for a variety of projects. The demand was such that the Regional Council had to spend additional resources to support projects (some of which were not necessarily innovative). Funding was transferred from two ESF measures (C11 and C12) that were in deficit. At the same time, the content of the measure was modified in order to concentrate on projects more aligned to ESF principles.

- Some technical adjustments became necessary in the Western Finland programme where municipality funding has been shifted from Measure 1.1 (which focuses on direct aid to firms) to Measure 1.2 (which relates to support for the business environment). Utilisation of municipal funding is far easier under the latter Measure.
2.4.2 Improving programme marketing/communication

Many partners have put effort into publicity campaigns and programme marketing in order to increase demand for EU funds and to avoid further changes to the financial tables. Recently, for example, the Land of Steiermark launched a marketing campaign for the Measure 2.4 (building networks, counselling and knowledge transfer) of the SPD. This is considered a first response to take-up problems; if significant results are not achieved, reallocations to other measures might become necessary in 2006.

In Alsace, territorial animators are in charge of meeting potential project managers throughout the region and assisting them in their application procedures in order to ‘demystify’ the Structural Funds. Simultaneously, they fulfil monitoring tasks by supplying the Regional Council with insights on the various projects. The network has been working well since 2003, but its activity has recently slowed down with the approach of programme closure. The animation approach helped to simplify administrative circuits, and it seems to have led to a larger mobilisation of private sector actors such as associations, although the access of firms still has to be improved. As part of the same simplification process, the intermediary management level located in the départements was abolished to accelerate programme administrative processes.

In addition to these programme marketing arrangements, communication strategies with the intermediate bodies are under close scrutiny. In Sachsen-Anhalt, the Managing Authority is taking steps to put pressure on the various intermediate bodies - which are generally departments or units in the various Land ministries - to ensure that projects are completed and final project claims are made. Since the Managing Authority cannot intervene directly, it has sent legally binding documents to all intermediate bodies with the necessary instructions on timely programme closure. Monthly monitoring reports on commitments and payments are being sent to the relevant partners in order to show how the different intermediate bodies are performing. These monitoring reports were also used in drawing up the proposed September 2005 changes to the Operational Programme.

Similar steps are being taken in Lombardia (Italy) where the respective measure managers have to provide ongoing re-assessments of forecast expenditure in order to speed up all procedures, ranging from the issuing of bids and processing of applications to payment claims.

2.4.3 More effective monitoring

As observed in previous IQ-Net reports, monitoring is considered to be of key importance in order to manage funds effectively, and most programme authorities are constantly trying to improve their programme monitoring systems. Experiences have, however, been mixed, with problems often related to IT systems and equipment.

Sachsen-Anhalt has a long-running programme of improvements to the design and implementation of its monitoring system. Among recent developments are plans to link each sub-measure of the Sachsen-Anhalt Objective 1 programme electronically with the financial plan in order to improve the quality and accuracy of information. It is also planned that, in future, the different intermediate bodies will enter any changes electronically, and
that the Managing Authority will simply have to check and certify these changes - rather than check the information and re-type it into the electronic data system as at present. Further issues relating to the electronic data monitoring systems concern the monitoring of physical indicators. Since the programme is so complex, there are difficulties in using data on physical outputs for decision-making. Simplification and standardisation will become necessary in the future.

This holds true also for Finland where experience with the monitoring system has been rather mixed due to a lack of standardisation. Each of the different ministries and, in particular, the Ministry of Labour and the Ministry of Trade and Industry, applies a different system of monitoring. Looking forward to the next programme period, it is viewed as essential that common definitions are used across ministries and regions. Hence, the creation of a new monitoring system for the next programming period is at present in the planning phase. It seems clear that there will be significant challenges in creating a uniform monitoring system within the relatively short timescale available. There are still significant variations between the systems operated by the different ministries, and the time available to plan, build, test and operationalise the system is short. On the other hand, it is seen as a positive sign that the deficiencies of the current system have been recognised and that something is being done about it prior to the new programming period. Similar to the case of Sachsen-Anhalt, there are challenges with respect to the time-consuming process of manually collecting indicator data.

Lastly, in Hungary, the monitoring system (EMIR - *Egységes Monitoring Informatikai Rendszer*) is still under construction, and improvements are constantly being made. In the first stage, indicators were entered into the system. Further stages included provisions for receiving applications, contracting, and financial aspects and software to cover the n+2 targets. Currently, an ‘irregularities module’ is being developed. Learning processes are ongoing and the system is regularly being revised. Similar observations can be made in France where DATAR is encouraging a generalised application of good practice in terms of monitoring. With support from the national level, regional ‘alert systems’ that prevent automatic decommitment are being improved.

**2.4.4 Reorganisation of management**

At this late stage of the programme, changes to management structures are mostly marginal, although some IQ-Net partners have reported the need for reorganisation. In the Swedish County Administration Board of Norrbotten, which is part of the Objective 1 programme for Norra Norrland, a new administrative structure of the department responsible for Structural Funds and regional development was established in Spring 2005. There are now two sections for *Growth and Communications* and *Structural Funds*; the latter is responsible for the management of the current programme, while the former is responsible for the development of any future regional programmes.

An interesting development with respect to Structural Funds management has occurred in France where, since 2003, the Region of Alsace is solely responsible for management of the Funds in the region (see Box 1 below). This reflects a general trend of decentralisation in France which may to continue in the next period.
Box 1: Decentralisation of management in the Alsace Region

Since 2003, the Region of Alsace is the only French region which is fully in charge of Structural Funds management. The initiative followed a call for projects launched by the national government in 2002 in order to experiment with the transfer of competencies. It was expected to lead to a simplification of procedures for potential beneficiaries and increased efficiency, thus improving the overall performance of the programme, projected to be €110 million for 2000-2006.

The main advantage is that instead of having two interlocutors, the Regional Council and the State representative, the Regional Council now functions as a one-stop-shop for regional actors. This means that all dossiers are informed and managed by its services (pôle d’instruction) from project submission until storage. The regional level is responsible for the animation of an internal support structure defining missions, audits and related services. Beneficiaries have the possibility of directly approaching the Objective 2 service or to submit and develop their projects. With respect to management structures, it was decided to make use of the existing territorial structures and to integrate them in a participative, thematic and territorial expertise scheme directly linked to regional instruction services.

Since decentralisation, experiences with programme progress have been reasonably satisfactory, which is not least due to good communication and exchange of experience with the former programme managing authority, the Regional Prefecture. Based on this pilot project, the Region is aiming to support the transferability of this experiment to other French regions.

Some complications with implementation have occurred in Hungary. Due to the set-up of the institutional system, Regional Development Agencies have had split responsibilities to the Regional Development Councils, on the one hand, and the Managing Authority on the other hand. Also, the VÁTI Kht. agency (Hungarian Public Non-Profit Company for Regional Development and Town Planning) has been receiving funds both from domestic sources and from the EU which has caused some problems that need to be addressed. For example, accounting reports have had to be produced to satisfy two different standards. In addition, the Managing Authority had to persuade the Regional Development Agencies to fulfil their roles properly in explaining the reasons for the rejection of applications.

Another issue for Hungary is that the Managing Authority has dual responsibility for the national policies of regional development and for the implementation of EU Cohesion policy. Domestic rules have sometimes complicated the latter as have staff changes and logistical problems with office accommodation. The National Regional Development Office was created in 2003 as a new organisation, and the process of development and consolidation is not yet complete. The unexpectedly high number of project applications exceeded the capacity of both the Managing Authority and the Intermediate Bodies. Further, the management of ‘central projects’ has required more management staff than was originally envisaged and still represents a bottleneck in programming. Technical Assistance has been used to pay outside experts so as to assist with capacity problems.
2.5 Absorption issues for the new Member State programmes

2.5.1 Converging commitment and payment rates

In the new Member States, the commitment of funding has been relatively speedy, although a sizeable share of allocations remains to be committed. The focus of programme management has shifted to making more selective use of the remaining funding as well as ensuring that the commitments are translated into spending within the required timescale (see Figure 5).\(^3\)

Given the experiences of previous Structural Fund periods which were characterised by large under-spending and protracted process of programme closure among the EU15, it is a crucial issue for the new Member States to accelerate spending while at the same time maintaining good project quality. Currently, official reports tend to imply that the quality of projects is good, with comparatively few applications being declined in a number of countries. However, large number of project applications place considerable pressure on nascent administrative structures. Consequently, the processes of refining and reinforcing project appraisal systems are likely to be on-going processes.

So far, Cohesion policy in the new Member States generally shows a strong focus on investment in public infrastructure for the 2004-2006 period, not least due to the decision to channel a significant share of EU funding through the Cohesion Fund and thus to Trans-European Transport Networks and major environmental infrastructure. However, there is also diversity in the types of interventions funded, and in the financial allocations.

There is a common difficulty in transforming good quality ideas into good quality project submissions. Projects tend to be activity-driven, rather than objective-driven and may not address basic issues of need and demand. Notwithstanding the overall picture, some programmes, priorities and measures have suffered from poor-quality applications and low application rates. Low-quality applications contribute to high rejection rates under some measures and place additional pressures on project appraisal and selection systems. Participation rates amongst key groups and regions also vary substantially.

Application rates vary between the countries and programmes. For example in Hungary, all the Structural Fund programmes, except the Agriculture and Rural Development OP, which was delayed due to the parallel implementation of SAPARD, received applications for an amount of funding higher than the total funds available for the whole programming period.

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So far, in the new Member States, Regional Programmes have generally shown the highest application rates (e.g. the Integrated Regional OP in Poland).

Finally, as highlighted in the last IQ-Net programme overview paper, the number and quality of applications differ considerably between regions. Interestingly, some ‘lagging’ regions, which have long standing experience of EU support through pre-accession aid, appear to be well placed for developing more innovative and robust project submissions, e.g. Moravia-Silesia Region in the Czech Republic, Silesia in Poland and Tartu in Estonia.

Despite the initially high project application rates, the pressure to continue to develop and implement high quality projects persists, particularly in light of the emerging disparity between financial commitments and payments (see Figure 5). With this in mind, considerable efforts have been made to boost project application rates in the current period and to address these problems and develop absorption capacity. Emerging disparities between commitment rates, final expenditures and the resources available mean that implementing bodies, along with paying authorities, are now under considerable pressure to implement projects efficiently and to draw down resources.

In this respect, effective monitoring and evaluation of EU programmes have been some of the most challenging aspects of EU Cohesion policy implementation for all Member States. In the EU10, the focus of programme monitoring committees and monitoring systems has been on financial management issues, in particular to ensure adequate oversight of the absorption of funding. Although there has been substantial investment in monitoring, programming authorities face a range of challenges, notably: delays in establishing effective monitoring systems; problems with IT; lack of human resources; indicators with insufficiently clear definition and focus; poor coordination and data-gathering systems; and difficulties in dealing with the varying requirements of ERDF, ESF and EAGGF.

2.6  Looking to programme closure

2.6.1  Organisational preparations for closure

While in some countries (e.g. Sweden, Italy) programme closure is viewed as simply involving standard management procedures such as those outlined above, some Member States have set up special arrangements in order to ensure the absorption of remaining funds. For example, due to the relatively complex way in which funding is allocated within the Finnish system, ERDF and ESF closure working groups on programme closure have been established in the Ministry of the Interior and the Ministry of Labour respectively. These groups keep the regions informed about developments with respect to closure processes and rules. In addition, there has been a tightening of financial monitoring and planning at the regional level related to the process of closure.

A similar body exists in France where an Inter-ministerial Commission on Coordination of Controls (CICC, Commission interministérielle de coordination des contrôles) is responsible for giving out closure declarations.

In the UK, a Programme Closure Group has been established under the auspices of the Department of Trade and Industry with involvement of the Office of the Deputy Prime
Minister (ODPM). Programme closure started relatively early in order to ensure that past failures were not repeated (see Box 2). The ODPM has issued Draft Guidelines on Programme Closure in order to accompany the Commission’s own guidelines.

Box 2: Speeding up programme closure in England

As part of the attempt to improve management and control of Structural Funds and achieve timely programme closure and lower the risk of decommitment in England, the ODPM launched TESA (Transactional ERDF and State Aid), a project which is intended to transform the way that the ERDF is managed and delivered in England - although some delay has apparently been experienced due to programming problems. TESA addresses issues highlighted in a best practice review of the management and administration of ERDF in 2003-04 commissioned by ODPM. The programme launched new websites for ERDF and State Aid (www.erdf.odpm.gov.uk and www.stateaid.odpm.gov.uk) and plans to introduce a new web-based system and streamlined processes for managing ERDF. The new system, ERDF2005, (which is described as an end-to-end e-government solution) will automate and take online all funding processes, including applications and appraisals, claims and payments, and the management of project monitoring. The North East of England was chosen by ODPM to pilot ERDF2005, with the project being rolled out to the rest of the country in the first quarter of 2006.

ERDF2005 will store all ERDF project information in one place and will introduce a new set of streamlined processes, making applying for funding and submitting claims easier and quicker. Each project will be given an individual password; on logging on to the system, the claims form will automatically contain all the projects’ information, including reference numbers, financial information and outputs. New projects will be sent the new form by email when the offer letter is sent out. Existing projects will be converted over time, and training sessions will be held for project sponsors. The system is expected to bring huge benefits to the programmes, bringing together all projects’ records in one place. It will also help central government to access easily programme information on a country-wide basis.

2.6.2 Commission guidelines on programme closure

In order to ensure timely programme closure the Commission has issued draft Guidelines on Programme Closure which aim to provide the Managing Authorities with the necessary information on how the programmes should be finalised (see Box 3).

Box 3: Draft Guidelines on closure of assistance (2000-2006) from the Structural Funds

The detailed Draft Guidelines on closure of assistance are divided into nine sections plus eight annexes.

Section 1 states general principles. The closure of assistance corresponds to the financial settlement of outstanding Community commitments through payment of the balance of the commitment to the appointed authority or the issue of a debit note and decommitment of any final balance.
Section 2 covers the pre-closure period, including modifications of programme documents and Commission decisions and it recommends deadlines for commitments and expenditures. In principle, commitments can be made by the programme authorities up to the final date for the eligibility of expenditure, i.e. the end of 2008. The final date for eligibility is generally 31 December 2008, or 30 April 2009 for expenditure incurred by bodies granting assistance under Article 9(1) of Regulation (EC) No. 1260/1999. In certain cases, this deadline can be extended.

Section 3 specifies three compulsory closure documents, namely a certified statement of final expenditure, including a final payment application, a final report on implementation and a declaration on winding-up of the assistance. These documents have to be submitted within six months after the final date of eligibility of expenditure.

Section 4 describes the necessary contents of the closure documents, with minimum criteria for the final reports which are required for each programme. The reports have to be adopted by the Commission within five months.

Section 5 describes the automatic decommitment procedures, which apply, mutatis mutandis, also at programme closure.

Section 6 makes reference to the necessary requirements for unfinished and non-operational projects. The Member State must set out in the final report a list of operations by measure that are unfinished or non-operational at the time of closure and whether they will be co-financed in the next period or not.

Sections 7-9 refer to the judicial procedures of suspended operations, payments of the final contribution and currency arrangements. At priority level there will be flexibility to change two per cent of the EU financial contribution after the last decision has been approved by the Commission.

Member State authorities have raised several concerns with respect to the draft Guidelines. For example, Steiermark (Austria) and Western Finland have stated that more flexibility regarding reallocations between priorities would be helpful since the current 2 percent margin ruled in Section 8 of the Guidelines on closure is seen as too tight. In Western Finland, this issue is exacerbated by the ERDF/ESF split where each priority has only one ESF measure. The Austrian partners would also like to extend the deadline for submission of any changes to the financial plan from 30 September to 31 December 2006. As for the phasing-out areas, the draft guidelines have been produced relatively late and could even be too late to ensure effective closure. With respect to the final report, Austrian programme managers have objected that the obligation to check once again all operations co-funded under a programme, whether they are unfinished or non-operational, is not a feasible administrative burden.

In France, specific difficulties have arisen recently with regard to the principle of non-retroactivity. It is regarded as problematic to provide definitive figures of expenditure not only for the EU share but also for the public and private counterpart. The situation is particularly critical concerning Objective 2 phasing-out areas where ERDF figures have to be definitively anticipated and fixed by the end of 2005.
Lastly, North-East England have experienced some difficulties with regard to the public funding component in the financial tables. Since March 2005, discussions have been ongoing between the region, ODPM and the Commission, to secure a greater degree of flexibility in the relationship between payments and the figures in the tables. According to the Commission, they have to be rewritten in order to reflect real outcomes, rather than estimates made at the start of the programme. This problem is apparently common to all the English programmes. If the public sector figure is not corrected, the programme would be considered to be reneging on the additionality agreement and could possibly have payments capped. Capping has already taken place for one measure where financing is the mirror image of what it should be in terms of public/private contributions (the region has done very welllevering in private sector funding into the programme). Similar objections relating to the balance between public and private contributions have been constantly raised by the Managing Authorities in Niederösterreich. Discussions with the Commission on this issue are still ongoing.
3. UPDATE OF THE MID-TERM EVALUATIONS

As discussed in the last IQ-Net review paper\(^5\), one of the main tasks for programme managers over the past year has been the organisation and commissioning of the Updates of the Mid-Term Evaluation (UMTE), due to be submitted to the Commission by the end of 2005. Over the past six months, the UMTEs have been carried out across the EU15 and some of the first results have started to appear. The following section examines the current status of the UMTEs, first reviewing their objectives and the approach taken in different countries/regions and then the progress to date and their preliminary findings.

3.1 Overall objectives

The purpose of the UMTE, as specified by the European Commission’s guidance\(^6\), is to build on the work of the Mid-Term Evaluations by assessing the latest programme performance and to provide information which can help inform the next round of development strategies. Specifically, the Commission envisaged the UMTE as having five components:

- a review of the implementation of recommendations made in the 2003 Mid-Term Evaluation;
- an analysis of outputs and results achieved to date, analysed in the light of programme targets and financial performance;
- an analysis of the impacts achieved to date and the likely achievement of objectives;
- any other evaluation question(s) appropriate to the region, Member State or sector concerned; and
- conclusions on efficiency, effectiveness and impact and recommendations for the future.

Although the Updates must be submitted to the Commission and Monitoring Committees by December 2005, they may be completed earlier to facilitate the necessary planning and preparation for the following round of programmes.

As with the approach taken to the Mid-Term Evaluation (MTE), the UMTE can be carried out in different ways. The exercise has a ‘summative’ dimension, in terms of providing up-to-date information on the performance of the programme with respect to outputs, results and impacts. As such, the UMTE contributes to ensuring accountability for Structural Funds spending. The UMTE is also considered to have an important ‘formative’ dimension, with respect to its concern with improving programme design and delivery and helping to prepare for any subsequent programme. The guidance to programme authorities to look at ‘other relevant questions’ is clearly encouraging programmes to invest in a better

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understanding and learning of how both current and future programme performance might be improved.

The experience of IQ-Net partners indicates a range of approaches to the UMTE involving both ‘reporting’ and ‘learning’. The basis for all UMTEs is evidently an update of the quantitative data on outputs, results and impacts. While many UMTEs provided the standard analysis of programme progress at programme and priority levels, North-East England provides an example of a more detailed analysis (see Box 4).

**Box 4: The North East of England Objective 2 UMTE: Outputs and Results**

The UK Office of the Deputy Prime Minister decided to undertake the Updates as a joint exercise with the regional Government Offices. The latter are responsible for the first three components of the Updates (i.e. review of the implementation and recommendations made in the 2003 MTE; analysis of outputs and results achieved to date, analysed in the light of programme targets and financial performance; and analysis of the impacts achieved to date and the likely achievement of objectives).

The North East of England Objective 2 Programme Secretariat contracted the MTE evaluator to undertake a detailed analysis of the outputs and results to be used for the Update. The research was undertaken during June and July 2005 and involved two elements.

1. **A detailed review of management and monitoring information**: The first phase involved a standard, desk-based review of monitoring data at both Priority and Measure level, with a particular focus on performance reserve indicators as they are considered to provide a good measure of the programme’s overall aims. The assessment of progress and issues was also used to inform the following stage of the analysis.

2. **A survey of project sponsors to investigate the robustness of data being reported**: This was the key element of the research and entailed conducting (mainly face-to-face) interviews with a sample of 111 projects involving 47 project sponsors, selected on the basis of the number and value of projects under each Priority and Measure, the funding allocated to each Priority and location. The key issues explored were: the accuracy of output and result data; how outputs and results are measured; how information is recorded; the output and results definitions used by sponsors; the level of confidence in the accuracy of the recorded data; and other outputs and results delivered by projects but not reported.

Although reporting on progress is important, many programmes have taken the opportunity to use the UMTE as a learning tool, to assist preparations for the next programme period. At one level, this is regarded as a strategic exercise. In France, the Updates are supposed to contribute to the development of the National Strategic Reference Framework. The basic idea is to use the opportunity to begin thinking about the future programming process and to use it for strategic preparations. The selected questions should provide recommendations that will allow a better definition of the future strategy and were focused on certain key sectors (e.g. economic development, tourism, technology transfer). Likewise, in Wales, the UMTE is very much seen as a strategic study, reviewing the net
effects of the Programme (e.g. jobs created, SMEs supported or created) and identifying which parts of the programme have been performing with the aim of informing preparations for the next programme period.

A particular concern for some countries is to understand how the Lisbon/Gothenburg agendas can be addressed in the new period. As noted in the previous IQ-Net review paper, the external evaluators in Spain have been tasked with identifying potential, future ‘lines of action’ based on the development challenges of the region concerned and the potential fit with the new thematic proposals for Cohesion policy. In addition, the evaluators must identify progress towards a series of Lisbon objectives and quantified indicators covering the areas of employment, innovation and research and the knowledge society, environment, and education and training. To complement this, progress across the Commission’s 14 structural indicators are being analysed, with a view to identifying development gaps where strong public intervention would be needed to progress towards Lisbon goals in the following programming period.

Some of the UMTE studies will feed directly into the next generation of programmes. In Niederösterreich, for example, the results are supposed to be used for drafting the Operational Programme, and the evaluators are also providing advice for designing the new programme. In Steiermark, a detailed impact analysis at the project level is being conducted, with special attention focused on SME support, which will form the core of the new programme. Similarly, in Denmark, the overall approach to the Update is oriented towards generating information that could be useful when preparing the next round of programmes. In Sweden, the conclusions and future recommendations are seen as crucial elements for the new OPs, as well as providing an information base for the ex post evaluation.

A particular focus of some UMTEs is to identify aspects of the Structural Funds that deliver utility or added value. For example, the UK Office of the Deputy Prime Minister (ODPM) has undertaken a ‘ground-clearing’ exercise, entailing a comprehensive review of past evaluations with the aim of filling-in identified gaps. In Sweden, the three thematic studies on innovation, attractive living environment, and entrepreneurship were selected as a result of the gaps in the mid-term evaluations identified by the Monitoring Committees, although technically these studies are not part of the Update. Similarly, in Niederösterreich, it was stressed that the Update should focus on those areas that create additional utility for the Managing Authority, such as a detailed analysis of programme performance and providing recommendations for reallocations. In addition, the learning process between evaluators and fund management is considered to have been useful and rather successful.

A further, interesting, motivation for the UMTE is to build evaluation capacity. In France, the objectives underpinning the UMTE aim to involve key stakeholders in exchange networks, to spread evaluation culture and to develop sound expertise in the field of evaluation. Building on the MTEs and a training programme on SPD evaluation linked to a team of consultants, the Updates will contribute to addressing the general lack of

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systematic evaluation management capacity in France. According to the national team, private evaluators have progressed in their evaluation techniques as a result of the various requirements implied by the exercise, improving the market situation. It is hoped that this will help to spread a culture of evaluation amongst other actors in the regional administrations.

Finally, it is worth noting that some interim evaluations have also been carried out in the **new Member States**. Although the new Member States were not obliged to carry out Mid-Term Evaluations or the Updates, the Commission recommends that they should “gather and analyse data on financial and physical performance to date in the same timeframe as the Mid Term Evaluation Update. This information would be important for their preparation of future policies and programmes.” In Hungary, three internal evaluations were launched in 2004 and completed in the first quarter of 2005. One provided a preliminary evaluation of supported projects; the goal was to give the Managing Authority preliminary information about achieving output and performance targets. Another evaluation study examined the operation of the Project Selection Committee. The third study looked at the overall implementation set-up of the Operational Programme. In addition, the National Development Office, as the Community Support Framework Managing Authority, has asked for an internal evaluation, to be carried out to look at efficiency, impact and indicators.

### 3.2 Organisation of the UMTE

There are two dimensions of the organisational approach to the UMTE of interest. The first is the balance between national and regional levels and the second is whether the Updates are being undertaken externally, internally or a combination of the two.

#### 3.2.1 National/Regional Balance

Reflecting national institutional practices for managing Structural Funds programmes, the organisation of the UMTE involves different levels of input by national and regional authorities. At one end of the spectrum, national authorities have an important role in both coordinating as well as carrying out the UMTE (in Denmark, France and the UK). In Denmark, the Update was organised by the National Agency for Enterprise and Construction (NAEC) which also chaired the steering committee overseeing the work of the evaluators. In the UK, the Office of the Deputy Prime Minister (ODPM), as Managing Authority for the English programmes, specified both the scale and scope of the Commission requirements as well as the balance of work between the regional Government Offices and the ODPM. The regional Government Offices are responsible for the first three points of the Commission guidelines (review of MTE recommendations, analysis of outputs and results, and the analysis of impacts and likely achievement of objectives), while the Office of the Deputy Prime Minister has undertaken a ‘ground-clearing’ exercise entailing a comprehensive review of past evaluations to cover identified gaps. Data is being aggregated and the results are being synthesised by the ODPM’s evaluation unit.

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In other countries, the national government has had more of a coordination function (e.g. Italy and Spain). In Spain, the Sub-Directorate General for Evaluation and Programming within the Directorate General for Community Funds (Ministry of Economy and Finance) has overall responsibility for the coordination of the Updates and has placed a strong emphasis on ensuring an organised and structured approach, as under the MTE exercise. This is mainly achieved through the unit’s presence in the evaluation steering committees and its role in developing the core terms of reference and the national guidance documents for Objective 1 and 2 regions. A similar situation is evident in Italy, where all three partner programmes have approached their UMTE in line with the internal guidance provided by the Department for Cohesion Policies’ Evaluation Unit in the Ministry of Economy and Finance.

Lastly, in some federal countries, such as Belgium and Germany, the UMTE was essentially a regional exercise. For example, in Sachsen-Anhalt and Nordrhein-Westfalen, the main coordinating function has been undertaken by regional-level bodies, namely, the Managing Authority, the Operational Programme’s Monitoring Committee and the evaluation steering group (with participants from various Land Ministries with expertise in issues relating to evaluation).

### 3.2.2 Internal, external or mixed?

Managing authorities have the freedom to decide whether to appoint an external evaluator or to undertake the Update internally, as long as the core components specified by the Commission’s guidance document are covered. Table 1 lists the different ways in which the UMTEs have been organised in EU countries/regions.

#### Table 1: Organisation of the evaluation

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Source: Adapted from Gaffey V (2005) with changes to England and Germany to reflect internal variation

As illustrated in the table, only Luxembourg and Northern Ireland (UK) are undertaking the exercise internally. Most countries have adopted either external or mixed approaches to the UMTEs. The latter approach has been adopted in Finland, Germany (NRW) Italy (only Campania), the Netherlands, Sweden and UK (Scotland and England). In Nordrhein-Westfalen, the Update is being undertaken quasi-internally by a consultancy which cooperates closely with Agiplan (the company which runs the Objective 2 Secretariat); the

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consultancy already produces the quarterly monitoring reports on the programme. In Finland, the UMTE is in two parts. The first part is the conventional section and aims to examine the continuing relevance of programme objectives and analyse the appropriateness of the proposals made in the MTE, as well as the initial outputs and results of the programme. This work has been done by the Objective 2 programme managers in the West and the South of the country. They have also worked together with external consultants on the second part, which is more future oriented. As previously detailed, the UK Department of Trade and Industry has undertaken the UMTE as a joint exercise with the regional Government Offices; some Government Offices undertook this ‘in-house’, others (including North East England) by hiring consultants. In Scotland, the Scottish Executive has coordinated and carried out the UMTEs, with input from Programme Management Executives and some tasks commissioned from consultants (e.g. a Social Inclusion Survey for the ESF UMTE).

In another group of countries, external evaluators have been appointed to undertake the Update - Austria, Belgium (e.g. Flanders), Germany (Sachsen-Anhalt), Denmark, Spain (e.g. Pais Vasco), France, Greece, Ireland, Italy (OP LED, Lombarida, Toscana,,), Portugal, UK (Wales). Most Member States have contracted the same evaluators as under the MTE. The exceptions are Belgium (except for Flanders), Germany (except for Nordrhein-Westfalen), Spain (except for the Objective 1 CSF and some multi-regional programmes), Finland, France, Ireland, UK (Wales and some English regions except for North East England). In all Austrian regions, except Vienna, the Update evaluation is part of the MTE contract, reflecting the ongoing evaluation approach adopted.

3.3 Research Methods

According to Working Paper 9, primary research is likely to be most necessary in relation to the optional evaluation questions, although consultations with key stakeholders are also recommended in the other components of the Update. A range of methods have been employed across the programmes, including desk-based reviews of monitoring data, interviews with key stakeholders, surveys, case studies, focus groups and workshops. The following provides examples of primary research used in a number of IQ-Net Partner Updates:

- **Denmark**: the evaluators undertook an extensive round of interviews with key people involved with the programme both at the national and regional level, complemented by small experts group discussion;

- **Finland**: the UMTE report is based on a structured series of meetings in each of the regions which make up the programme (using a common checklist);

- **Belgium**: in Flanders, the evaluator organised workshops with experts (e.g. Flemish level, chambers) on themes such as the knowledge economy and entrepreneurship;

- **Italy**: following the guidance of the Department for Cohesion Policies' (Ministry of Economy and Finance) Evaluation Unit, the UMTEs relied heavily on field-analysis and primary data, so as to be able to assess the results of the interventions funded (an approach adopted by all three IQ-Net Partner programmes (OP LED, Toscana and
Lombardia). For example, the OP LED administered a questionnaire to a sample of 4,500 firms for one measure.

- **France**: in Nord Pas de Calais, the research methods employed included surveys and meetings as well as the organisation of technical focus groups composed of regional experts (e.g. sectoral state services, the research direction of the Regional Council, university representatives, ANVAR), focusing on the themes of research and innovation and employability;

- **United Kingdom**: for North East England, the output and results component of the Update involved a project survey with a large sample, carrying out numerous interviews and examining data to investigate the robustness of the reported data (see case study above). In Scotland, a Social Inclusion Survey for the ESF was commissioned from an external evaluator, and the results and tentative conclusions of each of the programmes were presented at stakeholder events with feedback incorporated in the UMTEs.

- **Austria**: in Niederösterreich, interviews were been conducted with 10 large funding agencies (*Maßnahmenverantwortliche Förderstellen*), while in Steiermark a detailed impact analysis on project level was being conducted.

### 3.4 Scope of the evaluation

As noted above, the minimum core content of the Updates is set out in the Commission’s Working Paper 9, and includes a review of the implementation of recommendations made in the 2003 Mid-Term Evaluation; an analysis of outputs and results achieved to date, analysed in the light of programme targets and financial performance; an analysis of the impacts achieved to date and the likely achievement of objectives; any other evaluation question(s) appropriate to the region, Member State or sector concerned; and conclusions on efficiency, effectiveness and impact and recommendations for the future. The following section provides an assessment of IQ-Net partners’ views on the importance and utility of each of these components.

#### 3.4.1 Review of the implementation of MTE recommendations

The importance attached to the review of the MTE recommendations varies across partner programmes, although in general this element was not considered to be a key part of the overall Update. For example, in Denmark, this was due to the limited scope of the original MTE recommendations, although it was still covered systematically. Similarly, in Alsace, the recommendations were not considered particularly useful or applicable as the programme had progressed significantly from the delayed start which set the context for the MTE analysis.

For others, the utility of reviewing the recommendations was questioned because of the limited implications for the future direction of the Programmes, as in Wales, where most of the funding is already committed. Another reason why the MTE recommendations were not perceived as a crucial part of the UMTE is that they were already being rigorously dealt with in the Monitoring Committee meetings (e.g. Sweden and Finland). On the other hand,
in Spain, where the MTE recommendations are also covered extensively in the Monitoring Committees - featuring as a specific agenda item in the 2005 annual meetings - they are still considered to be an important component of the UMTEs by the national authorities. Similarly, in Niederösterreich, this component has been analysed with considerable detail, focusing particularly on the consequences of the changes. In North East England, the recommendations (mainly related to monitoring and data-gathering issues) were also considered to be a major focus of the UMTE.

3.4.2 Analysis of outputs and results and financial performance

From the Commission’s perspective, the analysis of outputs and results, focused on a set of core indicators aggregated at Priority level, is the most important component of the UMTE. This view is also reflected across a majority of partner programmes (e.g. Sachsen-Anhalt, Sweden, Western Scotland, North East England). For instance, in North East England, it is seen as the main purpose of the UMTE, resulting in a detailed and thorough review across Measures and Priorities, including extensive analysis of the robustness of data through interviews with beneficiaries. In Sachsen-Anhalt, the tasks relating to data analysis do not only focus on physical outputs and results, but also on financial inputs (i.e. concerning the electronic data monitoring system as a whole), together perceived to be the most important task in the Update. Others commented that the importance of this component is reflected in its close connection with the recommendations and conclusions of the Update (e.g. Austria, Sweden). A general view across partner programmes is that the availability of more data in the UMTE has been a major advantage, permitting a more accurate assessment of overall programme performance, and also leading to what some consider to be more interesting and substantial reports (e.g. Denmark).

On the other hand, some partners questioned the utility of this UMTE component, arguing that it is already a routine element of the monitoring process (e.g. Spain, Finland) and that much of the information is already contained in the Annual Implementation Reports (e.g. Sweden). In this context, the Western Finland UMTE did not rely on database information for this part of the evaluation, since programme progress is well-known; instead, more stress was placed on a structured programme of regional visits and interviews, resulting in a number of key recommendations.

3.4.3 Analysis of impacts and the likely achievement of objectives

The analysis of inputs is not universally seen as useful, the common criticism being that data availability is not sufficient to allow for a full impact analysis, given that such effects are not fully visible until after the programmes finish (e.g. Sachsen Anhalt, Sweden, Italian OP LED). Others highlighted the inherent difficulties in measuring impacts and the fact that indicators are not always appropriate for capturing these effects (e.g. Flanders). Consequently, some UMTEs have focused on outputs and results rather than impacts (e.g. North East England).

Despite these reservations, some UMTEs have attempted to address the achievement of objectives comprehensively. In Steiermark, the impact analysis has been almost as resource intensive as the other core components of the Update, including a detailed project level analysis. A particular focus has been placed on labour market impacts and on Priority 2
(SME support) which is expected to form the core of the next programme. In Niederösterreich, a detailed analysis of the 33 specific programme goals is also provided. In Nordrhein-Westfalen, the assessment of the programme’s financial implementation, effects and, as far as possible, efficiency includes: a projection of the potential results by the end of the programme; an in-depth assessment of innovation support and cluster policy; and an analysis of effects at Priority level, based on information at Measure level, with the aim of examining to what extent the quantified global goals and horizontal goals could be attained.

3.4.4 Other evaluation questions

This is the first evaluation round with an optional component in the Commission’s evaluation guidance. The underlying aim is to increase ownership of the evaluation and results and to stimulate the generation of knowledge that is more useful for programme managers. The range of ‘other questions’ addressed across partner programmes include the evaluation of: knowledge transfer and networking (Finland); innovation support and cluster policy (Sachsen-Anhalt); RTDI (Nordrhein-Westfalen); sectoral and horizontal themes (Spain); territorial projects or specificities (France); policy instruments such as the PISL (Italy); the administrative capacity of local authorities (Italy); and decentralised management (France). In most cases, this component of the evaluation has been regarded as a key element, particularly in terms of contributing towards the future programmes.

The evaluation of thematic priorities is perhaps the most common approach adopted under this part of the Update. In Sweden, the three thematic studies being undertaken (covering innovation, attractive living environment, and entrepreneurship) are perceived to be important for the preparations for the next programming period. In Finland, the chosen thematic component of the UMTE is knowledge transfer and networking, again chosen because of the desire to be more informed on this issue prior to the next programming period. There is a strong belief that the only way to proceed in future is via regional networking, and effective examples of networking have been identified; the aim is to try to see how the transfer of expertise has actually helped companies and networks of universities, development bodies and private firms (clusters). In Nordrhein-Westfalen, two in-depth assessments of innovation support and cluster policy are being undertaken. The Sachsen-Anhalt Update is also examining various themes (eg. RTDI) in more detail via case studies and questionnaires; the aim is to explore why things are as they are and to identify alternative interventions or procedures that could be introduced for improvement (see Box 5). In Flanders, the evaluator organised workshops with experts on themes such as the knowledge economy and entrepreneurship.

In some programmes, spatial themes have been a focus of the UMTEs. As noted above, a limited number of optional questions were short-listed in France for inclusion in the Updates including the specificities of overseas departments, territorial projects (e.g. pays) and territorial specificities such as urban, rural, coastal or mountainous areas. In Alsace, the two topics chosen among the bloc of harmonised themes concerned the coherence of the so-called ‘territorial projects’ and the consideration of specificities of particular

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territories (i.e. urban areas). The specific questions covered the impact of the Structural Funds on territorial issues, such as the relationship between rural and urban areas. In Nord-Pas de Calais, the themes selected for the Objective 1 Update include the analysis of actions in 'project territories', as well as the contribution to the ICT horizontal priority and employment creation. In the Objective 2 programme, the specificities of disadvantaged urban districts are also being analysed. The specific questions for both Objectives cover research and innovation as well as employability.

In terms of policy instruments, the Italian Updates provide an evaluation of the effectiveness and efficiency of the PISL (Integrated Programmes for Local Development). The evaluators have been assessing whether the procedures put into place for the PISL are adequate, if the provinces possess adequate capacities to manage this instrument in the future, and the estimated impacts of the PISL currently being implemented. Current thinking for future Structural Funds programming is oriented towards the full use of the PISL, to be delegated to the provincial authorities, as the only instruments through which the future funds will be channelled.

Lastly, some programmes have taken the opportunity to examine delivery structures. In France, five questions were identified for unified treatment at the national level: the participation of private actors; the role of intermediary actors between Management Authorities and beneficiaries; the comparative advantages and effects of direct and delegated management (as in Alsace); positive and negative aspects of the N+2 rule; and good practice in terms of project selection. In Toscana, the analysis of the administrative capacity of local authorities is considered to be an important optional question addressed through the Update. The aim is to verify whether the programming and implementation capacity of local authorities has improved as a result of the current SPD and the new rules introduced in regional programming.

**Box 5: Optional UMTE elements in Sachsen-Anhalt**

In Sachsen-Anhalt, specific tasks outwith the Commission Working Paper components include:

**Tasks focused on the ERDF:** 1) Re-assessment of ERDF co-financed interventions for research and innovation support (Measure 1.21 - Innovation support, product and process development) 2) Assessment of support for the risk capital fund (Measure 1.32) 3) Projection of funding needs in selected infrastructure fields (business-oriented infrastructure; environment; research / education; transport).

**Tasks focused on the ESF:** 1) Support for training employed people (Measure 4.41) 2) Development of an overarching plan for implementing the ‘life long learning’ strategy (Measure 4.31) 3) Analysis of the effects of support for entrepreneurship (Measure 4.42) 4) Setting standards for assessing the impact and efficiency of employment aid.

**Tasks focused on the EAGGF:** 1) Impact analysis based on the requirements of DG Agriculture 2) A summary of the final results of the in-depth impact analysis, with recommendations as to changes needed.
Themes covering all 3 EU Funds: 1) The participation of SMEs in Structural Funds interventions; 2) An assessment of the need for future changes in the rural development strategy due to changed context conditions at EU level (i.e. the end of funding for rural development by the Structural Funds, so that rural development will only be funded by the CAP in 2007-2013)

3.4.5 Conclusions on efficiency, effectiveness and impact and recommendations for the future.

Virtually all IQ-Net Partners consider this component to be very important, particularly in terms of looking to the future and helping to prepare the basis for the next round of programmes. For example, in Wales, this is considered to be the main focus of the UMTE, and is seen as important for driving future evaluations and programming arrangements. In Denmark, there is clearly a strong focus on learning from the existing programme in order to improve the next round of programming, although this will perhaps mainly be the case in regions with a high degree of continuity between the two periods in terms of activities. Austria, Steiermark and Niederöstereich considered this component to be a key issue, as it provides the basis for the future OPs; in Steiermark the MTE and UMTE evaluators will also provide support for designing the new programme. In Sweden, the conclusions and future recommendations are seen as a crucial element of the Updates, which according to the programme managers are being mainly used as learning tools for the next programming period. The Swedish Ministry of Industry, Employment and Communications has underlined that the UMTEs should be used to transfer knowledge and experiences to the future programmes along with the follow up of the MTE recommendations. The UMTE should also provide proposals for the development of programme strategies. Similar views were expressed in Finland, France, Germany and Italy.

On the other hand, in North East England, the focus of the UMTE is very much on successful completion of the current programme, rather than on looking beyond 2006, although a number of recommendations were made relating to resolving recording and monitoring difficulties with output indicators, and the need for additional effort in collecting reliable results information in the future.

3.5 Progress with the UMTEs

3.5.1 Timetables

All the UMTEs are currently in their final stages with a view to submission to the Commission by the end of the year. One exception is Denmark, where the Update was apparently submitted in September and is publicly available online. Differences can be observed in the stages of the Update process in different countries, such as the number of rounds of consultation with regions, consultation with experts and use of committees. There are also major differences between programme authorities in the way that the UMTE has been planned and carried out. In some programmes, the work on the Update was concentrated into a few months, whereas in others the extended processes of consultation and analysis took a year or more (see Table 2).
Table 2: Indicative timetable of the UMTEs

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- Period between the launch of the UMTE (first formal meeting) and the completion of the first draft
- Expected submission of the final draft to the Programme Monitoring Committee/Evaluation Steering Group
- Expected Formal Submission to the Commission

3.6 The Update process in partner programmes

All the Updates have followed a standard process involving initial preparatory meetings, drawing up the terms of reference and, in some cases, methodological guidance. Evaluation steering committees have led the process in many countries, as under the MTEs. Interim reports were generally submitted during the summer period for discussion in the Monitoring Committees and/or Evaluation Steering Committees. The Updates are currently in their final stages with all partners expected to submit the final versions to the Commission before the end of December deadline. A brief overview of the specific Update process and stages in a number of partner programmes and countries is as follows.
• **Austria**: the Update is part of the MTE contract, reflecting the ongoing evaluation approach adopted. The process was similar in both partner programmes (Niederösterreich and Stieremark) with the first formal meeting held in March 2005, followed by the submission of the initial drafts in May 2005. The final reports were discussed in the Monitoring Committees in June 2005. Progress was reported to be good, with no delays and presenting no difficulties in meeting the December deadline.

• **Denmark**: draft versions of the report were discussed first with a small group of experts in August 2005, and then at a meeting of national and regional programme administrators in September 2005. Changes to the document were fairly limited and mainly presentational in nature. The final report was approved by the Danish Monitoring Committee at its meeting at the end of September 2005, and subsequently forwarded to the Commission.

• **Finland**: the planning process in Western Finland took place towards the end of 2004, when work was done together with the Southern Finland Objective 2 programme. In March 2005, there was a more detailed discussion of what should be done, involving both the regions and the national Ministries. Most of the work in Western Finland was done post-summer, and the first draft was ready at the end of September. It was discussed within the Objective 2 Secretariat in October and will form part of the annual report discussions in Brussels on 7 November before being submitted to the Monitoring Committee for final approval in early December.

• **Flanders**: the process was launched at the end of April 2005. As under the MTE, four reports for each of the programmes have been produced. First drafts had to be submitted at the start of September and a final version was completed by the end of October. The evaluation steering committee is scheduled to meet at the end of November to discuss the final report, before being sent to the Monitoring Committee for approval in early December, and subsequent submission to the Commission.

• **France**: the steering committee (composed of regional and national representatives) held its first preparatory meeting in May 2004. Two circulars on the strategic orientations and methodological guidelines were subsequently disseminated during November and December 2004, followed by a sample tender document which had been developed in a coordinated effort with the programme managers. Evaluation teams were chosen by the regions at the start of 2005, followed by a third circular in March sent directly to the Regional Prefects to facilitate data mobilisation, which is generally difficult to manage as it involves negotiations with the statistical institute INSEE and the subcontracted administration body CNASEA. Although the results of the commonly-treated questions were scheduled for submission in June, they were not received by the national team until the end of July, partly due to an overly ambitious initial timetable. The national evaluation support team is currently drafting a synthesis which is expected for mid-October, while the regions are still working on the non-harmonised part of the UMTE.

• **Nordrhein-Westfalen**: The Update process began at the end of 2004 with the approval of the terms of reference by the evaluation steering committee. The committee also commented on the first interim report, which was subsequently presented to the
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Monitoring Committee for approval. A pre-final report was received by the Managing Authority in mid September, prior to a discussion at the evaluation steering group at the end of October. Final submission is on schedule before the end of December.

- **Sachsen-Anhalt**: The call for tender was launched in 2004, with the contract being awarded to the external consultant before the Programme Monitoring Committee meeting in December 2004. The evaluators discussed the methodology with the evaluation steering group in mid February 2005 and provided an initial report in March, setting out the main approach to be taken, which was then circulated to the Programme Monitoring Committee. The first interim report was provided in May 2005, and revised for discussion in the Monitoring Committee in early June. A second interim report was provided at the end of June, and the draft final report is due in November 2005. This will be sent to the Managing Authority, the evaluation steering group (November meeting), then to the Monitoring Committee (end of November meeting) and finally to the federal level to feed into the separate Update of the Objective 1 CSF.

- **OP LED (Italy)**: The Update for Local Economic Development Operational Programme was launched in the second half of 2004. Different components of the report have been submitted to the programme managers at different stages throughout the process. The final report will be presented to the end of year monitoring committee meeting before formal submission to the Commission in December.

- **Lombardia**: the evaluation was formally launched in July 2004 when the evaluation team presented a detailed work-plan and a description of the evaluation design and questions to the secretariat. A first draft of the evaluation report was submitted on 30 June 2005. At the end of September 2005, a meeting was convened between the programme’s secretariat and the evaluator to discuss the draft report, particularly the issue of the integration of funds and individual priorities. A final draft was expected to be submitted during the first week of November and to be approved by the monitoring committee on 22 November 2005. Following the approval of the PMC, the Update report will be sent to the Department of Cohesion Policies (Ministry of Economy) and, by end of the year, to the Commission.

- **Toscana**: the starting point of the MTE Update process was a “reflection day” held at the end of July 2004, involving measure managers, provincial authorities, professional organisations, to discuss the main aims of the Update and the method adopted to identify shared evaluation demands. Proposals for evaluation questions and themes were received between September and October 2004. The evaluation steering committee subsequently short-listed a number of evaluation questions which were subsequently discussed in a seminar with the programmes partners. This led to the further introduction of some changes and to the final selection by the PMC in December 2004. During the summer, the evaluators developed the data gathered from beneficiary visits and engaged in ‘territorial technical tables’, focus groups with local actors and key stakeholders. This is be used qualitatively to enrich the information gathered through the analysis of the projects. The report will be presented to the Monitoring Committee in mid December and thereafter submitted to the Commission.
• **Spain:** the Update process was launched in September 2004 with the approval of the terms of reference by the technical evaluation steering committees. The external evaluators were selected in January 2005 and national guidance was subsequently drawn up for both Objective 1 and 2 regions in March 2005. The provisional drafts were sent to the national Managing Authority at the end of June (Objective 1 OPs), July (Objective 2 SPDs) and October (Objective 1 CSF). The Objective 2 reports have an extra month to submit drafts as well as final reports as they do not have feed into an overall synthesis. The submission of the final report was at the end of August (Objective 1) and September (Objective 2) and November (Objective 1 CSF) 2005. The Technical Evaluation Steering Committees are examining the reports before formal submission to the Commission in December.

• **Sweden:** each Managing Authority is responsible for its own Update, while the three thematic studies are coordinated by the Swedish development agency, NUTEK. The first formal meetings were held in early June 2005. First drafts were subsequently submitted for feedback in early September to an external consultancy that was responsible for the MTE. The final drafts were then forwarded to NUTEK, before approval in the Monitoring Committee meetings held in mid October. The Updates will be submitted to the Commission by 31 December 2005. The preliminary reports for the three thematic studies, which are formally outside the Update process, are expected in December 2005 followed by final reports in February and March 2006.

• **UK:** in North East England, the outputs and results component of the Update was completed in August 2005, and is available on the programme’s website. In Western Scotland, the final UMTE report will be submitted to the Monitoring Committee in November (following extensive consultation on the draft report between the Scottish Executive and the Programme Management Executive). The other Scottish Updates are all apparently near completion. In Wales, WEFO is currently assessing the results presented by the evaluators for the individual UMTEs. It will feed in its own comments and then submit the reports to partners and then submission to the Commission.

### 3.7 Challenges

The implementation of the UMTE has not been without organisational and methodological difficulties. The key problems faced include delays in getting access to data, indicator problems, difficulties in managing the process with so many inputs, coordination problems, differences among regions and a heavy and time-consuming workload.

Some programme managers have highlighted the heavy additional work load involved given ongoing programme management responsibilities, although this has not necessarily lead to delays in meeting the planned timetables (e.g. UK and Finland). By contrast, in Austria, where an ongoing evaluation approach has been chosen, the UMTE is in essence a final report of the annual reports and therefore presents less of an administrative burden than in other countries. Others have noted some minor delays and management issues (e.g. France). In Wales, the overlap between Objective 1 and Objective 2 research areas has caused some coordination problems and delays.
Data access and availability have been reported as problems by some evaluators, as in Flanders. This was partly due to some technical issues with the monitoring system but also because of indicator problems. To improve the indicators the evaluators carried out training exercises with the programming secretariats. In other cases, zoning was reported to have prevented access to appropriate data (e.g. France). In Wales, there were some gaps in SME data availability for the analysis of outputs and results and there has also been a problem with shifting calculations from gross to net grant equivalents. In Sweden, the Ministry of Industry is setting up a Working Group to address issues with indicators following on from the MTE. Although the group has not been formally established there have been discussions on how to proceed with the work. The group does not intend to create new indicators. Rather, its main aims are to downsize the already existing but excessively long list and target those indicators which most appropriately represent the core regional development issues that the Ministry would like to measure and monitor. In Flanders, the impact analysis proved to be more demanding than other components of the Update as it is the most difficult to measure and as the indicators were not always appropriate.

3.8 RESULTS OF THE EVALUATIONS

3.8.1 Programme performance

Most of the findings relating to programme performance found that programmes were meeting objectives and fulfilling targets.

In Sweden, the Objective 2 Norra programme has progressed as planned. Moreover, the main targets for the programme have already been reached. In terms of the specific core indicators, the programme has led to 13,510 new jobs, 4,453 jobs maintained and 4,987 new businesses, representing 169 percent, 223 percent and 249 percent of the initial respective targets. In Norra Norrland (Objective 1) the target goals for new (male) and maintained (both sexes) jobs have already been achieved, while the targets for new female jobs and new businesses are on course to be met before 2006. The number of individuals attending skills enhancement activities has already considerably exceeded the set goal. Achievement of the goals for network formation were mixed, with some targets not met. Targets for the number of companies participating in the Programme and the number of international cooperation projects were met. In total, the programme has provided 6,853 new jobs, 4,025 jobs maintained, 1,834 new companies, 40,301 people in skills development/enhancement activities, 254 new networks of various kinds, 5,517 participating companies, and 86 international cooperation projects.

A positive performance is also reported in Niederösterreich, where the programme has fully met the 33 qualitative goals set for the programme. Clustered into 10 broader goals in order to assess the contribution made by individual Measures to meeting them, and rated from A (best results) to D (no or marginal results), the majority of Measures (78%) were given a ‘best’ rating. Technological infrastructure and transfer (Measure 1.5) improved from D to B between the MTE and the Update, while Tourism (Measure 3.1) moved from B to A, and environmental management and ecological counselling (Measure 2.10) from D to C. In total 2,198 new jobs have been created and almost 12,000 secured. In some Priorities, such as SME support, the quota of new jobs has already been exceeded by a considerable margin.
In Denmark, the programme has fulfilled most of its goals (e.g. number of jobs created, number of course participants, number of projects etc). By mid-2005, some 5,000 jobs had been created or maintained, which is considerably higher than anticipated. Projects involving networking and ‘bridge-building’ between knowledge institutions and private firms appear to have had sizeable effects. Important results have been achieved with regard to increasing the level of education, the supply of competence development course, the level of regional cooperation and, not least, the competitiveness of private enterprises. Overall, the implementation of the programme has been satisfactory, although it is noted that there is further scope for improved coordination with alternative sources of public and private finance, increased involvement of research and knowledge institutions, and a firmer framework for future information activities.

Lastly, the Lombardia Update considers that planned mid-term targets have generally been achieved. Indeed, some areas of intervention have performed better than expected, such as enhancement of the management skills of public administrators, environmental reclaiming, and upgrading of waste and water systems. Overall, the report concludes with a positive assessment of two out of three priorities (1 and 3) and with the identification of areas in need of improvements for the second priority.

However, such conclusions were not universal, and for some programmes the findings suggested that the achievement of programming objectives was mixed. For example, in Alsace, employment objectives relating to the creation and maintenance of jobs are unlikely to be reached and overall efficiency was considered to be very low as job creation was in general very costly. More positively, however, the majority of jobs have been created in SMEs and employment appears to be rather stable and fairly qualified. Further, the programme has permitted a modernisation of the SME structure and has contributed to balanced and sustainable territorial development, although the impacts on gender equality have been rather limited.

The Update findings also report strong overall financial progress with high commitments and expenditure rates. In Nordrhein Westfalen, commitments stood at 63 per cent by the end of 2004, which the evaluators considered to be good. They saw the situation on payments (41 percent at the end 2004) as satisfactory. There was no automatic de-commitment of funds up to the end of 2004. In Steiermark, the Update notes that commitment (64 percent for ERDF and over 80 percent for ESF) and expenditure rates, as well as the achievement of the programmes main targets, have reached highly satisfactory levels. The financial performance of Niederösterreich has also been evaluated as successful, particularly since the large reallocations in the phasing-out area in 2004. The Update notes that commitment rates have increased from 42 percent in 2003 to 69 percent in 2005, whilst expenditure rates (excluding phasing-out support) are at 40 percent. Only small reallocations would be necessary to ensure absorption during the remainder of the period.

Whilst financial progress is generally high overall, low absorption in specific Priorities or Measures was raised as a concern in a number of partner UMTEs. For instance, in Steiermark, financial progress in the first (Support of industry and service sector) and fourth (Support of employment and human resources) Priorities is rated as high, although
performance in the second (Support of regional competitiveness and preparation for the information society) and third (Support of development potentials of integrated regional development, tourism and culture) Priorities is rated as weaker, despite positive trends over time. Similarly, while in Nordrhein-Westfalen commitments levels (at 63 percent) by the end of 2004 are regarded as good by the evaluators, they also note that commitments were clearly lower for some Measures.

A number of partner Updates provide positive assessments of the territorial and strategic focus of the programmes. In Niederösterreich, the different forms of interventions have been rated as spatially balanced by the Update. Employing mapping techniques, the evaluators show that in almost all eligible regions a full spectrum of support has been achieved. Similarly, the Update for Alsace argues that the programme correctly takes into account the specific problems of the different eligible areas in the region. In other programmes (e.g. Objective 2 Norra, NRW and Lombardia) the ‘policy mix’ is considered to remain closely aligned with the development challenges facing the region. By contrast, in Steiermark, the evaluators note that the distribution of the programme’s financial structure deviates significantly from plan, although it is not stated that this implies that the key challenges faced are not being adequately addressed. It also notes that as much as 50 percent of ERDF co-financed project costs are related to M 1.3 (Modernisation of enterprises/businesses), despite the fact that since the mid-term review, the range of Measures and distribution of funding across them has broadened.

Some Updates highlighted difficulties in the measurement of employment impacts (e.g. jobs maintained/created). The Alsace Update notes that such analysis is hampered by incomplete and often unreliable data. Extrapolations are not possible, partly because only a fraction of the funding had been paid out. Similarly, the Nordrhein-Westfalen programme evaluators argue that whilst various Measures have contributed to the central goal of creating and safeguarding jobs, they do not believe that it is possible to quantify these impacts as the effects are often indirect, complex and medium to long-term. In Denmark, some project types came across as more cost efficient in terms of job generation, but perhaps also too focused on existing mainstream activities rather than more innovative initiatives. The Local Economic Development OP in Italy found that more employment is generated by projects (Law 488/92) which increase the product range, target foreign markets and improve the technological standing of the firm.

Another problem in assessing the impacts of the programmes lies in their small size relative to domestic development programmes or the difficulties in disentangling the effects from wider growth trends in other areas. In Nordrhein-Westfalen, the evaluators note that the programme’s contribution to the Land’s GDP is rather limited, not least because it accounts for only a small percentage of Nordrhein Westfalen’s total gross fixed capital formation. In Denmark, the analysis of outputs, results and impacts suggested that projects had generally been worthwhile but that the limited size of the programme meant that impacts had been dwarfed by an ongoing surge of economic activity in Metropolitan Copenhagen and East Jutland (Aarhus and the Triangle area around Vejle-Fredericia-Kolding).
A weak business climate and poor economic potential has been highlighted as a factor hindering financial progress. In Steiermark, weak economic potential in the phasing-out area has led to relatively low commitment rates (except under M 1.4 - structural improvement of SMEs). In Italy, the Local Economic Development OP observed poor take-up of environmental projects (Law 488/92) due to the economic crisis. In Nordrhein-Westfalen, the Update argues that programme funding contributed to business investment which totalled around €2,268bn, but notes that the unfavourable economic context meant that the total business investment stimulated was some €300m lower than had been projected ex ante. By contrast, in Alsace, the Update argues that funding seems to have contributed to the acceleration of projects and slowed down economic degradation, even though no important leverage effects are observed.

Some partner UMTEs raised concerns over widening inter or intra-regional disparities. For instance, in Denmark, the positive impacts of the programme have not been able to stop the widening of the gap between prosperous and less-prosperous regions, although the differences are relatively small by European standards. In Nordrhein Westfalen, the evaluators argue that there is still a need for financial support for regional development in the Ruhr area despite the limited impacts of the programme overall, and that growth-oriented Measures should play an important role; without such support, the Ruhr area is likely to fall further behind the rest of Nordrhein Westfalen, with negative consequences for the competitiveness of the entire Land. The Update also notes developmental differences between areas and within towns in the Ruhr, which they see as indicating the need for Land redistributive policies as well as growth-oriented policies. On the other hand, in Alsace, the Update notes that although the effects on employment are minor and no significant attraction of external businesses could be observed, firms managed to remain in the isolated areas and some new firms relocated to these areas. Furthermore, under one of the optional evaluation questions on ‘urban areas’ relating specifically to the Mulhouse city agglomeration benefiting from two tailored measures, the targeted approach adopted is argued to have permitted considerable changes, accelerating territorial reconversion in the area.

3.8.2 Programme management and delivery

Amongst the key themes raised in relation to programme management and delivery are monitoring and indicator issues, the need to improve financial absorption, generally good progress with the implementation of the MTE recommendations and, in specific cases, issues relating to partnership working and the publicity and communications strategy.

In a number of Updates, monitoring and data issues were raised as a problem. In Finland, one of the conclusions arising from the structured regional interviews undertaken by the Programme Manager is that the monitoring system needs to be developed. All regions felt that this was important. At present, each awarding body has its own application process, its own application forms and its own reporting requirements. This is not only unsatisfactory from an administrative perspective, but it also makes things difficult for applicants; hence, the desire to move to a more uniform system. The hope is for there to be a new monitoring system from the start of the new programming period. The key point is that monitoring should not just be viewed as an activity undertaken to meet EU regulatory requirements; in
addition, it is important that it should be of direct help to the regions. Another justification for introducing the new system is that the old approach did not result in continuous updating. The aim is to create a proper management tool for Finnish administrators within national ministries and in the regions. The view presented within the UMTE report is that a new monitoring system is required irrespective of future funding. There is believed to be a real need to develop a longer-term management tool.

For the North East of England, the report’s recommendations and conclusions all concern the resolution of recording and monitoring difficulties with output indicators, and the need for additional effort in collecting reliable results information. The main conclusions are that: data are reliable for most of the key targets; overall progress is good, with a significant number of new and existing businesses supported; the premises target is unlikely to be met; a further 10,000 SMEs need to be assisted; over 100 hectares of land has been made available; the ESF system does not provide the information needed to monitor progress; change of emphasis in Priority 3 is affecting the results target - an increased role for tourism/culture investments with indirect benefits; and turnover is being estimated from jobs information, and this may be underestimating the benefits achieved. The UMTE has now been converted into an Action Plan (table 3) with some follow-up work for the organisations in the region, and some for the Government Office.
### Table 3: North East England Mid-Term Evaluation Update Action Plan

<table>
<thead>
<tr>
<th>Task</th>
<th>Responsibility</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide refresher training for GONE staff responsible for inputting monitoring data focusing on:</td>
<td>GONE</td>
<td>Immediately and on an ongoing basis for all new starters</td>
</tr>
<tr>
<td>- checking data is provided and entered in correct units (e.g. hectares v. m² etc)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- identifying anomalies and clarifying once entered on database</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undertake regular data clean of monitoring data recorded on GONE's ERDF and ESF databases to check for obvious errors</td>
<td>GONE</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Maintain higher rates of return of in-flight monitoring returns for ESF expenditure</td>
<td>Project sponsors</td>
<td>Immediately</td>
</tr>
<tr>
<td>Provide guidance on the use of estimated results e.g. turnover levels to ensure greater consistency between projects</td>
<td>GONE</td>
<td>As Appropriate</td>
</tr>
<tr>
<td>Clarify definition of turnover and employment safeguarded to ensure consistency between projects</td>
<td>GONE</td>
<td></td>
</tr>
<tr>
<td>Set up a ‘Results Group’ to investigate how outputs / results which won’t arise until projects are finished can best be captured and establish mechanisms for so doing</td>
<td>GONE &amp; partners</td>
<td></td>
</tr>
<tr>
<td>Identify and implement means to improve response rates to monitoring questionnaires sent to e.g. SMEs, ESF beneficiaries - build on good practice elsewhere e.g. national ESF survey</td>
<td>Joint approach GONE &amp; project sponsors</td>
<td></td>
</tr>
<tr>
<td>Increase focus on capturing results as projects conclude and programme nears end</td>
<td>Joint approach GONE &amp; project sponsors</td>
<td></td>
</tr>
<tr>
<td>Re-quantify the programme to reflect the actual, rather than projected, allocation of resources between interventions</td>
<td>GONE</td>
<td>Mar 06</td>
</tr>
</tbody>
</table>

In Sachsen-Anhalt, the evaluators argue that the programme has a very good electronic data processing system, and that the quality and reliability of financial data are also good. However, they also note problems with the indicators used for monitoring physical outputs, as well as with the quality of data on physical outputs. A first problem is the very large number of diverse indicators used for monitoring physical outputs across the 300 budget lines of the programme. The second problem is that the data used for most of these indicators cannot be quantified. This means that data on physical outputs are not in a useable format i.e. they are not useful to programme managers in assessing the progress of different sub-Measures, e.g. in comparing the relative progress of different sub-Measures. However, the evaluators note that the difficulties are not the result of the electronic data monitoring system but rather are political and organisational in character. Lastly, in
Lombardia, some minor changes to the system of indicators used for the monitoring of the programme are suggested by the evaluators, particularly with reference to the PISL.

A number of Updates stressed the need keep a close eye on financial progress during the rest of the programming period and to take the necessary steps to speed up absorption. In Nordrhein Westfalen, the recommendations for the remainder of the period focus on financial absorption. The evaluators argue for significant efforts to stimulate absorption in a number of Measures. In particular, Measures 1.3, 2.4 and 2.11 have no commitments to date; commitment levels are also low for Measures 1.2, 1.4, 2.5 and 2.7, as well as for all ESF Measures. This amounts to around €200 million of EU and Land funding (around 11 percent of total public funding). They argue that there is a need to assess whether funds could be shifted to other Measures where financial absorption capacity is greater, but that such changes should be assessed in terms of the potential contribution of different Measures to the goal of regional competitiveness, notably under innovation-oriented Measures. In Sachsen-Anhalt, the Update has provided further recommendations for the current OP, which are generally consistent with the results of the Managing Authority’s monitoring reports. For example, it recommends redirecting funds away from sub-Measures that are not at present able to absorb funds, feeding into the changes proposed for the OP in September 2005.

An emphasis on expenditure as opposed to project quality has been highlighted in some Updates. In Alsace, the UMTE conclusions note that whilst the programme has assisted the strategic implementation of regional development plans, technical aspects often seem to have prevailed over strategic choices, partly to avoid automatic decommitment. Similarly, in Steiermark the Update noted that the rather “tight corset” of EU rules has led to the support of less problematic projects that can be implemented relatively easily. On the other hand, it is also argued that as a result of strict domestic regulations, ERDF co-finance rates are lower than is possible under EU rules. On the one hand, this means that the leverage effects are greater, but on the other that more projects have to be generated in order to achieve full absorption.

The results of the review of the implementation of the MTE recommendations generally found that they were being implemented, although in some cases, and concerning specific elements, only partially so. In Sachsen Anhalt, the MTE recommendations related to the implementation of individual Measures, the need to shift funds between Measures and general issues such as monitoring. The Update evaluators found that most of the actions recommended in the 2003 MTE had been implemented, such as those relating to electronic data monitoring systems, and the development and implementation of the strategy. In Niederösterreich, the recommendations of the MTE were widely implemented, especially with respect to the reallocations in the phasing-out area. The integration of regional managements in project generation has also been pursued, although their actual influence on new projects remains an open question. On the other hand, the implementation of the recommendation to encourage self-evaluations by support agencies, especially those that have been rated as ‘low performers’, was considered as only partial.

In Denmark, it was found that the MTE recommendations had generally been implemented, although, as noted above, perhaps less so with regard to the information and publicity
requirements. In Sweden’s Objective 1 Norra Norrland programme, the main recommendations concerned a greater integration of the horizontal themes, to prioritise strategic initiatives/projects, to improve output and result indicators and a more systematic follow-up of projects. The first was fully addressed, but the second was not fully implemented, although it was stressed that the performance reserve did target strategic themes. On the other hand, the third recommendation was not implemented as it was disputed, and the last recommendation would probably be followed up in the following programme period.

In Alsace, some of the recommendations are considered to have been implemented in a rather patchy way, although good progress is observed in the field of animation and the clarification of indicators. It is also pointed out the many of the changes envisaged under the recommendations were already planned by the Region or were in the process of being implemented, although the exercise was still considered to be worthwhile as it reassured actors of the direction in which the programme was headed.

An issue raised in Denmark and Alsace related to publicity and information. In Denmark, the programme unexpectedly appeared to be little known among firms in North Jutland, something which is at odds with what is otherwise known about the programme’s performance in this region. A firmer framework for future information activities is recommended. Similarly, the Update for Alsace notes that the programmes visibility is generally very low as projects also benefit from other funding sources, especially from the State-Region planning contracts.

Partnership issues were raised in some countries. In Alsace, it is observed that the partnership approach is not applied as successfully in all fields of intervention (e.g. in tourism). On the other hand, the analysis of the optional evaluation question relating to “territorial specificities” provides a positive assessment of the strategic priorities adopted in the programme and also argues that the territorialisation of two Measures has helped to stimulate partnership working, particularly in some complex projects in the fields of innovation and the conversion of wasteland. However, difficulties in involving territorial actors are also noted, given their late participation in the programme. The UMT for Lombardia argues that project selection criteria go beyond the overall SPD objectives by placing emphasis on the strengthening of local economic and institutional capacities and on the growth of local communities. Progress has also been made in creating a more structured/on-going coordination of measure managers.

Lastly, an issue noted in Denmark related to the use of financial instruments. Although, the implementation of the programme has been satisfactory overall, it is noted that there is further scope for improved coordination with alternative sources of public and private finance, as well as increased involvement of research and knowledge institutions.

3.8.3 Future strategies

Recommendations for the future strategies included strengthening the territorial dimension, generating greater added value and focusing on specific themes. In terms of the territorial dimension, the Danish UMTE recommendations stressed that the next round of programming would need to have a clear-cut spatial dimension if the current widening of
the gap between well-off and lagging regions is to be reduced. In other programmes, it was argued that a greater involvement of regional actors in the strategy development phase was needed. For example, in Finland, a key issue highlighted was the need to develop a round table approach to produce a common strategy at the regional level. This should involve all programmes within each region (not just EU programmes), it should be based on openness, and it should reflect a strong partnership-based approach. At present, such an approach applies with respect to the ERDF, but there are different groups involved in the ESF and in the agricultural programmes. This is seen to be very unsatisfactory from a regional perspective since not all of the key actors at the regional level are aware of what these different groups are doing. In Nordrhein Westfalen, the draft Update argues that the Ruhr area continues to lag behind the average development levels of Nordrhein Westfalen and the old Länder means that future funding should be focused on the Ruhr, in order to address its structural weaknesses.

A particular concern for some programmes is to ensure a greater thematic focus and the generation of greater added value. In Alsace, the general recommendation for the future programming period is to reserve funds for fields that can generate the most relevant leverage effects. It is argued that innovation should become a horizontal priority in the pursuit of overall regional competitiveness. Distinctive elements of the programming period could cover the support for: joint territorial strategies; innovative projects carried out by firms and territorial communities; cooperation of different actors (e.g. firms, laboratories and territorial communities). In the future, Structural Funds should intervene in the fields of economic development based on: innovative activity; the environment including both the business and life environment; training of active workers to allow for greater transferability; and territorial, demographic, economic and tourism attractiveness. The Nordrhein Westfalen Update argues that in the next programming period, funding should focus on support for SMEs and start-ups, R&D and knowledge transfer, and human resources. It also suggests the need to re-think the definition and orientation of those interventions that are focused on horizontal goals, equality and specific target groups, in order to link these goals more strongly with the core goals of the programme, without weakening their substance. Similarly, the Steiermark UMTE recommends a shift of funds towards R&D, innovation and technology, particularly targeting SMEs.

**3.8.4 Future implementation**

The main recommendations for the future implementation of Structural Fund programmes related to improving monitoring and indicators, greater project animation and decentralised management, enhanced technical capacity for the programme management and a simplification of procedures.

The need to improve the monitoring system was particularly stressed in Finland (as noted above). The view presented within the UMTE report is that a new monitoring system is required irrespective of future funding, in order to develop a longer-term management tool. In Alsace, the Update recommends improving monitoring through the involvement of local animators and the development of relevant indicators. Similarly, in the Objective 1 Norra Norrland Update it is argued that more systematic follow-up of projects (one of the MTE recommendations that has not been followed through) is required in the next period.
**Stronger animation and decentralised management** was recommended in a number of partner Updates. In Alsace, it is recommended that the future implementation system should be based on elements of the current structure but addressing its shortcomings. In particular, the introduction and improvement of animation activities, as undertaken during the current period, is viewed as potentially very useful for the future. The expertise of the Regional Council especially in relation to technical projects should also be enhanced or subject to delegation. In Sweden, the Objective 1 Norra Norrland Update notes that the Managing Authority would prefer a decentralized system for the Structural Funds. As noted, in the previous IQ-Net papers, a review of the whole implementation system in Sweden is currently being undertaken, and there is a possibility that a single institution acting as both Managing and Paying Authority could be responsible for the implementation of Structural Funds as well as domestic Swedish regional policy in the future.

Finally, a common concern in many programmes relates to the need for a **greater simplification of programme management and implementation** in the future. In Alsace, the Update recommends that the programme should become adaptable in the light of initial project results. Similarly, in Steiermark, the evaluators recommend increased simplification of the new Structural Funds regulations and enhanced flexibility in accounting procedures. Other recommendations include increasing and maximising ERDF co-financing rates in order to maximise absorption. N+2 problems should be eased by awareness raising among agencies at the start of the programme to find the right balance between programme performance and administrative burden. In Finland, the aim is also to come up with a more simplified approach, although, programme managers note that this is the aim at the start of every programme period while, in practice, things have become increasingly complicated.
4. THE NEXT PROGRAMME PERIOD, 2007-2013

Preparation for the next programme period are taking place without certainty on the size or scope of the budget or its allocation between objectives, Member States and programmes. The following section outlines the current situation concerning the reform debate and the preparation of National Strategic Reference Frameworks.

4.1 The Reform Debate

The basis for the reform debate on EU Cohesion policy are the proposals set out by the European Commission in the Third Cohesion Report and the draft Regulations in 2004. These would change the rationale, thematic focus and implementation procedures of Structural and Cohesion Funds. Eligibility for EU support would change significantly, with a concentration of resources on the countries and regions qualifying for the Convergence objective, transitional provisions for phasing-out and phasing-in regions, and the withdrawal of the explicit designation of Objective 2 areas on the basis of EU-wide criteria in favour of a more thematic approach for the Regional Competitiveness objective.

At the outset of the negotiations, the Commission’s position on financial resources was supported by the Cohesion countries and most of the new Member States, but opposed by some of the richer EU countries. Other Member States held an intermediate position. Negotiations began in September 2004 under the Dutch Presidency which took the novel approach of grouping Member State positions into ‘building blocks’. The outcome of the exercise showed five broad groups of positions, encompassing a wide range of views on the overall budget, the distribution among objectives, the allocation methodology and the provisions for transitional regions.

The Luxembourg Presidency then sought to bring Member State positions together in the form of a comprehensive ‘negotiating box’, first produced in March 2005. In subsequent variants of the negotiating box, the document was progressively refined, taking on board the views of different Member States.

However, the Brussels European Council on 17-18 June 2005 failed to reach agreement and ended with a deep political division among Member States on the future budget, particularly on the issues of the future of the British rebate and the reform of agricultural spending. Nevertheless, in the view of the Luxembourg Presidency, the basis for a future agreement was created at the Brussels meeting along the following lines:

- a budget for commitment appropriations representing 1.056 percent of GNI and 1.0 percent for payment appropriations, figures claimed to have been “universally accepted by all Member States….any future compromise will not differ substantially from this level”;
• maintenance of the British rebate as regards the 15 original Member States, with the UK co-financing Cohesion policy in the new Member States but without contributing to the CAP in these countries; and

• the Commission to prepare a proposal, by the end of 2008, for reforming all aspects of the budget, with the proposal to be examined by the Council and possible modification to the last part of the financial perspectives from 2009.

The UK Presidency is consulting EU partners on the way forward. Ministers and officials are engaged in bilateral consultations with other Member States with a view to exploring the scope for presenting a new negotiating box during the autumn in the hope of a possible agreement by the end of the year.

4.2 Evolution of the financial framework

In the course of the negotiations under the Luxembourg Presidency, the financial framework originally proposed by the Commission was changed significantly. The evolution of the ‘negotiating boxes’ from March to June 2005 shows the progression from a situation of major differences between the Member States on fundamental issues to a workable compromise (with respect to EU Cohesion policy) in terms of the level of proposed spending and the allocation of expenditure (see Table 4). Specifically, several important shifts took place.

(i) Overall EU expenditure was reduced in line with the views of the ‘Group of Six’ to 1.06 percent of EU GNI for commitments appropriations and 1.0 percent for payment appropriations, yet a sizeable Cohesion policy budget was retained. The Commission’s initial proposal\(^\text{13}\) had been for a commitment appropriations budget of some €102.5 billion; by mid-June, this had been negotiated down to around €87 billion. Although the Cohesion budget fell significantly from the Commission’s original proposal, its share in the total actually increased slightly. Major reallocations were made to the proposed allocations for Headings 1a (Competitiveness), 3a/3b (internal policies) and 4 (external policies) in the order of 40-60 percent.

(ii) With respect to Cohesion policy, a larger share of the budget was shifted towards the Convergence objective (this increased from 78 to more than 82 percent), but the overall amount declined by almost €16 billion from the Commission proposals (see Table 4).

(iii) By contrast, the Cohesion Fund and the phasing-in regions both improved their positions in relation to the Commission’s proposals. The Cohesion Fund increased by almost 10 percent (€ 608 million) on the Commission’s proposals and, eventually accounted for 20.5 percent of the Cohesion policy total, compared with 18.4 percent under the Commission proposals. Although in absolute terms smaller, the increase secured for the phasing-in regions is more significant still: the mid-June

figure is almost 20 percent higher than the Commission proposal within the context of a budget that is over 9 percent lower.

(iv) A sizeable budget for Regional Competitiveness and Employment was, however, still secured (albeit less in both absolute and relative terms than proposed by the Commission), with the impact of cutbacks on individual Member States being ameliorated by the application again of a safety net.

(v) Territorial Cooperation was a big loser from the negotiations, with no increase in real terms over the 2000-06 budget and little prospect of being able to fund more ‘strategic projects’ under cross-border and transnational cooperation programmes.

(vi) The specific concerns of individual Member States were addressed by adapting the prosperity-related coefficient, the absorption coefficient, the degressivity of phasing-out/in regions and by increasing the allocations to specific categories of region (OMRs and sparsely-populated areas).

Table 4: Evolution of the Negotiating Box: Cohesion Policy commitments for 2007-2013

<table>
<thead>
<tr>
<th></th>
<th>Commission proposal 12 April 2005</th>
<th>Negotiating Box 17 June 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ m</td>
<td>%</td>
</tr>
<tr>
<td>Convergence</td>
<td>270665</td>
<td>79.3</td>
</tr>
<tr>
<td>Convergence</td>
<td>191111</td>
<td>56.0</td>
</tr>
<tr>
<td>Phasing-out</td>
<td>15706</td>
<td>4.6</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>62748</td>
<td>18.4</td>
</tr>
<tr>
<td>OMR</td>
<td>1100</td>
<td>0.3</td>
</tr>
<tr>
<td>Comp &amp; Emp</td>
<td>56489</td>
<td>16.5</td>
</tr>
<tr>
<td>Phasing-in</td>
<td>8103</td>
<td>2.4</td>
</tr>
<tr>
<td>Other regions</td>
<td>48386</td>
<td>14.2</td>
</tr>
<tr>
<td>Terr regions</td>
<td>14251</td>
<td>4.2</td>
</tr>
<tr>
<td>Cross border</td>
<td>6802</td>
<td>2.0</td>
</tr>
<tr>
<td>Transnational</td>
<td>6802</td>
<td>2.0</td>
</tr>
<tr>
<td>Interregional</td>
<td>647</td>
<td>0.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>341405</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Establishing the implications of the reform debates for the allocation of funding is complicated by the limited information available and the assumptions that have to be made. It is clear that the absorption cap would play an extremely important role, and the use of the Berlin methodology would only apply to the EU15. The share of Cohesion Fund resources as part of overall allocations would increase, and there would be relatively generous provisions for the phasing-out (statistical effect) regions. Subject to the caveats about assumptions, EPRC calculations on the possible allocation of Cohesion policy funding among Member States are shown in Figure 5.
Figure 5: NB6 Proposals for Cohesion policy allocations (2007-13)

Note: Figures are in € m at 2004 prices.
Source: Own calculations.

4.3 The Debate on the New Regulations

In parallel with the debate on the financial perspective, Member States have been discussing the draft Regulations on Structural and Cohesion Funds. Although there is consensus in several areas - notably with respect to the need for simplification and more flexibility - there are some fundamental differences over the ‘strategic approach to cohesion’ in the form of the proposed Community Strategic Guidelines and the National Strategic Reference Frameworks. A range of views has also been expressed on issues under the other titles of programming, effectiveness, financial contribution of the Funds, controls and financial management.

Although the Regulations have yet to be approved, both the Commission and the Member States have begun the preparations for the next programming period. At the start of the year, the Commission identified a list of ‘issues of Community interest’, which were then discussed with Member States and led to Commission proposals for the Community Strategic Guidelines. Notwithstanding concerns about the Guidelines, all Member States are engaged in the process of drafting their National Strategic Reference Frameworks, in some cases with extensive processes of consultation.
From the first drafts of the Frameworks, it appears that Member States are planning closer integration of national and EU strategies and more targeting of resources, especially under the Regional Competitiveness objective. Management of the geographical dimension of EU funding is still an open question and there are differences over how much the Frameworks should focus on the Lisbon agenda. These debates are replicated in the preliminary discussions about the next generation of Operational Programmes.